

ProWein Business Report, Special Report, September 2024

Special Report on ProWein Business Survey 2024:

Digitalisation of the wine sector – current status and future development

Digitalisation is an important driver for market success

The report has identified critical areas where digitalisation can drive growth and innovation within the wine sector, ensuring businesses remain competitive and responsive to market demands.

- 1) The wine sector is increasingly adopting **customised digital solutions tailored to specific stages of the supply chain**, with business management and marketing solutions being the most widespread.
- 2) There is significant **untapped potential for growth in digital marketing tools**, as more wine businesses recognise the importance of e-commerce, CRM systems, and personalisation. However, only 15% of wine businesses plan to invest in new digital marketing solutions by 2025.
- 3) To close the gap with other industries, the wine sector is focusing on e-commerce and web analytics tools to attract new customers and enhance online shop performance, indicating a **shift towards data-driven marketing**.

- 4) Challenges in data management persist in the wine sector due to limited resources, underscoring the **need for better data integration across the sector**. The reliance on manual data entry suggests opportunities for automation and improved data handling.
- 5) There is also strong **potential for the use of advanced technologies** such as AI for automated content creation and personalised customer interactions, although this potential is currently underestimated by the industry.
- 6) A clear **digital strategy and defined processes** are crucial for successful digitalisation, highlighting the importance of a strategic approach. **Wine businesses acknowledge the necessity to invest in digital skills and capabilities**, with 72% of experts recognising the need for continuous learning and development.

These insights underscore the ongoing transformation in the wine industry and the potential for further digital advancements to improve operational efficiency and market reach.

In late 2023, Geisenheim University conducted the annual comprehensive survey commissioned by ProWein, engaging over 2,000 industry experts from across the global wine value chain. The participants included wine producers from key wine-growing regions in Europe and overseas, as well as exporters, importers, specialist wine merchants, and representatives from the food service, hospitality, and hotel sectors. This special report, an extension of the annual ProWein Business Report, provides exclusive insights into the current state and future prospects of digitalisation within the wine industry.

Need for Customised Digital Solutions for each Step in the Supply Chain

The wine industry operates through a complex supply chain, broadly divided into grape growing, wine production, and wine marketing and sales (see

Chart 1). Each stage within this supply chain necessitates tailored technical and digital solutions, employed at varying levels of intensity.

In grape growing, vineyards are planted using advanced GPS technology, a process that may occur only once every thirty years. Throughout the growing season, vineyards require activities such as spraying, pruning, and fertilising, which can be supported by specific digital tools for precision farming. Harvesting takes place annually, with some vineyards using digital berry selection machines that are employed solely during the brief harvest period.

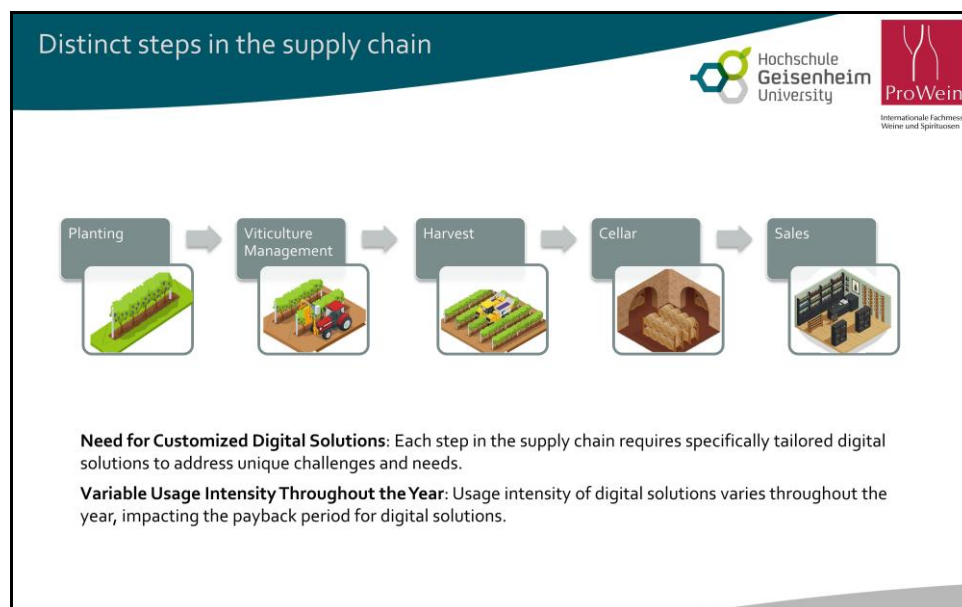


Chart 1 Distinct steps in the supply chain of wine production and sales

During wine production, a range of digital solutions is utilised, including digital fermentation control, digital tank and energy management, and digital cellar books. The duration of wine production can vary, lasting a few weeks in smaller estates and operating year-round in larger bottling facilities. Marketing, sales, and overall business management are continuous processes that benefit from digital solutions throughout the year.

