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Internationale Fachmesse
Weine und Spirituosen

Hochschule Geisenheim University

PROWEIN BUSINESS REPORT 2020 "THE EFFECTS OF COVID-19"

Prof. Dr. Simone Loose, Dr. Signe Nelgen
Geisenheim University, Institute of Wine and Beverage Business Research

Background

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What is the aim of the ProWein Business Report?

The Covid pandemic had a major effect of all players in the international wine sector. In its fourth edition, the ProWein Business Report is therefore dedicated to this major global challenge.

It aims to answer the questions:

- To what extend and how were players affected by Covid? How did they react to mitigate its effect and to size new opportunities provided?
- What are future expectations for the development and recovery of the global wine sector?

The ProWein Business report taps into the knowledge of international wine producers, intermediaries, and wine marketers to answer these question. By combining and contrasting opinions from the complete value chain, it provides a unique economic market barometer.

ProWein and Geisenheim University established a long-term collaboration to provide the wine industry with annual insights on global wine market trends.

ProWein

Starting in 1994 with 321 exhibitors and approx. 1,500 visitors, ProWein has developed into what is the leading trade fair for the international wine and spirits industry today. At its latest edition in March 2019, to the tune of 6,900 exhibitors from 64 countries met in Düsseldorf with over 61,500 trade visitors from throughout the world. Since 2013, ProWine Shanghai has been held yearly in China and from April 2016 the ProWein family of events extended to include ProWine Singapore and ProWine Hong Kong in yearly exchange. In 2019, ProWine Sao Paulo was the first satellite event to be launched in South America.

Geisenheim University

Founded in 1872 as a state research institute, Geisenheim University today is one of the leading wine research and education centres in the world. It hosts more than 1,650 students studying various German and English bachelor and master degrees in viticulture and enology, international wine business and beverage technology among others. Applied and fundamental research is at the heart of Geisenheim's research activities. Following a multi-disciplinary approach, research in Geisenheim involves the whole supply chain from grape breeding to wine marketing. Geisenheim University is well known for its extensive global research network and international collaborations.

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Chapter 1

Who Participated?

Globally most comprehensive report about the effects of Covid-19 on wine industry

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More than 3,400 experts shared their opinion

- Commissioned by ProWein for the fourth time, Geisenheim University has again surveyed more than 3,400 experts in the wine industry from 49 countries

- The survey conducted in late-2020 was met with an exceptionally strong interest in the industry.

- The report highlights the strong effect that Covid had on all players of the wine industry by the end of 2020. The whole supply chain of wine from producers to retailers were economically affected by the pandemic.

- The ProWein Business Report confirms its role as the globally most comprehensive trend barometer of the international wine industry.

Participants

Online survey (n=3,443)
October 2020; 5 languages

Producers (n=1092)

- **Small wineries** (n=719) (mainly use own grapes)
- **Cooperatives** (n=120)
- **Large wineries** (n=252) (mainly buy grapes or bulk wine)

Intermediaries (n=1115)

- **Exporters** (n=158)
- **Importers, Distributors** (n=957)

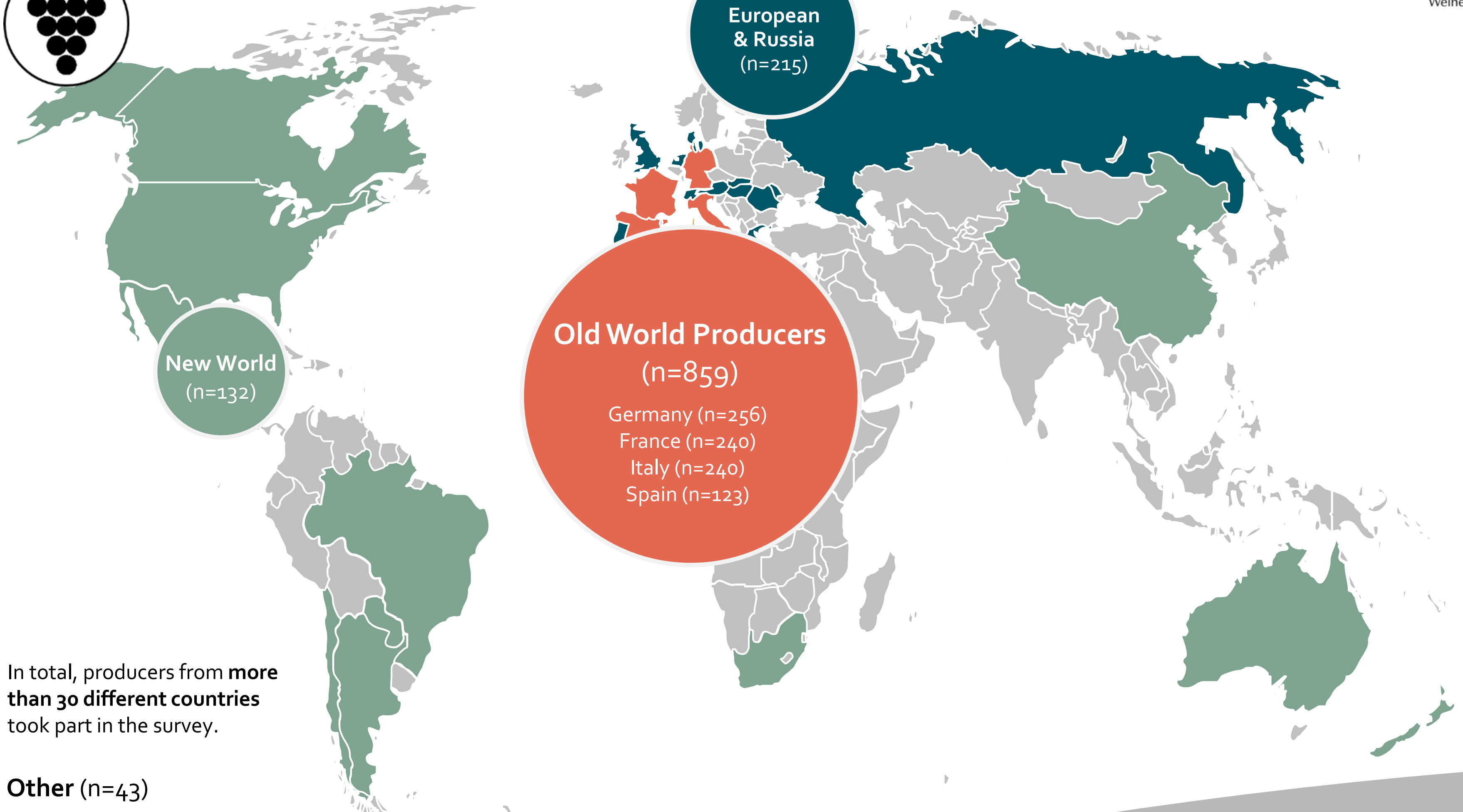
Retailers (n=1237)

- **Wholesalers** (n=243)
- **Specialty retail** (n=679)
- **On-trade** (n=315)

For detailed information on methodology and participants, please see chapter 10.

