

THE MARKET FOR GERMAN WINE IN SINGAPORE

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Resumo

O objetivo desta tese de mestrado é dar uma visão geral das condições e oportunidades do mercado de vinhos alemães em Singapura. Ela mostrará as condições gerais, os regulamentos específicos, as situações atuais do mercado e as oportunidades futuras do mercado. Primeiro, as estruturas básicas de Singapura serão mostradas, do ponto de vista econômico, político e cultural. Depois disso, o mercado de alimentos e bebidas de Singapura será considerado mais perto. Isso mostrará não apenas os regulamentos para alimentos e bebidas no mercado de Singapura, mas também alguns regulamentos específicos para o mercado de bebidas alcoólicas. Em seguida, os detalhes sobre este mercado de bebidas alcoólicas serão apontadas. A situação de mercado do vinho é então a parte próxima e maior desta análise de mercado. Será analisado em profundidade para descobrir as condições gerais para o vinho alemão neste mercado. Singapura é um mercado de vinhos muito interessante e crescente e funciona como um pólo de negócios de Sudeste Asiático. Oferece oportunidades excelentes para o vinho alemão no futuro e, por conseguinte, finalmente, o vinho alemão no mercado de Singapura será analisado e descrito. Foi realizada uma pesquisa de mercado sobre a presença de vinhos alemães nas empresas que vendam vinhos em Singapura. Esta pesquisa fornece uma visão geral da presença do vinho alemão no mercado.

Palavras-chaves

Mercado do vinho em Singapura; vinho alemão; análise de mercado do vinho; Singapura

JEL Classification System

F23 – Trade: International Business

F19 – Trade: Other

Abstract

The goal of this master thesis is to give an overview of the conditions and opportunities of the market for German wines in Singapore. It will show what surrounding conditions, specific regulations, current market situations and future market opportunities there are. First, the basic structures of Singapore will be shown, from an economic, political and cultural point of view. Afterwards, a closer look at the Singaporean food and beverage market will be taken. This will show not only the regulations for food and beverages at the Singaporean market, but also some specific regulations for the market of alcoholic beverages. Subsequently the specifics about this market of alcoholic beverages will be pointed out. The situation of the wine market is then the next and major part of this market analysis. It will be analyzed in depth to find out the framework of conditions for German wine in this market. Singapore is a very interesting and growing wine market and functioning as a business hub in Southeast Asia. It offers great opportunities for German wine in the future and therefore, finally, the German wine on the Singaporean market will be analyzed and described. A market research about the presence of German wine in Singaporean wine selling businesses was conducted and gives an overview of the German wine presence on the market.

Keywords

Singaporean wine market; German wine; wine market analysis; Singapore

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Executive Summary

Singapura é um centro de negócios mais importante em Ásia. Ocidental e asiática ao mesmo tempo, a cidade é muito popular entre as empresas internacionais como um pólo de negócios. Ultramoderno, multicultural e economicamente crescente descreve Singapura muito bem.

Um dos parceiros comerciais mais importantes de Singapura é a União Européia. Portanto, um acordo de comércio livre foi negociado. A Alemanha é um parceiro de negócios muito importante, também para os países da ASEAN. No ano de 2013, o volume total de negócios entre a Alemanha e Singapura era cerca de 21 bilhões de SGD.

Com apenas 700 quilômetros quadrados de área, mas uma população de mais de cinco milhões de pessoas, não há espaço para agricultura auto-sustentável. A cidade-estado é, portanto, fortemente dependente das importações de produtos alimentares.

O mercado de bebidas alcoólicas em Singapura é agrupado em cinco seções: cerveja, bebidas espirituosas, vinho, cidra e alcopops. É dominado nos volumes de vendas de produtos de cerveja.

O consumo de vinho é relativamente novo em Singapura. Somente nas últimas décadas, os singapurianos descobriram o consumo de vinho por si mesmos. Portanto, o mercado do vinho é muito jovem e não desenvolvido, bem como fragmentado altamente. A cultura do vinho ainda não está formada e o conhecimento sobre variedades de uva, qualidade e manejo adequado do vinho raramente é desenvolvido. Também os componentes culturais são muito importante.

O mercado de vinhos de Singapura é dominado por vinhos tintos franceses de alta qualidade e caras, bem como vinhos brancos australianos baratos. No total, em 2012, havia cerca de 550 milhões de SGD de vendas de vinho. O mercado singapuriano de vinhos percebe um crescimento anual cerca de 10 por cento, principalmente porque o consumo de vinho é considerado exclusivo e, portanto, desejável.

Apesar das tarifas elevadas sobre as bebidas alcoólicas, os consumidores em Singapura estão muito abertos para descobrir novos produtos e aprender mais sobre o vinho. Também os singapurianos estão dispostos a gastar preços premium para produtos de luxo.

O vinho alemão está em Singapura ainda um produto de nicho e amplamente desconhecido. Por isso, recomenda-se orientar o potencial cliente através de marketing seletivo e em cluster para trazer o vinho alemão à sua atenção. Por último, mas não menos importante, a combinação de comida de Singapura com o vinho alemão tem um grande potencial no mercado de vinhos de Singapura.

1. Introduction

What the Romans in Europe brought to perfection during hundreds of years, is today valued as the “Old World” wines by wine drinkers all around the globe. The hundreds of years old wine culture was not limited to Italy, the Romans brought it also to the lands where today Germany is situated. Since then a specific German wine culture with German grape varieties has developed, so that today in Europe it is known, that Germany is a wine country. International wine drinkers around the world are instead not always aware of the German wines.

If one takes a look at the world map, only specific regions are suitable as export targets. The luxury product wine has to meet specific customer groups. Despite having no domestic wine production and no traditional wine culture, Singapore is equipped with lots of potential. The Asian culture and the high tariffs on alcoholic beverages are not hindering the increasing wine consumption and with rising living standards, Singaporeans long for more luxury products. Especially Singapore is the Asian country comparable to Western living standards and known for its peaceful integration of different ethnic groups. Chinese, Malay and Indians mix with an ever-growing expat community and a constant flow of tourists. Wine therefore is a valuable good. Shaped by strong competition, the wine market is heavily fragmented. The dominance of French and Australian wines makes it difficult for new market entrants, despite of the demand for a more diverse and broad product variety. To bring German wine to Asia is therefore a challenge for traditional German wineries.

This market analysis will not only give a detailed overview of the Singaporean wine market but also will deliver the market entry opportunities for German wine. At first an overview of the country will be given and its economy for food and beverages will be looked at. After that, the Singaporean wine market will be in the focus. Especially the areas of consumption, distribution, import and legal requirements as well as the business practice and future developments are going to be analysed. Conclusively the opportunities and risks for German wine at the Singaporean market will be pointed out as well as the current situation for these wine products on this market.

2. Singaporean economy, politics and culture

With about five and a half million people living in Singapore, it is one of the strongest economic centres of Southeast Asia. The city is highly-developed, very clean and offers several parks and natural reserves. The multicultural diversity of Chinese, Malay and Indian people and the heritage of the British colonial reign strongly formed the unique Singaporean culture until today. The area of Singapore consists of the main island and about 50 smaller neighbouring islets. The official languages are English, Mandarin, Malay and Tamil. As lingua franca serves English, the widely spoken and understood business language in Singapore. The temperatures in Singapore throughout the year are relatively constant between 25° C and 32° C. The air humidity is on average 84 %.



Figure 1 - Map of Singapore

Basics of Singapore	
Languages	Mandarin (official) 36.3%, English (official) 29.8%, Malay (official) 11.9%, Hokkien 8.1%, Cantonese 4.1%, Tamil (official) 3.2%, Teochew 3.2%, other Indian languages 1.2%, other Chinese dialects 1.1%, other 1.1% (2010 est.)
Religion	Buddhist 33.9%, Muslim 14.3%, Taoist 11.3%, Catholic 7.1%, Hindu 5.2%, other Christian 11%, other 0.7%, none 16.4% (2010 est.)