Given the differing usage intensities of these customised digital solutions, those that are used continuously year-round generally have shorter payback periods.

Dissemination of Digital Solutions across the Supply Chain - Business and Marketing are most advanced

Beyond their costs and benefits, differences in the amortisation periods of digital solutions have a significant impact on their adoption rates within the wine industry. Currently, over 75% of wine producers and wine trade businesses use digital solutions such as Enterprise Resource Planning (ERP) systems for finance and accounting (see Chart 2). More than half of these businesses utilise Customer Relationship Management (CRM) systems to improve direct-to-consumer sales. Additionally, 50% of wine businesses employ digital data management for marketing activities. Despite these advancements, only about 15% of businesses plan to invest in new digital marketing solutions by 2025, highlighting considerable potential for growth. When compared to other industries, the level of digitalisation in wine sales remains relatively low. Given the decline in wine sales in many countries, there appears to be untapped potential for using digital tools to enhance sales and engagement.

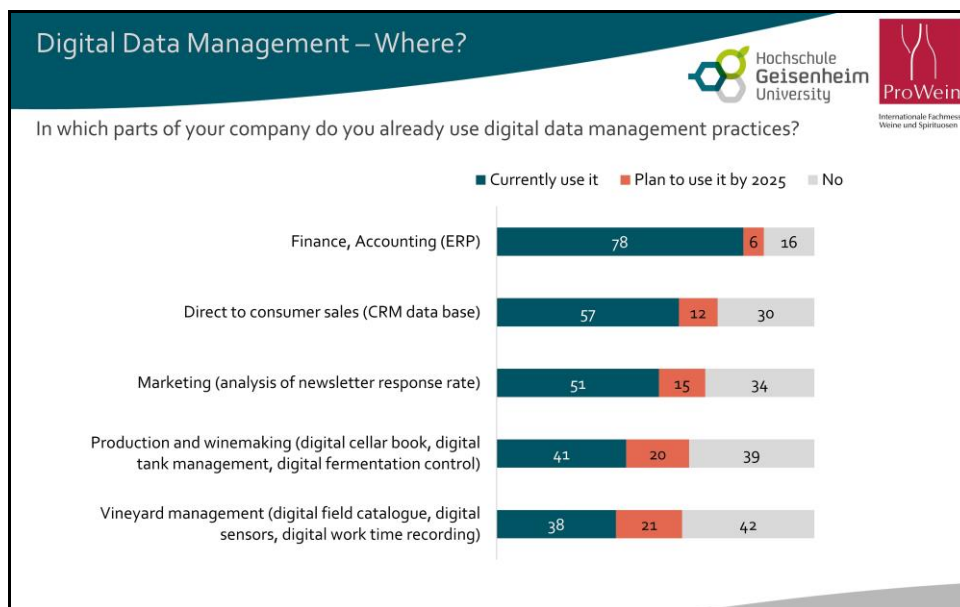


Chart 2 Dissemination of digital solutions across different steps of the supply chain

Approximately 40% of wine producers are using digital tools in wine production, with slightly fewer doing so for vineyard management. Although these initial phases of the supply chain currently exhibit the lowest adoption

rates for digital solutions, they also show the greatest interest in future investments, indicating an increasing focus on expanding digital capabilities.

Tools and Capabilities for Data Management

Digital tools generally require data to be available in digital form before it can be processed and analysed. Ideally, data should be already available or imported digitally to minimise the risk of data breaches and errors associated with manual entry. Currently, nearly two-thirds of wine businesses still manually enter data into spreadsheet programs such as Excel (see Chart 3). Although some initial data information networks, such as the Wine and Beverage Information Network (WIN) and Bottlebooks, exist for automatic data importation, their adoption within the wine sector still has room for growth.

