Sector Export Market Development Action Plan (SEMDAP)

Wine Sector

Tbilisi, Georgia
2011

This document is an Export Market Development Action Plan for wine sector in Georgia. It includes the views of all participating stakeholders on how to develop Georgian wine export on specific foreign priority markets. The document represents the first version of its kind; it is a very lively one and is open for future updates and information inflow. For this reason your comments and views are welcome for its future development.

Following stakeholders participated in its creation: Ministry of Agriculture of Georgia, State Department of Vine and Wine “Samtrest”, Georgian National Investment Agency, Georgian National Tourism Agency and the producing companies – members of the Georgian Wine Association. Facilitation has been undertaken by the Georgian Wine Association with the help of The Ministry of Foreign Affairs of the Netherlands program CBI.

At the same time, the "Long Term Georgian National Wine Strategy and Action Plan" document, financed by the World Bank, is being prepared by IOS Partners, Inc., an independent consultancy firm, for the State Department of Vine and Wine “Samtrest”. It is remarkable, that a number of points from strategy directly correspond with the issues described in this document.

This document is the translated version of its official original Georgian one.

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1. Introduction

Viti- and viniculture has been present in Georgia for a very long time. Archaeological and paleobotanical discoveries have proven that wine has been produced here some 8000 years ago. These are the ancient relics of cultural wine sector and that is why Georgia is called “the cradle of wine”.

Throughout the history, there were times when the wine sector was strong enough and Georgia has supplied the surrounding neighboring countries with wine. There were also the times, when vineyards have been cut and destroyed, but wine production in Georgia has never stopped and it can be surely stated that Georgian wine counts “8000 vintages”.

Georgian wine has been deeply influenced by the Russian market. Beginning from 19th century, Russian Empire and later Soviet and socialistic countries became the traditional markets for Georgian wines. On the one hand, Georgian wine was favorable and has gained positive reputation on this huge market, but, on the other hand Georgian wine could not reach out to other countries and the rest of the world didn’t have the chance to know it.

At the end of 20th century, political situation in Georgia has heavily affected Georgian wine sector in a very negative way. Since 2000 the sector has started becoming stronger and export has been developing fast too. Though, it was followed by the embargo on Georgian wines from the Russian side in 2006 which was a big financial loss for the whole sector in the country concerning the fact that 80% of total wine export was directed to Russia beforehand.

Despite lots of problems, Georgian wine sector continues developing and export is increasing annually, together with the list of importing countries. More and more wine lovers are interested in Georgian wines because of the following reasons:

- Georgia is one of the oldest wine-making countries;
- There are more than 500 unique, endemic wine grape varieties that can only be seen in Georgia;
- Georgia still has the local, unique wine-making methods that have no analogue in the world.

2. Supply analysis

2.1 Viticulture regions in Georgia

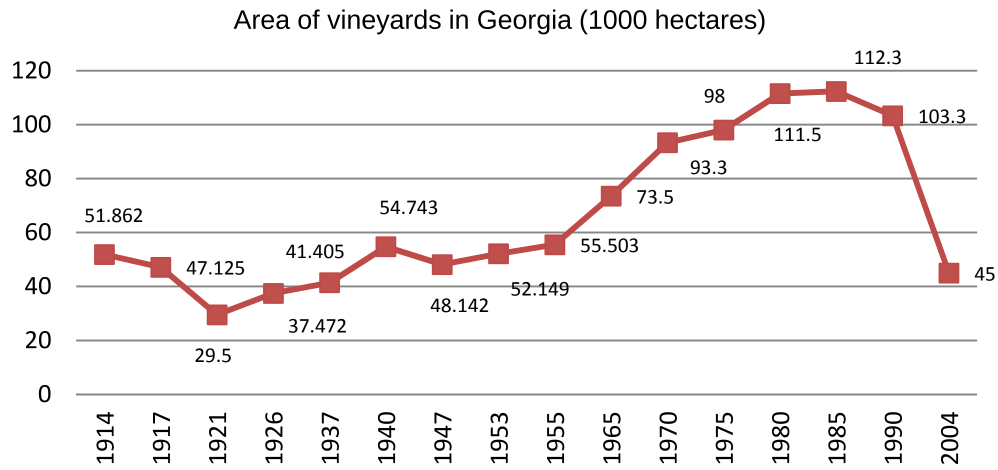
According to the regulation, Georgia is divided into following 6 viticulture zones:

- Kakheti (Sub-zones: Shida and Gare Kakheti)
- Kartli (Sub-zones: Kvemo, Shida and Zemo Kartli)
- Meskheti
- Imereti (Sub-zones: Kvemo, Shua and Zemo Imereti)
- Racha-Lechkhumi (Sub-zones: Racha and Lechkhumi)
- Black Sea coastal area (Sub-zones: Adjara, Guria, Samegrelo and Abkhazia)

Though, taking into consideration the viticulture history, traditions, wine grape varieties and winemaking methods, 10 different regions can be defined, namely: **Kakheti, Kartli, Meskheti, Imereti, Racha, Lechkhumi, Guria, Samegrelo, Abkhazia and Adjara**. In all these viticulture regions endemic wine grape varieties and often local winemaking methods are met.

2.2 Total area of vineyards in Georgia

As for today the total vineyard area in Georgia sums up to approximately[1] 45 thousand hectares, which is significantly less compared to this data 30 years ago (almost 120 thousand hectares) and is approximately equal to the number from 1930's.



[1] According to 2004 census, the total area of vineyards in Georgia has summed up to 37.5 thousand hectares. Though, the census did not include the vineyards in the possession of the residents of the following cities: Tbilisi, Rustavi, Kutaisi, Poti and Batumi, which sum up to approximately 7-10 thousand hectares altogether.

2.3 Area of vineyards by regions

Kakheti has always been the most important viticulture region in Georgia, especially throughout the recent years, when the number of vineyards has significantly decreased in almost every region in Georgia. The up-to-date total area of vineyards in Meskheti region is less than 7 hectares.

Viticulture regions of Georgia[2]

Region	**1960**		**1970**		**1984**		**2004**	
Kakheti	31 062	40%	36 076	53%	61 745	70%	32 823	68%
Kartli	16 527	21%	15 096	22%	13 064	15%	4 177	9%
Imereti	20 042	26%	10 527	15%	8 897	10%	8 584	18%
Racha and Lechkhumi	4 013	5%	1 938	3%	992	1%	1 348	3%
Guria	1 021	1%	876	1%	503	1%	268	1%
Samegrelo	3 165	4%	1 869	3%	989	1%	775	2%
Abkhazia	1 386	2%	1 380	2%	1 367	2%	0	0%
Adjara	740	1%	562	1%	343	0%	42	0%
TOTAL GEORGIA	**77 956**	**100%**	**68 324**	**100%**	**87 900**	**100%**	**48 017**	**100%**

2.4 Grape varieties by regions

Every viticulture region in Georgia is distinguished by characteristic grape varieties, which are adapted to the microclimates and wine-making traditions of those regions in best ways.

Kakheti – Among white grapes, the most widespread variety is *Rkatsiteli*. This variety of grapes is used for making such well-known wines as *Tsinandali, Napareuli (white), Gurjaani, Vazisubani* etc. It is also best for making Kakhetian traditional method wines. Because of its huge harvesting features and the resistance against diseases, this variety has heavily spread in East Georgia and has oppressed such quality grape varieties as *Mtsvane Kakhuri, Kisi and Khikhvi* etc. It is remarkable, that throughout recent years white grape harvest cannot fully satisfy the market demands. There is a shortage of *Rkatsiteli* and especially *Mtsvane*, *Kisi* and *Khikhvi*. In recent years spread of French grape varieties *Chardonnay* and *Sauvignon Blanc* has been observed too, in very low quantities though.