Company location

Producers and Exporters

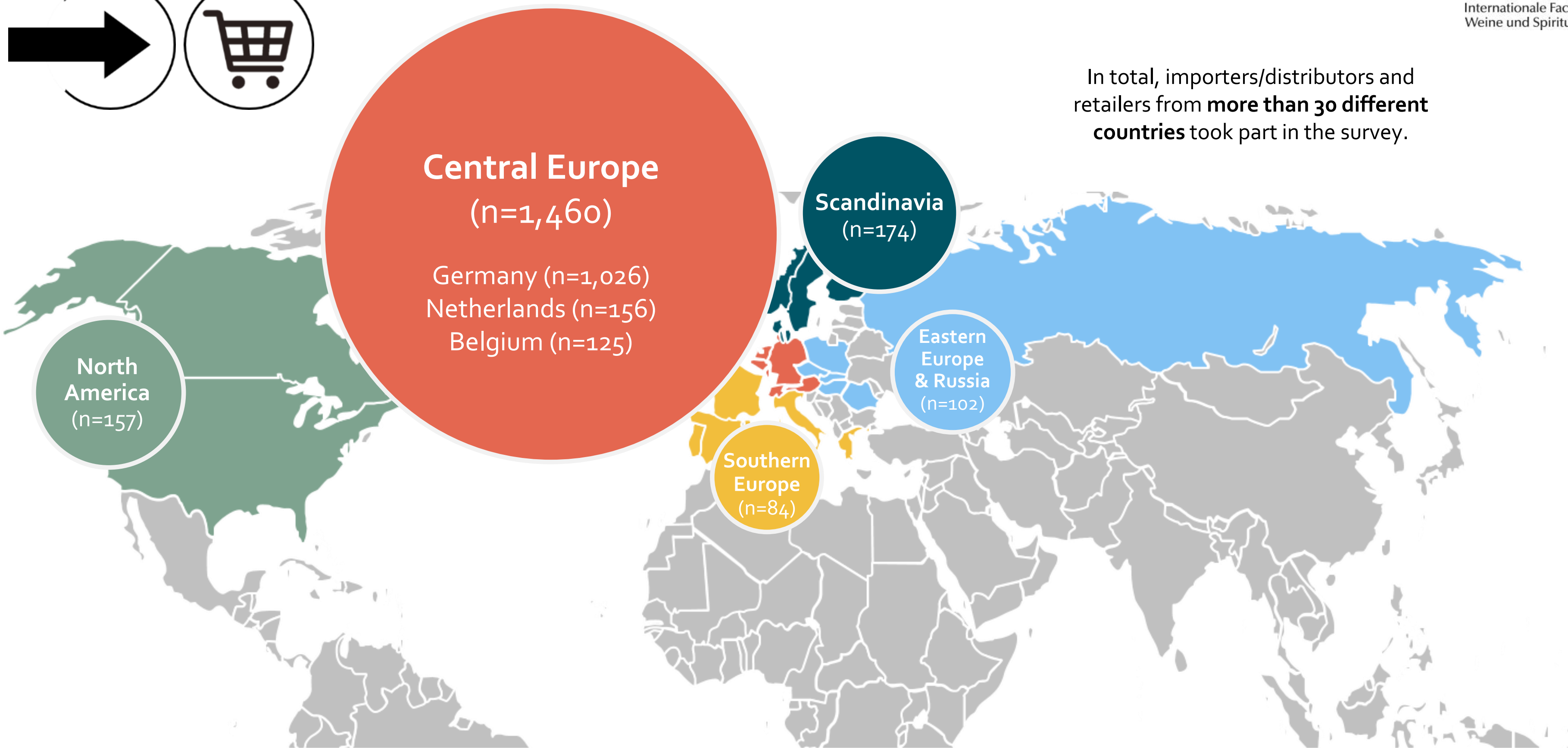


In total, producers from **more than 30 different countries** took part in the survey.

Other (n=43)

Company location
Importers and Retail

In total, importers/distributors and retailers from **more than 30 different countries** took part in the survey.



Other (n=217)

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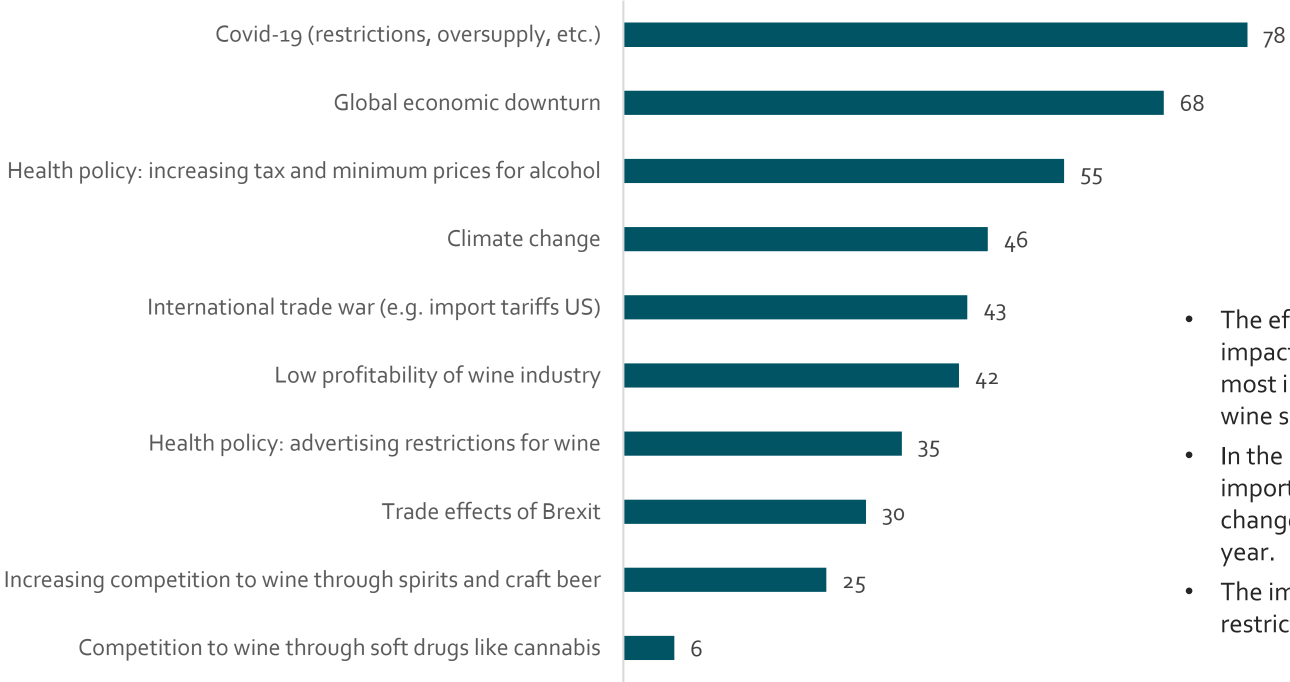
Chapter 2

THREATS AND CHALLENGES

Threats and challenges for the wine industry

What are the biggest threats and challenges for your company?

% who stated that the following threats and challenges to the wine industry will have a strong or very strong effect



- The effects of Covid-19 and its negative impact on the global economy are by far the most important threats and challenges to the wine sector.
- In the light of the pandemic, the perceived importance of health policy and climate change reduced slightly compared to last year.
- The importance of international trade restrictions increased compared to last year.

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Chapter 3

Economic Effect of Covid-19

Effect of Covid
Producers by type

How did Covid-19 affect the economic condition of your company?

% of respondents, Saldo is the difference between share of improve and share of deteriorate

	significantly deteriorate	deteriorate	no change	improve	significantly improve	Saldo
Cooperatives	7	51	30	12	0	-46
Large wineries	11	48	28	11	2	-46
Exporters	19	49	21	8	3	-57
Small wineries	13	57	23	7	0	-63

The majority of international wine producers was negatively affected by Covid. Between 58% (cooperatives) and 70% (small wine estates) suffered economically up to this point of the pandemic.

Less than 15% of wine producers benefited from the effects of Covid.

Small producers and exporters were globally more affected than larger producers, which could access the food retail channels.

Effect of Covid
Producers by country

How did Covid-19 affect the economic condition of your company?

% of respondents, Saldo is difference between share improve and share deteriorate

	significantly deteriorate	deteriorate	no change	improve	significantly improve	Saldo
New World*	8	47	18	23	4	-29
Germany	5	48	33	13	0	-39
Austria	7	51	33	9	0	-50
Italy	6	56	30	7	0	-55
Portugal	23	46	28	0	3	-67
France	14	66	17	2	0	-78
Spain	28	53	15	4	0	-77

Countries differ in the extend to which they were negatively affected by Covid. They differ in their focus on sales channels and countries that strongly depend on gastronomy, tourism and export were particularly hit.

The New World had the highest share of 27% of producers that could benefit during Covid. Germany benefited from their strong domestic market and their low dependency on exports.

Spain and France were most strongly impacted by the pandemic, almost 80% of producers suffered economically through Covid.

Effect of Covid-19 Retailers

How did Covid-19 affect the economic condition of your company?

% of respondents, Saldo is difference between share improve and share deteriorate

	significantly deteriorate	deteriorate	no change	improve	significantly improve	Saldo
Specialty retail	7	34	27	25	8	-9
Importer, distributer	13	47	20	16	4	-40
Wholesale	16	47	15	17	5	-42
Hotel	34	41	14	7	3	-66
Gastronomy	30	52	9	7	2	-73

Gastronomy and hotels were most strongly affected by Covid-19 through closures and a significant reduction in tourism.

In contrast, every third specialty wine retailer could benefit and experienced an improved economic condition.

The majority of importers, distributers and wholesale were negatively affected; particularly those with a sales focus on gastronomy and hotels. Intermediaries that focus on food retail and online retailers benefited from the tectonic changes in the importance of sales channels.