Ethnic groups	Chinese 74.3%, Malay 13.4%, Indian 9.1% (includes Sri Lankan), other 3.2% (2016 est.)
Area	697 square km
Population	5,781,728 (July 2016 est.)
Population density	8,295 per square km
Population growth	1.86% (2016 est.)
Currency	Singapore dollar (SGD): 1 SGD = 100 Cents (1 EUR = 1.62 SGD, August 2017)
Time zone	SST (UTC +8)
Membership in international organizations (excerpt)	AFTA, APEC, ASEAN, ASEM, Colombo Plan, Commonwealth, ESCAP, UN, WTO
Free trade agreements with	ASEAN, Australia, Chile, China, EFTA, India, Japan, Jordan, New Zealand, Peru, South Korea, USA In process: EU

Table 1 – Basics of Singapore¹

2.1. Economical Overview

Singapore is located in the centre of Southeast Asia and is described as the heart of business in the area. Its geographical convenient location provides the city state a strategic position as the traffic hub for the entire region. The highly developed infrastructure with one of the busiest container ports in the world and the Changi International Airport with about 250 city connections is second to none. It takes only three flight hours to reach every other ASEAN member. The government was able to strengthen this position furthermore with an advanced, global and regional oriented free trade policy. To comprehend this rapid development of Singapore, the economic profile will be outlined at first.

Singapore has a highly differentiated economical structure. Known for a high share of the service sector, the manufacturing sector also provides about 25 to 30 per cent to the gross domestic product (GDP). The key focus of the Singaporean economy in the value chain is research and development as well as production engineering. The core businesses in Singapore are medical science, chemical industry, education, electronics industry, mechanical engineering, processing trade, finance, healthcare, telecommunications, media and logistics. The most GDP contributory parts of processing trade are the electronics industry, pharmaceutical and chemical industries, machinery and equipment (especially for oil drilling) as well as the petrochemical and shipping industries. Very important and government-funded

¹ CIA World Factbook – Singapore (2017)

growing industries are among others biomedical science, environmental and water technologies as well as interactive and digital media.

Concerning the service sector industries, Singapore is considered to be the leading regional centre, for example in transport, logistics and finance. In the future, the government of Singapore intends to develop this excellent position for further industries like education, digital media and health care as well. The country aims to be in a worldwide leading position in selected ultra-modern technologies, for example semiconductor and information technologies, biotechnologies and genetics. To reach this goal, the government invested until 2015 about 3.5 per cent of the GDP, about 56.7 million Singapore dollars (SGD) at the moment, in the research and development sector. Furthermore the Ministry of Trade and Industry (MTI) promotes foreign investment and tourism.

German companies in Singapore value most the business oriented politics, the legal security and the stability. The city state is considered one of the most business friendly countries of the world and offers broad organizational and financial support to companies from abroad. Furthermore Singapore is especially suitable as location for regional events with which German companies can reach the markets of Asian developing and emerging countries. Decision-makers of international and also a lot of German companies use Singapore already as a basis for distribution and other business activities in the Southeast Asian region and ASEAN. Especially Malaysia, Indonesia, Vietnam and Thailand but also farther countries like China and Japan are subject to networking through Singapore. At the moment there are more than 1,500 German companies registered in Singapore.

In the book “The World Competitiveness Yearbook 2013” published by the International Institute for Management Development (IMD), Singapore is the fifth most competitive economy of the world after the United States, Switzerland, Hong Kong and Sweden. The competitiveness ranking is based on four categories: economic performance, efficiency of the government, economic efficiency and the infrastructure.²

² Ministry of Trade and Industry Singapore – World Competitiveness Yearbook 2013

Singapore has an ultra-modern infrastructure as well as being considered one of the biggest financial centres of Asia and as global research platform it is therefore more and more in the focus of multinational companies.

Economic basics of Singapore	
GDP (purchasing power parity)	\$487.9 billion (2016 est.)
GDP – real growth rate	2% (2016 est.)
GDP – per capita (PPP)	\$87,000 (2016 est.)
GDP – composition, by end use (2016 est.)	Household consumption: 36.1% Government consumption: 10.8% Investment in fixed capital: 23.4% Investment in inventories: 2% Exports of goods and services: 176.9% Imports of goods and services: -149.2%
GDP- composition, by sector of origin (2016 est.)	Agriculture: 0% Industry: 26.6% Services: 73.4%
Agriculture – products	Orchids, vegetables, poultry, eggs, fish, ornamental fish
Industries	Electronics, chemicals, financial services, oil drilling equipment, petroleum refining, rubber processing and rubber products, processed food and beverages, ship repair, offshore platform construction, life sciences, entrepôt trade
Labour force	3.661 million (2016 est., excludes non-residents)
Unemployment rate	2.1% (2016 est.)
Inflation rate (consumer prices)	-0.8%
Exports	\$353.3 billion (2016 est.)
Exports – commodities	Machinery and equipment (including electronics and telecommunications), pharmaceutical and other chemicals, refined petroleum products, foodstuffs and beverages
Imports	\$271.3 billion (2016 est.)
Imports – commodities	Machinery and equipment, mineral fuels, chemicals, foodstuffs, consumer goods

Table 2 – Economic basics of Singapore¹

Since the economy of Singapore is highly depending on exports, it is therefore highly depending on the development of the world economy, especially of that of the United States, China and Europe. The fastly growing economy of China is a special challenge to Singapore. To keep up with it and ensure the country's future competitiveness, Singapore focuses very strongly on research and development.

2.2. Political background

The Republic of Singapore is a parliamentary democracy with a unicameral parliament, thus meaning it has a one chamber system. The president is the head of state and is elected for a six-year presidential term. Currently Tony Tan Keng Yam is the president, in office since 2011. The parliament is elected every five years throughout the country and is led by the Prime Minister, currently Lee Hsien Loong (in office since 2004). There are currently 28 registered political parties. The latest election determined 89 members of the parliament, 83 for the People's Action Party (PAP) and six for the Worker's Party of Singapore (WP).

The elections 2015 confirmed the continuing dominance of the PAP, which is since 1959 in power and represents the political stability of Singapore. The government encourages an active immigration policy which focuses on a highly skilled workforce. About two million of the 5.6 million inhabitants of the city are foreigners; about 0.53 of these are "permanent residents". Further principles of the government work are the preservation and development of the economical competitiveness, the establishment of a high living standard for the population as well as the harmony among the different ethnicities and religions. A rigidly organised government and a highly qualified, well paid and therefore not corruption-prone administration organisation is essential to Singapore as well as the fight against crime of any kind, especially terrorism, corruption and drug abuse. Human rights are protected through the fundamental rights section of the constitution. Political rights, especially the rights of assembly, free speech and media are heavily restricted.³

Political basics of Singapore	
Government type	Parliamentary republic
Head of state	President Tony Tan Keng Yam (since 1 September 2011)
Head of government	Premier Minister Lee Hsien Loong (since 12 August 2004)
Minister of Foreign Affairs	Vivian Balakrishnan (since 1 October 2015)
Government party	People's Action Party (PAP)
Unions	Unions are politically and personally tied to the government. The Secretary-General of the National Trade Union Congress (NTUC) is Chan Chun Sing, a member of the government
International organizations (excerpt)	APEC, ASEAN, ASEM, Commonwealth, UN, WTO

³ Federal Foreign Office of Germany – Singapore (2017)

Important Media	Media companies: Singapore Press Holdings (SPH), Media Corps Newspapers: The Straits Times (English, 370,000 per edition), Today (English, 300,000), My Paper (Chinese/English, 250,000), Lianhe Zaobao (Chinese, 173,000) and others Television: Seven channels in four languages and several international broadcasters Radio: 13 local radio stations including Expat Radio XFM96.3
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Table 3 – Political basics of Singapore¹

2.3. Business relations between Singapore and Germany

The relations between Singapore and Germany are very good. It is based on close cooperation at the bilateral and multilateral scope. Germany is one of the most important trade partners of the ASEAN countries and Singapore one of the most important commercial partners in the Southeast Asian region. The business relations between the two countries and the cooperations in the research area are intensively stimulated. Among others there are frequently seven sponsored trade fairs and the German-Singaporean Business Forum. Furthermore a lot of German companies use Singapore as the place for a market entry to the Southeast Asian markets. The numbers of German companies in Singapore have risen from 500 in 2004 to about 1,500 in 2016. This clearly shows the intensification of the business relations between the two countries over the last ten years. The trend of the market potential for German companies in Singapore for 2014 is exclusively increasing.⁴

The bilateral business relations are simplified through economic agreements, for example the double taxation agreement of June 2004 (effective since December 2006)⁵, the agreement of the protection of investment of October 1973 (effective since October 1975)⁶ and the membership of Singapore to the WTO (World Trade Organization) since January 1995. A free trade agreement between Singapore and the European Union was agreed on in October 2013⁷.