Among red grape varieties, *Saperavi* is the mostly spread one, of which most of the Georgian red wines are made of. Significantly big amounts of vineyards of this variety have been cultivated throughout the end of 1990's and the beginning of 2000's (before the closure of Russian market) and nevertheless its very high quality, Saperavi is being produced in higher quantities, than the demand is. Less spread is the *Cabernet Sauvignon* variety, which has

[2] N. Mekhuzla – Metsniereba publishing – 1996
2004 statistics – Department of Statistics of Georgia - 2006.

mostly gathered in Teliani micro zone. Throughout the last years European grape varieties like *Cabernet Sauvignon*, *Merlot*, *Malbec* etc. are also spread.

Kartli – *Rkatsiteli* is also widespread here, but considerably in lower quantities, than few decades ago. It is preferable to present the local varieties *Chinuri*, *Goruli Mtsvane* (white grape varieties) and *Shavkapito*, *Tavkveri* (red grape varieties), together with *Budeshuri* (white and red grape varieties) for producing quality wine.

Meskheti – Despite the rich and unique history, viticulture here is nearly absent. If newer vineyards are to be cultivated, it is preferable for them to be the local ones, which will make this region attractive for tourists.

Imereti – traditional Imeretian varieties as *Tsitska, Tsolikouri and Krakhuna* are widely spread in this region, but because of high demand on them the producing companies can barely purchase them for processing. Though, of these grape varieties, a very interesting white wine can be produced for export. Though the Imeretian red grape variety *Otskhanuri Sapere* is rarely spread in the region, it is very noticeable. Also, a very interesting grape variety cultivated in specific micro zones is the red grape variety *Aladasturi*.

Racha – Exclusively high-quality wines are made of red grape varieties *Aleksandrouli* and *Mujuretuli* (e.g. *Khvanchkara*) from this region. There is a very high demand on these grapes and accordingly their price is among the highest in Georgia. Also a very good wine is made here of *Dzelvashi* variety, though in comparison to Aleksandrouli, less attention is paid to it and the price is less too. Among white grape varieties, *Tsulukidzis Tetra* (*Rachuli Tetra*) is the favorite, of which soft and aromatic wines are made. It is mostly used in making table wines in the region.

Lechkhumi – the most expensive grape variety in Georgia *Usakhelouri* is cultivated here. In spite of high reputation, this red grape variety is cultivated on a minor area. High enough demand is also on *Tsolikouri* from Lechkhumi region, which is used in making a well-known wine *Tvishi*. Other popular red grape variety here is *Ojaleshi* (*Orbeluri Ojaleshi*).

Guria – the most interesting grape variety here is the local red *Chkhaveri*. Wine made of it has the rose color and has a high potential on the local market. So is the *Jani* variety. Wide-spread white grape variety is *Tsolikouri*, which is used for making table wine for local consumption.

Samegrelo – viticulture in this region is almost forgotten, though it is rich with local grape varieties. Selected one is *Megruli Ojaleshi* (*Ojaleshi*) which has only survived in several vineyards. *Tsolikouri* is used here for making table wine for local consumption.

Abkhazia – this region has always been rich with local grape varieties. Throughout the last century *Isabella* has been widely spread here. There are factually no vineyards left here anymore, though the exact information about viticulture in Abkhazia is unknown.

Adjara – viticulture has survived in so called mountainous Adjara, where the local residence is trying to preserve the local grape varieties *Satsuri* (*Satsuravi*) and *Chkhaveri*. *Tsolikouri* doesn’t ripe enough and is therefore used for making local consumption wine. Like Meskheti region, viticulture in Adjara has more cultural meaning, than economical.

Vineyard composition by grape varieties[3]

Grape variety	Vineyard area (1953, hectares)	Vineyard area (1961, hectares)	Vineyard area (2004, hectares)
Rkatsiteli	14 680	24 319	19 741
Saperavi	2 163	3 411	3 704
Mtsvane	1 184	1 918	249
Kisi	-	-	20
Khikhvi	52	91	5
Cabernet	384	643	223
Goruli Mtsvane	1 086	1 425	224
Chinuri	1 140	1 644	955
Aligote	549	798	97
Pinot blanc	286	376	171
Tavkveri	215	122	29
Tsitska	5 290	6 037	2 839
Tsolikouri	10 181	12 556	6 161
Krakhuna	85	85	36
Rko	890	-	-
Dondghlabi	993	-	-
Otskhanuri Sapere	97	95	5
Tsulukidzis Tetra	426	482	152
Aleksandrouli (with Mujuretuli)	617	815	219
Usakhelouri	54	59	8
Ojaleshi	157	199	25
Chkhaveri	117	160	20
Aladasturi	-	-	46
Other varieties	7 656	14 107	2 490
	48302	69342	37419

2.5 Microzones of Appellations of Origin

There are 18 Appellations of Origin stated by the Georgian regulation. 14 of them are located in Kakheti region and single in each of these regions: Kartli, Imereti, Racha and Lechkhumi. Names of viticulture regions are not protected yet, but on-going works are maintained concerning this topic.

Wines of Appellations of Origin are the subject of strict control procedures and are regulated from the beginning of grape production till the ending by export.

[3] 1953 statistics – I. Rtskhiladze – Academy of Sciences of Georgia - 1956,
1961 statistics – G. Beridze – Georgian Wines - 1962,
2004 statistics – Department of Statistics of Georgia - 2006.

Viticulture region	Appellation of Origin			
	Red wines		White wines	
Kakheti	Mukuzani	Akhasheni	Tsinandali	Kardenakhi
	Napareuli	Kvareli	Napareuli	Tibaani
	Teliani		Gurjaani	Manavi
	Kindzmarauli	Kotekhi	Vazisubani	Kakheti
Kartli				Atenuli
Meskheti				
Imereti				Sviri
Racha		Khvanchkara		Tvishi
Lechkhumi				
Guria				
Samegrelo				
Abkhazia				
Adjara				

2.6 Production and processing of grapes

Grapes are basically used for wine production in Georgia. Wine is produced in wine companies and also by households. In relatively lower quantities, grapes are used for making traditional Georgian sweets: *Churchkhela*, *Pelamushi-tatara* and other products. In low quantities grapes are also consumed as table grapes on Georgian market. Raisins are actually not produced in Georgia.

Officially accounted are only the grapes that are delivered to wine companies. However, we can assume that approximately 150-200 thousand tons of grapes are produced in Georgia, from which 30-40 thousand tons are processed in wine companies. Nearly 15 thousand tons are consumed as table grapes. The rest, more than 100 tons, is processed by unregistered individuals for producing “family wine”. The obtained, 50-80 million liters of wine are also unaccounted and consumed in bulk.

2.7 Harvest and overproduction of grapes

Wine export has increased between 1990 and 2005 from 5 to 40 million liters. The growth was especially significant through 2000-2005. Because of the rising demand on grapes, its price, especially of the red ones, has been significantly increasing. As a result, high quantities of Saperavi vineyards have been cultivated throughout these years mainly by wine companies. White grape varieties were planted in relatively low amounts. In 2006, because of the closure of

Russian market, demand on grapes has been reduced and the oversupply of grapes has been observed on the market. The government tried to solve the problem by subsidizing the harvest and additions have been allocated to grape suppliers since 2008. At the same time the government has started purchasing significant amount of grapes by itself too.

2.8 Wineries and wine producers

Wine is produced in different types of cellars in Georgia and accordingly, wines differ by style and quality.

