



A LOOK AT THE DANISH MARKET

Heavy tax rises, coupled with the aftermath of the global financial crisis, has caused the Danish market to fragment, says Elsebeth Lohfert. Consumers are more wary of experimentation and are no longer willing to pay such high prices.

The 15th of September 2011 was a black day for Fritz Paustian, CEO and owner of Taster Wine A/S, the fourth biggest wine company in Denmark. The “socialists,” as he calls them, won the election and this was, he assumed, a bad omen for the Danish wine trade. What he had predicted happened. Less than half a year later, the new government implemented what was to become a 40% tax increase per bottle of wine.

“This was the work of the unions and the Danish brewery lobby who got lower taxes on beer instead,” Paustian argued. After 45 years in the trade he witnessed a shocking fall in sales of 16% during 2012 and what is estimated to be a 25% rise in the border trade. “It is a tough market, more challenging than ever. You are no longer competing only with your Danish colleagues, but also Dutch and German companies,” he said. Together with his brother, Ole Paustian, he owns a family

DENMARK AT A GLANCE

In 2012, Danish wine imports amounted to 172.6m L, 60% of which came from Italy, France, Spain and Chile. Two-thirds of that was red, with Italian red wine being most popular, while one-third of all white wine came from Chile. Bulk wine represents 41.6%, or 71.8m L, according to figures from Dansk Erhverv, VSOD & Danmarks Statistik.

business that's active in all segments of the industry: HoReCa, specialist stores, bottling, and border trade.

Best in Europe

By October 2013, the Danish tax authorities had registered 1,720 wine importers. Of these, the three biggest multiples - Coop, Dansk Supermarked and SuperGros - are responsible for an estimated 83% of total sales.

Despite the dominance of the three big multiples, Denmark holds the record for the highest number of wine importers per head, due to the large number of small, tiny and part-time importers who bring in wines from all over. The result is a diversified wine market where you can get everything, from the most expensive and rare cult wines, to trendy 'natural wines', to ordinary cheap, well-made wines.

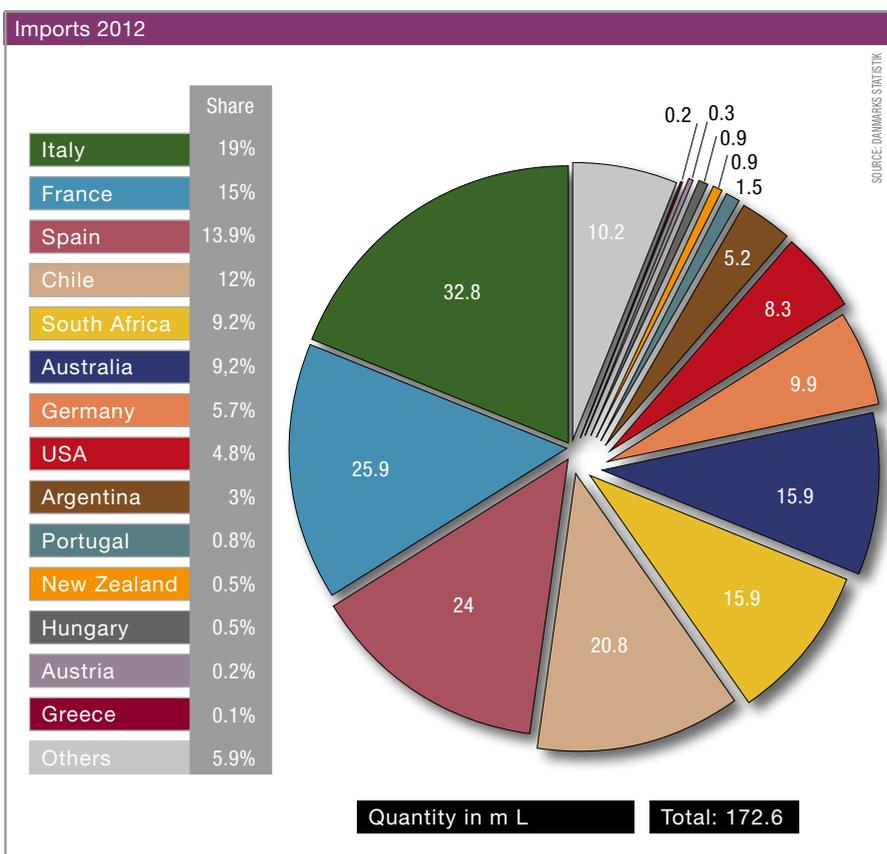
"The Danish market is super dynamic,"



