

# The German wine market in 2020: between digital transformation and off-trade

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Despite the difficulties in the horeca channel, Germany confirmed itself as **one of the European countries with the highest consumption of wine** even during the year of the

pandemic. But if the wine market continues to be strongly active and linked to the consumption of Italian wines, it is also necessary to pay more attention to consumers' interests dictated by a **huge regionalized diversification of consumption**.

This was also confirmed by the **MW Alison Flemming**, WSET graduate, Export Sales Manager and market expert.

### **How has the market responded during lockdown months?**

The Germans love wine (drinking c. 24 ltrs per head per annum) and have continued to buy wine all the way through lockdown (**increase of 4.8%** vs l/y, 31/7/2020 Deutscher Weinbauverband). However, what **has changed is where wine is purchased** as the hotel and restaurant trade has reduced by about 90% with many restaurants closing completely (perhaps never to re-open?). Even where restaurants are offering take-away meals, wine is often not part of this (a missed opportunity!). At the other extreme of the scale, the off trade, traditionally in any case the lion's share of the wine market (79% of the total market, of which discounters are 50%, GfK), has performed well in 2020 vs 2019 (volume +6%, value +8%, German Wine Institute) as they have been some of the few shops which have remained open throughout the pandemic.

### **Were new sales channels created?**

**Online sales** were already a small part of overall wine sales, probably around 6%, but this seems to have increased to 9%. Key players include Hawesko, Belvini, Vicampo, WirWinzer and Lobenbergs Gute Weine. Specialist off licence chains like Jacques Wein Depot also offer on-line shopping and major supermarket group Rewe has its own on-line platform, Weinfreunde. According to the ProWein Business Report 2020 every 10th specialist wine shop opened a new online shop in 2020 and wine estates are also getting in on the act, with

every 4th estate opening an online shop.

### **What sort of wines sold best during lockdown and through which channel?**

**The Deutscher Weinbauverband** reports that the **market share for German wines in the off trade has increased to 47%**, whilst overall, imported wines lost 5.9% in volume. Italy lost 9% volume but increased value by 2.6% showing that there is a definite move towards more premium wines as a „treat“ as eating in restaurants is not possible, or to accompany a restaurant „take-away“. Sales of red wines remained unchanged at 42%, whilst rosé wines increased to 12%, reducing white wine share to 46%. Organic wines of all colours now represent 3% of all sales, increasing by 0.5%, a small increase but one which reflects the renewed interest in sustainability and environmental issues. Pinot Grigio/Grauburgunder together represent the 2nd most favourite white grape variety after Riesling and Primitivo is the 4th favourite red variety after Dornfelder, Merlot and Pinot Noir.

The larger German producers, especially those with a high domestic market presence, performed very well. Reh Kendermann, the largest wine producer in Rheinhessen, with probably the highest percentage of exports at 45%, saw double digit growth in 2020, which has continued in 2021. Wine estates have had more mixed fortunes. Some estates, like Hirsch in Württemberg with 45 hectares, have not had an easy ride because of their dependency on the on trade, despite positive consumer sales, but other estates, like Weingut Hofmann in Rheinhessen, have managed to make up their on-trade deficit with higher direct-to-consumer and off trade sales via on-line platforms and exports.

### **Is the market recovering now?**

The German market is **not that dependent on tourism** (although

there has been a slight increase in domestic tourism when not in strict lockdown) **or exports** (only about one third of German wine production is exported) and hence has suffered less than other wine-producing countries like France, Italy and Spain.

### **What are the positive signs in the market?**

The **digital transformation** is allowing producers and wine estates to get close to their consumers. Every 4th wine estate is now offering on-line tastings „direct to consumer“ and specialist off-licences are also using either tastings at a fixed date and time or livestream tastings to reach a new audience. For example, two sisters running the company „Wein-Moment“ carried out 170 tastings in 2020 and journalist and moderator Felix Bodman has his own web wine school with the wine being sent from partner specialist operator Lobenbergs. The expectation is that such activity will continue after the pandemic.

### **What would you advise to Italian producers to do in order to keep their place in the market and to find representation in the market?**

The Germans love the Italian „*dolce vita*“ and Italian cuisine. Hence **Italian producers are in a much more favoured position than their European cousins** and certainly have a huge market share compared with the new world, which is tiny in Germany. The market remains price-sensitive and so price stability is important even though many raw material prices are increasing. It is also important to „tell the story“ and today social media channels offer a unique opportunity to do this. There are also certain trends which are working well such as the love of high alcohol, rich, ripe and fruity reds (appassimento style), organic, rosé and aromatic wines, which Italy is, on the whole, well placed to deliver. **It has to be remembered that Germany is a highly regionalised market** so that representation should be sought north and south, east and

west but that on-line also offers a solution which is not geographically restricted.