How Does the Belgian Wine Industry Work?
Case Study

Status: Work in progress: on the one hand, some data from producers should still be collected in order to make the discussion more dynamic during the special session on case studies in wine business; on the other hand, some data on grapes are already incorporated in this case. The missing data will be collected within the Conference since the whole population of producers is very small: 100 wine-growers. This case could be used for the special session on case studies in wine business since this paper will emphasize the diversity of regional settings (Belgian Wine Industry), institutional branding strategies (how to position a Belgian Brand on this competitive market), and business practices (how this industry is working).

Abstract
Even if the Belgian vineyard was created during Charlemagne reign, its size is still nowadays very small (64 ha) although the production has doubled between 2005 and 2006. The high level of consumption per inhabitant in Belgium (27 litres of wine a year) and the wide variety of grapes (34 grapes) represent a high potential for this new growing industry. This case will also describe the Belgian vineyards in details and will finally raise different issues to be discussed in terms of marketing. A survey will be made in order to collect data among Belgian wine-growers, which will help to address these issues.

Keywords: Belgian wine industry, innovation, institutional branding, business practice.

1. Introduction

According to the website www.septamanie-export.com, the production of Belgian wines has moved from 215.000 litres in 2005 to 400.000 litres in 2006. This increase could be surprising in a country like Belgium where the consumption of beer and French wines is dominant. Given the theme of the conference "Enterprise diversity in the business of wine", I had the idea to build a case on the Belgian Wine Industry from a marketing point of view in order to better understand this industry but also to help the managers of the Belgian estates of this growing vineyard in their decision-process.

2. Belgian wine market vs world wine market

In order to identify the potential of the Belgian vineyard, we will compare the Belgian production of wine (64ha) and the Belgian consumption of wine (26.8 litres per year per capita, OIV-2005).

2.1. Belgian production and the world production

Based on the statistics published by OIV (State of the Vitiviniculture, 2007), we know that there are, all over the world, 7.924 millions of ha of vines in 2006 (which corresponds to a production of 279-286 millions hl). In fact, there are 3.561 millions of ha in European Union and 4.363 millions of ha outside EU. Belgian production represents nothing with its 64 ha or 400,000 litres or 533,000 bottles.

2.2. Belgian consumption of wines vs world consumption

All over the world, the consumption of wine is around 246.8 millions of hl in 2006. It represents 170.4 millions of hl for the European Union and 76.4 millions outside EU. The annual consumption of wine in Belgium is around 27 litres per capita per year in 2007 (according to www.septamanie-export.com) and Belgium is the 8th most important country in the world in terms of wine consumption per capita, which represents 2.862 millions of hl.

2.3. Identification of the potential

Belgian citizens consume 2.862 millions of hl: 54.3% in red wines, 28.4% in white wines and 17.3% in rosé. In term of imports, 12.6% come from France. In other words, Belgium is more and more opened to wines coming from the New World and there is a high potential in developing the Belgian vineyards given the high rate of consumption. The potential is higher for the red wines than for the white wines. Furthermore, the wide variety of grapes (34) could also be attractive for the consumers (see further).

3. Belgian vineyards

As we mentioned above, the Belgian vineyards are small in terms of area: 64 ha. The production is around 400,000 litres, which represent 533,000 bottles in 2006. The data below present the figures of 2005 where the production was around 215.000 litres (whereas it nearly doubles with 400,000 litres in 2006). There are 4 AOC, 2 table wine denominations and 2 sparkling wine denominations with AOC. Belgium has around 100 wine-growers.

Table1. Evolution of "Appellation Contrôlée with a guarantee of Origin" in Belgium

Geographic Name	Number of estates	Creation	Area	Production	Allowed yield
Hagelandse Wijn (AOC)	13	1997	13ha 41a 27ca	39,880 litres	67hl/ha
Haspengouwse Wijn (AOC)	6	2000	20ha 26a 27 ca	74,144 litres	55hl/ha
Côtes de Sambre et Meuse (AOC)	27	2004	6ha 43a 71 ca	34, 789 litres	60hl/ha
Vins de pays des Jardins de Wallonie (Wine table)	8	2004	4ha 37a 78ca	14, 350 litres	90hl/ha
Heuvelland (AOC),	3	2005	3ha 06a	9,825 litres	
Vlaamse Landwijn (table wine)	15	2005	6ha 84a 19ca	21,173 litres	
Vlaamse mousserende kwaliteitswijn (AOC)	3	2005			
Vin mousseux de qualité de Wallonie/Crémant de Wallonie (AOC)	27	2008	10ha	20,000 litres	95hl/ha
Total	***102***		***64ha 39a 22ca***	***214,161 litres (in 2005)***	

<u>Source</u>: Data coming from the harvest 2005 (De Maeseneer et al.) and from Boschman et al (2008)

Regarding the variety of grapes that could be used, the regulation identified 34 kinds of grapes whose the most commonly used are listed in the following table.

