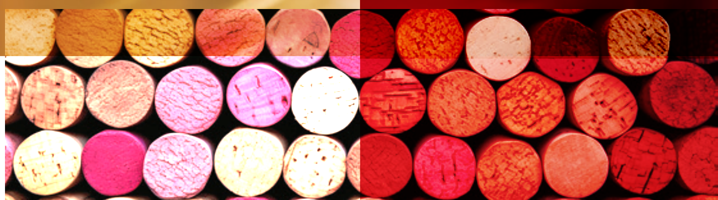
REPORT ON MARKET RESEARCH OF WINES with Geographic Indication from North Macedonia for entering EU markets



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TIKVEŠ

Wines of MACEDONIA
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REPORT ON MARKET RESEARCH OF WINES WITH GEOGRAPHIC INDICATION FROM NORTH MACEDONIA FOR ENTERING EU MARKETS

INTRODUCTION

Governments have protected trade names and trademarks of food products identified with a particular region since at least the end of the 19th century, using laws against false trade descriptions or passing off, which generally protects against suggestions that a product has a certain origin, quality, or association when it does not. In such cases, the limitation on competitive freedoms which results from the grant of a monopoly of use over a geographical indication is justified by governments either by consumer protection benefits or by producer protection benefits.

One of the first GI systems is the one used in France from the early part of the 20th century known as appellation d'origine contrôlée (AOC). Items that meet geographical origin and quality standards may be endorsed with a government-issued stamp which acts as official certification of the origins and standards of the product. Under "Champagnerparagraph" of the 1919 Treaty of Versailles, Germany was forbidden from using allied geographical indications on products, which in particular affected the German "cognac" and "champagne" industries, as the French considered the terms misleading references to places in France. Since then, the terms "Weinbrand" and "Sekt" have been used instead.

Geographical indications have long been associated with the concept of terroir and with Europe as an entity, where there is a tradition of associating certain food products with particular regions. Under European Union Law, the protected designation of origin framework which came into effect in 1992 regulates the following systems of geographical indications: "Protected designation of origin" (PDO), "protected geographical indication" (PGI), and Traditional Specialities Guaranteed" (TSG).

In a nutshell, a geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin.

For 2018 it has been estimated that worldwide nearly 66,000 protected GIs are in existence. GIs in force relating to "wines and spirits" accounted for more than 51% of the total number, followed by agricultural products and foodstuffs with nearly 30%.

The North Macedonian wine sector is planning to establish a new GI in order to increase market share and to enhance the prices of wines from North Macedonia. In this context the aim of this report is to present the results of a market research of wines with Geographic indication from North Macedonia for entering EU markets. In particular, the this relates to the following points:

- Collection of data related to the EU wine markets that are net importers of wines, with a particular focus on a consumer market of GI wines such as Northern European markets

- Data analysis with a particular focus on a realistic chance for entering EU markets, and

- Preparation of a report on market research of wines with Geographic Indication from North Macedonia for entering EU markets

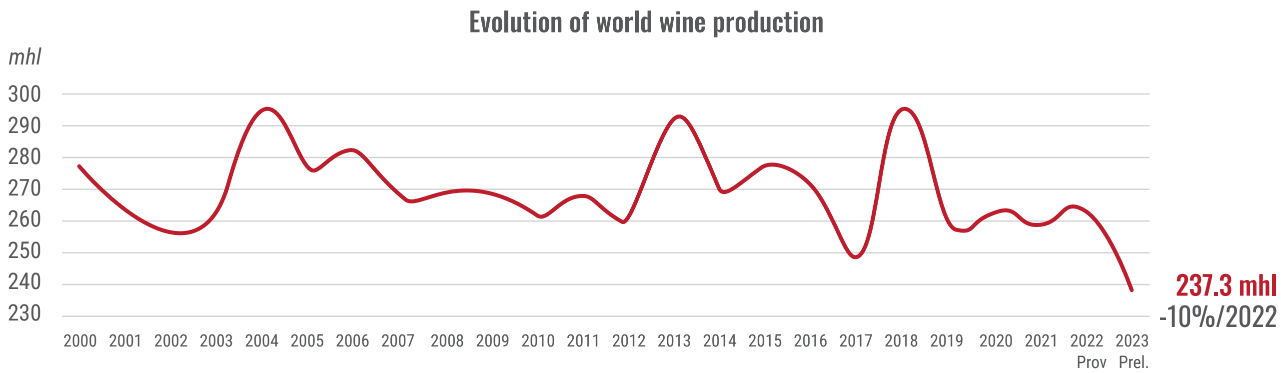
The report is based on desk research. In this context the both the OIV databank as well as Euromonitor databank on Wine, Alcoholic beverages as well as on Luxury goods have been used mainly. Further, relevant articles and studies have been used both in scientific journals as well as in professional magazines. Based on this, topics to be discussed had been identified. Interviews were held with key importers of wines from key markets, wine experts and other relevant stakeholders.
Thirteen Expert Interviews had been conducted at this years' ProWein. Interviews have been conducted with two import companies from Scandinavia and Denmark, one German Cellar that is importing wine as well as exporting, five competing 'countries' (Moldova, Romania, Ukraine, Georgia and Armenia), two specialized retailers from Germany and Poland, two sommeliers (The Netherlands and Denmark) and one food retailer that operates throughout Europe. After the ProWein additional three interviews were conducted with two wine journalists and one wine critic.

SHORT OVERVIEW ON WORLD WINE MARKET **AND ITS DEVELOPMENTS**

Any strategy – in particular export strategies - should consider the developments of the external environment. As the wine market is characterized by an increasing global trade, the world market should be the starting point.