⁴ Germany Trade and Invest (2013)

⁵ Federal Ministry of Finance Germany (2017)

⁶ Federal Ministry for Economic Affairs and Energy Germany (2017)

⁷ European Commission – Singapore (2013)

Trade volume between Singapore and Germany				
	2010	2011	2012	2013
Total trade volume in million SGD	20,494.2	21,497.4	20,645.7	20,915.6
Singaporean exports to Germany in million SGD	8,369.7	8,416.6	7,441.8	7,310.4
Change in per cent to year before	n/a	+0.56	-0.89	-1.77
Singaporean imports from Germany in million SGD	12,124.5	13,080.8	13,203.9	13,605.2
Change in per cent to year before	n/a	+7.89	+0.95	+3.04

Table 4 – Trade volume between Singapore and Germany⁸

Singaporean main imports from Germany

- Machinery
- Electronics
- Chemical products
- Electrotechnical products
- Vehicles and vehicle parts

Singaporean main exports to Germany

- Data processing devices
- Electronical and optical products
- Chemical products
- Electrotechnical products
- Machinery

Total trade volume, imports and exports in million SGD				
	2009	2010	2011	2012
Total trade volume	747,417.4	902,062.6	974,396.3	984,883.6
Imports	356,299.2	423,221.8	459,655.1	474,551.2
Exports	391,118.2	478,840.7	514,741.2	510,329.4
Imports				
Asia	236,094.1	290,501.7	317,518.2	328,159.1
China	37,585.3	45,844.3	47,747.7	48,950.2
Malaysia	41,336.3	49,489.6	49,166.9	50,501.4
Korea	20,338.7	24,514.5	27,317.9	32,025.5
The Americas	52,204.0	59,728.4	64,493.8	63,799.6
USA	41,435.5	47,515.3	49,050.0	48,201.1

⁸ Department of Statistics Singapore – Trade (2014)

Europe	59,740.0	65,907.0	70,040.8	73,149.1
EU	49,646.8	52,252.0	57,901.0	59,587.3
Germany	11,424.2	12,124.5	13,080.8	13,203.9
Oceania	6,858.7	5,597.4	6,086.1	7,160.3
Australia	5,803.7	4,710.6	4,705.3	6,129.0
Exports				
Asia	278,626.9	343,924.9	367,364.5	365,577.2
China	38,125.1	49,467.9	53,650.7	54,872.7
Hong Kong	45,273.8	56,081.0	56,776.5	55,900.4
Malaysia	44,808.5	57,114.2	62,834.7	62,869.2
Indonesia	37,857.8	44,983.8	53,776.5	54,131.2
The Americas	43,910.5	49,943.9	53,644.0	51,875.6
USA	25,485.1	30,871.4	27,638.4	27,444.9
Europe	40,096.4	50,262.8	51,988.3	49,668.7
EU	37,168.9	47,156.9	48,129.1	45,639.4
Germany	6,012.5	8,369.7	8,416.6	7,441.8
Oceania	20,830.2	24,183.1	29,433.3	31,410.4
Australia	15,316.7	17,110.7	20,145.7	21,219.5

Table 5 – Total trade volume, imports and exports in million SGD⁸

2.4. Investment climate and incentives in Singapore

In Singapore there is an open investment climate. More than 7,000 multinational groups and another 26,000 international companies are investing at the moment in the country. Countries with considerable investment volumes in Singapore are the United States, the Netherlands, Japan and the United Kingdom.

Foreign Direct Investment (FDI) in million SGD				
	2012	2013	2014	2015
Singapore's Direct Investment Abroad	494,100	536,100	638,200	665,400
Singaporean direct investments in Germany	1,577	1,369	1,408	1,531
Foreign Direct Investment in Singapore	810,100	907,100	1,113,300	1,255,500
German direct investments in Singapore	14,702	15,811	17,755	17,745

Table 6 – Foreign Direct Investment (FDI) in million SGD⁸

Through the increasing acceptance of foreign investment the Singaporean government is facilitating free entrepreneurship with no restrictions concerning foreign participation in domestic companies. Foreign Direct Investment (FDI) and international companies as well as their employees are strongly supported and multinational economic relations are highly important to the country. Almost all economic sectors of Singapore are fully open for foreign investors with no restrictions concerning the sort of the business activity. Under specific circumstances foreign companies will be financially supported by the Singaporean government. Furthermore there is no obligation to inform or register for investors regarding their investment capital, loans or technology agreements.⁹

The following competitiveness factors positively confine Singapore from other locations and make it one of the most attractive locations worldwide for foreign investors:

- First position, Enabling Trade Index, 2014
- First position, 2013 KOF Index of Globalization, KOF Swiss Economic Institution (World market leader in foreign trade and foreign direct investment)
- First position, Ease of Doing Business Report 2013 (easiest location worldwide to do business)
- Second position, Global Competitiveness Report 2013-2014, World Economic Forum
- Fifth position, World Competitiveness Index Rankings 2013 (International Institute for Management Development)
- Fifth position, Corruption Perception Index 2013 (low distribution of economic corruption)
- Credit rating 93.2

Further location advantages

- Political stability, inner security, legal security, transparent legislative process
- Strong connection between economy and state; high efficient pro-business government
- Highly skilled and motivated work force
- Easy foundation of an enterprise (takes usually about three days)
- Several free trade agreements (FTA)

⁹ Business Monitor International – Singapore (2014)

- Taxation advantages
 - Residential system of income taxation with low corporation tax rate (17 per cent); Singapore is one of the very few countries which only tax income earned in or remitted to the country
 - Availability of several sorts of tax incentives which reduces the corporation tax rate
 - No taxation on capital gains
 - Reduced rates on withholding tax through the 59th double taxation agreement of Singapore

2.5. Cultural specifics

Singapore is often called “Asia Light” or “Asia for Beginners” because it is as a former British colony still today partly influenced by Western culture. At the same time the city and its culture are very multifarious because of the ethnic diversity of its population. The people are used to living together with people from different, partly merging cultures and in general are very open and tolerant. Nevertheless business travellers should be aware of domestic traditions and the different cultural backgrounds of the people.

2.5.1. In general

Clothing

The dress code in daily business life is formal but due to the tropical climate less formal than in Europe. In general men do not wear a jacket, only shirt, tie and suit pants. Short-sleeved shirts are a no-go at business meetings. Women usually wear blouse and skirt, at least knee-length. Make-up and clothing should be unobstrusive. At special occasions women wear a gown and men a suit. Normally it is mentioned on invitations which kind of dress code is expected.

Aside from business, informal, comfortable and weather-adequate clothing is preferred. In some hotels and exclusive restaurants elegant clothing is expected. Formal clothing is suitable for special occasions.