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Chapter 4

Economic Condition

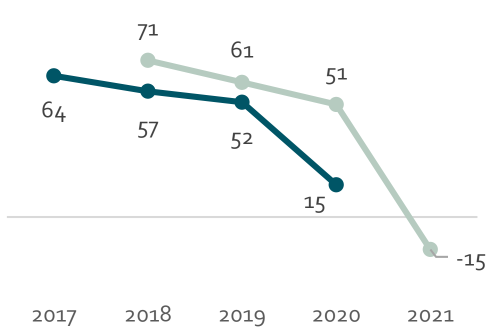
Overall economic condition

Current and future economic condition within the company

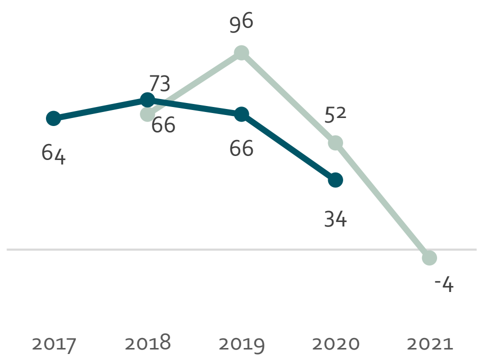
Saldo (positive minus negative opinions) for the current (now) and the future (in 12 months) economic condition within the company , 2017, 2018, 2019 and 2020 surveys results.

Actual condition   Expectation

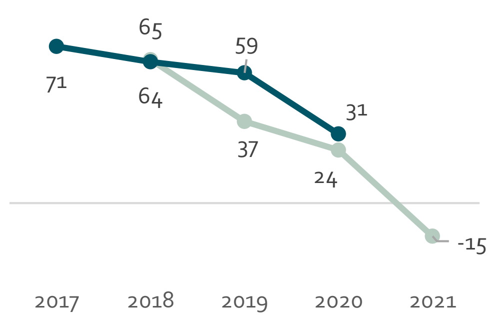
Small wineries



Large wineries



Cooperatives



Of all producer types, the economic condition of small producers declined most sharply.

Expectations for 2021 are negative, a further decline is expected.

Of all producers, large wineries had the smallest deterioration in their economic condition.

Expectations declined, the share of businesses expecting a further deterioration is slightly higher than that expecting an improvement.

Cooperatives performed similar to large wineries. Their economic condition worsened but they expect a stronger deterioration for 2021.

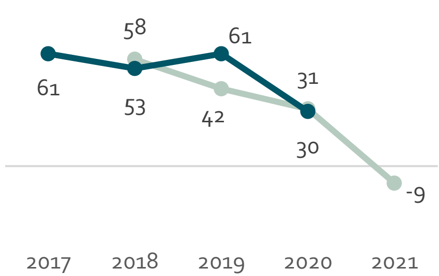
Economic condition by country
Producers

Current and future economic condition within the company by country

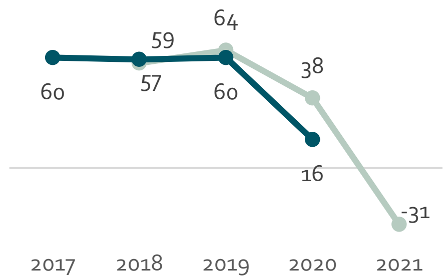
Saldo (positive minus negative opinions) for the current (now) and the future (in 12 months) economic condition within the company , 2017, 2018, 2019 and 2020 surveys results.

Actual condition — Expectation

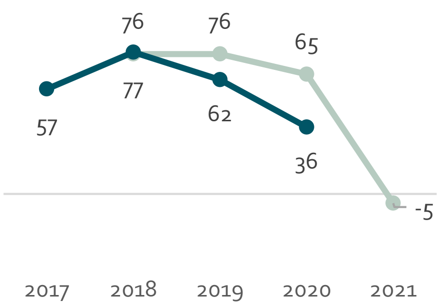
German producers



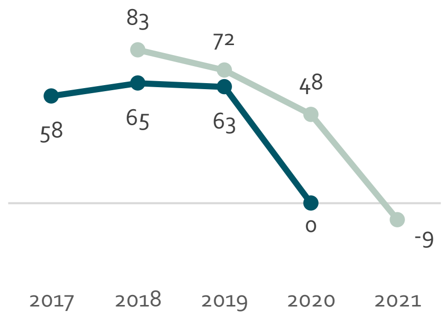
French producers



Italian producers



Spanish producers



The country differences in the effect of Covid are clearly reflected in their economic condition.

Spain and France were most strongly hit by losses in tourism, on-trade and exports, further deteriorated by the US import tariffs.

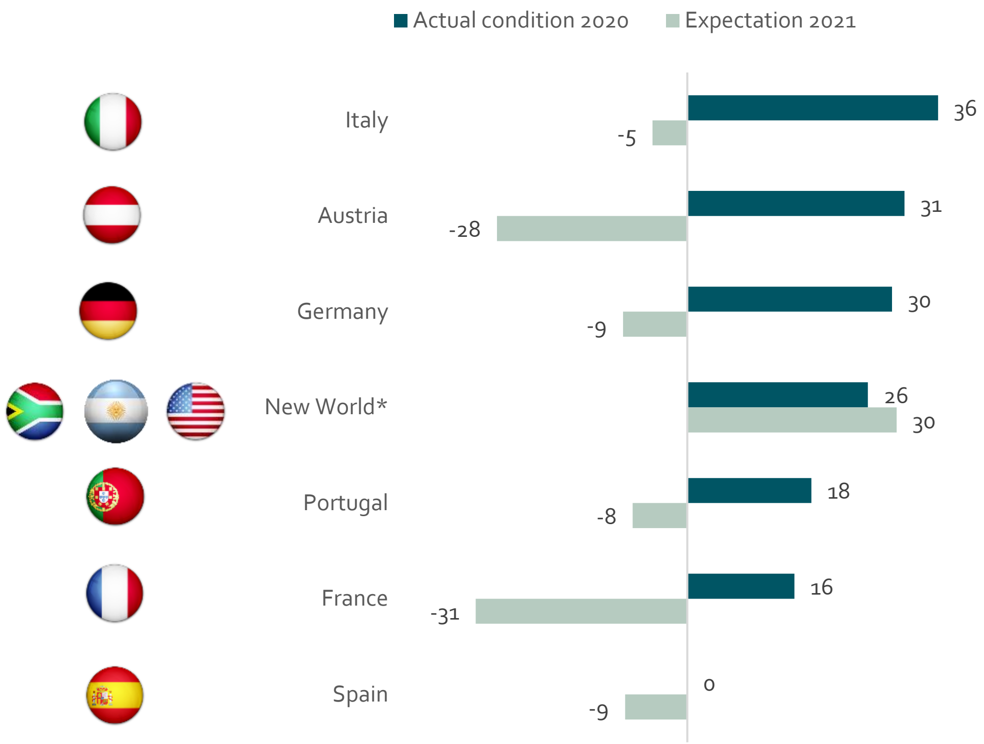
Italy was exempt from the US import tariffs and exports fell less strongly. Germany benefited from their strong domestic wine consumer base.

The share of producers expecting a further decline in 2021 is larger than those expecting an improvement, resulting in a negative saldo across all countries. Expectations are worst for French producers.

Economic condition by country
Producers

Current and future economic condition within the company by country

Saldo (positive minus negative opinions) for the current (now) and the future (in 12 months) economic condition within the company, 2020 survey results.



In addition to the previous page this graphic also shows results for Austria, the New world producers and Portugal, which can be analysed separately this year because of the high response rate.

The **New World** producers are the only ones expecting a significant improvement for 2021.

Austria is almost as pessimistic as France because of their dependency on tourism and the on-trade.

In their expectations **Portuguese** producers are somewhat similar to Spain, but the actual economic condition is slightly better.

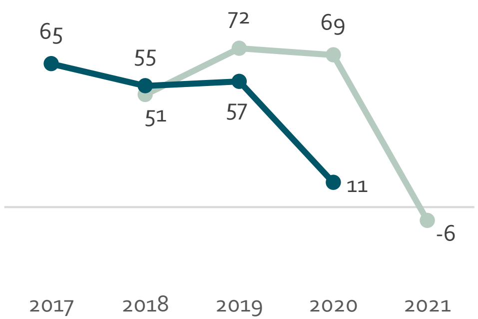
Overall economic condition Intermediaries

Current and future economic condition within the company

Saldo (positive minus negative opinions) for the current (now) and the future (in 12 months) economic condition within the company , 2017, 2018, 2019 and 2020 surveys results.