The biggest amount of wine is produced in so called "**family cellars"**. Each wine producer produces 20-1000 liters of wine on average. Despite small sizes, family cellars produce nearly 50-80 million liters of wine and hundreds of thousands of Georgian families are taking part in the process. Therefore, the wine produced is not officially accounted.

Second group of wine producers is represented by **wineries** that produce wine "officially" and sell it on local or foreign markets.

About 30 years ago more than 100 wineries (wine factories) were present in Georgia. They were divided into primary (processing of grapes) and secondary (wine production) factories. Since 1990's the majority of them have transformed to LTD's or JSC's and some of them even stopped working. At the same time new companies were established and new cellars were built. Some companies work only on export (often, they are also presented on the local market with bottled wines in restaurants and specialized stores parallel to export) and a small number of them work just on local market presented by bulk wine.

According to May 2006 census, 270 wine producing companies and enterprises were known in Georgia. Only 193 individuals and organizations out of them have shown wine stock in amount of 70 million liters totally. In 2006 wine has been exported by about 100 companies, but in 2007-2010 the number of exporters has reduced to 60-70. Basic players on the market do not change, their sales are stable and their export shares are significantly higher compared to other exporters. According to the data of recent years, half of the total wine export is done by 5 large companies and 90% of total wine export from Georgia is represented by approximately 20 companies.

2.9 Wine-making methods and styles

Wines produced in Georgia differ from each other by viticulture regions and used grape varieties, together with wine-making methods. Remarkable are the well-known wines varietals, such as *Tsinandali*, *Mukuzani, Saperavi, Kindzmarauli, Khvanchkara*, as well as *Kakhetian traditional* and widely spread so called *"family wine"* and *Alazani Valley*.

- **Tsinandali** – one of the oldest and well-known white wines is made of Rkatsiteli and Mtsvane grape varieties (85%-15%) from Tsinandali micro zone in Kakheti.

- **Mukuzani** - one of the oldest and well-known red wine with dark color, strong, full wine with velvety taste and often with oak tones is made of Saperavi grape variety from Mukuzani micro zone in Kakheti.
- **Saperavi** – made of Saperavi grape variety from Kakheti region. It is a soft wine full of varietal aromas.
- **Kindzmarauli** – naturally semi-sweet red wine is made of Saperavi grape variety from Kindzmarauli micro zone in Kakheti. To remain sweetness, fermentation is stopped at 40g./l. sugar. Wine is soft, pleasant, has dark color and sweeter taste. It is very popular on traditional markets (Russia, Ukraine etc.)
- **Khvanvhkara** – is made like Kindzmarauli from Aleksandrouli and Mujuretuli grape varieties from Khvanchkara micro zones in Racha. It is also characterized with sweeter taste and pleasant aroma. Its color is lighter than the color of Kindzmarauli.
- **Kakhetian traditional –** is made of Rkatsiteli (or other) grape variety from Kakheti. White grapes are aged with grape skin after fermentation, what gives it exclusive characteristics. Wine has amber color together with strong tannins and taste.
- **Alazani Valley** – the best export selling semi-sweet white and red wine is made by adding concentrated must. Therefore the cost of this wine is considerably low.
- **White "family wines"** – is mostly made from Rkatsiteli grape variety (in East Georgia) and Tsolikouri grape variety (in West Georgia). In East Georgia, wines are often made using Kakhetian traditional method. Additional materials are barely used in the process of fermentation, even the Sulfur Dioxide. Therefore the wines are easily oxidized in color and taste. These wines are actually consumed in only Georgia, but in very high quantities.

2.10 Local market

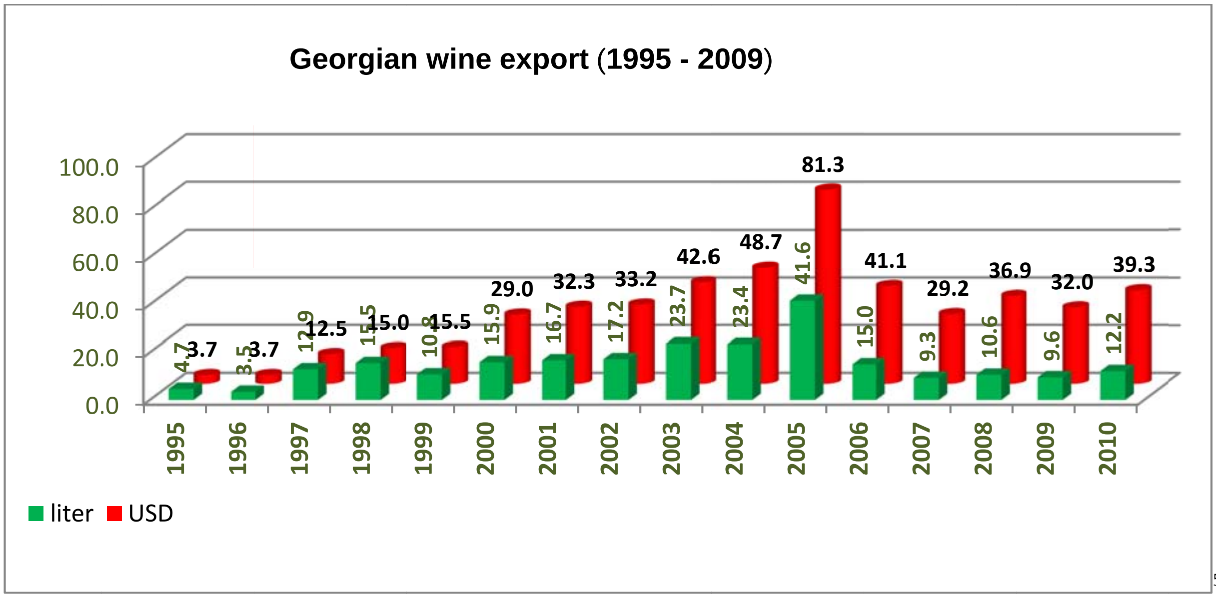
Wine consumption in Georgia is very important and according to IWSR[4] data it sumed up to approximately 66 million liters in 2010, 99% of what comes of local production. Imported wine is less than 1%. Approximately 1.5 million bottled wines are sold annually, the rest is seen in wineskins, plastic vessels and bulk. Main competitive beverages to wine on Georgian market are beer (approximately 65 million liters annually), vodka (approximately 13 million liters annually) and brandy (almost 2 million liters annually).

Wine consumption per capita in Georgia is represented by 15-20 liters. It means that an average Georgian drinks less wine, than an average European wine consumer, but more, than an average post-Soviet one.

2.11 Georgian wine export

[4] The International Wine & Spirits Research. http://www.iwsr.co.uk

Since the crisis of the 1990's, Georgian wine export has risen uninterruptedly. Trend drop has been observed in 2006 when Russia stated embargo on Georgian wines. Though, the rising trend still occurs.



[5]

As for the figures, Georgia exported approximately 12 million liters of wine with the value of 40 million USD in 2010, though it is very low compared to the world's other wine exporting countries.

