

UNDERSTANDING GERMAN CONSUMERS

Although Germany is the world's largest import market, it's always been perceived as difficult, with consumers who are only interested in price. Jürgen Mathäß discovers new research that offers a different way of looking at the market.



Berlin, the capital of Germany.

Unlike Great Britain, Denmark or Sweden, the German market cannot be accessed through one individual major city. Germany consists of several key regions, which have only modest similarities to each other from a marketing point of view. The only time a consumer in Hamburg is interested in Berlin is not when a marketing concept is successful in Berlin, but when the two cities' football teams play against each other. Although the important countries of origin, Germany, France, Italy and Spain, are represented everywhere, Italy, for example, has a clear prevalence in the greater Munich area and Bavaria. France has an above-average presence in the Hanseatic cities of Hamburg and Bremen and surrounding areas, as well as in the Saarland region. The generally heightened interest in German wines is particularly noticeable on the Berlin restaurant scene.

Other important factors for finding the right path to consumers are the various distribution channels, their market shares, and the price level, which – according to recent findings – have often been presented in a distorted fashion in the past. As a result, the impression has arisen that the average price per bottle purchased in the German retail sector is extremely low or significantly lower than in other markets. So it's worth examining these distribution channels for a moment to uncover how particular consumer groups interact with them.

The HoReCa industry, which accounts for more than 3m hL of the total volume consumed in Germany, is rarely accessed directly from abroad. It obtains its German wine in part directly from the winegrower, and from abroad through importers, specialist wine and beverage dealers, and cash and carry markets, and in some cases from several of these channels simultaneously.

The available data on household consumption, calculated at 14.6m hL, has for many years been collected by the Household Panel of the GfK (Society for Consumer Research). It found that almost 80% of wine sold to households was from discounters and food retailers. The GfK has also calculated average prices for sales via these channels, according to which 60% of sales were made at a price per bottle of less than €2.50.

The Geisenheim Institute for Management and Marketing (IfBM) challenges the GfK approach and, using its own calculations, reaches different conclusions. According to Geisenheim, the other two important distribution channels – specialist trade/mail order and direct sales by winegrowers/wine cooperatives – account for as much as 40% of household sales by volume (rather than less than 20%) and as much as 52% by value. According to this approach, the specialist trade/mail order channel, in particular, has been significantly underestimated in the past, not least because businesses operating in these areas simultaneously act as wholesalers

and importers and therefore also supply part of the important and high-profile HoReCa sector.

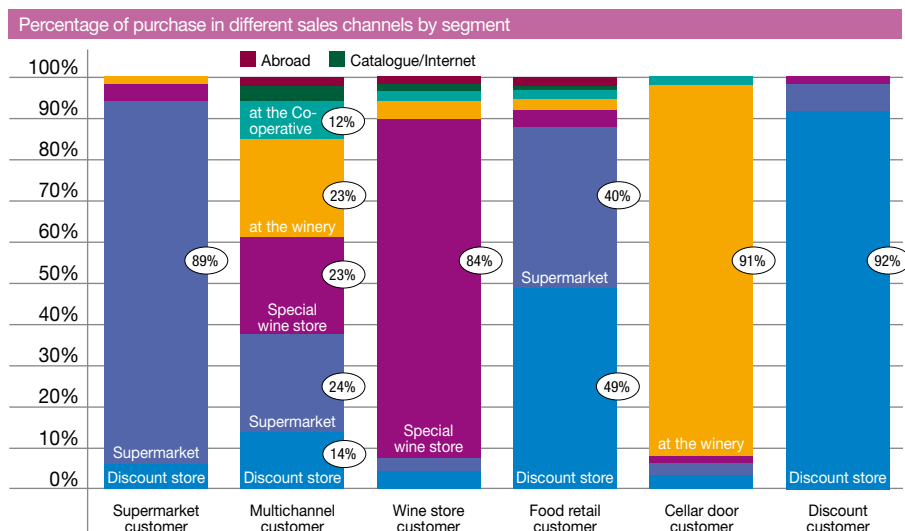
This means the premium retailer outlets take on greater significance. While the discount sector, in particular, together with the food retail sector, serves the very low price segment, the specialist trade/mail order sector fulfils two important roles: 1. The sale of higher-priced wines. 2. Shaping trends as an opinion leader. The introduction of wines from unknown countries typically only takes place in the food retail/discount sector after they have been successful in the specialist trade sector. It should be noted, however, that specialist traders/mail order companies are regionalised and atomised to a far greater extent than food retailers and discounters.