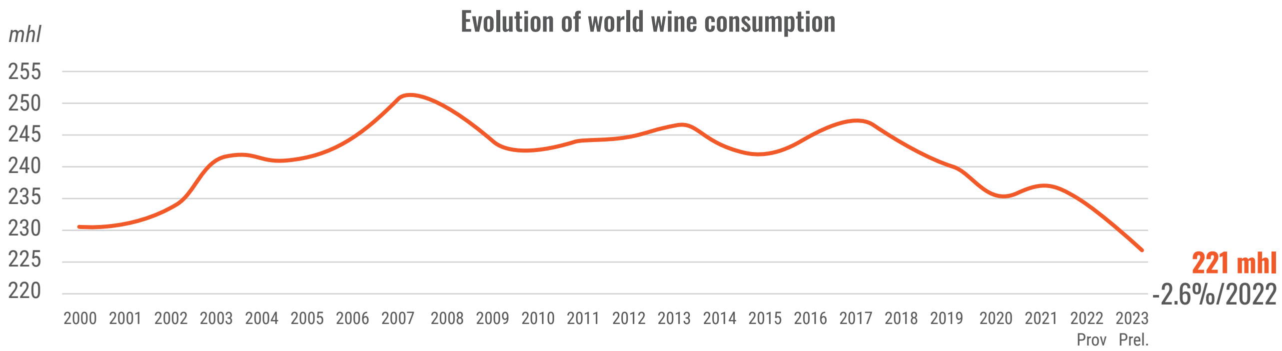
The global Wine Market - Oversupply

The world wine market has developed dynamically in the last two decades. On the one hand the EU – as the main producer of wine – has decreased its vineyards until mid-2010's and increased its share on quality wine continuously. On the other hand, countries such as China or Georgia have significantly increased the surface under vine. Even though the total acreage of vineyards has not changed dramatically over the years, the wine production (volume) has huge volatility making forecast extremely difficult. However, the tendency indicated an average global wine harvest of about 260 mio hl. However, for the year 2022 the OIV states a harvest of about 247 mio hl and forecast for the year 2023 a harvest of 237 mio hl.



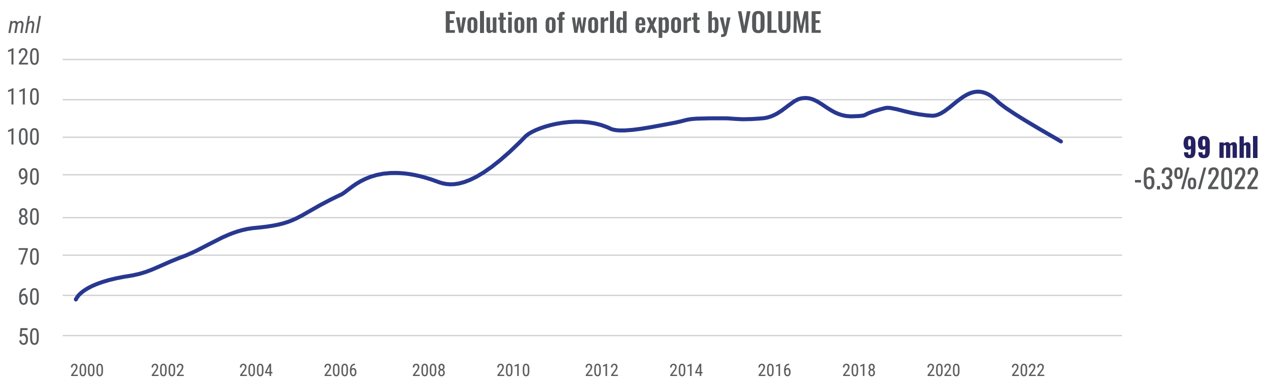
Source: OIV (2024)

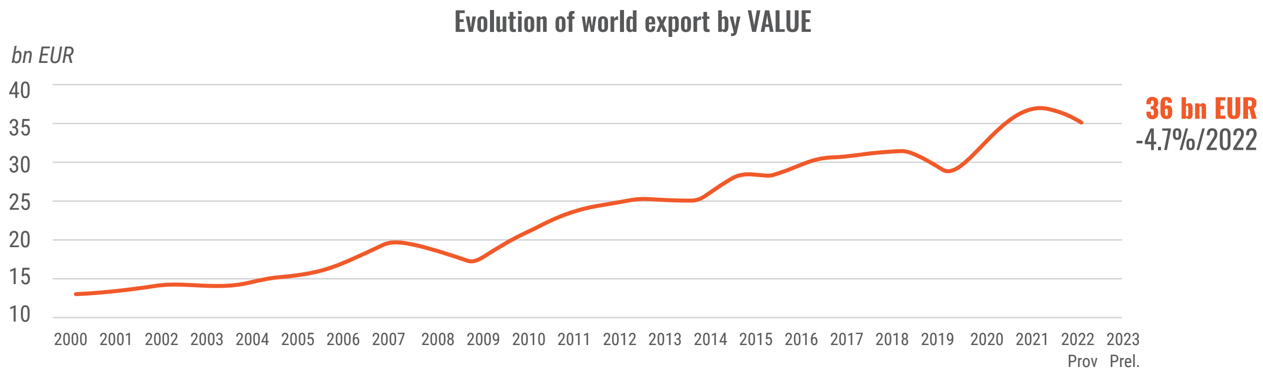
Up to the 2007 the global wine consumption had been constantly increasing. However, due to the global economy crisis since that the consumption is falling. Today the OIV states a consumption of 232 mio hl for 2022 and predicts a consumption of 221 mio hl. For the global consumption a change in wine style is observable. For total consumption the portion of red wine is decreasing; rose is more or less stable while white wine is gaining in market share. Furthermore, the percentage of quality wine is increasing which might be due to the fact that the EU is incentives the production of quality wine.



