

Should You Export to India?

Wine is *avant-garde* in the cosmopolitan, thriving country

Laurent Guinand and Rafael Marti

India's wine market has been growing 30% each year since 1999, and the nation's population currently numbers more than 1 billion. India's economy as a whole has grown 7.5% every year from 2002 to 2006 and its middle class has increased fourfold since 1985. Prosperous Indians are very much into consumption, and enjoy buying more imported cars, more trendy clothing and more wine every day.

HIGHLIGHTS

- India's wine market has been growing 30% each year since 1999 and the nation's population currently exceeds 1 billion. At this pace, the market will reach 750,000 cases in 2006 and 2 million cases by 2010.
- In the mind of the Indian consumer, wine is considered to be fashionable and *avant-garde*, and much more in tune with a cosmopolitan and thriving India.
- The business environment in India can be challenging for newcomers. It's best to partner with an Indian winery to smooth the distribution process and, if you start producing there, avoid the high tariffs.



Wine appeals to young professional Indian women, who find it more socially acceptable than the fortified liquors their grandmothers drank. Here, Meera Jegathesan (left) enjoys a holiday visit to Sonoma's Homewood Winery with Urmi Parthasarathy and Deepa Sharda.

TRUST & TREBUIL COOPERAGES

AMERICAN, FRENCH & HUNGARIAN OAK

THE LEADING SUPPLIER OF HUNGARIAN OAK

1000 RUE DE LA SERRAVALLE, 42100 SAINT-ETIENNE, FRANCE

TEL: +33 (0)4 77 22 4044

WWW.TRUSTANDTREBUIL.COM

⇨ See us at Unified, booth #1507

Among the Châteaux of the LOIRE VALLEY

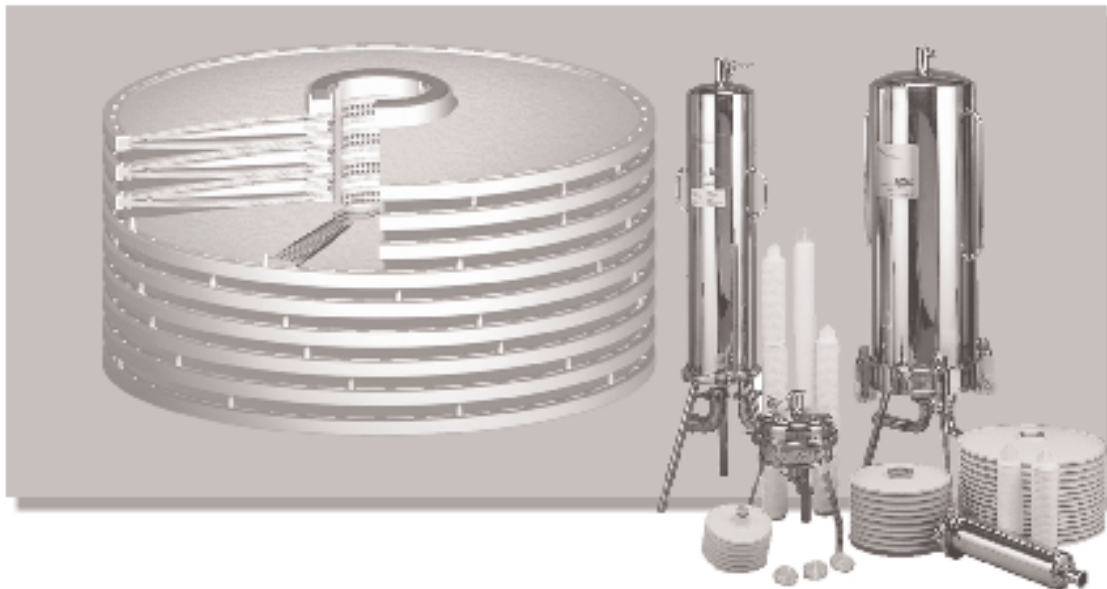
25 acres of producing vines in Limerys near Amboise (Gruny Cabernet, Sauvignon)

Price of \$320,000 includes:

- 15 acres, building with necessary wine-making equipment
- 10 acres for long-term lease
- Residence for lease

Jeanne Rouger 011 332 47 300406
E-Mail: jeanne4@vvauxloir.fr

Tradition Blended with Innovation



Solutions for all aspects of wine filtration

For decades, CUNO has focused on providing high performance and economical solutions to demanding wine filtration challenges. Our efforts have resulted in numerous innovative products, such as Zeta Plus® depth filters (the first non-sebestos depth filter), BevASSURE® membrane filters (the first nylon membrane optimized for hot water exposure) and LifeASSURE® membrane prefilters (the first integral multi-zone membrane prefilter). Our spirit of innovation, now combined with the advanced materials science of 3M, has resulted in the new BevASSURE PES filter for maximized final membrane throughput.

CUNO is on the forefront of offering complete, integrated filtration solutions to the wine industry, including bottling membranes (BevASSURE) and prefilters (LifeASSURE), particle filters (PolyNet®), and clarification filters (Zeta Plus sheets and cartridges). All are designed from the ground up to ensure seamless and economical operation.



**Bottling Filters
& Prefilters**

Particle Filters

**Custom
Still Systems**

**CUNO Incorporated, 400 Research Parkway, Meriden, CT 06450, U.S.A.
Tels: (800) 243-8894, (203) 237-5541, Fax: (203) 238-8977**



Wine's international cachet is appealing to sophisticated young Indians, and white wine pairs well with spicy Asian cuisine. Here, Lisa Bose, Meera Jegathesan and Deep Dhillon share a bottle at Maui's Sansei sushi restaurant.