The various average prices within the different distribution channels (as calculated by the IfBM) give an initial indication of the consumer groups served by the respective channels:

Direct sales	€6.00/L
Specialist trade/mail order	€10.00/L
Food retailers	€3.60/L
Discount trade	€2.50/L

Although campaigns promoting high-priced wines have increasingly been conducted in the food retail and discount sectors, and while individual food retailers (Globus, Wasgau, etc.) have extremely sophisticated and wide-ranging wine departments, this does not change the general pricing profile. However, Professor Dr Dieter Hoffmann of IfBM has identified a tendency towards higher prices. This dovetails with survey responses from specialist traders, who are increasingly reporting that the segment that is performing the best is that between €8.00 and €15.00, rather than the lowest price segments.

Another study by the Geisenheim Research Centre identifies six different consumer groups. When looking at purchases by distribution channels, there are four groups



Segmentation		Segments						
		Discount customer	Food retail customer	Supermarket customer	Cellar door customer	Wine shop customer	Multi-channel customer	
Consumption structure	Participants (N)	184	248	213	93	52	245	
	Consumption (L/yr)	27	32	28	50	38	52	
	Purchase of wine (€/yr)	65	99	90	271	270	261	
	Respondent (%)	18	24	21	9	5	24	
	% of wine consumption	13	23	15	12	5	32	
	% of value	7	17	12	16	9	39	
Point of purchase	Discount (%)	92.9%	48.6%	6.5%	2.2%	3.1%	13.5%	
	Supermarket (%)	5.6	40.4	89.0	3.5	3.4	23.9	
	Special wine store (%)	0.7	3.8	2.6	1.5	83.8	23.1	
	At the winery (%)	0.2	2.2	0.9	90.9	4.7	22.5	
	At the co-op (%)	0.3	1.8	0.5	1.5	1.7	11.9	
	Catalogue/Internet	0.2	1.1	0.3	0.2	1.9	2.2	
	Abroad (%)	0.1'	2.0'	0.2	0.2	1.3	3	

whose buying behaviour is more than 80% directed towards one channel. There are another two groups who use a wider range of retail outlets; these two groups together account for almost half of all wine purchases (48%). The two groups who buy most often are cellar door customers and multi-channel customers, of whom 50% drink wine at least once a week. Discount customers tend to consume the least, as 43% of them are occasional drinkers who – at most – drink once a month.

This buying behaviour does not directly correlate with income level, although there is an obvious relationship in that those on a low income tend to buy from the discounters, while the typical wine shop customer has a higher income. Nevertheless, people with high incomes are happy to use discount

stores for some items, including wine. This is probably why the study doesn't divide consumer groups according to income levels.

If a separation is made between the basic segment (up to €5.00/bottle) and the premium segment (over €5.00/bottle), three purchaser groups (discount, food retail and supermarket) tend more towards the inexpensive wines from the basic segment. The other three groups are more likely to be found in the premium price segment. Here, the per capita consumption is also significantly higher: 50 L per year compared to 30 L.

There is no very clear difference in preference according to the country of origin, except that the typical cellar door customer, by definition, has a strong preference for German wines, while the typical discount customer buys more Spanish wine and less

French wine. The latter can undoubtedly be explained by the higher or lower average pricing of these countries.

These findings do not make the decisions for suppliers easy in terms of which is the best way into the German market. But they do provide conclusions which may be helpful:

1. Despite unquestionably high-price pressure in the German market, according to newer, realistic studies, around 5m hL of wine is sold in the over €5.00/bottle price segment. Taking into account that there is no tax on wine in the German market, only a few wine markets in the world achieve this size of market for higher-quality wines.

2. With few exceptions, the mainstream German market will continue to be accessible only to large-volume suppliers by way of the discount and food retailer sectors. In these sectors, the wines come into contact with a wide-ranging group of buyers containing a high proportion of occasional drinkers.

3. Access to purchasers of higher-quality wines and to groups of buyers who drink wine regularly is mainly possible via specialist traders and/or mail order companies, as well as through importers serving the specialist wine trade. Here it should be noted that the majority of these specialist traders are also involved in import and wholesale activities and that the specialist trade is strongly regionalised, with many small- and medium-sized businesses.

4. Many suppliers therefore do not have a choice about whether to use national importers or regional importers/specialist traders, since the few national importers often have a complete range oriented. If the option is available, of course, national importers have the advantage of being able to do all the distribution work; the disadvantage is that the supplier is completely at the mercy of the importer. The regional dealer/importer offers the advantage of having a very good regional knowledge of the market and a greater focus on a smaller number of suppliers. The disadvantage of this import strategy is that it requires greater coordination and logistics from the supplier. ■