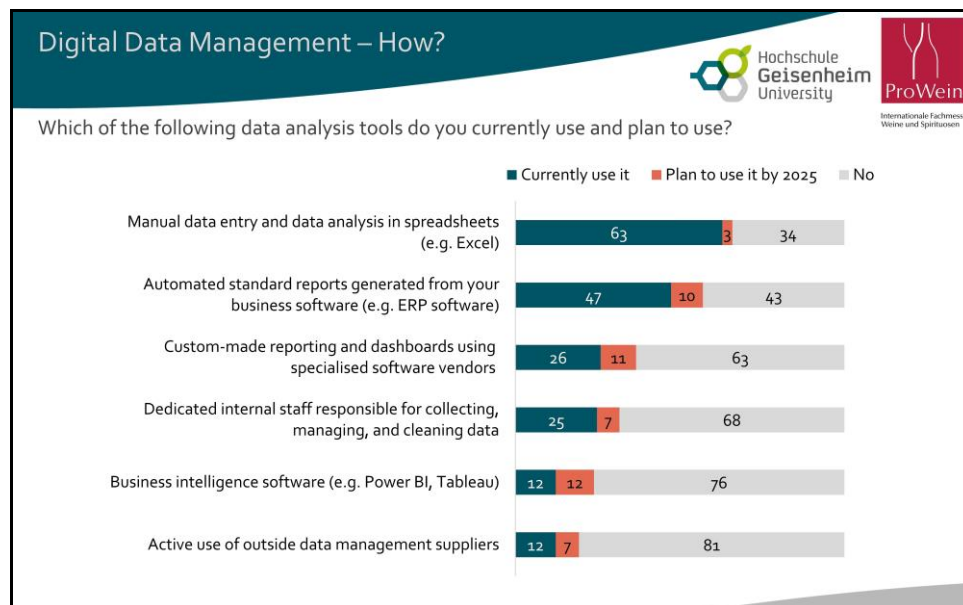


Chart 3 Usage of various tools for Data Management

Many wine businesses face challenges related to limited resources for collecting, managing, and cleaning data. Only one in four businesses has

dedicated internal staff for this critical function, while one in eight businesses utilises external data management service providers.

Half of the wine businesses use standard reports generated by their business software. Meanwhile, a quarter of businesses utilise customised reporting and dashboards tailored to their specific needs, provided by specialised software vendors. One in eight wine businesses employ modern business intelligence software, such as Power BI and Tableau.

The findings suggest that at least a quarter of wine businesses do not use reports from their ERP systems to monitor and manage their business operations. Industry consultants indicate that this figure could be even higher among wine businesses not represented in the survey.

At most, only 12 percent of wine businesses plan to invest in various digital data management tools or capabilities by 2025.

Digital Marketing Tools in the Wine Sector

Digital marketing tools are already widely utilised in the wine sector, surpassing traditional methods of communication. Over two-thirds of wine businesses currently use email marketing and social media to promote and sell their wines. Approximately two out of three wine businesses operate their own online shop, while more than one in four use online platforms or are featured in online retailers' shops to sell their products. Around 10% of wine businesses use messaging apps for wine sales. An additional 10% of wine businesses plan to adopt these digital marketing tools by 2025.

Despite the shift towards digital, multimodal marketing remains important. Half of all wine businesses still send out paper-based mailings and catalogues to engage customers, offering a more lasting impression than digital media alone. For example, wine retailers report that customers often keep annual catalogues in visible places like dining rooms, serving as a

frequent reminder to browse for new wine selections. Similarly, 39% of wine businesses continue to use telephone marketing alongside digital channels.



Chart 4 Current and expected dissemination of Digital Marketing and Sales Tools

Expected Future Importance of Digital Marketing and Sales Tools

Participants were asked to rate the perceived future importance of various digital marketing tools. The ten identified tools can be grouped into four broad categories, each differing significantly in the relative importance attributed to them by wine businesses (see Chart 5).

The first category, focusing on targeting and personalisation of marketing communications and wine offers, is considered very important by 61% of respondents (Item 1). To effectively target consumers based on their past purchasing behaviour, businesses must manage digital marketing data and operate a Customer Relationship Management (CRM) system (Item 2).

The second category centres around e-commerce and web analytics. Half of the wine businesses surveyed consider Search Engine Marketing (SEM) crucial for acquiring new customers. Similarly, web analytics tools, such as Google Analytics, are seen as important for gaining insights into website and

webshop usage and for optimising their performance. One in three wine businesses view retargeting previous visitors to their online shops (Item 6) as a key tool for the future.