Source: OIV (2024)

The OIV data also shows that the total amount of exported wine is steeply increasing for more than two decades – both in volume as well as in value. This increase indicates on the one hand that there the global interest in wine is rising (particularly in countries that are not producing grape wine) but on the other hand it also indicates that those countries that are producing wine face decreasing wine consumption domestically (eg Spain).





Source: OIV (2024)

All-in-all the global wine market can be characterized as an oversupplied market which has a very high level of competition; up to a point of being ruinous competition. For instance, the Australian wine growers are discussing possibilities how to reduce vineyard area in order to reduce the quantity supplied.

China substitution of imported wine by domestic produced wines

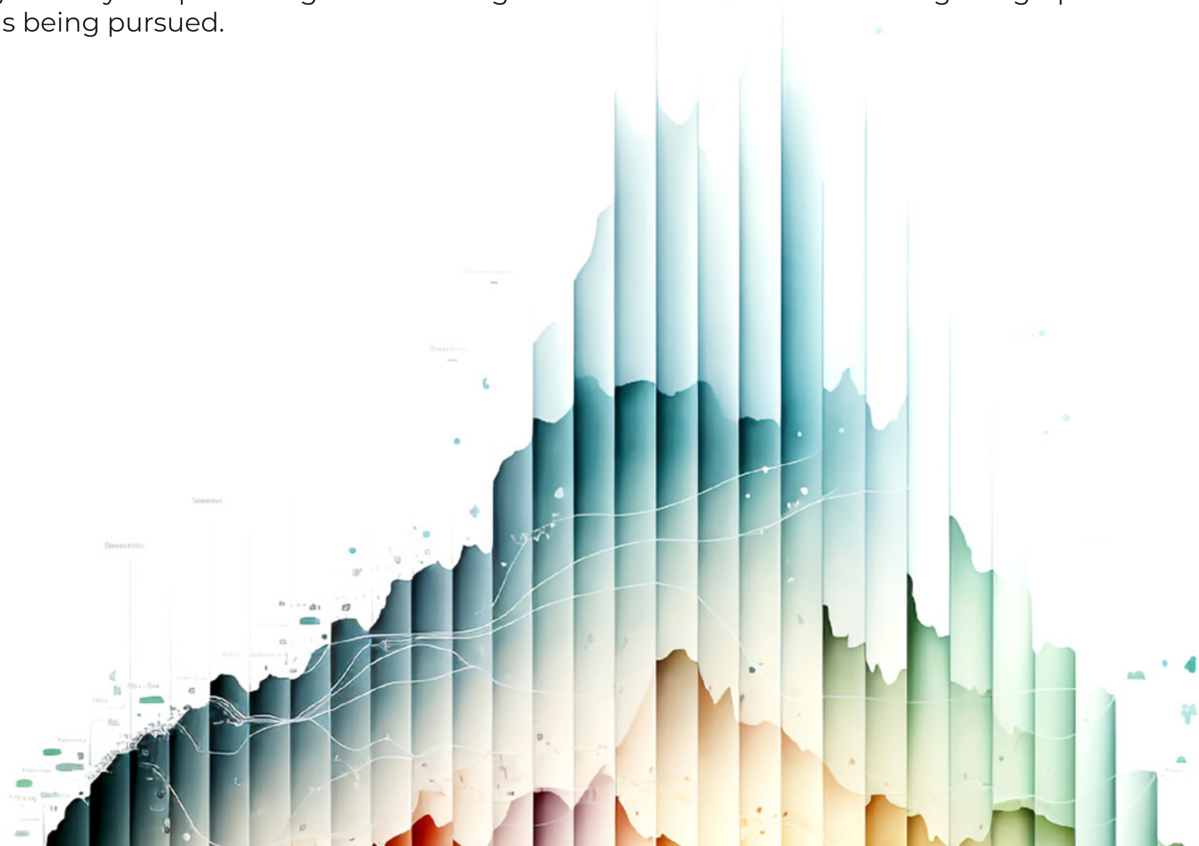
For about two decades China has been considered as the “light at the end of a tunnel” for an oversupplied global wine market; a market that seemed to take up all wine regardless of its origin etc. However, already before Corona the Chinese market changed. The consumption started to decrease from its high point of 1.6l per capita to todays 0.8l per capita. At the same time the Chinese domestic wine production started to decrease and significantly change its competitive orientation. While in former times “Chinese” wines had been positioned at the price entry level today some “Chinese” wine has undergone a real premiumization.

Still today there are some Chinese wines (often blended with cheap bulk wine imports) at the price entry level. However, new wine growing regions such as Ningxia or Yunnan (LVMH has invested into a wine estate in the Himalaya Mountains) have been developed with the help of the government. In order to increase the income in rural areas, the aim of the new wine growing regions is to secure market share in the premium and ultra-premium price segment. As the total wine consumption is decreasing this means that Chinese premium wines are today substitute premium imported wines leading to a situation that the Chinese wine market today is very competitive.

It seems as if something similar might could happen in Russia. Federal Law 468-FZ of 27.12.2019, which came into force on 26.06.2020 and regulates viticulture and the wine sector in Russia. This law caused a collapse in bulk wine exports to Russia as this law does not prohibit the importation of bulk wine for the production of wine-based beverages (as Sangria) but requires bottles containing imported bulk wine not to be labeled as wine. For bulk wine exporting countries such as Spain the effect had been quite severe. Further, there are some rumors that Russian wine producers as well as Crimean producers will receive help in order to gain market share on the expense of imported wines. (It might be a co-incidence but many of the wine producing countries that are still exporting to Russia intensified their activities at this year’s ProWein.)

