

SCANDINAVIA'S OPEN WINE MARKET

Denmark, the world's oldest kingdom, is a highly competitive market, where wines are sold at low prices by three big chains plus hundreds of boutique importers. Together the big and small operators have formed a structure that has created a large, but extremely price sensitive market for wine, explains Elsebeth Lohfert.

When Gerard Salmon came to Copenhagen in 1971 to open an office for Sopexa, Danish wine consumption was around three litres per head and drinking habits traditional: beer, aquavit, sherry and port. The wines sold were mostly inexpensive Portuguese and Spanish, while French wines were unknown to the wider public. Only fine Bordeaux Châteaux, Chateaufeuf du Pape, and Mâcon were well known – and expensive.

A booming economy changed all that. When Salmon left in 1978, wine consumption had reached 13 litres per head and French wine represented 60% of the market's volume and 80% of its value. Wine was, as Salmon says, "becoming a trendy product and the gastronomy in restaurant and at home were accomplishing a revolution."

Within four years, French wine had 62% market share by volume. Wine consumption grew at a frenetic pace with the introduction of New World products and better Italian and Spanish wines. By 2005, the International Wine and Spirits Record listed Denmark as the seventh biggest wine drinking country (France being number one, followed by Italy, Switzerland, Portugal and Austria), consuming 37.88 litres per adult of drinking age.

According to Statistisk Årbog 2007, a Danish family with two adults under the age of 60 will spend €490 (\$625) a year on wine. They will spend half as much, or €227 on beer, and only €134 on spirits, out of a total €5,867 (\$7,983) spent on food and drink.

This partly explains why the supermarket chains send out leaflets (tilbud-

saver) with special wine offers that Danes receive in their mailbox every week. Many fine wine stores and chains do the same, though less regularly. The popularity of wine is such that you can buy it everywhere, from petrol stations to bakers and florists.

1 Benchmark Data	www.dk
Inhabitants:	5,447,84m
Currency:	DKK (\$0.18/€0.13)
Per head wine consumption:	30.9 litres
Total wine consumption:	199.5m litres
Wine distributors (as July 07):	1,533
Grocery-multiple outlets:	3,174
Bottle tax:	DKK 1.60
Excise:	DKK 4.61 (0.75 cl)
VAT:	25%



And almost all publications have a wine column, plus there are food and wine magazines.

The wine importers

In July 2007, the Danish tax authorities had registered 1,533 wine importers. Of these, the three biggest multiples (or supermarket chains) – COOP, Dansk Supermarked and SuperGros – are estimated to be responsible

for more than 80% of total imports and sales. As a consequence, Denmark is a very tough and price sensitive market.

One positive effect of having three big players able to offer so many attractive wine deals to the market is that it's democratising wine drinking. Today, there is hardly a Danish household that does not put a bottle of wine on the table.

Despite the dominance of the three big multiples, Denmark also holds the record for the highest number of wine importers per head. This is due to a whole army of small, part-time importers (schoolteachers and so on) who bring in wines from small producers. These are mainly of European origin, accessible by car. The result is a diversified wine market where you can get almost anything, from expensive cult wines to the cheapest €4 wine in the supermarket. Red wine is still preferred, being 75% of the market, compared with 25% for white and rosé.

The big three: COOP

COOP is Denmark's biggest wine retailer and distributor, with a market share that's close to 40%. Erik Larsen is head of the wine department, where he and three others buy wine for a total of 821 COOP shops. When Larsen took over the department in 1995, he reduced the number of suppliers by 50%, to reach his goal of being the most important buyer with a majority of his suppliers. Today COOP is the biggest importer of Chilean wine, for example, after more than 20 suppliers were reduced to two, Concha Y Toro and R&Wine.

The total number of suppliers is now 120, with the 25 biggest being responsible for 75% of the total volume.

QUOTE UNQUOTE

»» The most important marketing tool for us is the leaflet (tilbudssaviser) that we send out every week to the consumer. ««



Erik Larsen, category group manager for Coop, Denmark's biggest wine importer. He explains that direct marketing to consumers is more important than exposure in the press.

QUOTE UNQUOTE

»» Big successful marketing campaigns for a wine region can be completely wasted if prices go up too much the following year. ««



Kristian Andreasen, division manager, wine and spirits for Super Gros, Denmark's third biggest wine importer. He says the Danish wine market is extremely sensitive to price.

After more than 50 years of steady growth in the Danish consumption of wine, the turn of the new millennium was characterised by a market that remained stable and flat.