Actual condition — Expectation

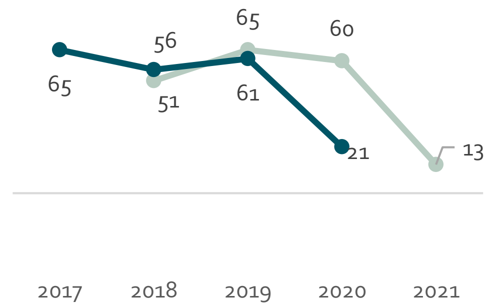
Exporters



Exporters are closely tied to producers and were negatively affected by Covid-19 for sales targeted to the on-trade or the US (import tariffs).

Expectations for 2021 are slightly negative.

Importers



Depending on their country of origin, importers can benefit more from continuing sales through food retail and online retailers.

Their economic condition deteriorated but less strongly than for producers or exporters.

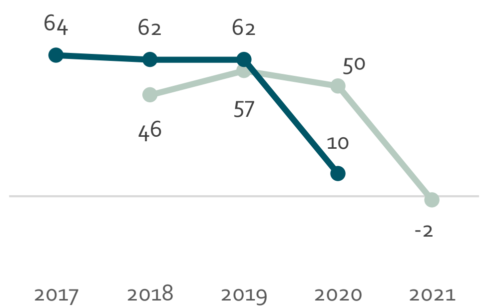
Overall economic condition

Current and future economic condition within the company

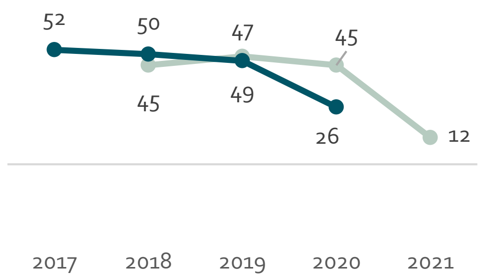
Saldo (positive minus negative opinions) for the current (now) and the future (in 12 months) economic condition within the company , 2017, 2018, 2019 and 2020 surveys results.

Actual condition   Expectation

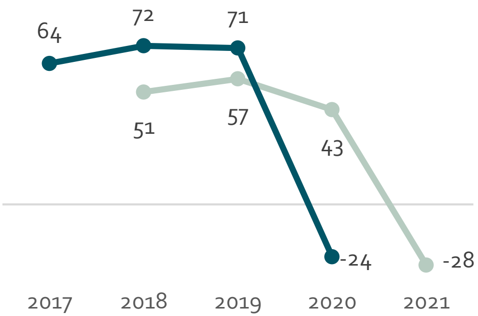
Wholesalers



Specialty retailers



On-trade



Like importers, the effect of Covid-19 on wholesalers depends on the sales channel they are specialised at. Sales to retail or online could offset losses from the on-trade.

Overall, the actual condition deteriorated. Positive and negative expectations are balanced.

Of all players in the wine sector analysed here, specialty wine retail remained most robust. Consumers did not travel and rather spoiled themselves at home with treats.

Negative business expectations also bring up clouds for sales of higher priced wines.

Shut-downs and a sharp decline in tourism most strongly hit restaurants and hotels.

From a rather optimistic position before Covid-19, their economic condition and expectations deteriorated most strongly within the wine sector.

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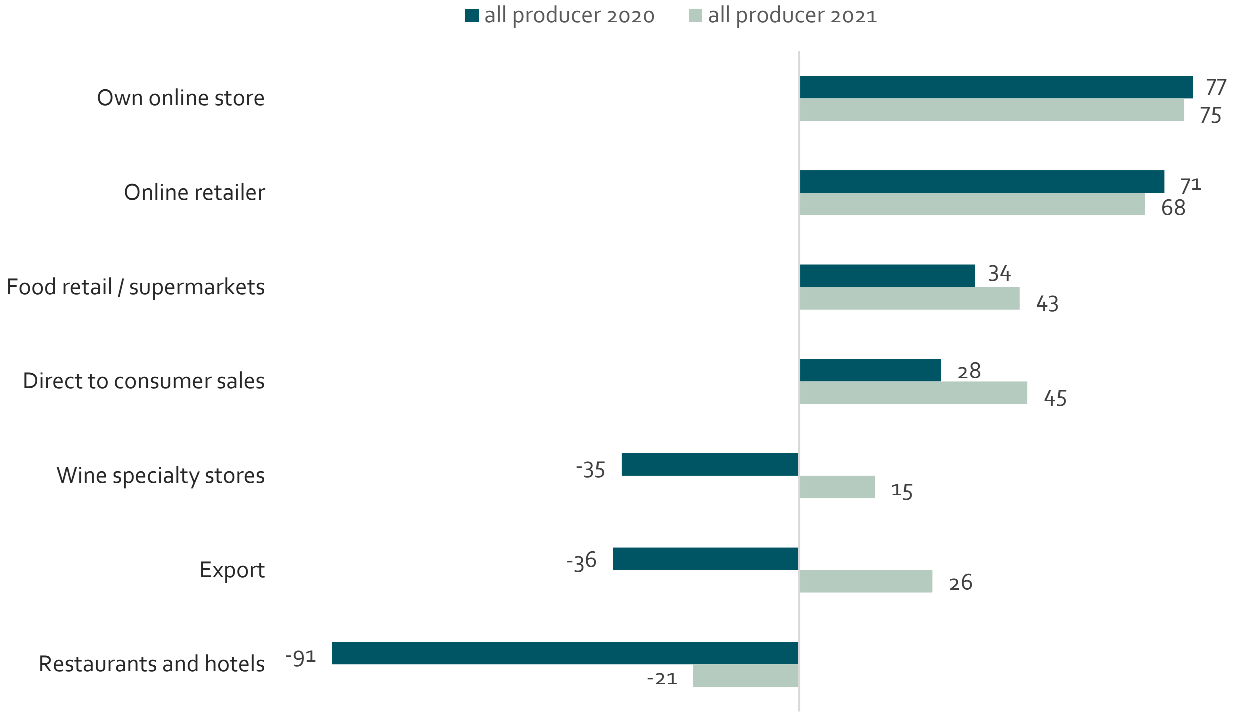
Chapter 5

SALES CHANNELS & EXPORT MARKETS

Sales channels – 2020 and 2021

How did your sales channels perform in 2020? What do you expect for 2021?

Saldo all producers (increase versus decrease)



Online, food retail and direct to consumer (DTC) benefited most strongly in 2020. Sales to restaurants and hotels suffered most strongly, followed by export and wine specialty stores. Producers expect online sales, food retail and DTC to also benefit in 2021. Export and wine specialty stores are expected to recover slightly. There is very limited for on-trade to recover in 2021.

Exports markets
Decline and hope

2020

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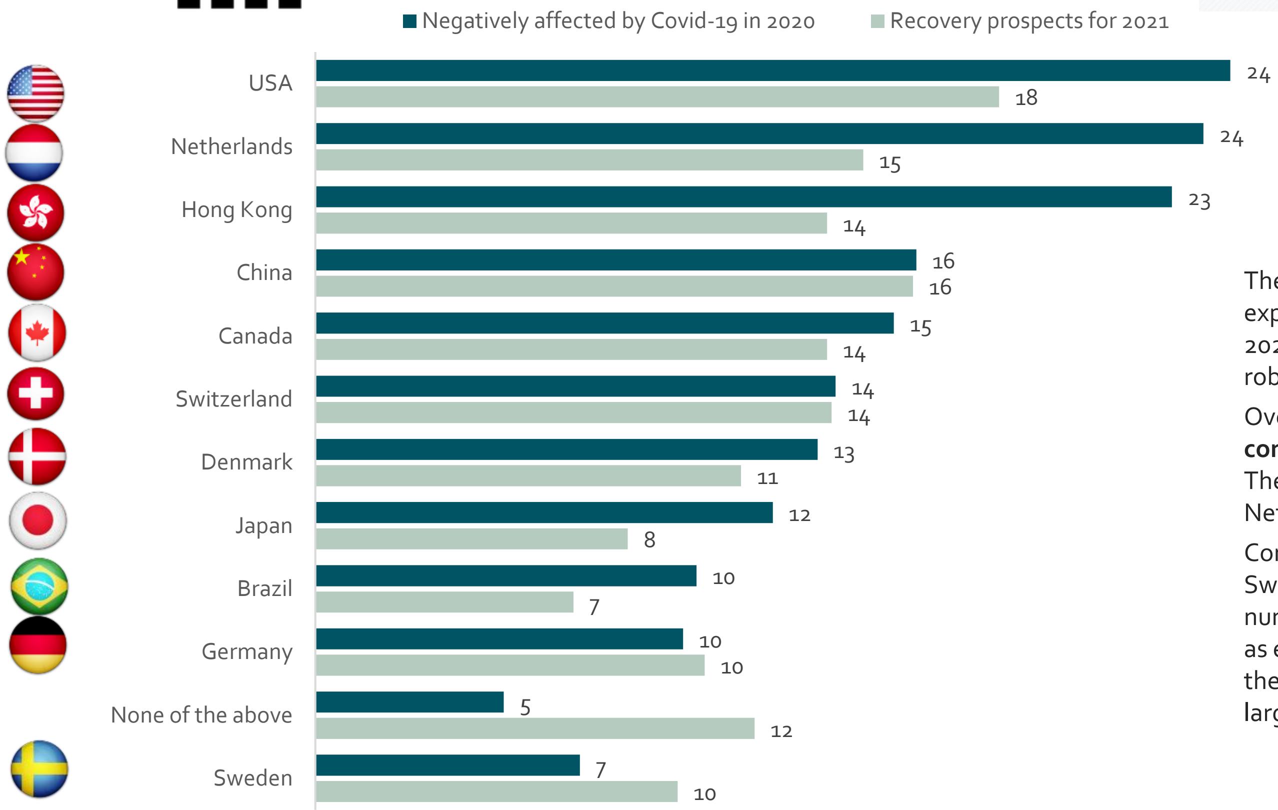
2021