In between conclusion

Due to fact that the global wine supply is larger than the consumption the market is oversupplied since many years. A typical buyer market has emerged as a consequence. As the global exports are steadily increasing the world market is heavily competitive and at the same time globally battled. The situation that e.g. China is now relying more on domestic premium wines makes the global competition even worse. In order to escape the price competition, the need to differentiate has been recognized by the producing countries in general. Often the idea of creating Geographical Indication is being pursued.



EU WINE MARKET – **GENERAL DEVELOPMENTS**

The common market of the EU is not only characterized by a huge wine consumption but also as the world largest wine production. A majority of the wine that is produced in the Southern part of the Eu is consumed in the Northern parts. Further, regulations that are imposed by the EU not only effect the EU-producers but all imported wines.

Southern Europe Producer Markets

Spain (995.000 ha), France (812.000 ha), Italy (718.000 ha) but also Portugal (193.000 ha) and Greece (96.000 ha) are largest or among the largest global wine producers. Besides of being large these countries have a long tradition in wine making and share high reputation among European consumers. Further, all of them are “sought after” touristic destinations for North Europeans. These countries also share the fact that heir domestic wine consumption is decreasing (e.g. Spain has today a per capita wine consumption of only 25.3l which less than the one of Germany). At the same time these countries are producing from a constant vineyard area wine. Hence, they face a situation of a constant pressure to export their wines (as seen in the global wine market). The vast majority of their exports are within the EU common market targeting the Northern European consumer markets.

As the EU is supporting the establishment of geographical Indication there is a steady increase in the number of GIs in the Southern Europe observable. Hence, the targeted markets in Northern Europe are seeing more and more GI wines from Southern Europe combination with the image of tourist destinations. Nevertheless, the competition is very fierce and many wine growing regions are struggling. For example, the wine growing region of Bordeaux is discussing how roughly 30.000 ha can be removed in order to reduce the glut of (GI) wine that does not find a buyer.

Northern Europe Producer Markets

Not surprisingly Northern Europe has in comparison only smaller surface under vine. The largest producer is Germany with an acreage of 103.000 ha (8.9 mio hl) followed by Austria with around 47.000 ha (2.3 mio hl). However, with the climate getting warmer also more Northern countries such as The Netherlands, Denmark and Sweden see increases in vineyard area. Despite the warming of the climate German and Austrian wine producers are capable of producing wines with lower alcohol content. Still the majority of planted vine are white varieties.

German wine producers face both domestically but also internationally stiff competition from wines around the world. As a result, the profitability of the sector is quite low. As a consequence, a new wine law has been established in Germany which change the quality wine regulation towards a Romanic system based on Geographic Indication instead of the “quality in the glass”. As a result, both in Germany but also outside of Germany the wines shall now be promoted by the usage of GI. However, when the new law had been discussed only wine producers had been involved but neither consumer research had been carried out nor commercial buyers had been questioned.

No & Low

As mentioned in the global market also in the European market a trend to wines with a lower alcohol content is observable; i.e. white wines are preferred with 12.5% alcohol or less and red wines with less than 13.5%. Additionally, a new development is observable. People abstain drinking alcohol for a certain period – e.g. Dry January or Sober October. However, in particular among young consumers - up to the age of thirty – a new lifestyle of temperance is evolving. For example, a recent study in Germany has revealed that around 50% of young adults are not interested in consuming any alcohol. Furthermore, the lifestyle of Health and Sustainability (LoHaS) is very important in Europe. Whereas in Southern Europe alcohol (wine) consume is still accepted as okay for the health, in Northern Europe – particularly in the Nordics – wine consumption (is as being healthy) is getting more questioned.

In addition to the general increase of awareness in regard to the alcohol intake, the WHO is intensifying its efforts to reduce the alcohol intake globally. However, as Europe still has a very high alcohol intake the WHO initiatives such as the 'SAFER-Initiative' or the 'Global Action Plan 2022–2030 to strengthen implementation of the Global Strategy to Reduce the Harmful Use of Alcohol' are focusing on the EU. These initiatives found their ways into the EU strategy of 'Beating Cancer'. Main elements are the so-called 'Three Best Buys' which are a) Bans on advertising, which should apply to various forms of media, b) Tax increases combined with measures to curb tax avoidance, and c) Restriction of the availability of alcoholic beverages e.g. via the adjustment of sales hours. Furthermore, there a discussion about the so-called 'alibi marketing' has started. WHO defines "Alibi Marketing" as a strategy employed by brands to associate certain attributes with their products without directly promoting them. This means that brands that also include alcoholic beverage are not allowed to promote their branded products which do not contain any alcoholic beverages.

In-between conclusion

As the largest producer of wine, the EU member states are very important actors in the global wine market. However, as the EU wine producers face the situation of oversupply – mainly caused by a decrease in consumption in the producer markets – there main export destinations are located in the North of Europe taking advantage of the Common Market and positive associations the consumers bring back from their vacations. As the EU supports the establishment of GI consumers are faced on the one hand with an increased number of quality wines and on the other hand with an endless amount of GI wines. As a result, consumers are not attaching a high value to GI in general. In the last years many successful wines have been GI wines that build strong individual brands at the same time. However, as the EU starts to regulate more and more the wine market (Three Best Buys) the establishment for brands as well as for GI is getting more and more demanding.

NORTHERN EUROPE: **CONSUMER MARKETS**

Not surprisingly the main wine consumption in producer countries are wines produced domestically. Thus, target markets for wine imports are most often the consumer markets of Northern Europe. Whereas Belgium – due to its proximity to France – is very French orientated, the more northern markets are much more open to wines from various destinations.