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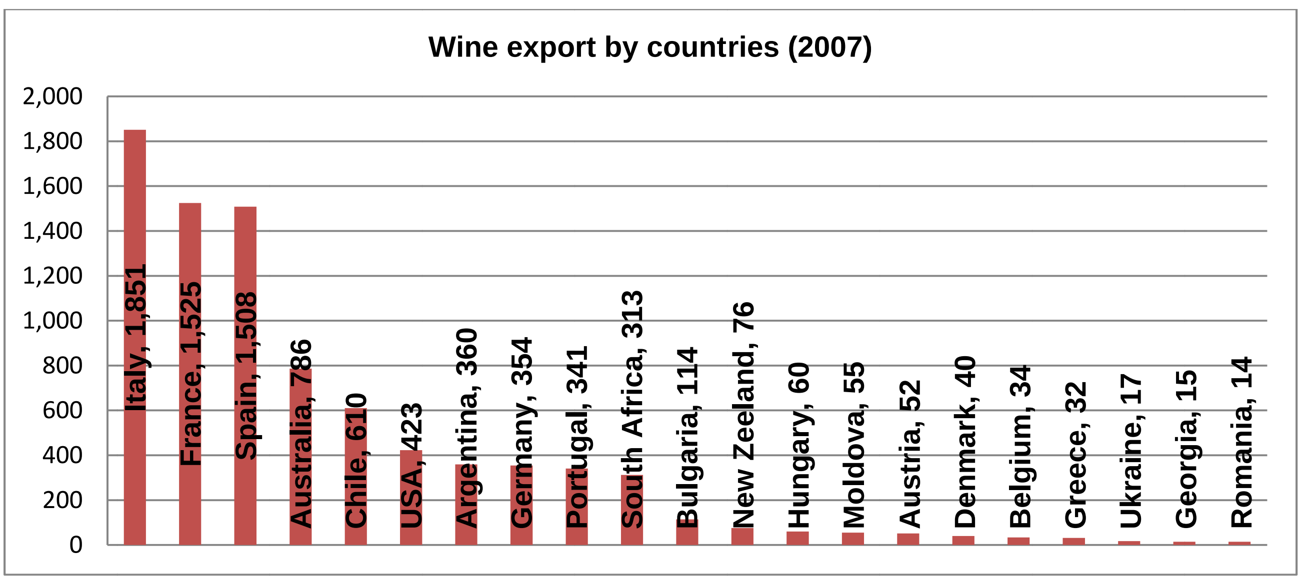
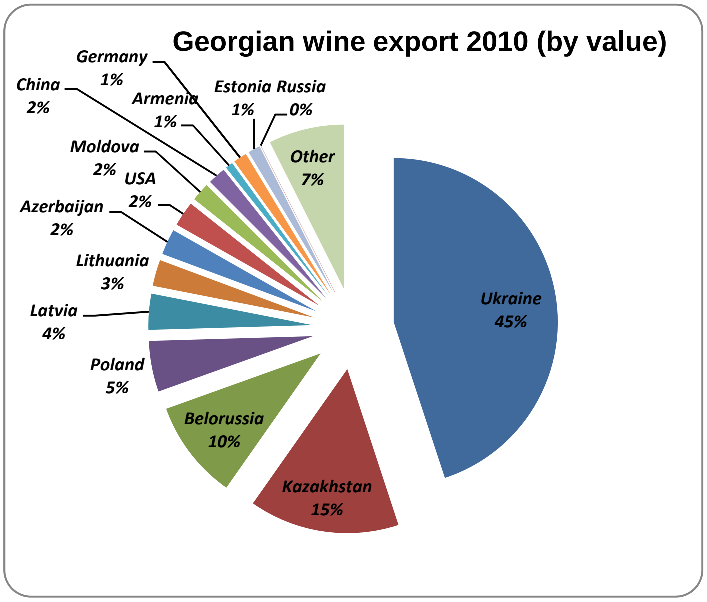
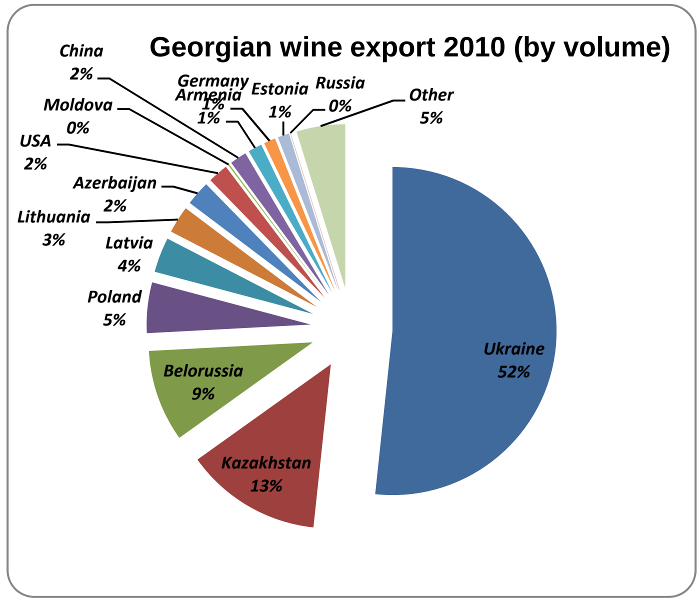


[6]

[5] Source: Georgian National Statistics Agency
[6] Source: OIV

Pioneer countries in terms of Georgian wine consumption are the post-Soviet countries, namely Ukraine, Belarus, Kazakhstan and Baltic States etc.





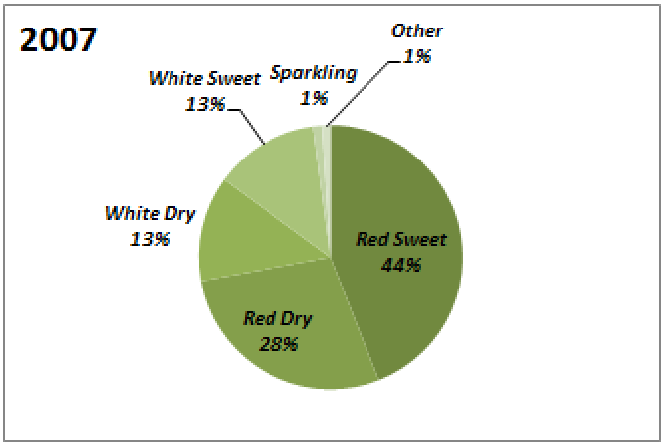
Georgian wine export by countries (2010)[7]

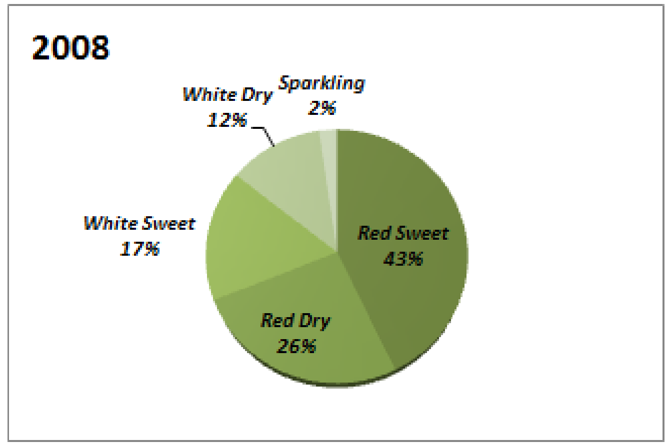
	Country	1000 USD		Liter	
1	Ukraine	17 979,60	46%	6 288 645	52%
2	Kazakhstan	5 918,70	15%	1 634 963	13%
3	Belarus	3 914,40	10%	1 099 368	9%
4	Poland	2 002,40	5%	606 440	5%
5	Latvia	1 422,10	4%	420 654	3%
6	Lithuania	1 035,80	3%	325 211	3%
7	Azerbaijan	1 013,80	3%	296 358	2%
8	USA	986,6	3%	243 023	2%
9	Moldova	732,6	2%	16 843	0%
10	China	706,1	2%	203 562	2%
11	Armenia	297,9	1%	165 464	1%
12	Germany	535	1%	141 397	1%
13	Estonia	478,9	1%	138 836	1%
14	Other countries	2 977,70	8%	586 299	5%
	TOTAL	39 269,00	100%	12 150 219	100%

[7] Source: Georgian National Statistics Agency

80% of total wine production in Georgia is white wine, which is very popular on domestic market. Export consists of mostly red wines (70% of total export).

