Consumer Countries/Markets

The Dutch market trades up

The total market is approximately 400m bottles annually. In terms of sales channels, the supermarket still dominates: 75% of wine for all consumption moments is purchased in the supermarket. The average price in the supermarket is very low at under €3.00 ($3.21) per bottle; however, this average price includes the most basic and cheap aromatic and fruit wines. Without them, the average price would be significantly higher. Wines attract a 21% VAT and, for still wines, a duty of €0.72. As for the on-trade, Holland is currently one of Europe’s hottest culinary destinations.

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Global Trends - Wine Industry Key Elements

What would dynamic pricing look like in the wine trade?

Dynamic pricing – the mechanism employed by the airlines and the disruptive taxi company – are not new - by applying basic Adam Smith principles to selling: higher demand meant higher prices. But 21st century dynamic pricing is, well, far more dynamic than anything the pioneering economist might ever have imagined.

Supermarkets have followed similar principles when applying ‘zone pricing’: the toilet rolls in a chain supermarket in a prosperous suburb might cost rather more than the ones in a poor, inner city neighbourhood. Bottles of Prosecco on the shelves of a hypermarket could be cheaper than the ones in the same company’s smaller high street shop frequented by shoppers who rush in to get a last minute gift to take to a dinner party.

Until now, however, the requirement to synchronise the printed price tags on the shelves with the barcode reader at the checkout, has prevented the chains from fine tuning prices at will. This month, however, brought the news that UK supermarkets are experimenting with price tags produced using digital ink of the kind many of us know from ebooks. With the help of this technology, the price of a product could change from £10.00 to £5.00 – or vice versa – before the consumer’s eyes.
Historically, of course, supermarkets have often priced their wines in ways that seem to be the opposite of dynamic. On February 14, the date on which retailers might be most confident of selling pink Champagne, retailers often slash its price. For them, luring shoppers into their shops on Valentine’s Day and encouraging them to fill their baskets with other profitable items is more important than making a bigger margin on the fizz.

This blunt marketing tool could soon give way to a more precise strategy. On future Valentine’s Days, Champagne buying might, for instance, be incentivised by prices that rise every hour – or which rise unpredictably, to exploit the proven appeal of Zara’s Whn It’s Gone It’s Gone model. On the other hand, chains could instantly cut the prices of particular brands in order to match their competitors. The havoc this will cause to price-comparison sites like Wine-Searcher is easy to imagine.

Alternatively, the retailers and their suppliers could market test consumer reactions to the pricing of new products or packaging. Would customers with a particular demographic profile pay more for a red label than the blue one? Would adding a medal to a label make the wine ‘worth’ more to the shopper?

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**Nuusbrokkies / News Snippets**

- Thirst for beer has AB InBev brewing more: A report by BMI research released earlier in 2016 said brewers were scaling up premium and craft beer offerings as consumer tastes become more sophisticated. The research revealed that craft beer and the premium offering were outperforming other categories of alcohol. [Click here to read more](#)

- Sparkling wine in the UK market 2017: The fastest growing wine category in the UK wine market. As the 6th largest sparkling wine market globally by volume, with 26 million sparkling wine drinkers - a 30% increase from 2010 - the UK demands attention. While 98% of sparkling wine in the UK is imported, a growing number of domestic producers are being noticed. Consumption has grown by 40% by volume over the past 5 years. Although still relatively small compared to the world-leading German sparkling wine market (roughly three times the size), the UK is becoming a key market for sparkling wine producers. [Click here to read more](#)

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