Table 2. List of main grapes used by wine-growers

Grapes	Number of wine-growers using the grape
Pinot Noir	38
Chardonnay (W)	27
Müller-Thurgau (W)	24
Pinot gris (W)	23
Régent	19
Auxerrois (W)	19
Pinot blanc (W)	17
Sieger (W/rosé)	16
Dornfelder	12
Muscats (W)	10
Riesling (W)	9
Sirius (W)	8
Leon Millot	8
Solaris (W)	8
Gewurztraminer (rosé)	6

<u>Source:</u> Boschman et al (2008).

Case Study on the Belgian Wine Industry
5th International Conference of the Academy of Wine Business Research,
University of Auckland, New Zealand, 8-10 February, 2010

As you can observe in table 3, the Pareto law also work in this emerging industry: 19 estates (out of 102) represent more than 80% of the industry. We can also mention a survey is really important since the 19 estates represent 93.2 ha in 2009 (out of 64 ha in 2005!!!!) and the total production of those 19 estates represent 5900 hl (out of 4000 hl in 2006!!!!).

Table 3. Main estates producing more than 5,000 bottles

Num	Estate	Region	distribution	visit	Area (in ha)	Num	Nu	Total Grapes	Number of bottles	Average Production
1	Wijnkasteel Genoels-Elderen	Haspengouw	site	y	24	1	1	2	90000	675
2	Chardonnay Meerdael	Vlaamse Mo	mv		12	1	2	3	84000	1120
3	Domaine du Chenoy	Côtes de Sar	3	y	10	5	4	9	67500	550
4	Vignoble des Agaises	Crémant et v	1		10	1	2	3	43000	573
5	Domaine du Ry d'argent	Côtes de Sar	2	y	5	1	3	4	38500	513
6	Wijngoed Monteberg	Heuvelland	site	y	6			6	34286	457
7	Wijnkelder Sonien	Vlaams Land	2	y				5	30000	400
8	Ten Kapittelberg	Vlaams Land	1	y	3.5			8	24500	327
9	Wijndomein Aldeneyck	Vlaams Land	4	y	4	2	1	3	24000	180
10	Domaine de Mellemont	Vin de Pays	4	y	3.5	2	1	3	20000	150
11	Kluisberg	Hagelandse	mv		3			5	17143	229
12	Domein de Kluizen	Vlaams Land	2	y	2.5	6	3	9	14286	190
13	Schorpion	Vlaamse Mo	site			2	1	3	12000	160
14	Pietershof	Vlaams Land	8	y	2			6	11429	152
15	Wijnhoeve Elzenbosch	Hagelandse	3	y	2.8			7	10000	133
16	Château Bon Baron	Côtes de Sar	4	y	2	5	3	8	6000	5
17	Clos du Poirier du loup	Crémant et v	4		0.9	2	1	3	6000	5
18	Dox	Hagelandse	2	y	1	2	1	3	5000	67
19	Domein Heiberg	Haspengouw	1	y	1	2	0	2	800	11
20	None	Région de Br	mv							

Reference: Boschman et al., Op. Cit, 2008
NB the figures in red are estimated

4. Discussion (still in progress; the survey will be done early January 2010)

A survey will be sent to all population of wine-growers in order to clarify different marketing issues and animate the debate during the conference:

- Strategic issues
    - How do they see the future (growth of Belgian vineyard, etc.)?
    - How many bottles do they produce now? How many would they like to produce in 10 years?
    - How do they perceive the AOC and other regulations?
    - What is their financial structure? How much does a bottle cost? How important should be their margin?
    - How do they consider the role of influencers such as wine critics?
    - Do they observe some entry barriers in the Belgian market due to intensive competition in the market?
    - Are they structured in regional or national Association? What should be the mission of such Association? Should it be regional or national?
    - Do they plane to work as full-professional or do they want to stay at an amateur/connoisseur level?
    - How do they explain the increase of production between 2004 and 2005?
    - How do they think the State could help them?

- Segmentation-Target-Positioning
  - Who are their consumers? Local, Belgian or International
  - Which consumers would they like to target?
  - How do they consider themselves vis-à-vis the competition (countries bordering Belgium: French wines, Luxemburg's wines and German wines vs New world)
  - How to position the wines (in terms of country-of-origin effect) since Belgium is a beer-country?

- 4 P's
  - Where are their wines sold? Is the distribution direct-indirect-selective-sold in super-/hypermarkets? What is the potential for export? Which distribution strategy do they want to pursue?
  - What is a good-value price for the consumers?
  - How will they build their brand awareness? Which mix of communication would they consider as efficient (sales force- advertising-fairs, etc)?
  - How could they improve their product?
  - Would they consider creating special packaging/conditioning: bottle/magnum/bag-in box?

- Customers
  - Who are their customers? Age, origins, export, etc.

5. Limits and further research

This paper focuses mainly on the supply side. So, we could also focus on the demand side since the Belgium consumer drinks 27 liters of wine per capita per year. Indeed, it would be interesting to do a survey in order to know to which extent the consumer will accept Belgian wines instead of other ones.

In terms of data, it could be interesting to build an "official database" on Belgian wines to help any stakeholders. Based on the data available, we can notice some inconsistencies (see table 3).

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