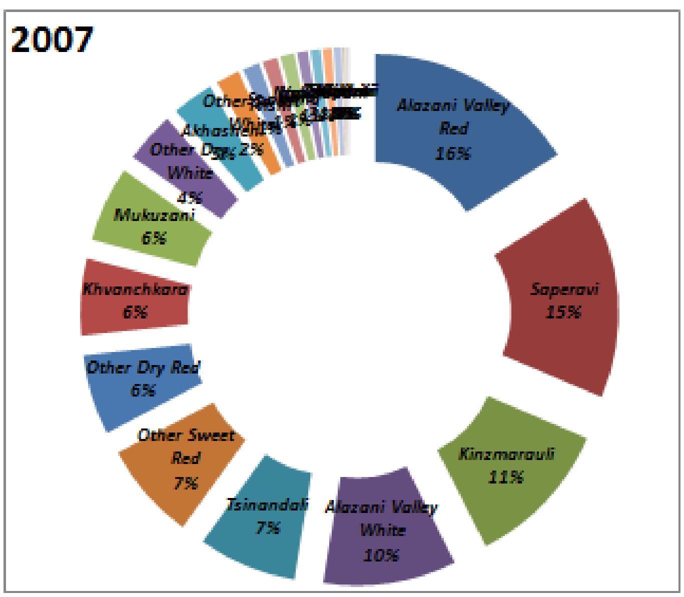
Wine export by types

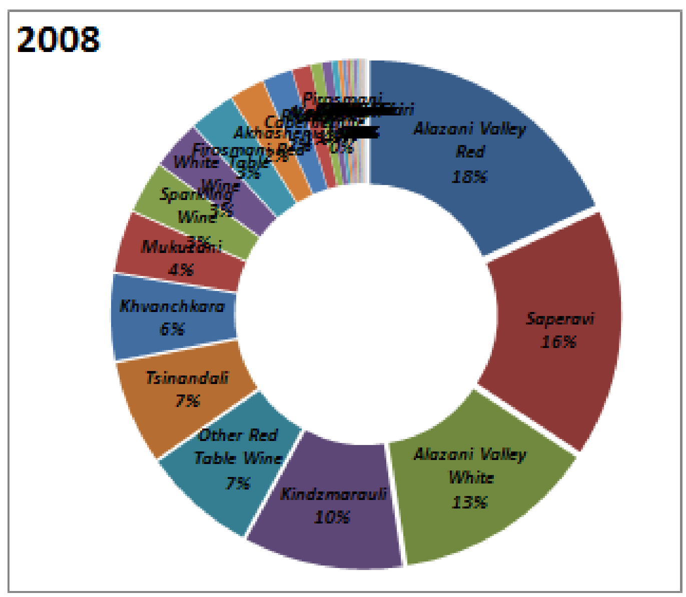




High demand is on sweet (mainly semi-sweet) wines, share of which is more that 50% of total export from Georgia.

Among Georgian wines, the most famous wine is *Alazani Valley*. Red and white sweet wines' share in total export sums up to more than a quarter of total export (25-30%) succeeded by *Saperavi* (15%), *Kindzmarauli* (10%), *Tsinandali* (7%), *Khvanchkara* (6%) and *Mukuzani* (5%) etc.





2.12 Unique Selling Propositions (USP) of Georgian wine

1. “Wine started here” (oldest and continuing history, first wine producing country, oldest traditions, “8000 vintages”);
2. Unique (endemic) varieties;
3. Unique winemaking methods (e.g. Qvevri);
4. Limited quantities of Georgian wines;
5. Existing, successful & prestigious image (on specific markets).

3. Demand analysis

3.1 Pre-selection of export markets

Georgian Wine Association carried out several questionnaires among the association member producing companies. Objective of the questionnaires was to detect the foreign markets, which the companies see as priority markets and aim to input marketing investments in them.

The questionnaires resulted the markets of the following countries:

- United States of America;
- China;
- Germany;
- Great Britain;
- Poland;
- Ukraine.

All of the above mentioned markets differ significantly from each other and each of them needs an individual approach. The way they are listed does not automatically mean their strength of priority and the market study of these countries is the subject of future development and continuity.

On the second stage, different informations[8] have been gathered from various sources by the Georgian Wine Association and the whole data has been put into the Product-Market Combination (PMC) and strategy development cards. These cards include general information and characterization of the countries, general directions of marketing strategy, potential target market segments, list of pre-selected best suited products and USP’s. The cards are accompanied by the statistics of Georgian wine export to these countries.

[8] Sources: Statistics from OIV, US Wine Institute statistics, also the data from internet and information provided by the experts.

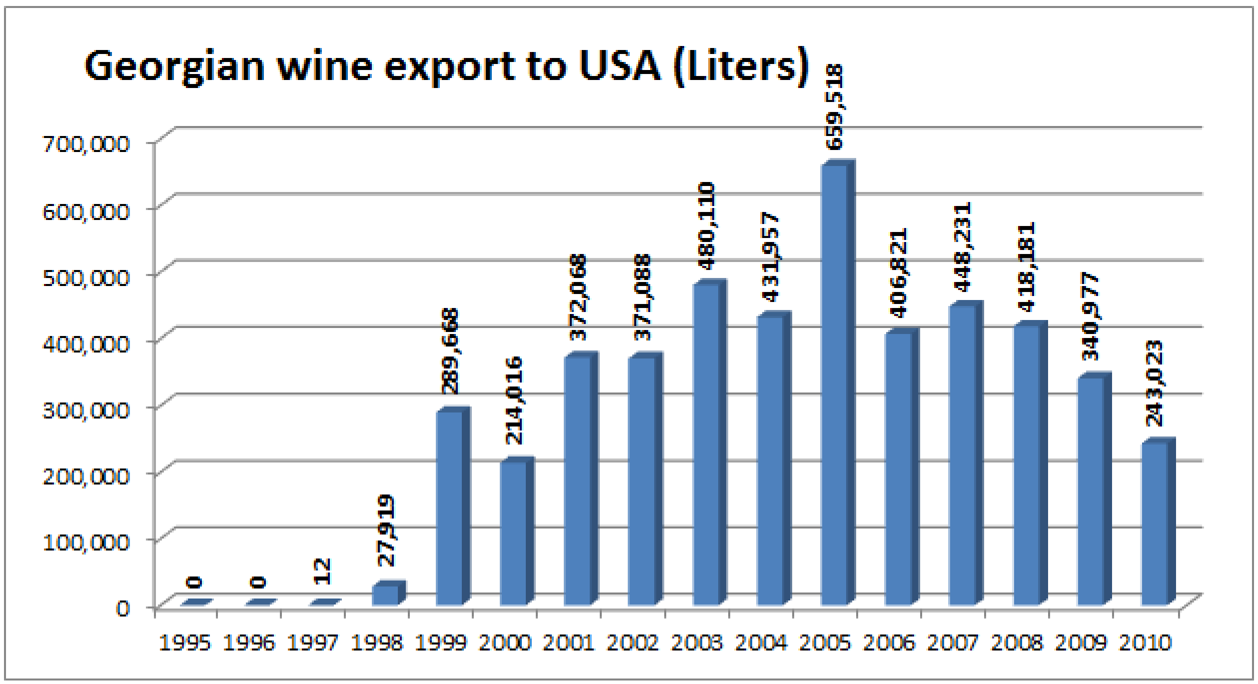
3.2 Product-Market Combination (PMC) and strategy development cards

