

SWOT analysis of wine industry reference to Indian market

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Abstract

The global wine industry is expected to generate almost \$292 billion in 2014. At that point market volume should exceed 22.1 billion liters, representing a near 3.5% increase in five years. However the wine industry in India is still in its nascent stage with a 19% increase year on year. The wine market in India has grown from 3,40,000 : 9-Lcases in 2001-02 to an estimated 2.35 million: 9-L cases in 2012-13. Despite this growth, the per capita consumption stands at 23 ml unlike the rest of the world. The bulk of wine sales is seen in Mumbai, Delhi, Bangalore and Goa, while wine sales are seeing an increasing presence in Tier 2 cities. The revision of wine policy in Maharashtra and Karnataka saw a boom in wine production in domestic sector with a host of small players and wineries are mushrooming in many of the states. However, the time has come for taking consolidate efforts to revive Indian wine sector and this will benefit the small as well as big players.

This research paper provides detailed information regarding opportunities, challenges faced by Indian Wine Industry and marketing strategies adopted by few of the leading players of the industry.

Keywords: Marketing, Marketing Strategies, Wine Industry, Current Scenario, Indian Market.

Introduction

The global wine industry is expected to generate almost \$292 billion in 2014. At that point market volume should exceed 22.1 billion liters, representing a near 3.5% increase in five years. Still wine represents the leading market segment, accounting for almost 81% of the global wine market. The EU (European Union) leads with a 75% share of the global market. Kriker Patriarche is the number one company in the market, exceeding 4% market share in terms of volume. The world wine market is characterized by intense fragmentation. The world's three leading winemakers combined hold a little over

8% of the market share in terms of volume. The market is characterized by a moderate degree of competition. Wineries are involved in the manufacture of wine from the fermented juice of grapes. Most wines have an alcohol content of between 10% and 15%. Wineries may also grow grapes, manufacture brandies and blend wines. Leading names currently operating in the global wine industry include Castel, Pernod Ricard, Foster's, Lanson BCC, Robert Mondavi Winery, Bacardi, Vina Conchay Toro, Remy Cointreau, Maison Burtin, E & J Gallo Winery, Constellation, Brown-Forman and Kendall-Jackson.

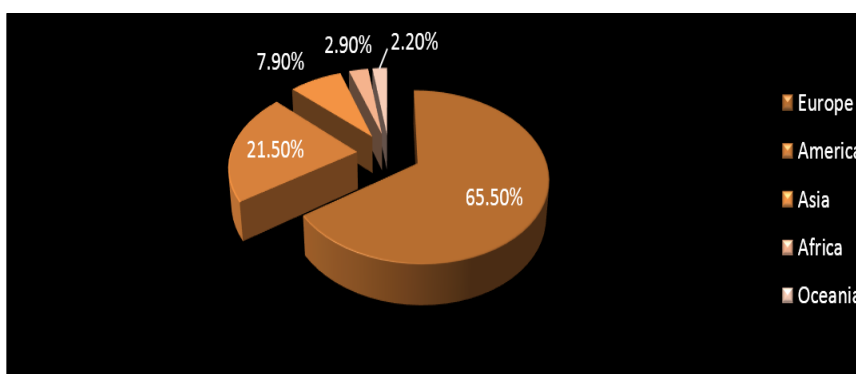


Fig 1: Continent - wise wine consumption

The wine industry in India is still in its nascent stage with a 19% increase year on year. Experts suggest that there is literary and archaeological evidence that wine was known to India since 5BC. The Mughal Emperors also brought in Shiraz and maintained vineyards in the Deccan. Even though the British favored beer – which slowed down the wine expansion and the phylloxera attack in 1890 which devastated the vineyards – they planted vines in Surat and Kashmir. In 1844, Indian wines were also exhibited at the Great Calcutta Exhibition. The first wineries to be set up in 1970 were by Shaw Wallace for

Golconda and UB Group for Bosca. In 1987, with the government's focus on production and export, the first co-operative, Pimpane, was set up as an export-oriented unit in a JV with Harbault & Fils from France. The wine culture is growing, and progressive moves by the Government to encourage consumption are fuelling growth. The true potential of the Indian terroir is yet latent. Regulation and overt discouragement of alcohol make the development of this market an even more challenging task.

B. Research Methodology

Objectives

1. To study the current scenario of Indian Wine Industry
2. To study the challenges faced by Indian Wine Industry
3. To study the future prospect and opportunities for Indian wine Industry

Significance

As this research paper throws light on the current scenario, opportunities & challenges faced by the Indian wine industry, it will aid wine manufacturers in India and those companies having presence in Indian market to make necessary changes in their existing strategies and formulate new accordingly.

Data Collection and Analysis

Two types of data is collected for this research paper. The primary data is collected mainly by observations and unstructured interviews and the secondary data is collected through various publications, reports, research papers and websites.

C. Wine Industry India Current Scenario

It is common knowledge that India and world-class wine are not spoken in the same breath, but if the recent promotional events held all over the country are anything to go by, then all that is about to change. At present times, finding a foothold in an arena that has been eternally dominated by European players has been quite an uphill task for Indian winemakers. However, the recent growth numbers – the wine market is currently growing at a rate of 25-30 per cent – have given them some cause to celebrate. A larger market translates to more demand, which in turn means that Indian wines can, now, share a shelf with their French and Italian counterparts. Moreover, Indians wines are considerably cheaper than their Western counterparts; thus enabling it to achieve a particular target audience of its own.