Germany & The Netherlands

The German wine market can be dived into two parts. On the one hand there are wine growing regions where consumers are very proud of their regional wine producers leading to preference of local wines. However, the preference for local wine is quite narrowly defined. Further, in the last years "local wine drinkers" are getting more open than in the past. On the other hand, the majority of German wine consumers are not located near a wine growing region. In the past these consumers had been very open to foreign wine – not having a strong preference for German wine. In general, the vast majority of wine is bought via food retail with Aldi being the largest wine retailer. In food retail prices are comparable low e.g. the price range for premium wine is 4.99 to 7.99 Euro. As Aldi and Lidl are the market leaders retail branded wines are dominating the shelves. Often the grape variety is more important than origin i.e. the wine will be sourced EU-wide. A development that helped German wine to gain back market shares, has been the introduction of "second wine lines" from wine estates with a reputation. Examples are "Weil Junior" from the Rheingau Wine Estate Robert Weil or "Van Volxem & Friends" from the Mosel Wine Estate Van Volxem. With such concepts younger and more price sensitive target groups are being addressed and new sales channels are being explored i.e. discount as younger consumers are less likely to shop in specialized retail shops. For two years these concepts are being copied to lower price segments – middle price segments 2,99 - 4,99 Euro. In order to meet the price points and still offer good quality for money, wines for such concepts is bulk wine from various destinations. For example, in 2023 Romania was exporting the wine for the concept "Richtig lecker" by Netto discount.

Germany

Table 1. Sales of Wine by Category: Total Volume 2017 - 2022

million litres	2017	2108	2019	2020	2021	2022
Non Alcoholic Wine	-	-	-	9.7	10.6	12.3
- Still White Wine	683.8	679.3	683.2	667.1	636.7	622.3
- Still Rose Wine	144.5	150.3	147.9	150.9	154.5	161.5
- Still Red Wine	759.7	709.6	688.2	672.4	639.3	680.8
Still Light Grape Wine	1,588.0	1,539.2	1,519.3	1,490.4	1,430.5	1,464.7
- Other Sparkling Wine	314.7	304.1	297.2	277.4	279.6	297.6
- Champagne	7.3	7.2	6.9	6.1	6.6	7.1
Sparkling Wine	3222.0	311.3	304.1	283.5	286.2	304.7

Euromonitor, 2023

Higher priced wines find their way to the specialized wine shops. However, in the last decade this retail format undergoes a structural change. Instead of single owned shops chain systems are emerging. They asked for larger quantities and demand to be involved in the "design of the wines". Origin is more important. However, they prefer traditional, classical destinations over "exotic destinations". Often their assortment is classically order by producer countries so that for the non-standard wine destinations only one shelf is left – if at all. They serve not only but also to educated wine drinkers; but these educated wine drinkers might enjoy to read about unknown destinations but prefer to drink "safe" wines. The concept of GI is well known by these consumers but "weighted with a country factor". The less they know about the country or have a negative image in mind, the less the GI is considered to be valuable. In this context one has to consider that quality wines produced in the EU have nowadays a GI so that it is standard in the specialized wine shops or the higher premium wines. For traditional specialized wine shops, where the customer is served by a well-educated employee, emphasis is laid on offering undiscovered producers and interesting wine regions / GI which are still connected with a good reputation leading to increases of sales of Portuguese a Greek wines. However, the larger the distance to the consumer (online shops such as HAWESKO) the more important are brands or brand-like winemakers in order to differentiate. For exotic wines such as Georgian wines or Moldavian premium wines online shops are very important channels; however, generating only a low sales volume.

A market that is very similar to the North German consumer market is the Dutch market. The vast majority of wine is sold in food retail with a slide difference. Aldi and Lidl are present but the market leader is Albert Heijn which belongs to Ahold Delhaize. However, in regard to its wine assortment Albert Heijn is even more retail brand oriented. It has an own premium brand. Additionally, Dutch consumers are more brand orientated in general. In this context, the wine brands from the New World have a stronger market presence in The Netherlands in comparison to Germany.

Netherlands

Table 2. Sales of Wine by Category: Total Volume 2017 - 2022

million litres	2017	2108	2019	2020	2021	2022
Non Alcoholic Wine	0.9	1.3	1.7	2.7	3.3	3.1
- Still White Wine	149.2	152.7	154.8	157.2	157.7	149.9
- Still Rose Wine	43.8	44.4	45.4	48.8	49.6	48.4
- Still Red Wine	155.5	152.7	150.2	142.9	135.6	125.0
Still Light Grape Wine	348.5	349.9	350.4	348.9	342.9	323.3
- Other Sparkling Wine	6.3	6.2	6.6	6.8	7.5	7.3
- Champagne	1.8	1.9	1.9	1.6	1.9	1.8
Sparkling Wine	8.1	8.1	8.5	8.5	9.4	9.2

Euromonitor, 2023

Similar to Germany the specialized retail segment has only a small market share, However, it is even more chain dominated. The largest specialized wine chain is Gall & Gall which is also owned by Ahold Delhaize. As stated for the mass market also for the specialized retail and HoReCa similar developments take place in The Netherlands as in (North) Germany. With one exception that the Dutch premium wine consumer is more open to non-classical destinations.

The Nordics: Scandinavia & Denmark

The Nordic countries (Denmark, Sweden, Finland and Norway) have many things in common. They have experienced a strong increase in the wine consumption for roughly two decades and are now stable for the last years. Today Denmark has a higher per capita consumption than Spain. However, it is not only that there is an increase of consumption but also the value development is remarkable.