United States of America

First priority market (FPM)	USA	Rationale FPM choice	• One of the biggest wine market in the world; • Growing market; • Governmental support to Georgia; • Neutral image by consumers; • #1 priority market (according to GWA member companies' survey); • Sector is planning to enter this market and the works have been started
General marketing strategy	Target 2 market segments: 1. Premium segment (cannot fit in medium segment pricing) – Low quantities at the beginning, raise by time – financing needed to settle down on this segment; 2. Already present "ethnic market" – easier segment, more quantities.		
Tier	I	Type	Developed market
FPM characteristics	• Population: 307 mln people; • Consumption: 2752 mln liters; • Consumption growth 2006-2009: 4.5 % • Consumption per capita: 8.96 liters • Production: 2777 mln liters • Import: 837.3 mln liters; • Georgian export: 0.34 mln liters.	Remarks	**Differentiation by states and cities:** East coast: New York City, NY; Washington, D.C; Virginia (VA); Maryland (MD); Florida (FL). West coast: California (CA); Oregon (OR); Washington (WA) Central: Chicago, IL **Market segmentation:** • 50% Supermarkets;

			• 21% HoReCa; • 29% others. 3-tier-system of export-import (importer, distributer, retailer) Wine sales are very affected by the reviews of Decanter, Wine Enthusiast and Parker.
Best suited product	• Premium segment – local grape variety wines (e.g. *Saperavi, Mtsvane, Rkatsiteli*, etc.) • “Ethnic market” – well-known wines		
Market segment #1	Premium segment	Segment #1 characteristics	Experienced wine consumer, who loves wine and is in a search of new, unique and exclusive products.
Technical description of best suited product for segment #1	***Saperavi* –** easy for consumption, low sugar residue, soft tannins, dark color and varietal aromas; ***Mtsvane* and *Rkatsiteli*** – young and fresh with varietal aromas.	Unique Buying Reasons (UBR)	• New varietals, new taste from new country (for USA); • Something different.
Product marketing elements for segment #1	**Price:** • Premium - 12-20$; • Super-premium - 20+ $. **Packaging:** • 0,75 bottle; • Cork; • Simple label, informative and exceptional – to be agreed with importer. **Where to sell?** • Specialized stores; • HoReCa; • Supermarkets; • Online sales.	USP segment #1	• “Wine started here”; • Unique varieties.

		characteristics	who know Georgian wine.
Technical description of best suited product for segment #2.	• Semi-sweet (semi-dry) wines; • Well-known Georgian wines (e.g. *Khvanchkara, Kindzmarauli, Alazani Valley, Mukuzani, Saperavi*)	Unique Buying Reasons (UBR)	• Awareness of Georgian wines; • Slogan: „Home away from home".
Product marketing elements for segment #2	**Price:** • 8-20$; **Packaging:** • 0,75 bottle; • Cork; • Label – traditional. **Where to sell?** • Ethnic shops, clubs and restaurants.	USP segment #2	• "Wine started here"; • Unique varieties; • Existing, successful & prestigious image.



China

First priority market (FPM)	China	Rationale FPM choice	• Big and growing market; • #2 priority market (according to GWA member companies' survey).
General marketing strategy	There is no Georgian wine awareness or image on this market, therefore the beginning wine consumers should be pointed. Parallel to that, try be present on premium segment (big cities: Beijing, Shanghai and Hong-Kong etc.) in low quantities and be present in provincial cities (other than above-mentioned). Target 3 segments: 1. Premium segment (so called gift segment); 2. Beginning wine consumer segment; 3. Bulk wine export.		
Tier	I	Type	Developing market
FPM characteristics	• Population: 1338 mln people; • Consumption: 1537 mln liters; • Consumption growth 2006-2009:15.8 % • Consumption per capita: 1.15 liters • Production: 460 mln liters • Import: 148.2 mln liters; • Georgian export: 0.157 mln liters.	Remarks	• Customs fees are decreasing annually; • Import = 10% consumption; • Almost no wine culture, i.e. Information supply together with products. **Market segmentation:** • 65% Supermarkets; • 34% HoReCa; • 1% others.
Best suited product	• More sweeter, than dry wines; • Low alcohol volume (max. 12-12.5 %).		
Market segment #1	Premium segment (so called gift segment)	Segment #1 characteristics	• Expensive, top packaged product; • High sales on local holidays.
Technical description of best suited product for segment #1	**Dry wine –** easy to consume, low sugar residue; Also **sweet wines**.	Unique Buying Reasons (UBR)	• Product has to be prestigious; • Oldest wine producing country.
Product marketing	**Price:**	USP segment #1	• "Wine started here";

elements for segment #1	• Approx. 25€; • EXW approx. 8€. **Packaging:** • High quality gift packaging; • Positive history concerning the product or its name. **Where to sell?** • Department stores in big cities.		• Unique varieties; • Limited quantities of Georgian wines
Market segment #2	Beginning wine consumer segment	Segment #2 characteristics	• Uninformed and unfamiliar consumer; • Advantage to sweeter taste.
Technical description of best suited product for segment #2	• White semi-sweet (semi-dry); • Red semi- sweet (semi-dry).	Unique Buying Reasons (UBR)	• Long history; • Oldest wine producing country.
Product marketing elements for segment #2	**Price:** • 5-10 €; • EXW 1,5-2,5 €. **Packaging:** • Name: easy to pronounce and mean something in Chinese. **Where to sell?** • Supermarkets.	USP segment #2	• “Wine started here”.
Market segment #3	Bulk wine export	Segment #3 characteristics	• Low cost; • Opportunity to enter low price segment; • Low margins/big quantities; • Cross-selling.
Technical description of best suited product for segment #3	Soft, easy to consume, unaggressive, low-acidity, low tannins, no oak.	Unique Buying Reasons (UBR)	Unique varietals for lower price.
Product marketing	**Price:** EXW approx. 1 €.	USP segment #3	• “Wine started here”.

elements for segment #3			

Germany

First priority market (FPM)	Germany	Rationale FPM choice	• The biggest importer in the world by volume ; • Educated consumer, interested in different products; • Existent market experience.
General marketing strategy	Target 3 segments: 1. Premium segment – experienced consumer; 2. "Ethnic market: - comparably low prices; 3. Bulk wine export.		
Tier	I	Type	Developed market
FPM characteristics	• Population: 82.3 mln people; • Consumption: 2011 mln liters; • Consumption growth 2006-2009: 0.5 % • Consumption per capita: 24.44 liters • Production: 928 mln liters • Import: 1455 mln liters; • Georgian export: 0.13 mln liters.	Remarks	**Market segmentation:** 85% Supermarkets; 5% HoReCa; 10% others. • Low prices in supermarkets (<5€); • Low VAT; • No excise tax; • Lots of foreign wines are bottled locally.
Best suited product	• White – varietal wines, *Tsinandali*; • Mostly red wines (less produced in Germany); • Varietal wines for Premium segment (*Saperavi*, *Mtsvane* and *Rkatsiteli* etc.); • Well-known wines for "ethnic segment".		
Market segment #1	Premium segment – experienced consumer	Segment #1 characteristics	Experienced wine consumer, looking for new, different and exclusive products.
Technical description of best suited product for segment #1	**White and red** – dry, complex, more character. Oak aged wines are also acceptable.	Unique Buying Reasons (UBR)	• New varietals from a new country; • Something different.
Product marketing	**Price:**	USP segment #1	• "Wine started here";