Export markets: negatively affected by Covid-19

% negatively affected export markets (top 3 markets elicited)



The US, Netherlands and China & Hong Kong are exports markets that suffered most strongly in 2020. Scandinavia and Sweden remained more robust.

Overall, **recovery prospects fall short of compensating the decline** experienced in 2020. The gap is particularly large for the US, the Netherlands and Hong Kong.

Comparably, there is no gap for China, Switzerland and Germany, where a similar number of businesses expect a recovery for 2021 as experienced a decline in 2020. Compared to the losses, recovery prospects are particularly large for Sweden.

Declining export markets by producer origin

2020

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Export markets: negatively affected by Covid-19

% three most negatively affected export markets by producer country

Rank	France	Italy	Spain
1	Hong Kong (59%)	Switzerland (43%)	Hong Kong (42%)
2	Netherlands (31%)	China (26%)	Denmark (32%)
3	Denmark (25%)	Netherlands (23%)	Argentina (20%)

Rank	New World	Portugal	Germany
1	UK (30%)	USA (38%)	USA (37%)
2	China (24%)	Canada (28%)	Canada (29%)
3	USA (24%)	Brazil (25%)	Netherlands (27%)

Hope for recovery of export markets by producer origin

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2021

Export markets: recovery prospects for 2021

% three most promising export markets by producer country

Rank	France	Italy	Spain
1	Hong Kong (33%)	Switzerland (40%)	Denmark (31%)
2	Denmark (18%)	China (27%)	Argentina (29%)
3	Argentina (17%)	USA (22%)	Hong Kong (26%)

Rank	New World	Portugal	Germany
1	USA (30%)	USA (45%)	Canada (24%)
2	China (23%)	Brazil (29%)	None of the above (21%)
3	Canada & UK (20%)	Canada & Germany (26%)	Netherlands (18%)

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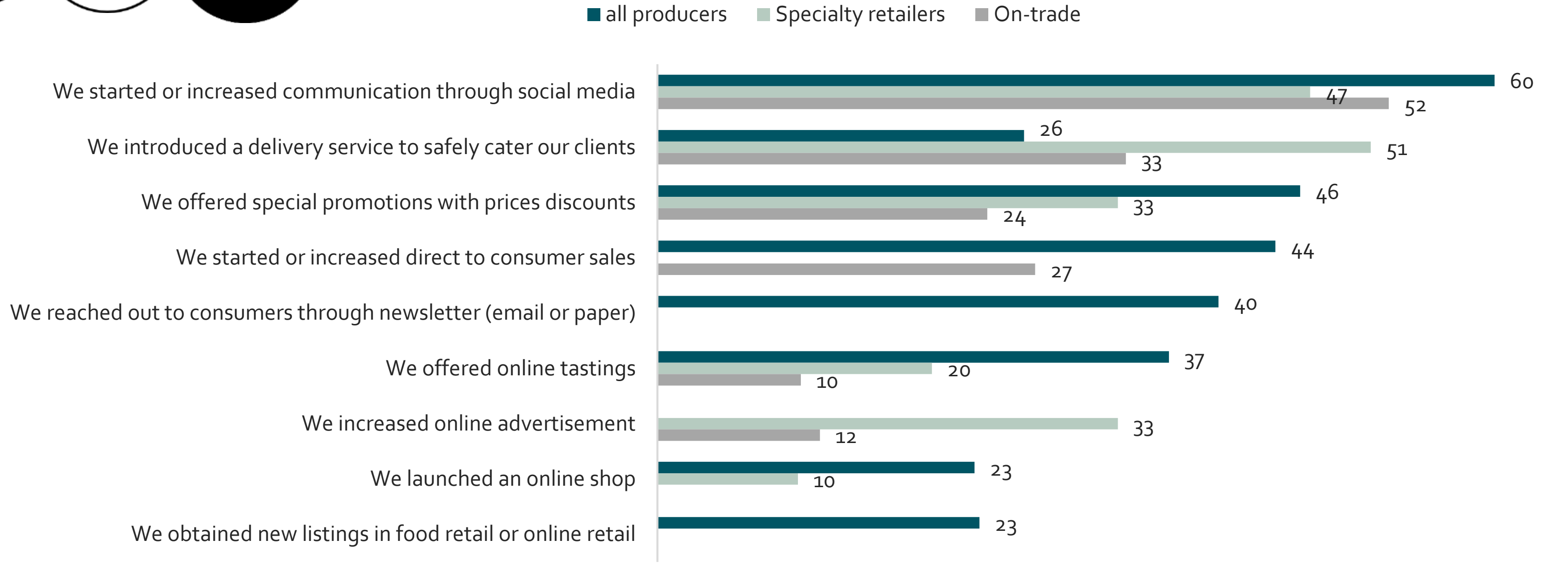
Chapter 6

MARKETING REACTIONS

Marketing reactions – producers and trade

In your marketing, how did you react to the changes and restrictions?

% of producers, specialty retail and on-trade (gastronomy and hotels)



Communication and targeting direct to consumer sales were the most prominent reactions by producers. They started to use new (to them) tools such as social media communication (60%), online tastings (37%) or new online shops (23%). Every fourth producer entered new sales channels such as food retail and online retail (23%).

Gastronomy and hotels are considerably more limited in offering or shipping their services online compared producers. Online tastings and online shops were therefore less often used. Every second specialty wine retailer and every third restaurant set up delivery services to their clients. Online communication and advertisement increased when businesses could reopen after the first lockdown.

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Chapter 7

BUSINESS EFFECTS & REACTIONS

Business effects - Retail and on-trade

How was your business affected by Covid-19?

% of trade who stated strong or very strong effects

Hotels and gastronomy were more strongly affected by closures (77%), higher operational costs (65%), lower revenue from limited occupancy (64%) and reduced tourism (41%) than specialty wine trade.

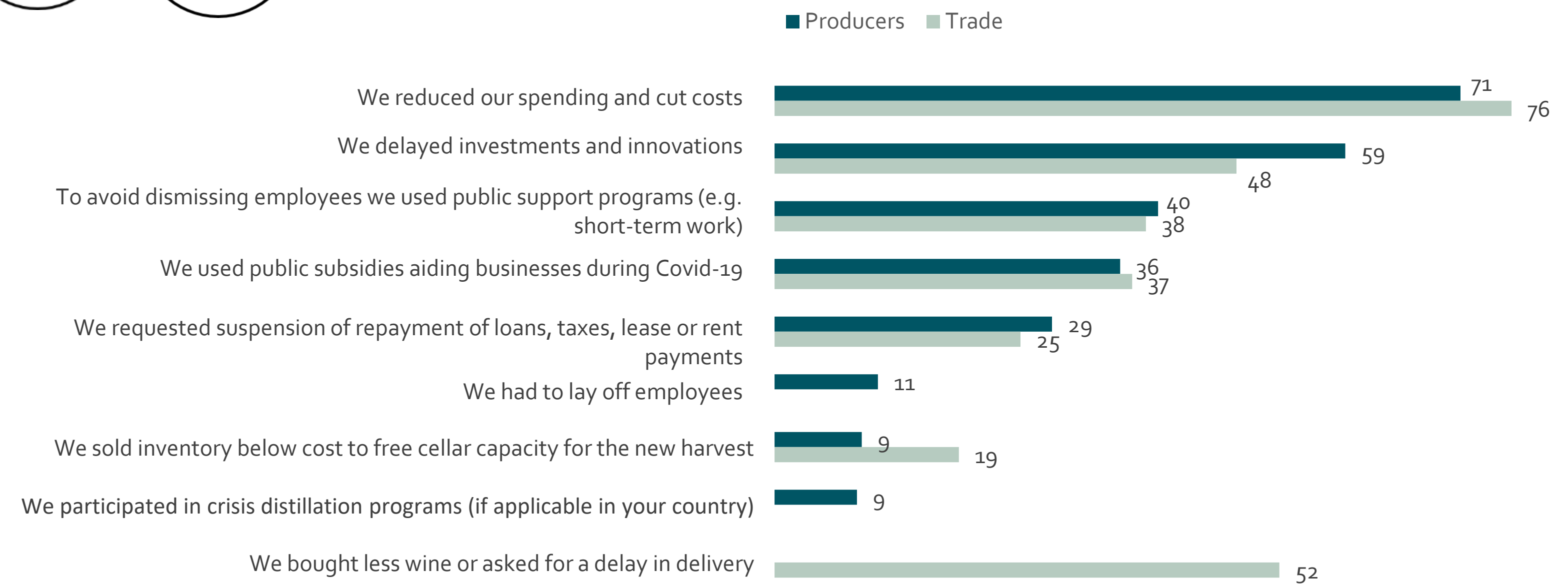
For 38% of specialty wine retailers demand increased, but only for 11% of restaurants and hotels.