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Jon Arvid Rosengren,
Wine director, Copenhagen Concepts, and Best Sommelier of Europe 2013

says Jon Arvid Rosengren. Swedish born Rosengren is wine director at Copenhagen Concepts Restaurant Group, the parent company behind the successful restaurants Mash, Le sommelier, Umami and UmamiGo. This year, he became the 2013 Best Sommelier in Europe, awarded in San Remo, Italy. "For our wine lists," he continues, "we have access to such a great variety of wines, especially compared to our Scandinavian colleagues. We have a free market and conditions very much like Belgium and England."

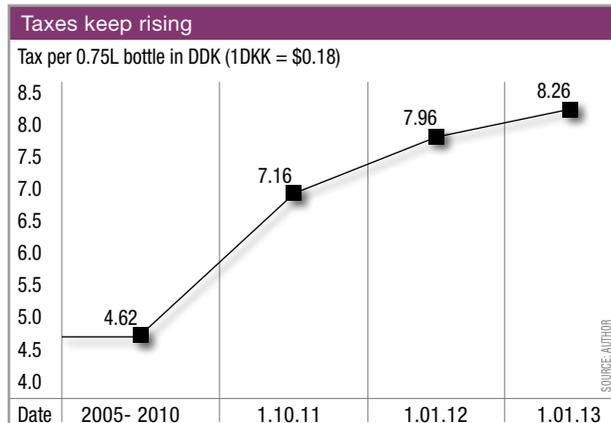


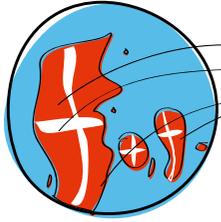
What has also characterised the Danish wine scene at the restaurant level the last couple of years is a discussion about the more or less outstanding qualities of 'natural wine'. Serving natural wine has been a trend led by leading Nordic-cuisine restaurants in Copenhagen like Noma, Geranium, Relæ and new Amass. "Unfortunately," says Rosengren, it has led to "a polemic polarisation for and against - and an almost hostile atmosphere. Quite unnecessary."

Fiscal afterwaves

The wine division of Denmark's second-biggest multiple, Dansk Supermarked, is run by Henrik Dahlgaard. He is responsible for buying the wines sold in 430 shops, divided into three chains: Føtex (85 shops), Bilka (16 big warehouses), and Netto (430 shops). According to Dahlgaard, this adds up to a total of 23% of the wines sold in Denmark. Entry-level wines and wines just above entry-

level dominate sales, with more than 25% sold as as Bag-in-Boxes (BIBs). Most popular are the fruity New World wines. South Africa and Australia are winners in this category, with Chile and Argentina stagnating. "Denmark is a mature market," Dahlgaard continues, "so volume-wise, increase is difficult". He says that if you look at the last 10 years, you have to distinguish between the periods before and after the fiscal crisis. "In the years before, there was a 'trade up' and an enhanced focus on quality." Post-crisis and in light of increased wine taxes, "price and offer has again become a crucial parameter for the consumer."





Flaskeposten has gathered wine importers from all over the country in one place.



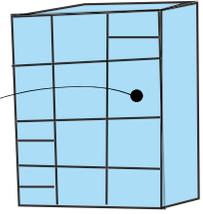
We only sell the 10 best wines from each importer.



Packed in our smart 6-bottle boxes.



