

# Trends for Wine in Czech Republic

*'Insights and foresights on key European market dynamics'*



Czech Republic is an emerging wine market in Europe. Young urban professionals and economic recovery drive growth in the wine market. This creates opportunities for many different suppliers, including suppliers in developing countries, as long as the products are not too trendy.

## Social market drivers

### ***Wine is increasing in popularity with young urban professionals driving***

***the market growth:*** Although Czech Republic has the highest beer consumption per capita in the world, 150 litres annually, wine is increasing in popularity. During the communist era, wine was scarce in Czech Republic because of closed borders with major European wine producing countries.

However, after the dissolution of the Soviet Union and the entrance of Czech Republic to the European Union, wine availability improved. Between 2008 and 2012, wine consumption increased at an annual rate of 12.4 % per capita and currently, Czechs consume 20 litres of wine per capita. Increase in tourism to wine drinking countries and westernization in the way of living are the main reasons behind this increase in demand. The group of young urban professionals drives most of this increase in consumption. This consumer group has adopted the western lifestyle and associates wine with social events and wellness. Drinking wine has become a fashionable trend. The young urban professional class in Czech Republic is expected to grow and continue to lead market developments in the future. However, it is expected that in the long-term wine consumption will become popular with other consumer groups as well.

In 2018, the Czech wine market is forecast to have a value of \$ 2,490.4 million, an increase of 29.2 % since 2013.

The compound annual growth rate of the market in the period 2013–18 is predicted to be 5.2 %.

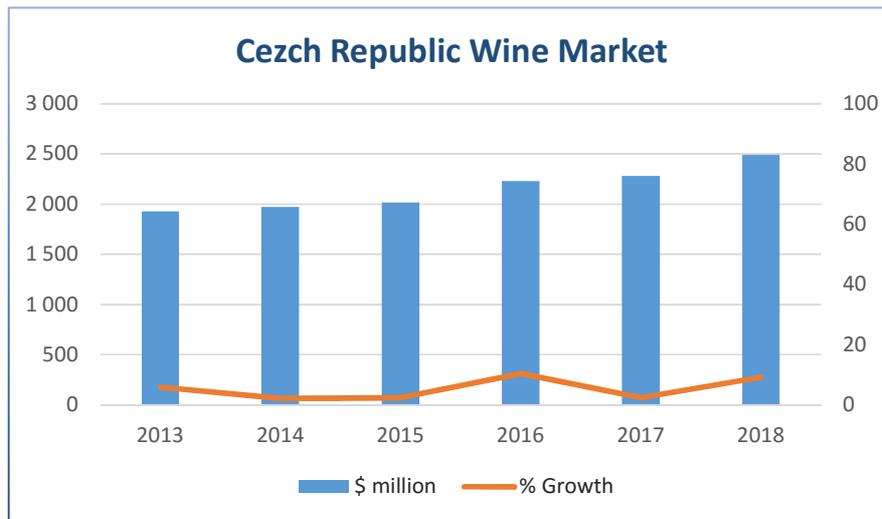
In 2018, the Czech wine market is forecast to have a volume of 308.3 million liters, an increase of 26.1 % since 2013.

The compound annual growth rate of the market in the period 2013–18 is predicted to be 4.7 %.

## Czech Republic wine market value forecast: \$ million, 2013–18

Year	\$ million	CZK million	€ million	% Growth
2013	1,928	37,697	1,452	5,9
2014	1,970	38,515	1,484	2,2
2015	2,018	39,459	1,519	2,4
2016	2,228	43,557	1,678	10,4
2017	2,281	44,594	1,718	2,4
2018	2,490	48,686	1,875	9,2

Source: MARKETLINE



**Source:** MARKETLINE

**IWSP:** Aim for young urban professionals by aligning your marketing strategy to the needs of this consumer group.

**IWSP:** Cooperate with an importer to develop a strong brand, as young urban professionals are relatively sensitive to branding. Importers can provide information on appropriate responses to the needs of these young urban professionals through branding.

The Czech wine market is tending towards concentration. Wine is a highly differentiated product, with variety of brands available in the market, which may be intimidating to some consumers due to the lack of consumer orientation. Some wine producers have begun to introduce brand management and modern merchandising by launching bold brands, label designs and marketing campaigns in order to become more identifiable with the public. Purchasers have a very wide range of wines to choose from with low switching costs. These factors tend to intensify rivalry. Major players may offer premium wines, but much of their business involves mass-market products. This implies high fixed costs, because of the need to operate large winemaking plants. These factors boost rivalry, which is assessed as moderate overall.

