

Marketing into germany

Business, Marketing



According to Dunning's Eclectic theory, international business must take into three decision factors, that is, location advantages, ownership advantages and internalization advantages, (Malhotra, Ulgado & Agarwal, 2003). In respect to this, the competitive advantages of Australia in German wine market are evident. Despite of the higher customer duties and strict regulation in Germany, the availability of grants and new tax scheme give incentives to foreign investment (Datamonitor, 2008), so the German market is still favorable market for Australian wine exporters.

Australia is experienced in the global market, combined with their brand image give Australian exporters a better reputation in the international business. In addition, Australia has well established its market in European countries, particularly Italy, France. This can reduce its transaction costs such as tariffs if as no custom duties are levied on products that are made within EU. Understanding consumption behavior of German wine consumers is of great importance for Australian exporters.

A better understanding of consumers' needs enable the exporters to conduct more appropriate communication with their targeted customers, which can help ensure their survival and growth in this highly competitive wine market. German has a long wine drinking history and their consumers are being more knowledgeable about wine (Mahmood Hussain, 2011). Plus, they are more price-conscientious. As a matter of fact, except proving wines with higher quality-volume ratio for their German consumers, more attention might need to be paid to their promoting strategy.

Furthermore, identifying an efficient distributor is also a key factor to success. As indicated above, the distributing system in German market is dominated by the discount channels. Better performance of wine in German market would be more likely to be ensured by the major players in this channel, such as Aldi. In addition to this, given the Australian wines are still under-performed in high price segment, more attention should be given to the specialist stores as they generate comparatively higher profits

Last, a joint venture strategy has been recommended recently. Undoubtedly, the joint venture would reduce the trade barriers for the entrants in German wine market; also, the local companies can help exporters to operate their business more efficiently as they have a better understanding and knowledge about their domestic consumers. However, this pattern is not realistic for many exporters not only because of complexity in management but also because of the long-term benefits involved in acquisition.

Conclusions German wine market is very competitive and mature.

The domestic wine industry consists of a large number of small wineries who often market their wine themselves. Most wine consumed in German market relies on imports. Wine consumption is expected to continually growing slightly in following years. However, the trade barriers because of the strict regulations and higher customer duties have made many of exporters suffer more pressure, particularly in the lower price segment. Heavy rely on the discount channels is the main characteristic of the distributing system in German wine market.

This reflects German consumers 'price conscientious' in their purchase. The predominance of these discount channels has driven the market's price profile towards the low end, resulting in more fierce competition in German wine market. Currently, the Old World wine are taking the majority market share of Germany's import market, and performing better in the high and middle price segment. By comparison, the New World wine presents a minor market share, majority of which they exported to German are bulk wines with comparatively lower revenue.

The German wine consumers generally prefer wine from EU countries as they are perceived as high quality, but they are recognizing the consistent quality of wines that are imported from the New world, such as Australia. Consumption patterns in terms of products, taste has shown changed in German wine market. Red wines are winning over more consumers. Also, light wines, e. g. Rosi?? , are on their way in gaining more popularity. Demography change, from middle aged males to young and female consumer, might contribute to such situation.

Australian wine stands for a minor market share in Germany, and most of which is in the low price segment. Better performance is expected in the low-middle price segment with comparatively higher revenues. Marketing opportunities also exist in innovative products or up-market. Australian wine has competitive advantages in terms of consistent supply with high quality/volume ratio, experience in international wine market, positive 'word of mouth' etc, continues growing will be seen in German wine market if appropriate marketing strategies are adopted.