

# Poland's Growing Wine Market

By *Jolanta Ganczewska*

The increasing popularity of wine among Poland's 40 million consumers during the 1990s reflects not only Poland's closer ties with the West, but also the growing belief by Poles that wine represents a healthy lifestyle. At the same time, Poland's accession to the European Union (EU) will reduce or eliminate some of the customs duties for most suppliers to the Polish market. Poland hopes to achieve EU accession by January 2004.

## Economic Indicators

Poland remains a very attractive market for foreign investment and sales. The country has one of the fastest-growing economies in Central Europe, with economic growth averaging 5 percent annually over the last decade.

While the estimated economic growth for 2001 is only 2 percent, the new Polish government's plan to revive the economy could stimulate further economic expansion

in the near future. As the Polish market grows, wine may be extremely profitable for U.S. exporters.

## Whetting Wine Consumption

Poland's per capita wine consumption is significantly lower than that of other European countries. Poland's wine consumption is around 5.6 liters per person annually, while in France and Italy, annual per capita consumption is around 50-70 liters.

Polish consumer tastes have been influenced by Bulgarian vermouths. Poles prefer seasoned and sweet wines, and their market is dominated by lower-priced products. With consumption of wine expanding 10-15 percent a year, wine will soon rival beer and vodka in popularity with Polish customers.

Several large- and medium-sized firms have been importing wines for the past 10 years. These firms import from countries all over the world, including Australia, Chile, France, Germany, South Africa and the United States. Wines are also imported in bulk and bottled in Poland by 200 firms. The largest Polish bottling companies have sought foreign investment to modernize their bottling and distribution systems.

Consumer preferences indicate that bulk wines bottled in Poland are not as popular as imported bottled wines. Polish consumers are very aware of country of origin codes and look for them when purchasing wines.

Wine consumption in Poland increases during the Christmas season, in February during winter carnival celebrations and also in the spring, when vodka consumption is discouraged because of religious observances. Large companies in the fine wine sector indicate that 30 percent of their total yearly sales occur during these periods.

The most popular categories are red, sparkling and white wines. Dessert wines are currently very popular with Polish consumers, but in a few years, dessert wines are expected to surrender some of their popularity to sparkling wines. Consumption of sparkling wines has been growing quickly and is expected to reach 1.6 liters per capita in the next decade.

As noted above, Poles have customarily favored beer and vodka. Vodka consumption still dominates the market, accounting for 53 percent of all alcoholic beverage consumption. Beer has a 37-percent market share.

However, the wine industry is growing tremendously each year, and it is estimated that more than 10,000 different wine brands are now present in Poland.

## Distribution Flows

Most of the larger importers distribute wine through their own wholesale operations throughout Poland. Besides using their own distribution channels, importers also sell their products to independent wholesale firms, which in turn distribute wines to hypermarkets, specialty shops and small retail stores in larger cities. Currently, the largest retail stores do not import wines for



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their own distribution, but rather obtain them from a local importer or a wholesaler. In recent years, small chains of specialty shops have emerged on the Polish market. These shops, located in larger cities, tend to concentrate on more expensive varieties of wine.

### Trade Constraints

Currently, U.S. wines entering Poland face a 30-percent tariff, a 22-percent value-added tax and a \$0.33-per-liter excise tax. A U.S.-Polish Trade Agreement of July 2001 will reduce the 30-percent tariff to 20 percent by Jan. 12, 2002, on selected table wines.

Companies wishing to import wines to be sold in Poland need to obtain a permit from the Ministry of Economy to conduct wholesale distribution. Retailers wishing to distribute wines must obtain permits from the local county authorities.

Wines imported in bulk and in individual bottles must have labels in Polish.



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The label must contain the following information:

- the name of the product,
- the name and address of the producer,
- the name and address of the importer and
- the alcohol content.

Bottles of imported wines can be distributed with original labels, but they must also bear stickers in Polish.

Poland does not permit the use of artificial colors in wine, and the content of sulphur must be limited. Polish regulations on import documentation are similar to those of the EU.

### Staging Promotions

The Government of Poland has strict laws and regulations concerning the advertisement of beverages with alcohol content over 18 percent.

Companies use a variety of techniques to differentiate their products. The use of added-value promotions with the purchase

of wines is very popular. In this sort of promotion, the company provides a gift with the purchase of wine, such as a corkscrew or a glass with a company logo on it.

Wine tastings are prohibited at supermarkets, hypermarkets and liquor stores. Specialized stores, however, may obtain permits to allow tastings. Some California wineries have pooled their resources to undertake promotions.

### Price Plays Its Part

Price will play a major role in any growth in demand for and popularity of wines in Poland. Most of the population cannot afford high-quality wines. It is not surprising to find that cheaper brands of wines (with prices equivalent to beer) dominate the market.

Retail prices for wines vary, depending on the type (red, sparkling, white), the country and region of origin and the perceived quality. The popularity of a wine is influenced by "word of mouth" and by television series and films.

Current market trends show that Polish consumers prefer "exotic" and "ecological" wines from Chile and South Africa over wines from Bulgaria, primarily due to the assumption that these wines are more pure and healthful than other wines offered on the market.

Retail prices for wine can range from 8 to 100 zlotys (\$2.00-\$25.00) in supermarkets and from 20 to 1,200 zlotys (\$5.00-\$300) in wine specialty shops. ■

## Entering the Market

**C**ontacting the right importer will help a business enter the Polish wine market. Supermarkets, hypermarkets and specialty shops buy most of their wines through wholesalers, set up through large importers that have their own distribution channels and marketing contacts.

For a list of larger importers of wines in the Polish market and other key information, contact the author of this article:

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