elements for segment #1	• White wines – approx. 6-10€; • Red wines - 8-15€. **Packaging:** • 0,75 bottle; • Cork; • Simple and modern label. **Where to sell?** • Specialized stores; • HoReCa; • Online sales.		• Unique varieties; • Unique winemaking methods.
Market segment #2	“ethnic market”	Segment #2 characteristics	More than 1 million emigrants from post-Soviet and socialistic countries, who know Georgian wine.
Technical description of best suited product for segment #2	Semi-dry (semi-sweet) wines; All well-known Georgian varietal wines.	Unique Buying Reasons (UBR)	• Georgian wine awareness.
Product marketing elements for segment #2	**Price:** • Approx. 5-10€; **Packaging:** • Label – traditional; **Where to sell?** • “Ethnic” shops.	USP segment #2	• “Wine started here”; • Unique varieties; • Existing, successful & prestigious image.
Market segment #3	Bulk wine export	Segment #3 characteristics	• Opportunity to sell in supermarkets for low price; • Low margins, high quantities; • Cross-selling.
Technical description of best suited product for segment #3	**Red wines** – soft, easy to consume, unaggressive, low acidity, low tannins, soft Saperavi.	Unique Buying Reasons (UBR)	• Possibility to sell different varietal wines for low prices in supermarkets.
Product marketing	**Price:**	USP segment #3	• “Wine started here”;

elements for segment #3	• EXW approx. 1€; **Where to sell?** • Supermarkets.		• Unique varieties; • Existing, successful & prestigious image.

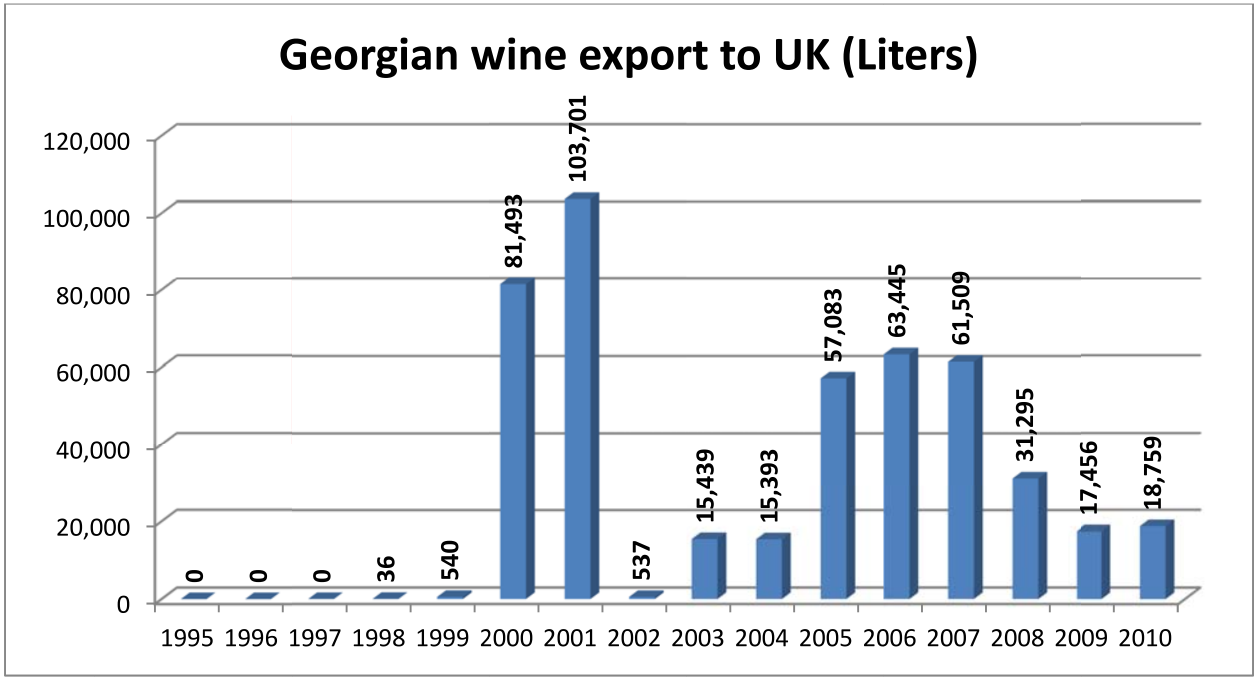
Poland

First priority market (FPM)	Poland	Rationale FPM choice	• Growing market in general and for Georgian wines; • Awareness of Georgian wine; • Positive attitude for Georgian wine; • Friendly political-social relationships;
General marketing strategy	Target 2 segments: 1. Premium segment – experienced consumer; 2. Beginning consumer.		
Tier	I	Type	Developing market
FPM characteristics	• Population: 38.5 mln people; • Consumption: 76 mln liters; • Consumption growth 2006-2009: 16.2 % • Consumption per capita: 1.98 liters • Import: 87.9 mln liters; • Georgian export: 0.523 mln liters.	Remarks	• Majority of the population is a beginning consumer; • Specialized stores sell 6% of total sales.
Best suited product	Whole assortment of Georgian wines		
Market segment #1	Premium segment – experienced consumer	Segment #1 characteristics	Professional wine consumers, who love wine and is looking for new, different and exclusive prooducts.
Technical description of best suited product for segment #1	**Red wines** – dry (*Saperavi*, *Mukuzani* etc.)	Unique Buying Reasons (UBR)	• Interest for Georgian wines.
Product marketing elements for segment #1	**Price:** • From 7€; **Packaging:** • 0,75 bottle; • Cork; • Modern label, back label in Polish. **Where to sell?** • Specialized stores.	USP segment #1	• “Wine started here”; • Unique varieties; • Unique winemaking methods.
Market segment #2	Beginning consumer	Segment #2	Wines are consumed on events

		characteristics	
Technical description of best suited product for segment #2	Semi-dry (semi-sweet) wines	Unique Buying Reasons (UBR)	• Awareness of Georgian wines; • Solidarity to Georgia.
Product marketing elements for segment #2	**Price:** • 5-10€; **Packaging:** • Gift packaging increases attractiveness (ceramic) **Where to sell?** • Supermarkets.	USP segment #2	• "Wine started here"; • Unique varieties.

United Kingdom

First priority market (FPM)	United Kingdom	Rationale FPM choice	• Prestigious market; • Huge market by value.
General marketing strategy	Target on Premium segment – low quantities		
Tier	II		
FPM characteristics	• Population: 61 mln people; • Consumption: 1266 mln liters; • Consumption growth 2006-2009: 6.1% • Consumption per capita: 20.72 liters • Production: 2.2 mln liters; • Import: 1167.7 mln liters; • Georgian export: 0.017 mln liters.	Remarks	**Market segmentation:** • 70% Supermarkets; • 16% HoReCa; • 14% others. • Stress on London; • Difficult market; • Only for big and experienced exporters; • High excise and tax.
Best suited product	• Highest quality red and white wines (*Saperavi*, *Mtsvane* etc.) – soft, easy to consume, with character.	Unique Buying Reasons (UBR)	• New varietals, new taste from new country; • Something different.
Product marketing elements	**Price:** • 6-15 £ (online sales). **Packaging:** • To be coordinated with importer. **გაყიდვის ადგილი:** • Specialized stores; • Online sales.	USP's	• "Wine started here"; • Unique varieties; • Unique winemaking methods.