Sweden

Table 3. Sales of Wine by Category: Total Volume 2017 - 2022

million litres	2017	2108	2019	2020	2021	2022
Sparkling Wine	18.9	21.4	22.2	23.3	26.1	26.0
- Champagne	2.5	2.6	2.6	2.4	3.1	3.0
- Other Sparkling Wine	16.4	18.8	19.6	20.9	23.0	23.0
Still Light Grape Wine	202.6	204.8	205.5	208.5	208.3	202.5
- Still Red Wine	115.0	112.4	112.5	112.0	110.1	106.3
- Still Rose Wine	15.3	17.6	17.5	10.2	10.3	18.1
- Still White Wine	72.3	74.8	75.5	77.3	79.0	78.1
Non Alcoholic Wine	-	-	-	2.5	3.3	2.9

Euromonitor, 2023

One reason for this is that the consumers are interested in wine so that they are paying attention to quality. All countries have comparable high taxes on alcoholic beverages (VAT plus Excise taxes). As a result, prices in restaurants and bars are very high so that in comparison to other markets only small amount of wine is sold via restaurants and bars. In the Nordics the communication for alcohol tightly regulated i.e. in advertisements of alcoholic products it is not allowed to raise any emotions or to show any emotional settings. Whereas Denmark has an open distribution policy on alcohol, the Scandinavian countries are regulating the sale of alcohol. Wine is only allowed to be retailed via state owned monopolies or in special licensed restaurants and bars. All Nordic country have in common that sustainability is rated very important and the concept is not only narrowed down to ecological production. For example, alternative packaging is very important such as Back-in-Box, or newly PET bottles or cans. As these innovative packages are good for sustainability, they are not considered to be inferior i.e. it is not unnormal to find a premium wine in a Bag-in-Box.

Denmark

Table 4. Sales of Wine by Category: Total Volume 2017 - 2022

million litres	2017	2108	2019	2020	2021	2022
Non Alcoholic Wine	-	-	-	1.4	1.6	1.8
- Still White Wine	36.8	41.0	42.5	47.3	49.6	50.2
- Still Rose Wine	7.2	9.2	10.3	13.9	15.8	16.7
- Still Red Wine	94.1	91.9	85.9	87.9	89.7	88.4
Still Light Grape Wine	138.0	142.2	138.6	149.1	155.1	155.2
- Other Sparkling Wine	4.5	4.8	4.9	5.3	5.9	6.2
- Champagne	1.3	1.5	1.6	1.7	2.0	2.1
Sparkling Wine	5.8	6.4	6.5	7.0	7.9	8.3

Euromonitor, 2023

As mentioned above all Scandinavian countries have a state-owned monopoly which are quite similar working. The majority of wine is purchased via tenders that are described in detail. After the tender is closed a trained panel is testing the wines and the one that is judged to be the best will win the tender. Alternatively, there is a trial and a to-order rage which are mainly used for wines that are considered by the monopoly to be interesting for their consumers. Again, demands on quality are high but lesser known destinations can be tested. Another route to the market is to work with the HoReCa sector. Wine that performs well in this channel will find its way to the monopoly shelf after a while.

All-in-all the consumers in the Nordic countries are open for new wines and destinations. However, they are very cautious in regard to quality as they have to pay high prices for their wines. Hence, they expect not only "wet" wine quality but also quality aspects such as sustainability, positive image, and emotions. Due to this international wine brands are successful but also concepts brands that are often owned and designed by the domestic importer. As quality is expected GIs can be understood as a good way to proof quality but the GI alone is not enough to make the difference.

Poland & the Baltic Countries

The North Eastern Consumer markets of Poland and the Baltic Countries have traditionally a low (grape) wine consumption. However, wine made from fruits (berries and apples) have a long tradition. In the recent years it can be observed, that fruit wines are decreasing as well as other alcoholic beverages with the exception of (grape) wine. Even though the increase started on a low level today grape wine is the normal wine and widely consumed. This increase in consumption has been recognized by the wine business. For example, the German wine institute (DWI) considers Poland as one of the future markets.

Poland

Table 5. Sales of Wine by Category: Total Volume 2017 - 2022

million litres	2017	2108	2019	2020	2021	2022
Non Alcoholic Wine	-	-	-	1.1	2.6	3.8
- Still White Wine	52.5	55.0	63.6	64.0	66.9	65.8
- Still Rose Wine	3.8	4.1	4.6	4.8	5.0	4.8
- Still Red Wine	70.6	72.3	71.9	73.4	74.8	70.2
Still Light Grape Wine	126.9	131.4	140.1	142.2	146.8	140.8
- Other Sparkling Wine	17.0	18.9	22.7	27.1	31.4	31.6
- Champagne	0.5	0.4	0.4	0.5	0.7	0.8
Sparkling Wine	17.4	19.3	23.2	27.7	32.0	32.4

Euromonitor, 2023

Due to their history people from North Eastern Consumer markets have a good and positive understanding about the wine growing regions of Eastern Europe and the Caucasus region which is still visible by substantially higher imports from these destinations. However, due to the aging of the people this positive associations are fading away.

Further, they have in common that on the one hand the mass market is very price sensitive and dominated by international grape varieties and classical wine destinations. But on the other hand, particular for young, urban and well-educated persons wine is a part of their lifestyle which leads to a higher willingness-to-pay for and higher interest in wine. Main sales channels are specialized wine shops and wine bars.

As this target group has a real interest in wine, they are open to new destinations and grape varieties. They also have a good understanding what GI means. However, they are also demanding in regard to taste but also in regard to emotional components. In the end the preferred wines have to match their lifestyles and budgets. Thus, even though they expect good quality they also are price conscious i.e. they are looking for reasonable priced (high) quality wines with a good image of the destination. As mentioned above, this young generation is less aware of the Eastern European wine producing destinations. But in comparison to other European youngsters, they still are way more knowledgeable about them and have still a better image of them. A further advantage is, that this target group is mainly located in the larger cities and they are quite social media affine.

In-between conclusion

In order to enter the European market with a GI means that the price for these wines would be in the higher price range i.e. premium segments. Therefore, the main distribution channels are specialized wine shops, and Horeca and in particular wine bars.