Language and body language

The language of business and government in Singapore is English. Furthermore Malay, Chinese (Mandarin) and Tamil are official languages. Malay is the national language because of historical reasons and is also the language of the national anthem. The most signs and publications are in English and are translated into the other official languages. In school the Singaporeans mandatorily learn English and one of the other official languages regarding their cultural background.

Nonverbal communication plays an important role in Singapore like in many other Asian countries. People behave more subtle and reserved than in Europe. For example to attract one's attention to oneself one lifts its hand and to ask someone to approach one waves the fingers. Pointing with one finger should be avoided, thumbs can be used however.

2.5.2. Business etiquette

It takes time to build up a business relationship with Singaporeans. Personal contact plays an extraordinary important role. It is recommended to get to know one's counterpart before starting business negotiations. Nevertheless, Singaporeans are considered very business- and target-oriented, as they quickly get to the point and fastly implement decisions. They expect the same from their business partners.

When Singaporeans deny something, they rather tend to use vague formulations instead of just say "no". Examples of vague formulations would be "I will try it" or "I will see what I can do". This enables both business partners to save their face and continue the cooperation. A response sounding positive to Europeans, for example to Germans, could be a nicely packaged denial instead.

To pause shortly before answering a question shows that one takes the question seriously and that one thoroughly thinks about the response. Silence is an important part of conversation in Singapore.

Good conversation topics are especially food, shopping, family and holidays. Meanwhile conversation about politics and religion should be avoided. Money and business can be

discussed very openly. But one should never criticize or take a stand against someone in public, especially not if it is a an older or higher ranked person. Corrections can be formulated as a careful question, for example “I thought it is like that, but maybe I am wrong?”. In case of presentations, it is suitable to ask for questions after the presentation because questions might rather be discussed in smaller groups or in dialogue than in front of larger audiences.

Greetings

Usually people greet each other by shaking hands. When women and men meet each other, the woman should reach out with her hand first. Some very traditional Muslim Indians and Malays instead avoid any kind of physical contact with people of the opposite sex and will greet each other with a slight nod of the head. When introducing other people, one names the older people first. Members of local ethnic groups formally address each other in different sorts of ways. If one is not sure how to address one’s counterpart, it is better to ask how he or she would like to be addressed. In general, in daily business the first name will be used but one should always follow the lead of the local counterpart.

Business card

After introducing each other, it is likely that business cards will be exchanged. The way one treats the business card of another person reflects the significance one attach do the business relation. One should receive as well as give out business cards with both hands at the same time and then read them carefully. The business card is handed over legible to the receiver. This is especially important at business with Chinese partners. After the exchange one does not just put the business card away but leaves it visible on the table and looks at it from time to time. If it is not a business meeting it should be stowed in the shirt or vest pocket – near to the heart – but never in the back pocket of one’s pants. If one mainly conducts business with Chinese business partners it is useful to print the business cards bilingual.

Appointments

It is necessary to schedule business appointments in advance. Two weeks in advance is an adequate timeframe. In Singapore it is also universally accepted to arrange a business meeting at short notice. The formal way to arrange a meeting would be in written form. It is useful to confirm the meeting again via telephone. During the Chinese New Year it is very difficult to schedule a meeting. This is the only time in Singapore when the business life slows down.

Punctuality is a sign of respect for the host of a meeting. If one can foresee to be late a short call is appreciated. A business partner should receive notice of further attendants of a meeting.

Besides the office areas the typical sites of business meetings are hotels and restaurants. As initiator of a meeting, it is an act of courtesy to invite the counterpart to coffee or lunch. Here it is necessary to respect the eating habits of the different cultures. Muslim people for example only eat food which is prepared Halal (no pork or alcohol; other sorts of meat only of special slaughter) and do not drink alcohol. In other cultures people only eat vegetarian or do not eat beef. Before one suggests a restaurant it is useful to ask for “special dietary requirements”. Smoking is prohibited by law in all public buildings, restaurants and bars.

Gifts

In daily business life, gifts are unusual. Especially to employees of public services, because it can be seen as attempted bribery. Often business partners are invited to weddings and for invitations to someone’s home, one is supposed to bring a small gift. A gift is usually handed over with both hands or with the right hand only, but usually not with the left hand because it is considered unclean in many cultures. A gift should not be immediately unwrapped. Considering gifts, there are different customs in the different cultures represented in Singapore.

Chinese:

A gift will be refused several times before it will be accepted finally. The receiver does not want to appear desirous. Watches, shoes, flowers and handkerchiefs should not be gifted because they are associated with death and sickness. The same applies to wrappings in the mourning colour white, blue and black. Better are red, yellow or pink. A business card holder, an elegant ball point pen or a lighter are neutral gifts which could be gifted to a business partner. Frequent gifts for birthdays are cakes and beautiful cards. A bouquet of flowers is usually sent for the opening of a business. To a Chinese wedding, one usually brings a red envelope with money or a gift voucher. The birth of a child should never be associated with a stork, because they are the emissaries of death. To invitations to lunch or dinner one never brings food because this would question the hospitality of the host.

Malay:

For Malay business partners, gifts containing alcohol or gifts not being halal are not appropriate. Gifts usually are handed over at the end of a meeting or an event. White wrapping paper is associated with death, red or green is preferred.

Indian:

White or black wrapping paper is never used. Green, red, yellow or other bright colours bring luck. One should not gift leather products to Hindu people. Gifts containing alcohol should only be gifted if one knows that the receiver drinks alcohol.¹⁰

2.5.3. Public holidays

It is necessary to keep in mind the holidays of the different cultures because the ethnic groups kept their customs and festivals. It is appreciated if one asks about the handling of the cultural holidays when arranging a business meeting. According to the Singapore Census of Population of 2010, 83 per cent of the Singaporean population declared being part of a religious group. 45 per cent follow Buddhism, Taoism or similar beliefs. Further 5 per cent are Hindu and 14 per cent are Muslims. Furthermore, there are 18 per cent Christian people and 18 per cent of the people declared to be part of another religious group or non-religious.¹¹

Holiday	2017	2018
New Year's Day	Sunday, 1 January (Monday will be a public holiday)	Monday, 1 January
Chinese New Year	Saturday-Sunday, 28-29 January (Monday will be a public holiday)	Friday-Saturday, 16-17 February
Good Friday	Friday, 14 April	Friday, 30 March
Labour Day	Monday, 1 May	Tuesday, 1 May
Vesak Day	Wednesday, 10 May	Tuesday, 29 May
Hari Raya Puasa	Sunday, 25 June (Monday will be a public holiday)	Friday, 15 June
National Day	Wednesday, 9 August	Thursday, 9 August
Hari Raya Haji	Friday, 1 September	Wednesday, 22 August
Deepavali	Wednesday, 18 October	Tuesday, 6 November
Christmas Day	Monday, 25 December	Tuesday, 25 December

Table 7 – Public holidays in Singapore¹²

¹⁰ JoAnn Meriwether Craig – Culture Shock Singapore (1992)

¹¹ Department of Statistics Singapore – Population (2014)

¹² Ministry of Manpower Singapore – Public Holidays (2017)

The Chinese New Year takes part in January or February depending on the lunar calendar. This is the only time of the year when the business life slows down in Singapore. Some Chinese companies close for up to two weeks during the festivities. Muslims celebrate Hari Raya Puasa, the end of the fasting month Ramadan, and Hari Raya Haji, the festival of the sacrifice. The festival of lights, Deepavali, is celebrated by Hindu and Sikh people and take part in October or November according to the calendar of the Hindu. Despite being a minor religion in Singapore, the Christian festivities are very popular and for example Christmas is very commercialised. New Year's Day and Good Friday are public holidays as well.