Delivered **FREE** of charge to your Swipbox
Receive a text message/e-mail and pick up the wine at your local supermarket.



Flaskeposten advertising explaining how the system works.

Dahlgaard says this is forcing them to focus on making excellent offers, while also working hard to attract the high-end segment.

Karsten Søndergaard, CEO and owner of Amka, one of the most significant importers of wine into Denmark, says that most wine is sold in the price bracket between 30.00DKK to 40.00DKK (\$5.40 to \$7.20), with preferred countries being Italy, France, Spain, Chile and South Africa. "The fiscal crisis has made it difficult to sell wine from 80.00DKK to 100DKK in the supermarkets. Increased taxes has also meant a fall back in sales and more people crossing the border to Germany to buy their wine there. A successful BIB segment has lowered the average bottle-price and diminished the choice of quality wines."

Erling Søgaard Jørgensen, CEO at H.J. Hansen, gives the view from the HoReCa and specialist shop segment: "Until 2011, the average price level for a bottle of wine was 31.00DKK. After the new government's

rise in taxes, it is my guess that the average price is 35.00DKK or maybe even higher. In our specialist stores focus is on the price segment 60.00 to 100.00DKK." He says the expensive wines sold before the fiscal crisis are now difficult to sell, with the customer now focused on 'security': "If they buy expensive wines, it has to be well known French or Italian labels." His view is that the coming years will only see a small growth in imports. "Italy and France have for many years been dueling about the biggest market share on the Danish market. In litres, the Italians are now ahead, but if you look at value they are very close to each other. In the long run Italy, France, Spain and Chile (60%) will undoubtedly continue their dominance."

Old-time revival

History has its own momentum at Kjær & Sommerfeldt, Copenhagen's oldest wine shop. Here is where the Danish court, the nobility and physicist Niels Bohr came to buy Bordeaux wine, stored and bottled in the cellars below. Everything is still there, now restored by the new owners, who recently celebrated their five-year takeover of the company. Denmark's traditional wine companies fell on hard times in the 1970s, and most of them were bought by big companies. From 1973 to 2008, Kjær & Sommerfeldt was owned by Danish Carlsberg, Finnish Marli Group and Swedish V&S. Then in 2008, Mads Stensgaard, CEO of V&S Wine Denmark, made a management buyout, along with two external investors and key employees. Kjær & Sommerfeldt again became a privately owned company specialising in HoReCa and business-to-business sales.

According to Stensgaard, the market is becoming more fragmented: "In the commercial segment, fruity wines with a little sweetness are popular. At the other end, we see an increase in the demand for wines that are distinct, faithful to their region and appellation.

After some years with a focus on New World wines, the Danish consumer is returning to Europe and there is an increasing demand for the wine from Northern Italy, Spain and France - especially the southern part."

Stensgaard says there is an increase in wine supply at the same time that Denmark is experiencing a stagnation in consumption. "There is still a great consumer interest for wine and many have become educated drinkers the last 10 years. In the same period the market has become more fragmented." On the one hand is the price-driven consumer, on the other the consumer who is increasingly seeking the unique.

Amazon perspectives?

Moving bottles and not bulk is the idea behind Flaskeposten.dk, just launched by Rasmus Visby, whose background is in IT. Visby wants to create what he calls "amazon.com, but only for wine". His idea is to make wines available to customers across the country from one online shop, in which all importers can sell their wine - but only the 10 best wines from each importer. A crucial part of the concept is that the delivery is free of charge, made possible by the SwipBox system. The SwipBox is located in supermarkets all over Denmark and consists of self-service machines with boxes containing electronically controlled doors. After purchasing the wine the customer receives a code to the door in which the wine is delivered. "You can then pick up the wine when you are shopping anyway and within the opening hours of the supermarket. Easy and convenient," says Visby. "Denmark has more than 1,500 wine importers, most of whom are small and run by committed people. They often import excellent wines, which are however in many cases only available from the importer's private address." This means it's difficult for customers who live far from the importer to buy the wines. ■



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