Both were similarly affected by limitations in offers (~70%) as well as reduced events and festivities (~75%).

Business reactions - affected negatively by Covid-19

On the business side, how did you react to the changes and restrictions?

% of all producers and trade that were negatively affected by Covid-19



Those businesses affected negatively by Covid-19, reduced spending and cut cost. Six out of ten producers delayed investments or innovations they had planned. Every second trade business bought less wine. One in ten producers participated in crisis distillation (if applicable) or sold inventory below cost to make room for the new harvest.

Four out of ten producers and trade businesses used public support programs, also helping them to keep their staff. Nevertheless, one in five trade business had to lay off employees.

Business reactions – affected positively by Covid-19

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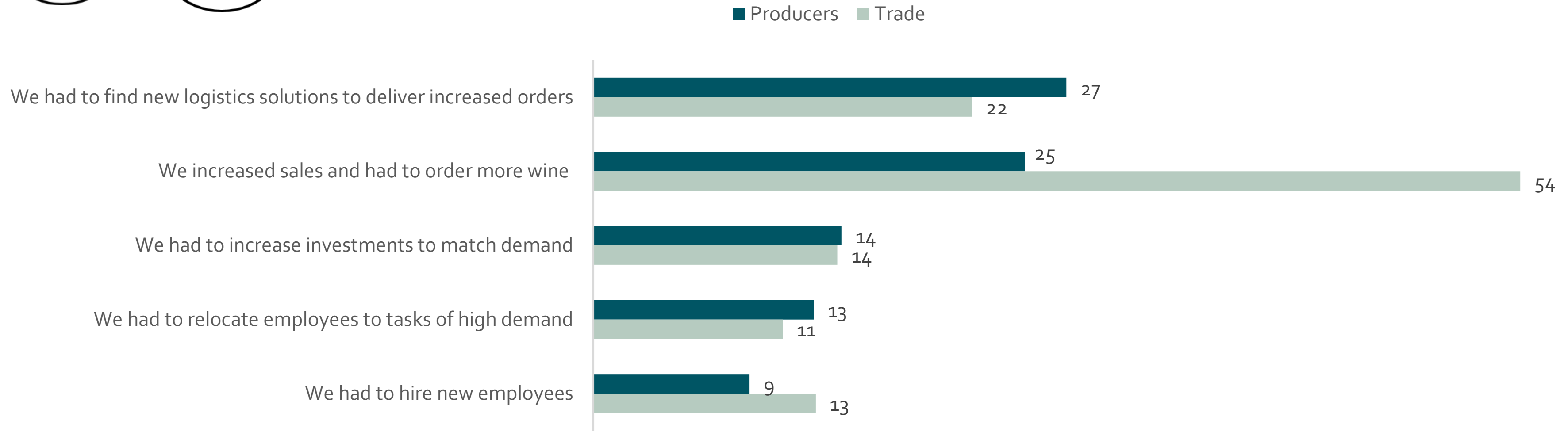
On the business side, how did you react to the changes and restrictions?

% of all producers and trade that were positively affected by Covid-19



Businesses that were positively affected by the Covid-19 crisis were mostly well prepared to handle the extra orders. Some bought more wine and had to find new logistics solutions for delivery. Only few additional investments or recruitments were required.

Chapter 8

CONSUMER BEHAVIOUR

Changed consumer behaviour in 2020

Over the last months, did you observe a change in wine consumer behaviour?

% of all trade

Trade businesses observed various consumer trends without a single, clear direction. Of those, the trend of consumers to treat themselves with higher valued wine finds strongest agreement (42%). About half observed the opposite that consumers spend less on wine.

One in four trade businesses observed a consumer preference for local and domestic wines.

The contradictory consumer trends of risk averse preference for well-known brands versus consumer search for new innovative products are perceived similarly strong.

Future consumer behaviour

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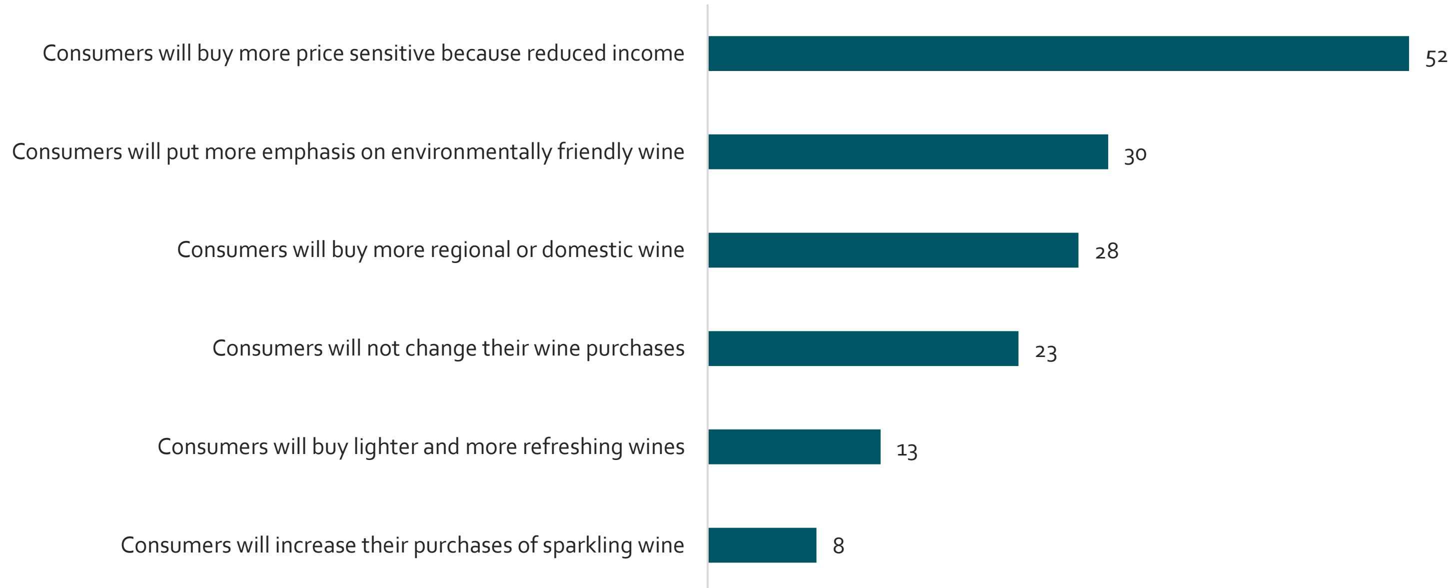
For the next 12 months, do you expect a change in wine consumer behaviour?

% of all trade



One in four wine trade businesses do not expect a change in future wine consumer behaviour.

Every second wine trade business expects the economic consequences of Covid to result in more price sensitive wine consumers.

There are somewhat positive expectations about consumer demand for sustainable and regional wines. Wine trade only partially sees demand for lighter wines or an increase in sparkling wine consumption.