3. Agricultural and alimentary economy in Singapore

3.1. Structure and focus

3.1.1. Production and supply

Singapore is a major importer of agricultural produce, processed groceries and beverages. It is one of the biggest importers of such goods in Asia. The reason for that is because the land area of Singapore is very small compared to the people living on it and very few agriculture and animal breeding is practised. The country also possesses very few natural resources. In the year 2012 the Singaporeans generated 225.2 million SGD on an agricultural area of about 736 ha. Local produce are vegetables, seafood, chicken eggs, fish, ornamental plants and orchids.¹³

In 2013 there were agricultural and nutritive products of the value of about 10.5 billion SGD imported, almost all from other Asian countries. There are no tariffs on products of this category except on products containing alcohol. At the same time there were products of this category exported (re-exported) of about 7 billion SGD. These figures, and especially the re-exports, emphasize the importance of Singapore as a business hub for the region. To ensure the quality of the products and guarantee the security and health of the population there are strict import controls to all goods.

¹³ Ministry of National Development Singapore (2011)

The city state is highly dependent on imports of groceries. According to the Agri-Food & Veterinary Authority (AVA) 90 per cent of the groceries are imported and only 10 per cent are produced domestically. The most consumed products are vegetables, fruit, fish and seafood.

	Consumption (tonnes)	Import (tonnes)	Local production (tonnes)
Beef	3,246	29,952	-
Chicken	179,122	185,736	-
Cooking oil	366,089	482,164	-
Duck	13,167	13,236	-
Fish	86,352	99,185	6,536
Fruits	399,217	444,915	-
Hen eggs (mil pcs)	1,786	1,370	421
Mutton	13,768	14,001	-
Pork	98,552	105,049	-
Rice	284,245	421,276	-
Sugar	272,734	342,969	-
Vegetables	509,359	524,259	23,039

Table 8 – Consumption and import of different foods¹⁴

The Singaporean food retail market reports a continuous growth despite the massive pressure of competition. It is one of the highest developed retail markets in Southeast Asia. This is based on the fact that Singapore has one of the highest consumption rates per capita in the region. The revenue was in 2012 at about 10 billion SGD and there is a further growth predicted to a revenue of about 11 billion SGD in the year 2017. The distribution channels are: large food retailers (hypermarkets, supermarkets and discounters), convenience retailers (convenience stores and gas stations), speciality retailers (food and drinks specialists) and others. The larger companies usually obtain their goods directly from foreign suppliers while the smaller stores mainly are supplied by local wholesalers. The market shares of the retailers are as follows:

¹⁴ AVA Annual Report 2015/2016

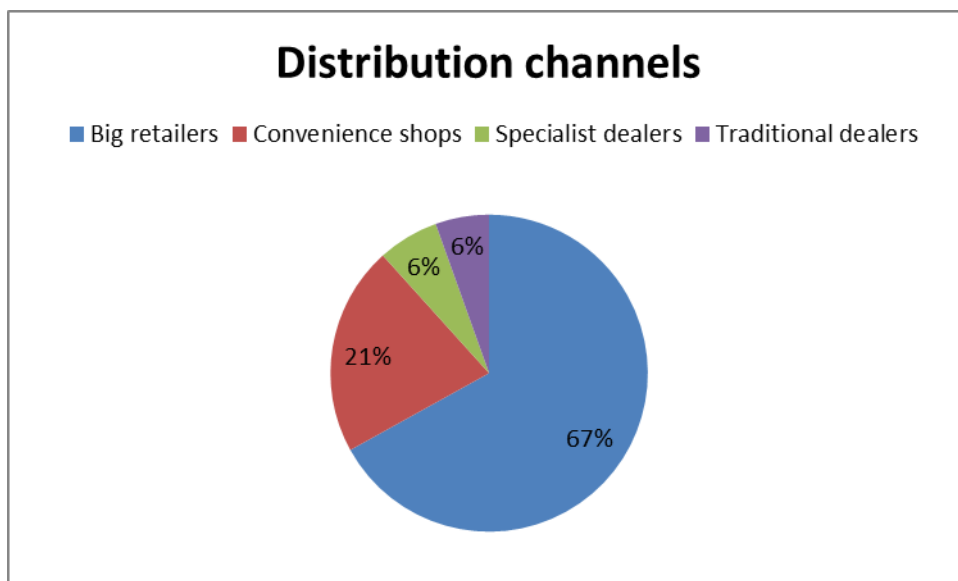


Figure 2 – Distribution channels¹⁵

In 2011 the Food & Beverage (F&B) Service Industry had about 6,500 branches. This number rose by 3.2 per cent to 6,668 branches to the year 2012. The breakdown into restaurants, fast food shops, caterers and others in 2012 are as follows:

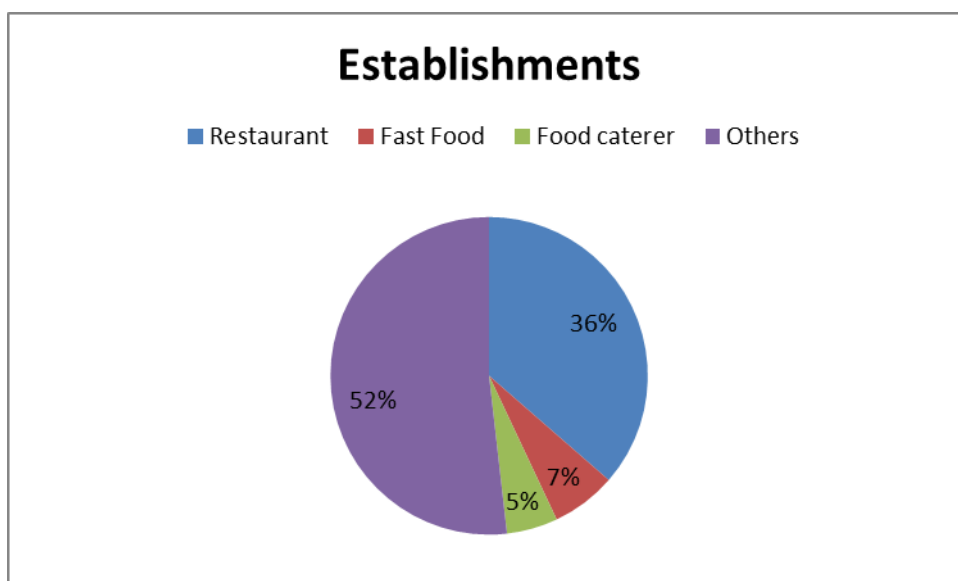


Figure 3 – Establishments¹⁶

According to Singstat there were 135,100 people employed in summer 2013 in the accommodation and food services sector.

¹⁵ MarketLine – Industry Profile: Food Retail in Singapore (2013)

¹⁶ Department of Statistics Singapore (2013)

3.1.2. Development

Singapore is on the way to be the gourmet centre in Southeast Asia. According to Business Monitor International (BMI) a growth of about 1.7 per cent on average per year in consumption of food products is expected from 2014 to 2018. For the same period of time BMI predicts a growth of 5.4 per cent on average per year in the consumption of alcoholic beverages. The reasons for this fast growth are the growing population, the increasing income and the professionalizing of retail. One constraint instead is the continuous rising of the food prices.⁹

To ensure the supply of groceries in the long-term, one target of the Singaporean government is to increase the domestic production of food. Therefore the Singapore Food Manufacturers Association (SFMA) and the Standard, Productivity and Innovation Board (SPRING) support middle-sized national companies with financial incentives and encourage the population to consume local products by indicating the quality and freshness of these products. Four of the pursued goals are: increasing the efficiency, development of new products (R&D), establishment on new local markets and in international markets.¹⁴

A short-time objective to the insurance of the supply with groceries is an adequate allocation of the sources of supply. Because of the high dependency on imports the Singaporean government tries to avoid future shortages with a strong diversification of the supplier countries.¹³

3.2. Consumers

The love of good food is one of the stereotypes that is put on Singaporeans. Going through rush-hour or waiting in line for hours at the favourite eating spot – nothing is too cumbersome for getting maximal enjoyment with the highest quality available. Therefore it is not a big surprise that the expenditures for food and beverages are annually increasing as absolute figures as well as relative. In 2013 the Singaporeans spent 9,612.2 million SGD on food. That is 4 per cent more than the previous year. Despite the high taxes, the spendings on alcoholic beverages and tobacco rose as well. To 2,805.5 million SGD, which is 2.4 per cent.¹⁶