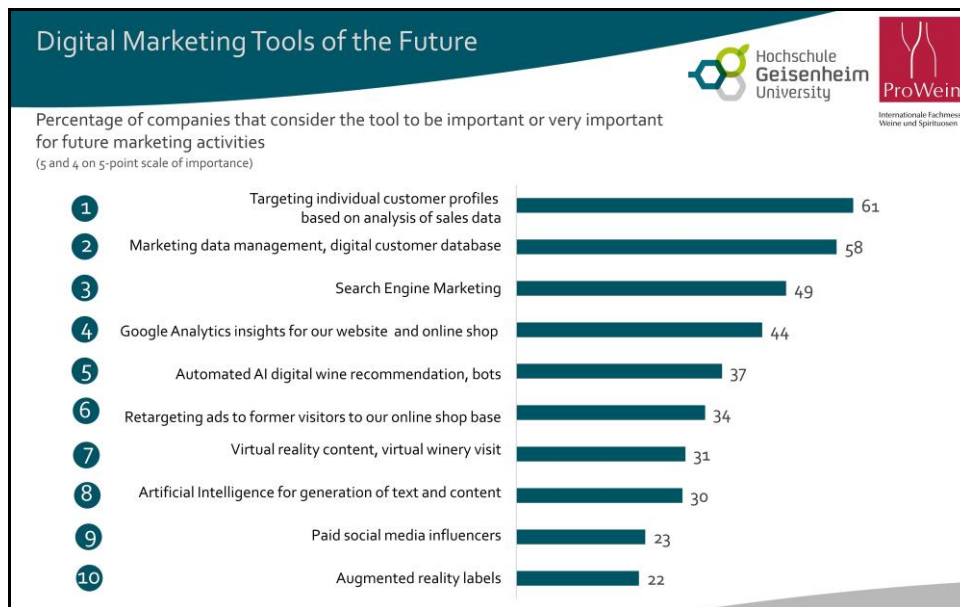


Chart 5 Future digital marketing and sales tools by perceived importance

It is worth noting that the tools in the first two categories—personalisation and online marketing—are already standard in many other sectors. The wine industry is beginning to realise the need to adopt these tools to remain relevant and effectively reach future customers.

As of the survey conducted in late 2023, the third category, Artificial Intelligence (AI), appears to be underestimated by wine industry experts. Only one in three respondents recognise the high potential of AI for the automated generation of text and content (Item 8). This technology has significant potential for personalised communication and could help differentiate wine businesses, suggesting that its importance might be reassessed if experts were surveyed today. Interestingly, more businesses see potential in automated digital wine recommendations and bots (Item 5), with pioneering solutions like Sommelier Bot and Tastry leading the way.

The final category, virtual content, is perceived as the least important from an industry perspective. One in three wine businesses consider virtual reality content and virtual winery visits to be of future significance. Fewer than one in four believe that paid social media influencers will play a crucial role in future digital marketing. Augmented reality labels, such as those used by 19 Crimes, are viewed favourably by one in five businesses. However, participants noted that their novelty appeal could diminish with widespread use.

Openness of the Wine Sector towards Learning and Investment into Digital Tools

The wine industry recognises the necessity for wine marketers to invest in new digital tools, skills, and capabilities. A substantial 72% of experts agree with this sentiment, while only 7% disagree (see Chart 6).

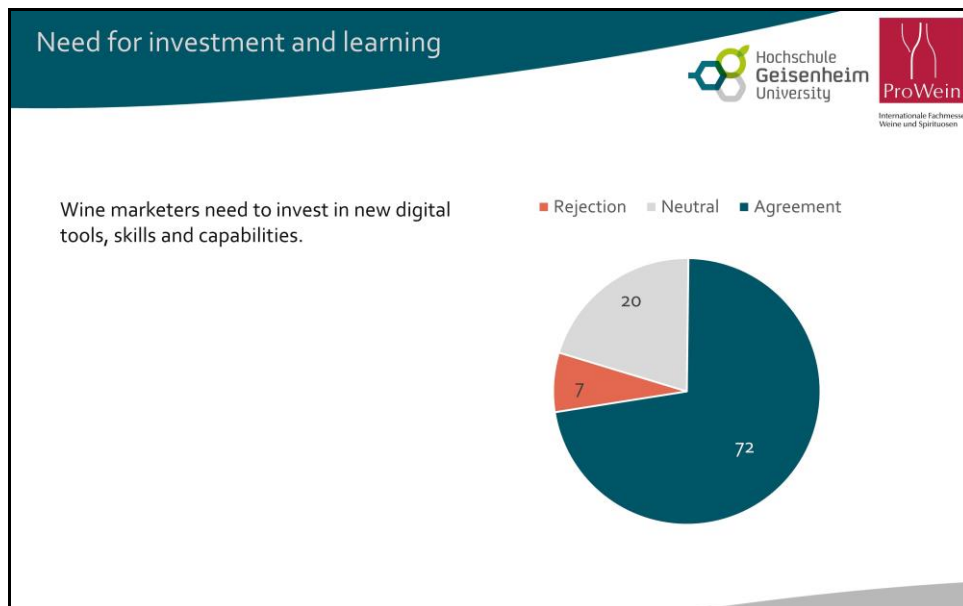


Chart 6 Need for investment and learning

Digitalisation typically yields better returns for larger businesses due to economies of scale. Moreover, businesses need to be profitable to generate the cash flow required for investment in digital solutions. Opinions vary regarding the significance of company size and profitability as key drivers for