**Source:** MARKETLINE

**Diversified origins:** Although Czech Republic imports most of its wine from France and Italy, there is also a substantial size of imports coming from East European countries due to close historic ties. In 2009, 23% of wine imports came from East European countries, while in 2013 this figure had increased to 26%. Major suppliers in Eastern Europe: Slovakia, Hungary, Moldova, Bulgaria and Macedonia. Popular countries of the New World are Argentina, Chile and Australia.

**IWSP:** If you are an East European supplier, benefit from historic ties by referring to these ties in your product's story.

**IWSP:** If you are a Business Support Organisation outside Eastern Europe, use the unique qualities of your country to brand the country and establish it as an interesting origin.

**White and rosé are preferred over red:** White wine is generally more popular than red wine in Czech Republic. However, during 2013, particularly rosé wine increased in popularity. Although domestic production in Czech Republic is mostly focused on white wine, it satisfies less than 50 % of the demand. Red wine is mostly imported. Demand for sparkling wine is also increasing, although still wine is consumed in greater quantities.

**IWSP:** If you supply white wine, you will face most competition from domestic producers.

**Consumers correlate high quality with safety:** Czech consumers show a great interest in high quality wines especially after the tragic incidents of methyl-tainted alcohol which killed almost 50 people in the years 2012 and 2013. High quality alcoholic drinks are perceived to be safer for consumption and so demand for quality wine has increased since then.

**IWSP:** If you aim to export your wine to Czech Republic, it is important to offer products of high purity.

**Draught wine remains popular:** Draught or kegged wine is wine from the tap. This type of packaging wine can be used in restaurants or bars, but also in wine shops. Wine shops in Czech Republic offer a wide range of draught grape wine and are very popular as they offer a good price/quality ratio. These specialty shops offer specialty wine produced either domestically or imported from Hungary, Slovakia and Moldavia. Draught wine is considered to be eco-friendly as it reduces packaging and the kegs can be reusable or recyclable. Moreover, wine on tap is economical as it can reduce transport costs for imported wine.

**IWSP:** If you have difficulties establishing a name for your own, you could supply bulk wine in shops that can then sell it as wine from the tap, but be aware, the ministry plans to forbid foreign wines in trading units higher than 2 ltr from 2016 to avoid illegal alcohol in the Czech wine market – more to read at page 3.

## Technological market drivers

**Following innovation trends:** Developments in the Czech market generally follow developments in West-European markets. However, there is a time lag between developments in Czech Republic and developments in the latter region. For example, screw caps are not yet widely accepted in Czech Republic, whereas other European countries have already adopted screw caps on a large scale. In Czech Republic, screw caps are still associated with cheaper alcoholic beverages (e.g. vodka) and therefore not preferred by most Czech consumers of wine. Traditional corked bottles remain most common in the next few years. Nevertheless, in the long-term, screw caps are expected to enter the Czech market too. Fashion trends, such as many aromatic wines and wine cocktails, are not expected to have a significant effect on the Czech market yet. The time lag and the small size of the market prevent the rapid adoption of new products. Therefore, wine drinks in cans or PET bottles remain absent. Until now, the bag-in-box concept has only had some success in the on-trade.

**IWSP:** Use traditional packaging (i.e. classic bottle, labelling and cork) for promotion as they are preferred by the Czech consumer.

**IWSP:** Supply traditional corked wine bottles or strongly promote the benefits of the screw caps to the off-trade.

**IWSP:** Look for trends in Western Europe market: it will provide you a preview of new trends that might be adopted by the Czech wine market.

## Economic market drivers

### **Impact from the economic crisis and long-term economic development:**

The wine market was negatively affected by the financial crisis in 2008 mostly due to the decreased purchasing power of Czech consumers. During economic adversity, consumers' demand for luxury goods such as wine decreases. However, as Czech Republic is recovering from the financial crisis, wine sales have started picking up again. Business Monitor International has predicted that the Czech economy will start growing beginning of 2015 and nominal GDP will increase from US\$181bn in 2014 to US\$258bn in 2018. BMI has also predicted that the household income will increase more than 28% throughout the course of the five-year projection period from US\$17,092 in 2014 to US\$23,960 in 2018. This will increase consumers' spending power which can expand the demand in the wine market. Moreover, the overall population size of the country is forecasted to increase at a modest 0.3% per year from 2015-2018, creating growth in the market size as well as the per-capita buying power. Euromonitor has

predicted that total volume sales of wine will rise at a 1% compound annual growth rate. There is a lot of potential for development in the wine market, as demand for wine has not been yet saturated.

**IWSP:** The positive economic prospects for Czech Republic increase the feasibility of market entry for exporters from developing countries.