Per capita consumption per year in kg						
	2010	2011	2012	2013	2014	2015
Chicken	32	33	33	32	31	32
Duck	3	3	3	3	3	2
Fish	15	16	15	16	17	16
Other seafood	7	7	7	7	6	6
Hen shell eggs (pcs)	311	307	308	312	313	323
Vegetables	93	93	94	93	96	92
Fruits	68	67	67	70	72	72
Pork	20	19	20	17	16	18
Beef	4	4	3	2	2	1
Mutton	2	2	2	2	2	2

Table 9 – Per capita consumption per year in kg¹⁴

According to a ranking of the Institute Economist Intelligence Unit, Singapore was in 2014 the most expensive city in the world. This resembles the focus on quality and exclusivity at living space, office space and living costs. This is shown especially in daily consumer behaviour and the basic needs of the Singaporeans. There are external factors for this: the increasing significance of the global market, imports and exports as well as the growing offer of international products and therefore more variety on the former very Asia characterized market. There are also a couple of internal factors. These are the income and age structure, the education level and the changed attitude towards consumption of the population of Singapore.

Before analysing the internal factors of the Singaporean groceries market it is important to understand how the population perceives the market. Therefore the cultural specialities of the multi-ethnic city state are shown below.

The wealth of the city state resembles among others in the offered dishes. Due to the long history as a multicultural trade harbour the Singaporean population is used to numerous influences on their dishes and the ingredients. Chinese dim sum, Japanese sushi, Thai cuisine, Indian vegetarian cuisine, the Muslim dishes of the Malay and Indonesian people and a lot more is present in Singapore. It is a culinary melting pot which is furthermore influenced by European food in the recent years. Through the long British colonial rule there were dairy produce and other rather Western products as well as some fruit and vegetable types established.

Income

Concerning the consumer behaviour it is worth it to take a look at the income structure and the composition of the population because these give information about the consumption habits.

Increasing industrialization and development lead to an aging population structure. Both parents have often a full-time job and at the same time fewer children are born. In 2013 the fertility rate in Singapore was at 1.19 children per woman and the birthrate was at 9.3 births per one thousand inhabitants. The population consists of Singaporean citizens (3,313,500 Singaporeans and 531,200 permanent residents) and non-natives (1,554,400 non-residents). The population is highly segmented into different income groups, from the lower level to the super-rich. The main part of the population is part of the upper middle-class which is usually employed. Furthermore, there is living a large group of expatriates in the city which are mainly from the United States, Europe and Australia. This resembles in the different grocery stores. Not only individualized and exclusive product range but also upper price segmentation is present in all supermarkets and retail chains.¹¹

Education

The academic background is also important for market segmentation. The higher the formal qualification is, the higher is usually the income in Singapore. Technical qualifications (not academic) do not have the same significance as in other countries and are on average lower paid than in other countries compared to the academic professions.

If one takes a look at the number of academics of a certain ethnic group one can draw conclusions about the household income and the purchasing power. The education rate has gone up since the year 2000 among the Singaporean population: About 46 per cent of the Singaporeans between the age of 25 and 39 have an academic degree. Also the number of PhD degrees has increased. Since 2005 there are 60 per cent more Singaporeans which have enrolled in a PhD program. A PhD degree is a high guarantee for a significantly better salary. With this, the purchasing power of the population increases.

Besides education and income the increasing individualization and the trend towards self-fulfilment play an important role as well.

Buyer mindset

Traditional Asian family cultures are breaking up in a modern large city. Late marriage and starting a family even later enable young Singaporeans to longer dispose of a high income only for themselves. Usually young people live at their parents' home until they are married and therefore high rental payments do also not exist. The average age at marriage is 28 for women and 30 for men.

Important for the openness towards new products is certainly the travel experiences to other countries. The curiosity for Western countries has increased, especially among younger Singaporeans. On one hand this is stimulated by more affordable travel prices (budget airlines, package holidays etc.) and on the other hand with a change in behaviour and higher incomes. Besides this, it is more and more popular to study abroad and therefore a prominent number of the potentially high-income customer group was for a long period of time abroad. Main destinations are the United States, the United Kingdom and Australia.

Despite a wealth over average, the Singaporean consumers are very price sensitive and therefore always on the look for a good bargain. Especially because of the pursue of wealth and development one likes to invest their income reasonably. The large retail chains recognise these psychological triggers and lure the customers with special offers and quantity discounts. An inherent part of the Singaporean retail is the Great Singapore Sale every year for eight weeks beginning in the end of May.¹⁷

Nevertheless there is a symbolic additional value placed on luxury and prestigious products like cars, furniture and gourmet food. Brand awareness and the upper price segment are direct indicators for Singaporeans about the quality of a product and are leading towards a quick decision to buy. Therefore there is a trend in the food industry towards premium and super premium products.

To conclude, the Singaporean market is more and more showing the characteristics of a highly developed industry country. A high income combined with an increasing rate of academics and a growing aging population are leading to a well-funded upper middle-class with demand for exclusivity and individualism when shopping.

¹⁷ United States Department of Agriculture – Singapore Retail Foods (2012)

3.3. *Regulatory framework*

3.3.1. Agri-Food and Veterinary Authority

The Agri-Food and Veterinary Authority (AVA) is the governmental authority responsible for sustainable supply of Singapore with groceries. It is also responsible for veterinary affairs and the ease of trade. The AVA controls and tests imported groceries, checks labels of packages and registers and licenses importers and exporters. Furthermore it keeps a list of countries which can or cannot import certain goods. It also provides the security of domestic and international industrial processed food. The long-term objective of the program for food security is to secure the food at the source. It is crucial that the food as well as the packaging and the utilities for the packaging of the food imported into Singapore are handled in a controlled environment under hygienic terms. Grocery importers are requested to obtain products only from controlled sources. At the import, a detailed and correct documentation is demanded.

The AVA and the foreign trade funding agency International Enterprise Singapore (IE) undertake annually several international travels with delegations to develop and certify new supply sources.

3.3.2. Laws and regulations

The import and distribution of groceries to and in Singapore underlie in parts very strong regulations. The AVA is the authority which makes these regulations, administrates the licensing and registrations and looks after the observation of the rules.

The following laws and their subordinate regulations are constantly controlled, revised and adjusted.¹⁸

- Agri-Food and Veterinary Authority Act
- Animals and Birds Act

¹⁸ Agri-Food and Veterinary Authority of Singapore (2014)

- Control of Plants Act
- Endangered Species (Import and Export) Act
- Feeding Stuffs Act
- Fisheries Act
- Sale of Food Act
- Wholesome Meat & Fish Act
- Wild Animals and Birds Act

All imports of processed food have to comply with the prevailing requirements of the Sale of Food Act and the grocery requirements.

More details of the laws, their application, innovations and so on can be found at the website of AVA as well as the website of the Singapore Law Committee.

3.3.3. Legal labelling requirements

Food labelling informs consumers about the kind, content, quantity, quality and origin of groceries. Products imported into Singapore have to comply with the following criteria on the packaging in the English language:

- The product name or a description of the product.
- The minimal weight (e.g. g, kg) or volumes (e.g. ml, litres). The word “Net” must be before the indication.
- The name and address of the manufacturer or importer
- The country of origin of the product

All ingredients and additives of the product must be listed on the so-called statement of ingredients. The indications must be listed in descending order of their portion and must be written in the English language. Colourings must be listed (e.g. colour FD&C Yellow #5). Composite ingredients must be listed separately.