"This has now changed," says Larsen "and we see an increase again and also a willingness to pay more for a bottle of wine." As a result, COOP is dropping some of its cheaper wines. "The Danish consumer," Larsen continues, "has become more aware of what they want and are more differentiated in their choice and we see an increase in sales of rosé, white wine and sparkling."

He says that bag-in-box sales have risen from 2% just five years ago, to almost 20% today and adds that one in five glasses of wine sold by COOP comes out of a bag-in-box. COOP's most important marketing tool is the leaflet, sent out to all households every week. These leaflet mentions and special offers can control and build a brand within six months to a year, in co-operation with suppliers like Spier Wine and Concha y Toro. "It is a low price strategy we prefer, rather than marketing in the traditional sense," says Larsen, adding that between 70-80% of COOP's wine is sold as special offers: four bottles for DKK100 (\$18.27/€13.43), six for DKK150 and, increasingly, six bottles for DKK200, DKK250 or DKK300.

COOP's five biggest red brands by volume are: Savanha, Hardy VR, Sunrise, Madax Premium, Atacama, and Ripasso from Valpantena. The turnover by value shows France is number one at 21%, though this has been on the decline for some years. Spain is number two with

14%, though this is also decreasing markedly, while number three Italy is increasing moderately, with 12.5% market share. Number five Chile, at 12%, is stagnating, as is number six Australia, at 9%. Argentina at number seven, however, is leaping ahead, partly due to the success of Argento and Santa Ana. Wines from California and the US in general are at a critical moment; sales are in decline, as the wines cannot compete, either on style or on price.

COOP's buying strategy is to be a big, or the biggest, buyer, with only a few suppliers. Loyalty is important and this can be developed over time with a supplier if you're big. There are between 300-400 wines in COOP's portfolio, representing "a broad and not deep assortment," as Erik Larsen puts it, saying that "it is important to have a little from everywhere rather than many varieties of each".

In 2001 COOP began selling wine on the Internet, including the chance to buy a monthly case of assorted wines.

Number two: Dansk Supermarked

Denmark's second biggest multiple is Dansk Supermarked. The wine division is run by Henrik Dahlgaard, responsible for buying the wines sold in 464 shops, divided into three chains; Føtex (77 shops) Bilka (14 big warehouses) and Netto (371 shops). According to Dahlgaard, the total represents around one third of wines bought in Denmark.

Dahlgaard says that producers with a long term commitment and a strategic relationship with one of the three big retailers seem to be successful in Den-

mark. Producers who combine their long term relationship with a brand building approach are the most successful. "For instance we don't see any marketing done by regions or countries that makes a difference to sales," he says. "What we do see are investments by big suppliers for brand building that help them to build their brand and gain consumer knowledge. They are rewarded with growing sales figures."

Dahlgaard adds there is no question that price has a dramatic influence on volumes. Apart from a limited range of discount wines, there are no sales at shelf price. Price segments, therefore, relate to promotion prices. The biggest segment for volume is the three bottles for DKK100. Following this is the DKK35, which represents approximately 20% of the volume of the three for 100 segment. The volumes of DKK50 and above wines are negligible.

"Outside of Copenhagen, our major markets are the bigger cities," says Dahlgaard, "whereas there is almost no market in Jutland, close to the border to Germany. In the countryside there is almost no market for value wines. The value wines are sold only in decent numbers around the big cities."

He suggests that wine critics have little impact on sales. "Some years ago there was some impact from good press," he says. "But today there are so many press ratings that we no longer detect any significant influence for sales volumes." According to Dahlgaard, most wine writing in Denmark consists of bare ratings, with only a few in-depth articles about wineries and wine regions. There

MARKET WATCH

are few, if any, articles aimed at educating the consumer or stimulating their interest in wine. "The model of 'naked' press ratings seem to have been used too much so that consumers now are immune to this," he says.

Number three: SuperGros

SuperGros a/s is Denmark's third biggest wine importer and distributor, being the joint buyer for the three big supermarket chains of SuperBest, SPAR and ALTA Discount. Between them they have a total of 800 'frie sektor', or independent, stores. SuperGros is also a major supplier of wine to the convenience market, which represents around 50% of the market and includes the chains of Shell, Statoil, DSB, DK Nærkøb, Nærkøb, Letkøb, or 2,500 stores in total.