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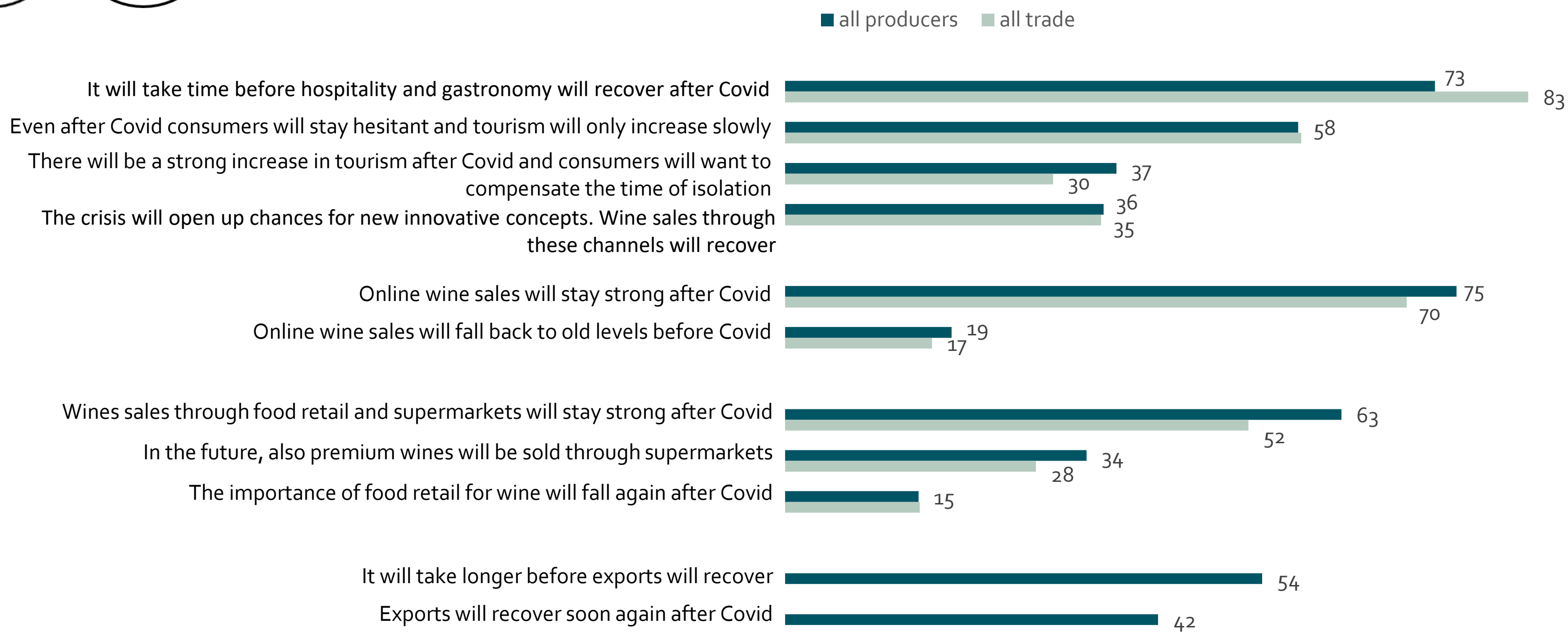
Chapter 9

FUTURE EXPECTATIONS AND STRATEGIES

Future expectations - sales channels

What are your expectations for the future?

% of all producers + all trade

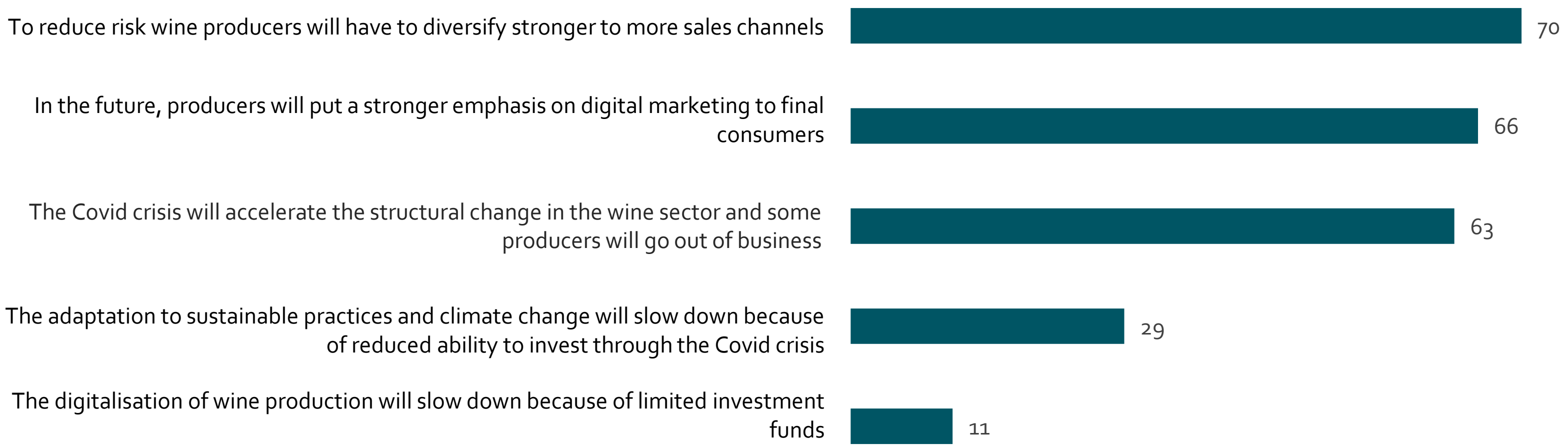


There is strong agreement between producers and trade about the future development of sales channels. Tourism and hospitality will recover, although slowly. This gradual recovery will also result in a delayed recovery of exports. Online sales and food retail sales of wine will stay strong after Covid.

Future expectations – production sector

What are your expectations for the future?

% of all producers



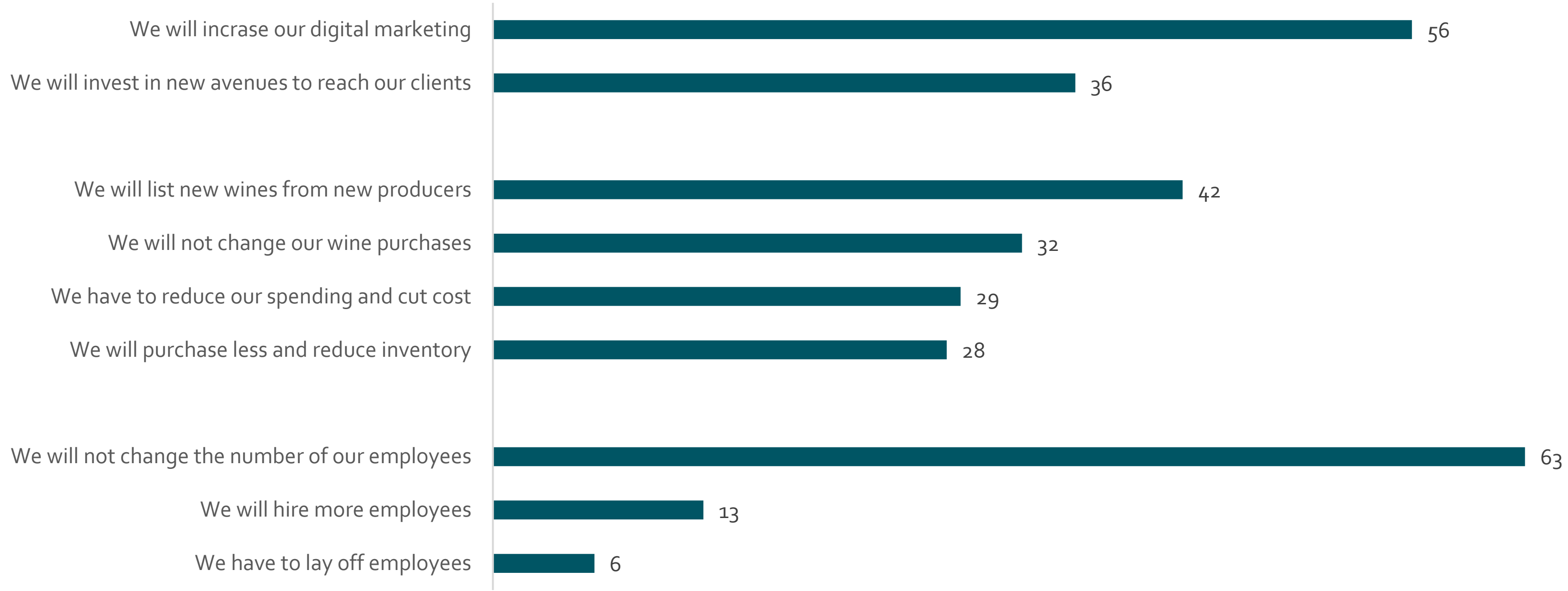
For the future, producers expect having to diversify stronger to more sales channels and to emphasise digital marketing to end consumers. The Covid crisis will accelerate structural change and further concentrate the production sector.