The packaging must not contain promises about the product which cannot be kept. Misleading advertising messages or general statements like “improves the well-being” should be avoided

because they cannot, or almost not, be proven. At uncertainty about descriptions the AVA can be contacted. It also helps companies at the beginning of import activities and checks the declarations made by the company.

There must be a best before date printed on labels for specific products. The date has to be marked with the words expiration date, best before or similar expressions. If the product durability depends on a certain kind of storage, the best storage place and conditions must be mentioned.

3.4. Recent development

Singapore is viewed as the most developed grocery market in Southeast Asia. Analyses of the market research company Euromonitor show that the Singaporeans would like to eat healthier. There are already shelves in the supermarkets with gluten-free, organic or diabetic products. Furthermore retail offers more and more products with reduced salt, fat and calories.

This tendency is supported by the FINEST Food Programme. It tries to support the local food industry with knowledge and skills concerning the development of healthy and functional groceries. Here especially nutritional and health requirements of the Singaporeans are in the spotlight.

4. Wine sector in Singapore

4.1. Market

Differing from the European culture, wine is not a regular part of the Asian culture. In Singapore there is no growing or producing of wine, only import and re-export from and into other countries. Therefore the wine market in Singapore is very young and there is not yet a consolidated wine culture. Furthermore the market for wine is highly fragmented. In recent decades the wine market in Singapore have seen tremendous growth and there has a small

wine scene established itself. Nevertheless, wine is seen as a luxury product and status symbol, among others because of the upper price level wine is in.¹⁹

4.1.1. Products

The market for alcoholic beverages is divided into five sectors: beer, wine, cider, alcopops and spirits. In respect of the different sectors, there are huge differences between the revenue and the volumes. As seen in the figures four and five, beer is dominating the market with about 90 per cent in volume. This market leading position is considerably smaller with 56 per cent in respect to revenue. Here the spirits are almost a third of the market despite being only three per cent in market volume. Wine has a revenue market share of about 15 per cent but has in volume only about eight per cent share of alcoholic beverages.

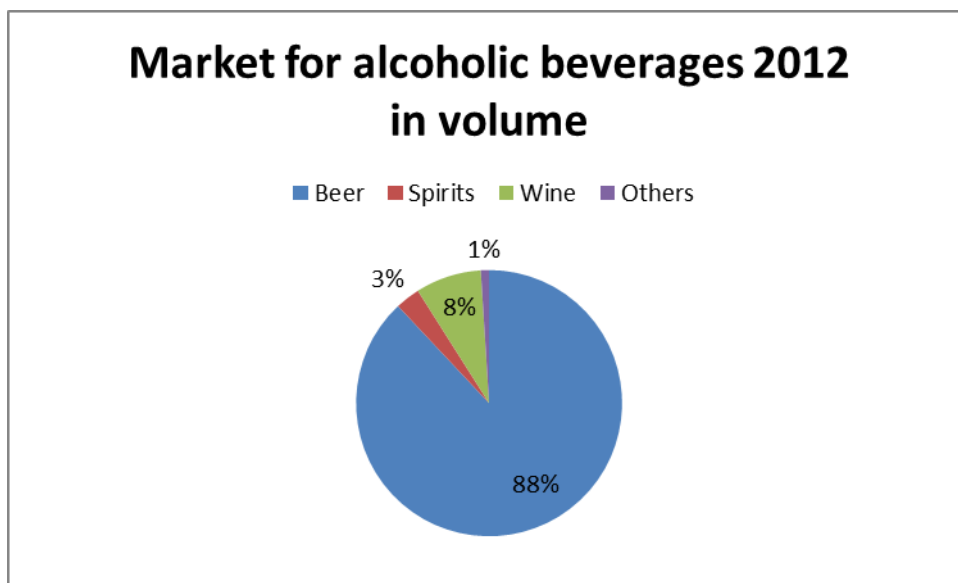


Figure 4 – Market for alcoholic beverages 2012 in volume¹⁹

¹⁹ Euromonitor International – Wine in Singapore (2013)

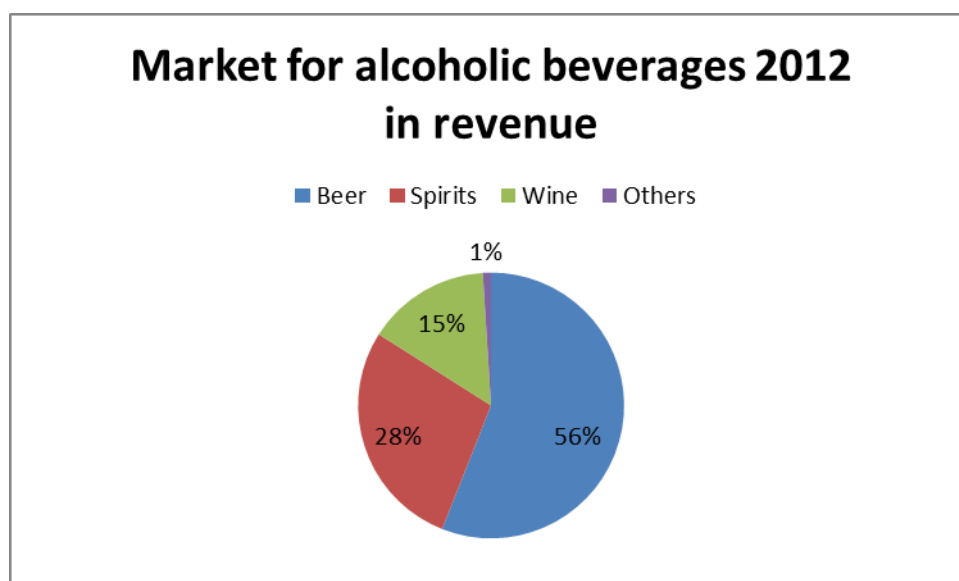


Figure 5 – Market for alcoholic beverages 2012 in revenue¹⁹

The overall volume of the Singaporean wine market was in 2012 about 10,329,600 litres and the revenue was about 549.6 million SGD. The market is divided into four sectors: wine, sparkling wine, brandy and other wine (e.g. rice wine). The sector wine is further subdivided into: red wine, white wine and rosé wine. Red wines have a share of about 70 per cent of the wine sales in Singapore, white wines almost 30 per cent and rosé wines less than one per cent. In 2012 the overall revenue of red wines was 278.9 million SGD and that of white wines was 112.8 million SGD. Rosé wines grossed only 3.7 million SGD. Also the different wines differ at the market share between revenue and volumes. Sparkling wines for example had only a market share in volume of about 10 per cent but 24 per cent in revenue. For brandy the situation is similar. Still wines instead contribute only 72 per cent to the revenue but over 86 per cent to the volume.