successful digitalisation (see Chart 7). Fewer than fifty percent agree, while approximately one-third disagree that these are the most critical success factors. Experts in digitalisation stress that having a clear strategy and well-defined processes are fundamental prerequisites for successful digitalisation. As one participant aptly summarised: “Strategy first and tools second.”

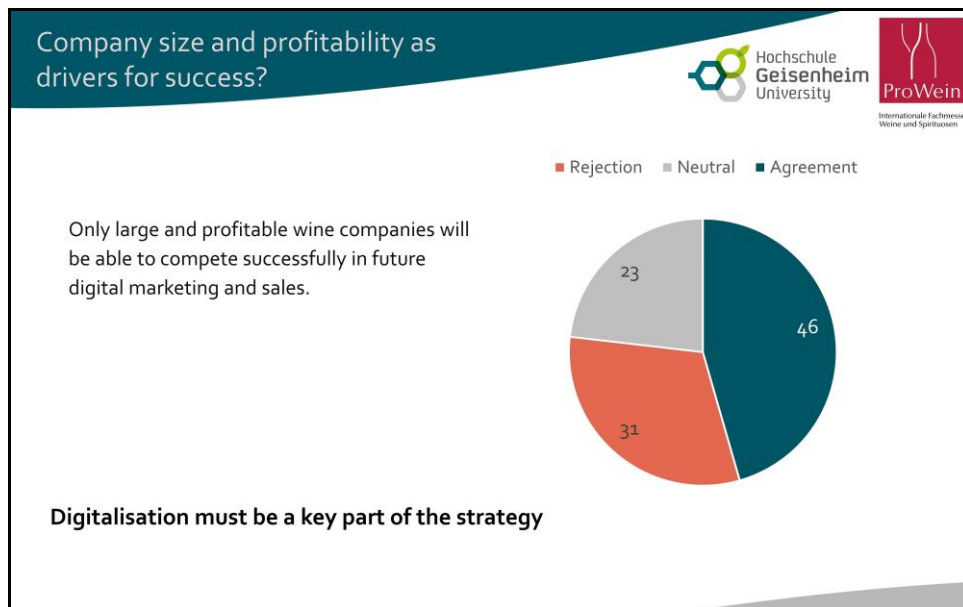


Chart 7 Company size and profitability are necessary but not sufficient for successful digitalisation

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ProWein Business Talk „Digitalisation“ on 1st October 2024

The Special Report has underscored the significance of digitalisation within the wine sector. To delve deeper into this crucial topic, ProWein will host a digital Business Talk featuring key industry experts to discuss the findings of the Special Report. We are delighted to welcome three top international guests and panellists:

- Paul Mabray, a visionary futurist in the US wine industry
- Daniel Freund, CEO of Weinkontor Freund, Germany
- Antonio Graça, Head of R&D at Sogrape, Portugal

- The discussion will be moderated by Prof. Dr. Simone Loose from Geisenheim University

Join us for this insightful discussion to explore the findings of the ProWein Special Report! Gain valuable insights into how digitalisation is reshaping the wine sector, as we examine key trends, best practice examples, and strategies for organisational implementation.

The ticket shop for this online webinar will open on 12th September.

This study was commissioned by ProWein and carried out by the Department of Wine and Beverage Business at Geisenheim University under the direction of Prof. Dr. Simone Loose. Geisenheim University is known worldwide for its research and teaching in the field of wine science.

ProWein and Geisenheim University look forward to continuing the ProWein Business Report and run the next survey in autumn 2024. ProWein thus provides the wine industry with a globally unique, regular longer-term “market barometer” answering key sectoral questions in annual special topics. We would like to thank the participants of the survey and hope that wine producers and marketers continue their active participation.

Note for editors: You will find high-resolution visuals for ProWein in our photo database in “Media & News” at www.prowein.com.

Press contacts for ProWein at Messe Düsseldorf:

Christiane Schorn
Tel.: +49 (0)211/4560 –991 | SchornC@messe-duesseldorf.de

Anne Schröer
Tel.: +49 (0)211/4560 –465 | SchroeerA@messe-duesseldorf.de