Only few businesses expect a slowdown in the adoption of sustainability practices and the pace of digitalisation in wine production.

Business plans trade

On the business side, what are your plans for the next 12 months?

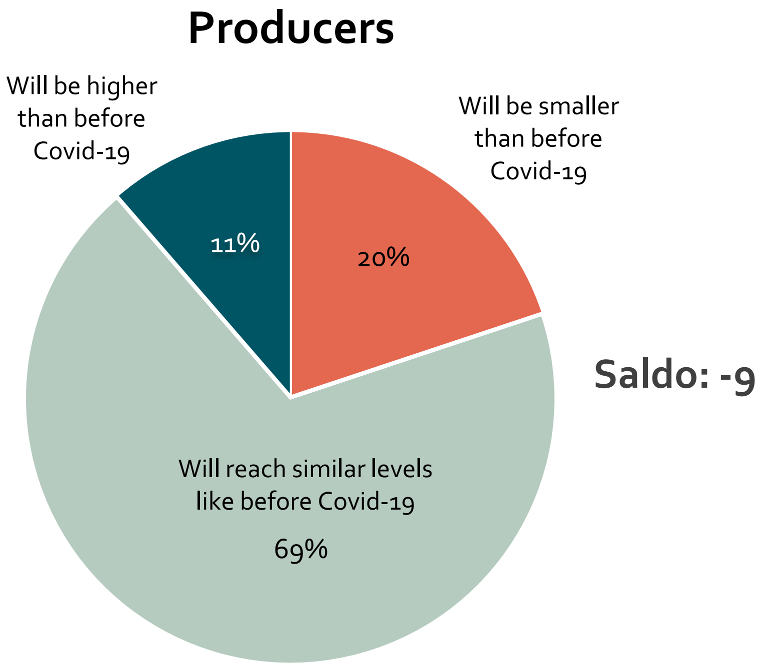
% of all wholesale, importers, specialty retail, gastronomy, hotels

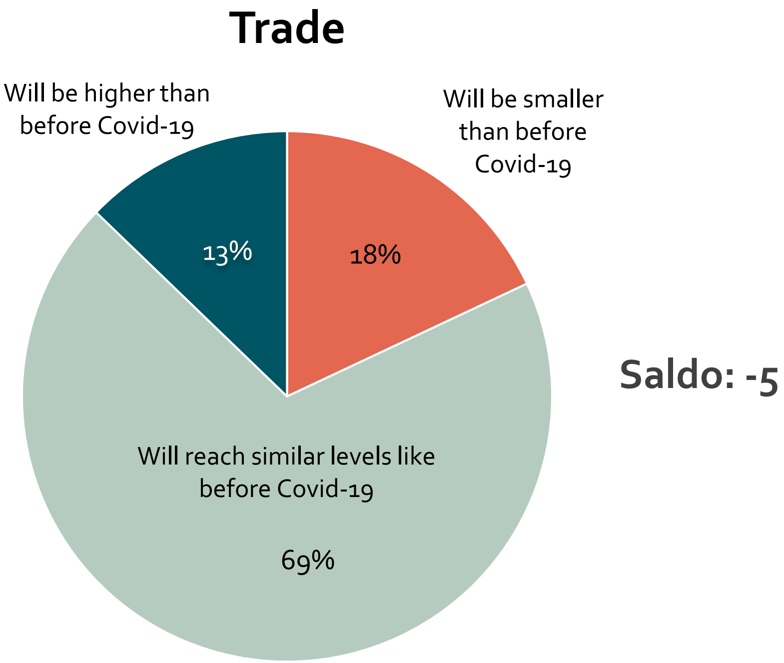


More than every second trade business will invest in digital marketing. While four out of ten plan to list new wines from new producers, about a third of trade businesses have to cut cost and reduce purchases and inventory. In October 2020, two thirds of trade businesses had no plans to change the number of their employees. Only few reductions were planned at that time.

Expected future global wine demand

What are your expectations for global wine demand after Covid-19?
In % of respondents.



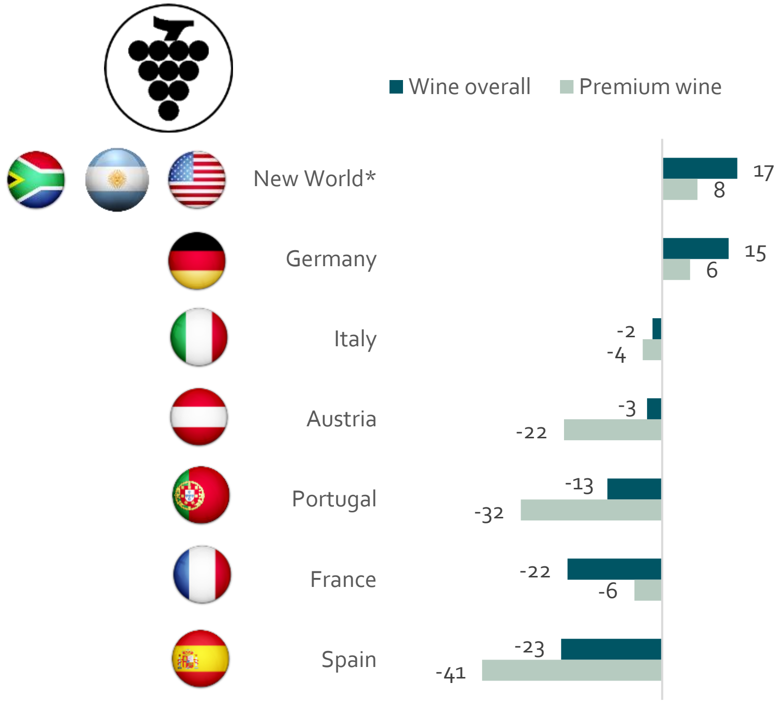


Overall, seven out of ten expect the global wine demand to reach similar levels like before Covid-19, both for producers and trade. The share of those expecting a decline is larger than that expecting an increase. Producers are slightly less optimistic than trade.

Expected future national wine demand

What are your expectations for global wine demand after Covid?

Saldo all respondents (increase versus decrease)



The expectations for a recovery are more optimistic for wine overall than for premium wine. The expectations differ strongly by country of origin and business type in trade. Trade is very optimistic for a recovery oval whereas the major South European producers are less optimistic.

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Chapter 10

Details of Method

Expert online survey

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Internationale Fachmesse Weine und Spirituosen

Timing

- The 2020 survey was conducted during October 2020.

Participants

- For the 2020 survey participants had to have exhibited at the 2019 ProWein or had to have visited the 2019 ProWein and agreed to be contacted by ProWein.
- All participants were asked to have leading rolls within their company or department.
- The high response rate of the 2020 survey confirms the high interest in in this years' focus topic Covid-19.

	Contacted	Participants	Response rate
2017	21,569	1,487	6.9 %
2018	35,171	2,364	6.7 %
2019	31,915	1,745	5.5 %
2020	31,895	3,443	10.8%

Method

- The surveys were conducted online.
- The surveys were offered in five language versions English, French, German, Italian and Spanish. Participants could choose the language of their preference.
- Participants who quit the survey too early or gave inconsistent answers were eliminated.

Company location of participants 2020
Producers and Exporters

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Company location of participants	number	percent
Germany	256	20
France	240	19
Italy	240	19
Spain	123	10
Austria	74	6
Portugal	46	4
South Africa	29	3
USA	25	2
Argentina	22	2
Chile	18	2
Australia	16	1
Greece	13	1
Switzerland	13	1
Hungary	12	1
Other countries	122	10
Total	1,249	100

Company location of participants 2020
Importers, Retail, On-trade

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Company location of participants	number	percent
Germany	1,026	47
Netherlands	156	8
Belgium	152	7
Canada	79	6
USA	78	4
Sweden	59	4
Switzerland	54	3
Denmark	50	2
Austria	39	2
Finland	36	2
Russia	33	2
United Kingdom	30	2
Norway	29	1
Italy	26	1
Czech Republic	26	1
Other countries	384	16
Total	2,194	100

Internationale Fachmesse
Weine und Spirituosen

Contact Information

Christiane Schorn
Manager Press Department ProWein
Messe Düsseldorf
Tel. +49 211 4560 991

SchornC@messe-duesseldorf.de

Prof. Dr. Simone Loose
Head of Department of Wine and Beverage Business Research
Geisenheim University
Tel. +49 6722 502 382

Simone.Loose@hs-gm.de