Kristian Andreassen, SuperGros's division manager for Wine & Spirits, says that wine producers who are successful in Denmark are those who gain an understanding of how it works. Unlike the British market, for instance, the Danish is very polarised. The big global companies and producers have, by and large, given exclusive brand rights to one of the three multiples, COOP, Dansk Supermarked or SuperGros. For instance Gallo, Wolf Blass Eaglehawk, Yellow Tail and Cono Sur are exclusive to SuperGros; Hardys, Casillero del Diablo and Argento belong to COOP; and Banrock

QUOTE UNQUOTE

»If you want to be successful on the Danish market you need to get as broad as possible a distribution platform. Have your wine in both ontrade and offtrade and in several of the dominant supermarket chains.«



Mads Stensgaard, vice president, V&S Wine Denmark. V&S Wine is a division of V&S Group, a Swedish-based global wine and spirits company and the biggest producer and distributor in northern Europe.

Station, Lindemans, Drosty Hof and Woodbridge to Dansk Supermarked.

Producers must also have a long term and stable price strategy. It is not possible to introduce a new label at a very low price and then raise the price dramatically the year after, because the Danish wine market is very price sensitive. In general there are three price segments: wines sold on offer for less than DKK25, three bottles for DKK100, and one bottle sold for under DKK50. The bag-in-box is also popular and sold for a maximum of DKK100 per three litres.

"If a label does not keep the same price for a longer period of time you can be sure to see a decrease in turnover – and very often a rather dramatic fall," says Kristian Andreassen. "For instance, some Italian labels have witnessed a great increase in turnover the last cou-

ple of years, due to attractive prices from Piemonte and Veneto that are now challenged by an increase in demand, a decrease in supply and considerable higher price levels. At Super Gros, Italy and Australia currently have the biggest growth rates and then we, of course, also sell much more bag-in-box."

Meet the Danish wine lover

The habits of the Danish wine consumer are first of all influenced by the three big multiples and their chains of shops, which constantly make special wine offers. When it comes to marketing, Sopexa is the only organisation in Denmark which has successfully worked with the wine business to promote French districts and regions. Andreassen stresses that whether marketing is successful or not stands or falls on pric-

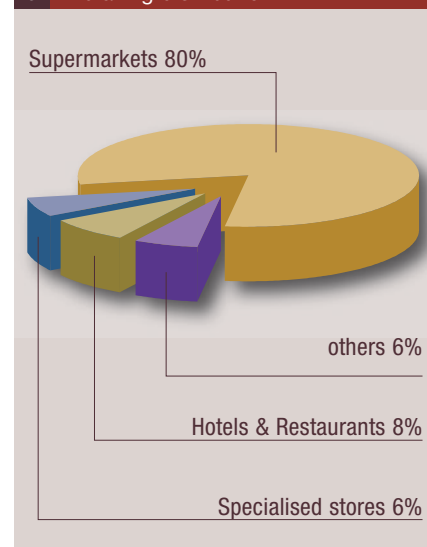
2 Market share for imported still wine*

	1995		2000		2005		2006	
	Volume	%	Volume	%	Volume	%	Volume	%
France	69.9	44.6	41.2	39.2	41.4	21.2	41.5	20.8
Italy	19.0	10.3	25.8	10.9	26.7	13.3	29.7	14.9
Chile	13.7	3.3	25.8	7.9	25.8	15.9	25.7	12.9
Spain	36.6	16.3	28.5	30.0	25.5	14.7	25.5	12.8
Australia	3.7	1.6	18.2	2.1	21.0	9.4	21.1	10.6
Germany	11.1	10.2	9.7	6.4	12.3	5.0	12.4	6.2
South Africa	5.0	1.6	9.7	2.9	11.9	5.0	12.0	6.0
Argentina	1.7	0.2	7.6	2.9	8.9	3.9	9.0	4.5
USA	3.8	4.2	7.9	2.2	8.5	4.1	8.6	4.3
Portugal	3.7	4.5	3.0	2.1	3.0	1.6	2.8	1.4

Table 2: From 2005 to 2006, total imports of wine to Denmark rose by 2.8% from 193.77 to 199.45m litres. This figure includes 39m litres bottled in Denmark and re-exported to other countries, like Sweden. This, plus an increase in bag-in-box sales explains why the percentage of bulk wine is so high, to 41.2% in 2006.

*Figures in millions of litres

3 Retailing distribution



ing. “Big successful marketing campaigns for a wine region can be completely wasted if prices go up too much the following year.”

