Global Trends - Wine Industry Key Elements

Covid-19 driving fundamental shifts in Africa’s consumers
The Covid-19 pandemic has given rise to a new kind of African consumer who is already displaying fundamental shifts in consumption and purchase behaviour driven by factors such as heightened health awareness, a focus on quality and safety, a renewed desire to stay at home and a tight wallet squeeze.

Despite perceptions that Africa lagged behind in terms of online behaviour it has in fact seen incredible behaviour changes with major increases in the use of social networking, online reading, listening to music and video streaming.

Future mindsets

As countries move from restricted living to precautionary living, Nielsen has also created an in-depth view of current and future sub-Saharan Africa (Kenya, Nigeria & South Africa) consumer mindset and purchase patterns based on learnings from other markets:
• Heightened health awareness will drive consumers to be less price-sensitive on high demand packaged goods or those that guarantee hygiene standards as food safety becomes paramount to consumers.
• The renewed desire to stay at home and the preparation of home meals might require brand extensions and a need to address declining store visits, growth in online and proximity shopping.
• As consumers are impacted by less income and smaller purchasing wallets, value for money offerings and more aggressive promotions – over that of just in-store promotions – are needed.
• E-commerce growth has reached double digits in many countries with Italy at 82%, China 50%, and Korea 30% where older shoppers are trying eCommerce for the first time. Technology catalysts are driving behavioural change and will penetrate the market despite previous scepticism around this platform.

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Asia’s largest bulk wine exhibition launches virtual event

WBWE Asia, the biggest event of its kind in China aimed at the bulk wine market, has spearheaded a new way of operating during the Covid-19 pandemic, with the launch of its virtual exhibition in July.

Enabling wineries around the world to establish direct contact with buyers through virtual communication, this online trading system will also benefit from what the organisers describe as “ultra screen resolution”.

Wineries will send their wines to Yantai in China where the event is being held via a maximum security system. The samples will then be displayed in the usual way and meetings conducted at individual winery’s stands where Chinese wine professionals will taste the wine, and aided by an English translation service, will be able to answer any questions and close deals with winery managers.

WBWE claims that the event will be well attended by visitors from across Asia, including buyers, consultants, and leading distribution companies. They will all receive information about participating wineries in advance.

“Right not it is too soon to be certain that the fairs of the future will follow this route, yet we cannot afford to run the risk of stopping exports while we wait to see what unfolds,” said the event organisers in a statement.

Wine imports into China accounted for 136m litres in the year to March 2020, only 5% less than the same period a year ago. And in the past three months, imports have surpassed 35.5m litres, compared to 37m litres during the same period in 2019.

There has been a significant surge of imports from Argentina, while wines from New Zealand and Spain have also seen their exports to China increase. Imports of bag in box (BiB) wines was also noteworthy, with imports of these shifting up from 1.12m litres to 1.14m litres during the first quarter of the year.

Source: MarketIQ/Vinex

Napa wineries still shut, despite on-trade slowly being permitted to open

Despite restaurants across California being allowed to slowly reopen with certain restrictions in place, Napa County wineries still remain closed, excluded from the Governor’s lifting of the shutdown.

Napa Valley Vintners, which represents more than 500 wineries, argues that this is nonsensical. “The logic makes no sense,” the body’s vice president of industry relations Rex Stults told the Sacramento Bee. “You can have guests come to your winery if you have a full meal service, but you can’t just pour a tasting?”

The wine industry is the "economic lifeblood" of the county, said Stults, employing over 40,000 people. Many wineries are now teetering dangerously on the brink of closure and are concerned about the financial security of their employees as the
lockdown persists. “They’re worried about keeping their doors open,” he said. “We need the state’s final blessing and sign off to help, and we need it soon.”

Napa County is the latest in a bid to join the 28 counties already on track to speedier reopening. In its application, county officials point out that the prevalence of Covid-19 in Napa County has remained relatively low, with 94 positive cases, three deaths and more than 4,000 negative tests.

The county has been under lockdown since March 18th, four day before it reported its first positive case of the virus. Stults said it would be “wonderful” to have the Napa Valley’s more than 500 wineries reopen by Memorial Day, but is beginning to lose faith that this will happen.
Source: MarketIQ/Vinex

**How the German Mittelstand is mastering the COVID-19 crisis**
A comprehensive survey sheds light on the economic impact of the COVID-19 crisis on Mittelstand enterprises: their outlook, key success factors in mastering the shutdown, and the way out of the crisis.

The crisis has called many things that have long seemed natural in the German business landscape into question. It has also revealed the necessity to make structural changes and innovate within the German economy. Among these structural changes is the need to digitalize. A recent analysis by McKinsey indicates that if the German economy continues its digital structural changes and if the damage done stays within the projected range, by 2028 it will be able to return to the growth path it would have been on had the pandemic never occurred.
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**Italian winemakers see trouble ahead**
The 2020 edition of Mediobanca’s annual wine industry survey reveals that more than 60% of the Italian wine companies surveyed expect their sales to fall this year. Their overall outlook is more pessimistic than it was in 2009, at the height of the global financial crisis.

The Italian wine sector is under pressure on all fronts, with tourism and travel retail shuttered, exports falling and domestic consumption contracting due to the pandemic’s impact on the on trade. The pessimism extends across the sector, from exports to domestic sales. “The World Trade Organisation has estimated that the contraction in global demand for wine will be between 15% and 30%,” the report went on.
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