Even though the German wine market is the volume-wise the largest market; however, also one of the most competitive. More interesting are the Nordic countries which are less price sensitive and more open. On a smaller consumer base, the North Eastern markets of Poland and the Baltic Countries are highly interesting – in particular the young, urban and well-educated target group.

COMPETITIVE **LANDSCAPE**

As outlined the high level of competition in the wine markets are demanding a clear competitive strategy; i.e. cost leadership, differentiation or orientation towards niches. As there are only few wine growing regions and companies that really provide enough economies of scale to be considered as a cost leader in most cases differentiation is chosen as the main strategic approach; depending on the size of the region and/or companies niches are included in the strategy.

On country-level it is observable that promotions are being used in order to highlight the countries' touristic potential. This in turn is used to create a country of origin effect. However, most often the overall marketing spending on country level are comparable low; i.e. too low create a real pull effect. For the agri-food business and particularly for the wine business almost all countries are generating and using Geographical Indication as a means of differentiation.

Competitors from Caucasian Countries

Since any years the Caucasian Countries are establishing themselves in the premium niches. They are actively working with the long tradition of wine making (cradle of wine making), their distinctive landscapes and their reputation of producing high end wines and brandy. Besides of targeting the CIS countries and China, they are active in the marketing of their wines in Europe. Whereas, Georgia already established and markets GI wine, Armenia and Azerbaijan are in the progress to create GI wines.

With about 55.000 ha of vineyards is by far the largest and most known wine producer from Caucasus. Over centuries they built a reputation of producing fine wines. In the beginning of the new millennium a decision was made to change the export orientation towards the "West". With this decision the communication focus was set on heritage (8,000 years), and qvevri wine (Amphoras). Additionally, Georgia as a (wine) touristic destination was widely communicated and sommeliers, Master of Wines, and wine critics had been invited to visit the country. After establishing their core messages, they started some years ago to diversify into the different wine growing regions and establishing GIs. Whereas, the general approach has been quite successful – Georgia is on the wine map – they face difficulties to attract the consumers to a more differentiated level; i.e. the acceptance of the new GIs is problematic.

As a side note it is still worth to mention that after years of absence both – Azerbaijan and Türkiye – appeared again at the ProWein show casting their wine production and regions. For Türkiye it has been noted that they also use GI for their marketing.

Competitors from Central and Eastern European Countries

Producers from Bulgaria, Romania, Hungary but also Moldova have been exporting to the European Union for a long time. Traditionally they addressed the food retail in lower price segments. In the beginning it has been with typical wines, however over time they changed to international grape varieties which are transported in bulk and filled in the EU. Today many retail concept brands are using bulk wine from those destinations as the price/quality performance is very good. And consumers are more interested in a certain variety or label than in the origin of the wine.

However, besides the mass market business the producers in these countries are also aiming to increase the export share of their premium wines. Like the other, they also want to create a positive the value proposition by GIs. Again, the main market segments are specialized retailers, high end restaurants and wine bars. Besides of the traditional exporters to the EU, at this year’s ProWein also Ukraine started to actively communicate their wine growing regions and their GIs.

Competitors from Southern Europe

As mentioned above the traditional wine producers from France, Italy and Spain also face the situation of oversupply. Thus, they intensify their sales efforts in the Northern European markets – both in the mass markets but also in niches. In these efforts they use their established but also new created GIs and work with their positive country images.

Greece and Portugal both had times when they had been exporting larger quantities to North Europe. However, for quiet a while they lost market importance. Since a couple of years, they successfully reposition them in the Northern Consumer markets exporting more GI wine – particularly in the premium price ranges using Niche strategies.

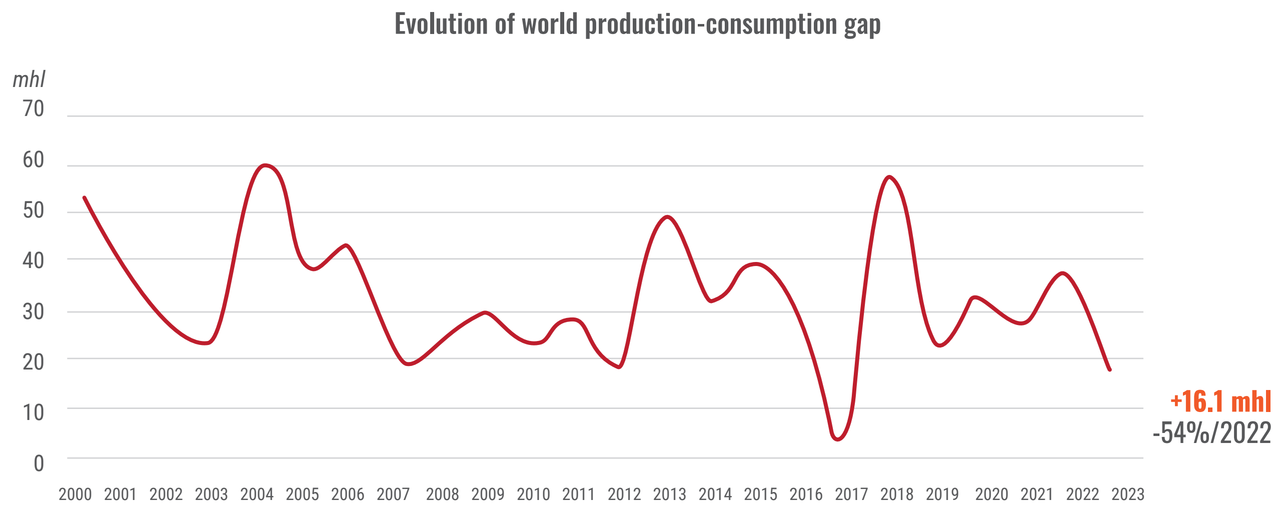
In-between conclusion

For the agri-food business and particularly for the wine business almost all countries are generating and using Geographical Indication as a means of differentiation. As a result, consumers are nowadays confronted everywhere and for all food and drink categories with GIs leading to a situation that the consumers are overwhelmed not using GI in their decision-making process. Hence, GIs are losing their potential to create differentiation in general.