### GDP of Czech Republic

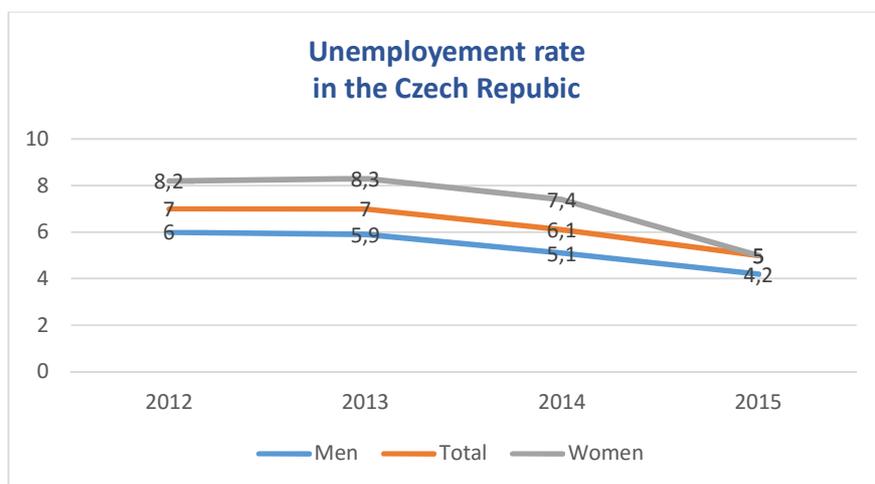
(mil. CZK)

2008	4 015 346
2009	3 921 827
2010	3 953 651
2011	4 033 755
2012	4 059 912
2013	4 098 128
2014	4 313 789
2015	4 554 615

Source: ČSÚ

### Unemployment

Unemployment Rate in Czech Republic decreased to 5,20 % in June from 5.40 % in May of 2016. It was the fifth straight month of decrease in jobless rate, reaching the lowest level since January of 2009. There were 384,328 unemployed persons, 10,461 less than in May. The number of job vacancies increased by 4,885 to 133,939. Unemployment Rate in Czech Republic averaged 5,62 % from 1990 until 2016, reaching an all time high of 9,69 % in January of 2004 and a record low of 0,09 % in February of 1990.



Source: ČSÚ

### Environmental market drivers

#### **Organic wines and organic products are becoming popular:**

Organic wine is a relative new concept in the Czech market. Consumers can find organic wines in the supermarkets, in specialized organic food stores or in specialized wine shops. But the market for organic wines grow faster as the one for food and the Czech's young and urban people wish to consume higher quality of wine as the organic wines seems to give security to those consumers.

**IWSP:** If you wish to export organic wine ensure that the product is not of lower quality. Consumers do not accept organic wines of a lower quality than conventional wines at the same price point.

## Political market drivers

**Counterfeiting problems:** When trading with the Czech Republic, it is important to offer licensed products of high purity. Methanol-laced bootleg liquor killed almost 50 people in the Czech Republic in 2012 and 2013. The Czech Grape and Wine Producers Association warned that there is a lot of illegal alcohol in the Czech wine market as well. According to the association a fifth of the wine sold in the Czech Republic is unlicensed and may have been adulterated. That is why the Ministry of Agriculture wants to tighten supervision of all wine produced domestically or imported. At the same time the Ministry is preparing stricter penalties and better cooperation between customs and the State Agricultural and Food Inspection Authority.

**IWSP:** Imported brands can benefit from the tragic incident involving methyltainted alcohol by offering licensed products of high purity.

**Excise taxes:** Low excise taxes on wine can allow for a lower price in the market which can increase demand for wines. In contrast to many other European countries, Czech Republic imposes no excise duty tax on still wine. However, excise duty on sparkling wine is 84.97€ per hectolitre. Excise taxes aim to reduce alcohol consumption.

**IWSP:** Benefit from the absence of excise duties when supplying still wine to Czech Republic.

**Promotion of alcoholic beverages is not restricted:** Although in some EU countries, alcohol promotion is heavily regulated, promotion of wine is relatively easy in Czech Republic, as it has limited restrictions and allows promoting and advertising alcoholic beverages in all media types. Spirits promotion is focused on advertisements in the most popular television channels. Wine promotion is mostly centred around special tastings and press. Most wine is consumed in the capital, and consequently most promotional activities take place in Prague. The 5 million international tourists which visit Prague annually also stimulate wine consumption, as many of them bring their wine drinking culture to the Czech capital.

**IWSP:** Local media channels in Prague could potentially be a good starting point to introduce your wine.

**IWSP:** Find an importer who is interested in organising wine tastings and other types of promotion. Small importers are usually more interested in this than big wine importers who tend to put more effort in promoting big brands instead of new brands.