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Adapting to change: the global wine industry's economic and consumer challenges

Addressing rising costs, declining demand, and the path to recovery

Monday, February 5, 2024

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In the latest edition of the ProWein Business Report (Jan. 2024), conducted by the University of Geisenheim on behalf of ProWein, the global wine industry faces a multifaceted landscape marked by significant economic challenges and shifting consumer behaviors. This comprehensive survey, now in its seventh iteration,

canvassed over 2,000 industry experts across the entire value chain, from wine producers in key viticultural regions of Europe and overseas to exporters, importers, specialized distributors, and representatives from the gastronomy and hospitality sectors.

The report, deriving insights from the unique chronological series of the ProWein Market Barometer since 2017, outlines the principal hurdles confronting the wine sector amidst an economic downturn. Highlighted by Prof. Simone Loose, director of the Wine and Beverage Business Institute at the University of Geisenheim, the industry grapples with rising costs coupled with declining demand. This scenario is further exacerbated by a long-term trend towards healthier living and changes in consumer preferences, necessitating the wine industry to adapt its communication strategies to resonate with younger consumers effectively.

Current challenges include heightened economic pressures, with the cost of production and the threat of increased expenses leading the list of concerns, albeit with a slight decrease in inflation risks. The global economic fragility remains a persistent worry, alongside significant anxieties over reduced wine consumption and profitability within the sector. Extreme weather events in Spain and Italy have amplified concerns over climate change, albeit these have been somewhat overshadowed by the more immediate economic challenges.

The industry's response to these economic hurdles has been varied, with a majority attempting to offset rising costs through price increases, a strategy that has also led to sales losses due to competitive pressures and price-sensitive consumers. Efforts to boost sales, optimize costs, and open new markets have been widely adopted, though with varying degrees of success across different segments of the industry.

The survey further delves into the sales, cost, and profit dynamics, indicating a pervasive impact of increased costs on nearly all wine producers and distributors. While some businesses managed to maintain or even increase sales, a significant portion reported sales losses, contributing to a general decline in profitability. Looking ahead to 2024, the industry braces for moderate cost increases, with a cautiously optimistic outlook for economic expectations.

Market segmentation reveals shifting patterns, with the basic segment experiencing growth due to inflationary pressures leading consumers to opt for more affordable wines. Conversely, the mid-range and premium segments face challenges, though there are variances across different producers and regions, indicating a nuanced market landscape.

Consumer behavior changes, particularly the decline in wine consumption, are attributed to decreased disposable income and a growing emphasis on health and wellness. The report underscores the need for the wine industry to adapt to these shifts, suggesting that economic recovery alone may not suffice to rejuvenate wine consumption and advocating for the development of non-alcoholic or low-alcohol wine alternatives.

To address the global wine market's imbalance, characterized by an oversupply amid stagnant consumption, the report calls for structural adjustments, including state aids for vineyard downsizing and strategies to attract younger consumers. The marketing of wine, especially in reaching younger demographics and leveraging digital platforms, is identified as crucial for future success.

The ProWein Business Report 2023 presents a comprehensive analysis of the global wine industry's current state and its future outlook. It emphasizes the need for strategic adjustments in production, marketing, and communication to ensure the sector's long-term viability amidst evolving economic and consumer landscapes.