Strengths and Weaknesses

The strengths and weaknesses for Indian wine Industry can be summarized as follows:

Table 1: Strengths and weaknesses

Strengths	Weaknesses
Indian Wine consumption is growing at a rate of 25-30% per annum since last 5 years period	Wine is difficult to store in India because of lack of cellars and refrigerators
Good Climate for grape growing	Less than 50% of population is legally old enough to drink wine (25 Yrs or Older)
Urban population is increasing	
Youths are craving alternatives to the hard liquor and developing more refined taste	Poor awareness about wine infrastructure
Wine is becoming more acceptable to women and youths	

D. Wine Industry India: Opportunities

The Indian wine industry is growing at the rate of 13 per cent annually, faster than any other alcoholic beverage. It is offering huge rewarding business opportunities. Here is an overview of the industry and emerging opportunities

India’s wine industry is growing faster than ever before. In 90's, the fad for taking wine was not the same as now. Number of wineries is popping up across the country. Many of them are small scale and face challenge in getting their wines available to the market. However to overpower this challenge, they are following new business models like franchise, retail, dealership and distributors etc. to strike the market and leverage new opportunities. Sula Vineyards, Grover Vineyards, Chateau d’Ori, Elite Vintage Winery and Mercury Winery are a few key players who are establishing their vineyards and serving Indian wine to customers in India and overseas. Besides, there are market players like Brindco, Kristal Spirits, Global Tax Free Traders, Mohan Brothers and Fine Winesn More etc. who distribute wine from suppliers all over the world.

Dynamic Market

According to a report by London-based market researcher, the IWSR, the Indian wine market is at 1.2 million cases plus another 200,000 imported cases (a case has 12 bottles of 750 ml each). The consumption of wine is increasing regularly and poised to grow three fold. The report estimates the consumption could touch 2.4 million cases by 2020.

Dealers & distributors drive the overall growth

The growing demand of high quality wine is making wine

dealership business highly lucrative option. Industry leaders believe, the most interesting part of being in this business is that we have an opportunity to know all about the world famous wine brands and how they are manufactured. When we think of expansion of our business, we start looking outside the region for new customers and prefer a dealer or distributor to deliver our wine at customer's doorstep. For example, Sula Vineyards has launched its first winery in 2000 and today, its wines are available nationwide through its distributor's network and has also exported to other countries across the world.

Other Opportunities

Apart from these, the wine companies can look forward as more than 150 million persons will be legally allowed (25 Yrs & Older) to drink in next 5 years, thus adding an extra segment in the existing market. Supermarkets are emerging to support wine distribution infrastructure by providing separate counters for winery products. Increasing disposable income in Indian Market.

Fast growing tourism industry will definitely have positive impact on Indian Wine Industry.

E. Wine Industry India: Challenges

Government Policies

Although India has suitable climate to grow quality grapes and develop good wines but the challenges like tight regulations and limited market access prevents many entrants (including dealers and distributors) to enter into it. Gurnani says, “Challenges lie within our Govt. policies which are not very progressive and supporting to the business. The regulations

vary state wise and are very complicated to understand, which makes scaling up a challenge to the companies like us.”

Distribution Systems

Besides, the Indian wine distribution system is not encouraging. Wine production is intense in the Nasik region, so reaching to the markets like Delhi and Bangalore is far. Due to transit conditions, the wines' shelf life is reduced. So the consumer does not always get the wine in the best conditions.

Promotion, Taxes and Infrastructure

Further challenges of the industry are ban on advertising alcohol, multiple tax authorities and lack of adequate

infrastructure. High taxes, and varying inter-state rules and regulations are logistic frightening for wine dealers and distributors.

Awareness

India is not a wine drinking nation and most of the population has no clue about what a quality wine is. India doesn't have much awareness about quality wines. It is been advised to the wine companies in India to start joint effort to make the consumer aware about quality wines and how wines are supposed to be consumed. The Opportunities and Challenges for Indian Wine Industry can be sum up as follows:

Table 2: Opportunities & Threats

Opportunities	Threats
More than 150 million persons will be legally allowed (25 Yrs & Older) to drink in next 5 years	The Indian Constitution discourages the alcohol consumption
Supermarkets are emerging to support wine distribution infrastructure	Indians still prefer other hard liquors over wine Wine advertisements are banned in India
Increasing disposable income in Indian Market Fast growing tourism industry	Government Policies, Awareness & Infrastructure

Conclusion

Wine Tourism in India is still a European concept that has taken off in micro levels with only a few producers offering the whole experience that one savors overseas. With a growing awareness for wines, opportunities are aplenty and it is only with time will we be on par with the international counterparts offering a holistic experience.

However with these opportunities, challenges need to be faced, be it availing necessary clearances from governing bodies, to setting up a full-fledged facility, investment, returns etc. If the challenges are successfully faced, the day is not far when Indian wine tourism will see newer heights. Statistics reveal that India’s rich and prosperous are finally warming up to this delicious drink; India has a wine market of roughly 1.2 million cases, while experts predict that consumption will grow at a CAGR of around 30% during 2014-2016. The right marketing strategies and increased awareness will go a long way to ensure that this historically significant drink finally conquers Indian hearts.

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