As many wine producing regions are comparable small with high production costs all of them are searching for niches. However, it turns out that the vast majority of them are trying to target the same “premium” consumers, (specialized) retailers and opinion leaders / influencers (sommeliers, wine critics).

DISCUSSION OF FINDINGS **AND CONCLUSION**

For many years the global wine market is oversupplied turning it into a typical buyer market. In recent years, two factors catalyzed this global trend. On the one hand some former "boom" markets such as e.g. China are facing tremendous decreases in demand and at the same time the domestic wines replace parts of the imports. As wine is a permanent cultivation, supply continues to exist with the result that more wine is brought to the consumer markets of Europe. On the other hand, the large EU wine producers face huge overproduction. Thus, exports within the EU are getting even more important. At the same time plans are discussed to reduce vineyard area (e.g. Bordeaux) to take pressure from the market. Additionally, there is a development to drink no alcohol – at least for certain periods. This all leads to a result that the global supply is larger than the demand with the perspective to stay as such.



Source: OIV (2024)

Thus, the European Union consumer markets are already extremely competitive and will stay so or even get more competitive. All-in-all, customer-orientation is not a means to differentiate but rather a means to stay on the market.

With this background the question arises whether it is possible to enter the EU market – in particular the North European consumer markets with wines of Geographic indication from North Macedonia. As this means higher quality wines, the further question arises on how realistic chances for entering EU markets are with particular focus on increasing market share and enhancing the prices of wines from North Macedonia.

In order to achieve this, the intension has to be to export premium bottled wine in at least the premium segment. Thus, the competitive strategy has to be on differentiation leading to the question about the value proposition.

> *In this context the first question is whether a GI by itself can be sufficient as the value proposition?*

Already now hundreds of GI exist only in France and Italy and are introduced to the export markets. However, even high involved and knowledgeable wine enthusiast know only a fraction of those. As outlined the EU Wine policy is demanding GIs as a basis for quality wines leading to a steady increase in the number of GI wines. For example, the German wine law has been altered in a way that now quality wine is based on the GI system. Further, also wines from Portugal and Greece are re-introduced to the North European markets using GIs.

Furthermore, in many Eastern European Countries as well as from the Caucasus many GI initiatives have already been accomplished or started. All of those initiatives aim to be used in their market entry strategies for the European market.

All-in-all, one can conclude that there are a (too) many geographical indications so that even the most engaged consumer cannot absorb them. But at the same time, one has to say that for premium wine high quality is necessary. GIs can be regarded as a quality guarantee; however, as high quality (GI) is expected, it is rather a necessity than a point of differentiation.

As GI in itself is not the value proposition what creates the value proposition?

As emphasized above the wine market is and will stay oversupplied i.e. it is a buyer market. Hence, value propositions will always be defined by the needs and wants of the customers. However, very often GI is defined out of the eyes of producers not including the preferences of consumers and commercial buyers.

As shown consumer preferences are changing. White wines are getting on the cost of red wine more popular and overall wines with lower alcohol content are preferred. Younger generations are already asking for no & low alternatives. Additionally, based on the preferences of their consumers commercial customers such as retailers and importers are designing their own concepts which often include a GI. Thus, potential conflicts arise. On the one hand GI have to provide a frame that ensure high quality and reliability and on the other hand the GI needs have the capability to adapt to changing consumer preferences.

As in buyer markets meeting the preferences of customers might not be sufficient to ensure high(er) prices, what are further starting points for the creation of value propositions?

If today consumers buy a bottle of wine only part of their demands and needs are satisfied by the wet content itself. Wine is bought because it carries emotional benefits such as lifestyle, coziness, social interactions. Thus, GI as a reliable indicator of taste and quality is not enough but the GI has to carry or trigger positive feeling and emotions. Recent positive examples from Portugal or Greece connect the GI with tourism i.e. triggering pictures and positive memories of vacations. If the GI itself is too small or unknown, connections to the overall country image, large events or cultural heritage are being drawn.

Despite of the GI inherent cluster effect most of the successful GI dispose over branded companies who additionally enrich the GI with emotions. Fine examples are the Champagne or Prosecco with their very strong brands. Here the critical question is how to create a GI profile that still allows different, rival brands to find their own value proposition without destroying the GI.

All-in-all, if GIs want to increase the value they have to actively create emotions. This means that they need to invest into marketing activities mainly advertising. In this context, the new regulatory developments induced by the WHO's three Best Buys can be major obstacles in the future. With alibi marketing controversially discussed even the marketing of alcohol-free products under the GI or brand could be forbidden. New communication ways to ensure the access to the target groups are getting more and more important.

This rises the final question who are the right target markets?

As described the Northern markets are consisting of quite consumer segments and behavior. Whereas in Germany and in The Netherlands, consumers are in general quite price sensitive. Hence, here consumers have to be targeted that are shopping in specialized food retail and better gastronomy. However, still the vast majority are of those are looking for "classical" wines and only few are searching for new exotic products and destinations. Those who do often use the internet to search. Nevertheless, they are not young rather 45 years of age or older. In Nordics consumers are general more open, and have a higher willingness to pay. Thus, here the mass market could be targeted but it is very hard to pass the "Doormen" of monopolies. Even though just emerging the North Eastern markets of Poland, and the Baltic countries are getting very attractive. On the one hand because here North Macedonia has a good country image and some wine growing reputation. On the other hand, the segment that is really getting into wine are young, urban, well-educated consumers that maybe just start to seriously drink wine but they will continue to do so for many years.