Cross-border buying is another factor influencing the Danish wine trade. To chase lower taxes, Danes will cross the German border to buy cheaper wine, beer and spirits. “This we can see in the amount of wine we sell in our shops,” Andreasen explains. “For instance, if we compare a shop on Fyn and Sjælland (outside Copenhagen) with a shop in Copenhagen and the northern part of Sjælland (the wealthy suburbs of Copenhagen), they are selling twice the amount of wine, whereas a shop in Jylland (closest to the German border) is only selling half as much.”

Mads Stensgaard is vice president of V&S Wine Denmark, which is active in all segments of the Danish market. He says the wine trade has been very focused on communication with the elite, overestimating the knowledge of the typical Danish consumer. He thinks brands are a good idea, because there are so many wines to choose between. “Brands that are, for instance, also sold in restaurants, so the consumer can recognise it from the supermarket,” he says.

This is seldom seen, because restaurants do not want to offer wines that are also sold in retail, as they demand between three and seven times the

price for it. This makes wine in restaurants very expensive in general. Stensgaard also reveals that V&S Wine’s 2007 awareness survey to uncover consumers’ spontaneous awareness found the following:

1. Merlot 18%
2. Rioja 17%
3. Amarone 17%
4. Barolo 16%
5. Masi 6%
6. Mouton Cadet 3%
7. Torres 3%

V&S Wine also did another interesting survey with The Nielsen Company. Lotte Ensig, V&S Wine’s trading manager explains the survey shows that most consumers find it rather difficult to select a wine and that 75% will buy a wine they’re already familiar with, rather than try something new.

The survey also identified four categories of consumers, relating to their knowledge of wine and how they navigated the supermarket’s wine section. The first consumer is the Camp Follower, who buys well-known and trendy looking wines like Amarone, Shiraz or Chile, so as to be fashionable. The Taste Hunter, on the other hand, seeks classic and well-known wines like Rioja, Chianti or Côtes du Rhône, looking for a wine they will like for a good price. The Uncertain consumer tries to buy security by buying wines that are a little more expensive,

like Mouton Cadet, Chablis or Chateaufeuf-du-Pape. The Schooled consumer, by contrast, likes to be challenged and find new wines that are good buys.

Consumers in the future

Peter Schalz is the chairman of VSOD, the Wine and Spirit Organisation in Denmark, as well as being the owner and managing director of Østjysk Vinforsyning and VINOBLE, a chain of 32 national fine wine stores. His activities cover three segments of the Danish market: Horeca, which has about 500-600 restaurants and hotels, the chain of VINOBLE fine wine stores and business to business, companies that use wine for gifts and representations.

Schalz explains that from the 1940s to the 1960s, a store that sold wine also typically sold newspapers, schnapps, tobacco and so on. Today, all these are sold by the supermarkets. A new type of specialist wine store has appeared, that as well as selling much better and finer wine, also sells gastronomic products of high quality, like olive oil, olives, pasta, chocolate and cheese.

He argues the Danish market has two main categories of consumers: the first is the majority, which represents 70% of the market, for whom a wine is just a wine and nothing else. The second group of consumer cares about what they eat and drink, and is interested to know about wine. They are not willing to spend whatever it takes, but are interested enough to spend more on wine, especially if it appears to be a good offer. The grey group in the middle is shrinking, which seems to him to be a natural development: “we see the same attitude and buying patterns for beer and foods”.

As chairman of VSOD Peter Schalz is also fighting the heavy Danish taxation on wine, one of the highest in the world. So far, the political lobbying has achieved very little. France continues to have the biggest market share in Denmark, just as it did in 1972 when Gerard Salmon first appeared on the scene, although considerably diminished. Today, Salmon has retired, but his work of the 1970s has changed the face of the Danish wine market forever. ■

4 Largest Danish wine companies

Rank	Company
1	COOP
2	Dansk Supermarked
3	Super Gros
4	V&S Wine
5	Taster Wine
6	Amka
7	Chris Wine
8	Østjysk Vinforsyning
9	H.J.Hansen
10	Sigurd Müller
11	Philipson Wine

5 Top six wines by volume

Wine	Producer	Country of origin
Banrock Station	Constellation	Australia
Lindemans	Foster's Group	Australia, Chile South Africa
Nugan Estate	Nugan Estate	Australia
Hardys	Constellation	Australia
Sunrise	Concha y Toro	Chile
Chill Out	V&S Brand	USA, South Africa, Chile

As well as the big international value brands, home brands like V&S's Chill Out bag-in-box are also popular.