Georgian wine export to UK (Liters)
120,000
100,000
80,000
60,000
40,000
20,000
0
0
0
0
36
540
81,493
103,701
537
15,439
15,393
57,083
63,445
61,509
31,295
17,456
18,759
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Ukraine

First priority market (FPM)	**Ukraine**	Rationale FPM choice	• Biggest importer of Georgian wines; • Growing market; • Positive image of Georgian wine; • Friendly political-social relationships.
General marketing strategy	1. Existent consumer should be preserved; 2. More work to do with newer generation.		
Tier	II	Type	Developing market
FPM characteristics	• Population: 45.7 mln people; • Consumption: 210 mln liters; • Consumption growth 2006-2009: 7.4% • Consumption per capita: 4.6 liters • Production: 210 mln liters; • Import: 54.9 mln liters; • Georgian export: 4.42 mln liters.	Remarks	• Consumption growth will lead to the growth of demand on dry wines; • Big interest from West Europe and new world wine producing countries.
Best suited product	Whole assortment of Georgian wines		
Product marketing elements	• Full existing assortment; • Stress on red and white dry wines.		
Unique Buying Reasons (UBR)	• Interest on Georgian wines; • Prestigious image of Georgian wines.	USP's	• "Wine started here"; • Unique varieties; • Unique winemaking methods.


Georgian wine export to Ukraine (Liters)
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
152,300
113,005
553,272
523,175
431,694
830,361
1,080,696
1,023,360
1,496,083
1,390,404
2,803,322
3,302,857
4,889,408
5,694,266
4,416,621
6,288,645
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

4. Constraint analysis

4.1 Listing of export constraints

During the working groups, the stakeholders who participated in the creation of this document stated the constraints that the companies face in export process. Following directions have been pointed out:

1. Low awareness of Georgia (as a country);
2. Low awareness of Georgian wines;
3. No marketing budgets available;
4. No common (and agreed) general information on Georgian wine;
5. No (honest) unity between Georgian wine companies;
6. Low export and sales experience of wineries;
7. Scarce well (and modern) educated personnel;
8. Limited information about export markets;
9. No common view and unity on existing export markets;
10. Transport: price;
11. Transport: grouping (especially for temperature controlled transport);
12. No sufficient governmental support for exports;
13. Foreign language skills;
14. Sample shipping issues (very strict rules and costly documentation) on sample export.

Main actors in resolving the constraints have been classified the following way:

- Private sector (companies);
- Georgian Wine Association;
- Government.

Constraints have also been categorized by importance:

- Mandatory (if not resolved - counterproductive to export growth);
- Desirable (export growth if resolved).

Based on a survey, the stakeholders also expressed their views of how specific constraints should be solved.

All information has been gathered and put together in an export constraint matrix.

4.2 Export constraint matrix

Constraint	Main actor in resolving the constraint	Importance of resolving the constraint	How to resolve the constraint
1. Low awareness of Georgia (as a country)	Government	Desirable	• Make country profile advertising videos and place them more often in international broadcasting; • Develop tourism in Georgia (wine tourism included); • Participate in International tourism fairs; • Organize various international events, conferences and festivals etc. In Georgia.
2. Low awareness of Georgian wines	Georgian Wine Association	Desirable	• Promote Georgian wine in a professional manner in country profile advertising materials. • Create marketing plan and based on the plan: o Create and brand the umbrella-brand “Georgian wine”; o Define budget and support promotional campaign on priority markets; o Define budget and participate in important international exhibitions and fairs under the umbrella-brand; o Determine important magazines (media) and work with them (invite the wine writers to come to Georgia, provide them with materials etc.); o Popularize wine in Georgia (using advertising, TV and radio programs, courses and lectures, tastings etc.) to form Georgian wine “ambassadors”.
3. No marketing budgets available	Georgian Wine Association	Desirable	Define supposed budget based on the common marketing plan; Create marketing fund and collect necessary finances (Part of the budget should be financed by the companies; the rest should be attracted by the association from the Government and international donor organizations.
4. No common (and agreed) general	Georgian Wine Association	Desirable	Write texts (guidelines) about Georgian wine, history, viticulture regions, grape and wine varietals. Texts will be general and compact

information on Georgian wine			and can be used by every interested party.
5. No (honest) unity between Georgian wine companies	Private sector (companies)	Mandatory	Organize events (conferences, formal and informal meetings, tours etc.) that will improve the relationships between the companies.
6. Low export and sales experience of wineries	Private sector (companies)	Desirable	• Train the potential personnel and keep them in the company; • Hire better experienced and highly paid personnel.
7. Scarce well (and modern) educated personnel	Government	Mandatory	Create a specialized wine institute that will grow professional viticulturists, oenologs, wine marketologists and wine lawyers etc. with modern education.
8. Limited information about export markets	Georgian Wine Association	Desirable	Acquire and gather priority market informations, analyze and supply them to interested parties.
9. No common view and unity on existing export markets	Georgian Wine Association	Mandatory	The following factors should help creating common view and unity: • Creation of common marketing plan; • Improvement of relationships (according to constraint point #5)
10. Transport: price	• Private sector (companies); • Government	Desirable	Private sector and Government to discuss this topic (with the participation / facilitation of the Georgian Wine Association).
11. Transport: grouping (especially for temperature controlled transport)	Private sector (companies)	Desirable	• Companies to use thermo-regulated transport; • Companies to coordinate with each other and ship products together to specific markets.
12. No sufficient governmental support for exports	Georgian Wine Association	Desirable	Coordinate the process of marketing plan creation with the Government and accordingly define the ways of Governmental support.
13. Foreign language skills	Private sector (companies)	Mandatory	Top management to organize training programs in foreign languages for company personnel.
14. Sample shipping issues (very strict rules and costly documentation) on sample export	Government	Desirable	Make corrections in the regulation, so that the sample shipping should not be the subject of mandatory certification.

5. Constraint elimination and market development action plan

5.1 <u>Division of tasks and responsibilities</u>

To sum up the previous chapter, the following steps should be undertaken by certain actors to eliminate the constraints faced in the export process of Georgian wines:

Georgian Wine Association:

- Promote Georgian wine in a professional manner in country profile advertising materials;
- Create marketing plan and based on the plan:
  - Create and brand the umbrella-brand “Georgian wine”;
  - Define Budget and support promotional campaign on priority markets;
  - Define budget and participate in important international exhibitions and fairs under the umbrella-brand;
  - Determine important magazines (media) and work with them (invite the wine writers to come to Georgia, provide them with materials etc.);
- Popularize wine in Georgia (using advertising, TV and radio programs, courses and lectures, tastings etc.) to form Georgian wine “ambassadors”;
- Create marketing fund and a common marketing strategy which will determine specific action plans and supposed budget. Part of the budget should be financed by the companies; the rest should be attracted from the Government and international donor organizations
- Write texts (guidelines) about Georgian wine, history, viticulture regions, grape and wine varietals. Texts will be general and compact and can be used by every interested party;
- Acquire and gather priority market informations, analyze and supply them to interested parties;
- Coordinate the process of marketing strategy creation with the Government and accordingly define the ways of Governmental support.

Private sector (companies):

- Organize events (conferences, formal and informal meetings, tours etc.) that will improve the relationships between the companies;
- Train the potential personnel and keep them in the company;
- Hire better experienced and highly paid personnel;
- Discuss the transport price issues with the Government (with the participation / facilitation of the Georgian Wine Association);
- Use thermo-regulated transport;
- Coordinate with each other and ship products together to specific markets;
- Company top management to organize training programs in foreign languages for company personnel.

Government:

- Make country profile advertising videos and place them more often in international broadcasting;
- Develop tourism in Georgia (wine tourism included);

- Participate in International tourism fairs;
- Organize various international events, conferences and festivals etc. In Georgia;
- Create a specialized wine institute that will grow professional viticulturists, oenologs, wine marketologists and wine lawyers etc. with modern education;
- Discuss transport price issues with the private sector (with the participation / facilitation of the Georgian Wine Association);
- Make corrections in the regulation, so that the sample shipping should not be the subject of mandatory certification.