At this pace, the Indian wine market will reach 750,000 cases in 2006 and 2 million cases by 2010. Since average per capita wine consumption is only 1 teaspoon or 6 milliliters per year (compared with 375 milliliters in China and 10 liters in the United States) one can hardly exaggerate India's wine market potential. While it is fair to admit that big portions of the Indian population will not enter the market any time soon, we should recognize that the consuming class on its own is about to reach 300 million people, the equivalent of the entire U.S. population.

A fact not widely known is that three-quarters of the wine consumed in India is produced domestically by 30 wineries, of which the three largest are Chateau Indage, Sula Vineyards and Grover Vineyards (advised by Michel Rolland). In 2006, market shares of imported wine were: France, 45%; Australia, 12%; Italy, 10%; U.S., 7%; Argentina, 6%; Spain, 5% and New Zealand, 4%.

In terms of quality, 41% of the wine consumed is premium domestic, 37% is nonpremium domestic, 18% is bottled imports and 4% is bulk import. By type, 45% of sales consist of red

and 40% of white, 13% is sparkling and 2% rosé. Estimates we found call for 700,000 wine buyers in India today, with a potential for 20-30 million in the years to come.

The Indian Wine Consumer

It is not an overstatement to say we are observing a similar trend to that seen in California in the '90s, where the information technology (IT) revolution was paired with the surge of Napa Valley. In India, IT and outsourcing have paralleled the growth of wine consumption, mainly in Mumbai, Delhi and Bangalore, and the sprouting of wineries in the West Coast states of Maharashtra, Goa and Karnataka.

As in the U.S., the average wine consumer tends to be an urban, young professional, internationally oriented. In the mind of the Indian consumer, wine takes a position opposite beer, whiskey and gin, which represent the old times of the British Empire. Wine is considered fashionable and *avant-garde*, and much more in tune with a cosmopolitan and thriving India.

Bollywood actors and other well known local and international figures have embraced wine as a drink of choice, and created a positive trend for

all kinds of wines in a country where the consumption of alcohol remains mainly taboo for religious reasons. Furthermore, we have found in our research that wine is perceived as a healthy drink, and is bought for celebrations and parties, although it is not yet consumed as an everyday product.

Wine also appeals to women, who find it more sociably acceptable than the fortified liquors their grandmas used to drink. Because of high temperatures, which average more than 30°C (86°F) in most of India during a good portion of the year, there is a tendency to prefer white to red, particularly fruity white. We believe this implies an opportunity for rosés as well. Spicy or sweet white wines tend to pair nicely with Indian food, while full-bodied reds are challenged by spicy food.

Distribution, Regulation And Trade Issues

The Indian market presents several challenges that new entrants ought to know about. Much as it happens in the U.S., every state has a different set of regulations. Local governments also tax wine heavily. In that sense, India should not be treated as a single market—exporters should address each state on its own.

Although India's economy has gone through a liberalization process that has included wine, tariffs are still noticeably high at 108% for bulk wine, and can reach 264% to 420% for bottled wine. This overpricing, which can be discouraging at first, is also a signal of the interest Indians have in wine, since many wine buyers are ready to buy a bottle for more than twice its price at home.

Where Are the Growth Opportunities?

As every wine lover knows, pairing is key. In this case, we advise potential entrants to pair their products with everything that sounds global. Wine came to India in the minds and suitcases of millions of foreign students and entrepreneurs who spent time abroad, and it makes sense to attack the areas most linked to international markets: the IT industry and tourism.

Exporters should also find wine ambassadors: well-known personalities or business people interested in developing wine awareness. Wine producing countries such as Italy, Spain and Chile have sent representatives to meet with local Indian wine aficionados. The French have sent famous winemakers and consultants, like Michel Rolland, to develop local vineyards.

The U.S. is well known in India, and should have no difficulty finding engaging characters to come and promote American wines. Also keep in mind that the Indian community in the U.S. keeps up with events and people back home, both in terms of culture and business, and is certainly a resource for U.S. exporters to tap into. This is important, since the business environment in India can be challenging for newcomers. In this sense, we strongly recommend forming a partnership with one of the wineries in the field to smooth the distribution process and, if you start producing there, avoid the high tariffs.

Companies like the Indian Wine Academy are constantly organizing wine events and bringing the latest trends to India. Specialized magazines such as *Sommelier India* and its popular blog are also a good way to promote your wines. Indian wine

consumers are eager to learn more about wine, and education is a prime marketing tool in this business.

Get There Now

Like most emerging wine markets, India is a challenge, and does not call for a "hit and run" approach. Consumption growth is already important, and soon the market size will become quite significant. American wine companies should take advantage of this stage of the Indian market while there

is still room for positioning. The mind of the Indian consumer is ready for wine, and U.S. wineries can quickly learn how to make it tick. ■

(Laurent Guinand is the president of GiraMondo Wine Ventures [giramondowine.com] and Rafael Marti is a project manager. GiraMondo Wine Ventures is a consulting firm based in Washington, D.C. specializing in wine markets. To comment on this article, e-mail edit@winesandvines.com.)

Moving the Industry Forward

AMERICAN VINEYARD
FOUNDATION

Research for the Future

**American
Vineyard Foundation**

P.O. Box 5779, Napa, CA 94581
707 252-6911 FAX: 707 252-7672

Visit our Web site at www.avf.org for information on funding and current research projects.

➡ See us at Unified, booth #2219