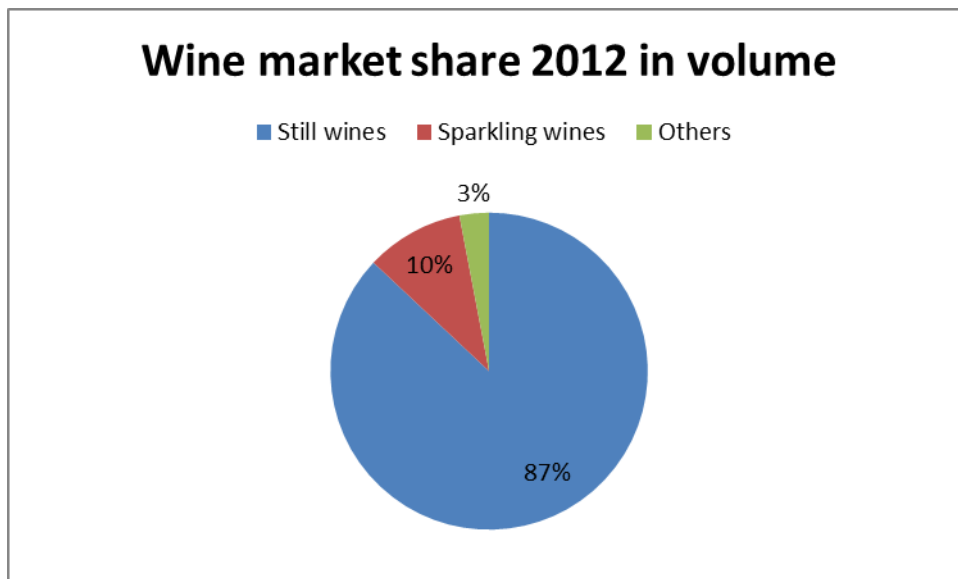


Figure 6 – Wine market share 2012 in volume¹⁹

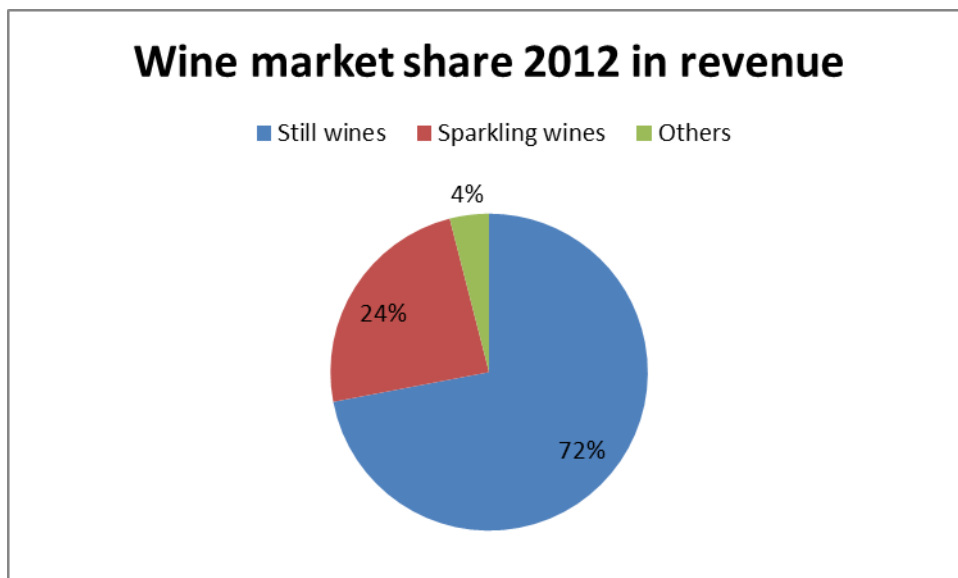


Figure 7 – Wine market share 2012 in revenue¹⁹

The selection of wines in Singapore is relatively limited compared to Europe. In respect of revenue the classic French red wines are dominating the market. They are viewed as high-quality and desirable because of their high profile and the high prices. Besides this, Australian wines are very popular. They are dominating the market in volume. Wines from Asian countries are very hardly to find in the market because the consumers know that they can get higher-quality wines for similar prices. The strongest countries in sales are:

- Australia
- France

- Chile
- USA
- Italy
- New Zealand
- Argentina
- Spain
- South Africa
- Germany

4.1.2. Market structures

Historically the Singaporean wine market is dominated by French red wines because there is not any wine growing or wine processing in the country. Until 20 years ago the wine market was not existent in Singapore. The number of sommeliers with a well-founded and distinct knowledge of wine was very low and only very few, well moneyed Singaporeans bought and consumed wine. Wine was viewed as an exclusive drink which was reserved to the higher classes. For the majority of the population wine was neither relevant nor affordable. Due to better logistic capabilities and technologies as well as a higher level of cosmopolitanism and globalization effects, the wine scene was changing strongly in the recent decades. Especially the newer generations of people which were usually studying and living abroad, brought a higher knowledge and a preference for good wines as well as the corresponding drinking customs to Singapore. Their enthusiasm and demand helped the wine market to open and grow. The access to wine was made easier and the demand grew. Also an increasing import of wines from the New World, especially from Australia, which are sweeter and cheaper than classic wines from the Old World, was contributing to the growth. In general the wine market of Singapore is opening more and more. Nevertheless, the market is somewhat sluggish and changes and inventions need a long lead time to be accepted and established.²⁰

This change is an ongoing process. The wine market in Singapore is very small with only about one per cent of the total wine market of the Asia/Pacific region but nevertheless very competitive. Therefore it is a role model for the wine markets in the neighbouring countries. This is a phenomenon which can be found in a lot of industries: What the Singaporeans have and consider good, is desirable to the people in the neighbouring countries. At the same time

²⁰ MarketLine – Industry Profile: Wine in Singapore (2013)

Singapore is becoming a logistic centre for the entire region in the wine industry, like in other industries as well. Wines are exported to Singapore to be re-exported to the neighbouring countries.

The change in the wine market appears also in the number of well-trained sommeliers which set value on presenting a distinct and balanced wine list as well as in the growing curiosity and eagerness for wine knowledge in the population. Wine still has the image of a superior and cultivated beverage and it is seen more and more as a noble hobby to be informed about and to be consumed. The sophistication and experience as well as the enthusiasm of the wine customers is increasing steadily and the target group, especially the female wine consumers, is growing every year. At the same time the newness of the market holds many risks because of substitution products. The switching costs to other alcoholic beverages are very low.²⁰

The wine market of Singapore is completely dependent on imports because there is not any wine growing in the country. In combination with the simplicity of getting a licence, this leads to a high number of importers and distributors but only a few supply the main share of the market. The most are only importing for their own needs or for a small group of customers. This is on one hand due to the high transportation and warehouse costs in Singapore and on the other hand due to the difficulty to establish oneself at the market. Furthermore the fees for listing a wine in a restaurant or a hotel are quite high in general and are usually paid by the importers.

In 2012 the prices for wines were increased but this did not prevent the Singaporeans from buying. Many large producers instead have begun to flood the market with cheaper versions of their brands to circumvent the higher prices and to animate the population to drink more wine.¹⁹

The market is growing continuously in volume as well as in revenue and the boom has not reached its maximum yet, according to experts. The development of the wine market in Singapore over the last years concerning the market value was as follows:

Wine sales according to category 2007-2012 in million SGD						
	2007	2008	2009	2010	2011	2012
Wine	356.5	392.9	374.6	416.6	465.4	549.6
Brandy	2.7	2.8	2.7	2.7	2.8	2.9
Port wines	1.2	1.2	1.2	1.2	1.2	1.2
Sherry	0.2	0.2	0.2	0.2	0.2	0.2
Vermouth	0.3	1.3	1.3	1.3	1.4	1.4
Sparkling wines	62.9	68.2	71.4	89.0	103.3	132.2
Champagne	48.0	52.4	54.8	69.1	80.6	103.2
Still wines	278.0	308.2	285.5	308.8	342.5	395.4
Red wines	193.6	215.0	199.1	215.7	240.2	278.9
Rosé	3.7	3.8	3.5	3.5	3.6	3.7
White wine	80.7	89.4	82.9	89.5	98.6	112.8
Other wines	12.8	13.7	14.9	16.0	16.8	19.0

Table 10 – Wine sales according to category 2007-2012 in million SGD¹⁹

In percentage that means a market growth of about 54 per cent from 2007 to 2012 or an annual growth of about nine per cent respectively. The growth from 2011 to 2012 was 18.1 per cent more than double the rate and indicates a strong trend towards growth. In percentage the growth of the different wine categories from 2007 to 2012 was as follows:

Wine sales according to category: percentage growth total value 2007-2012			
	2011/2012	2007-2012 CAGR	Total
Wine	18.1 %	9.0 %	54.2 %
Brandy	3.9 %	1.5 %	7.5 %
Other wines	12.9%	8.2 %	48.5 %
Sparkling wines	28.1 %	16.0 %	110.2 %
Still wines	15.5 %	7.3 %	42.2%
Red wines	16.1 %	0 %	44.1 %
Rosé	3.2 %	6.9 %	-0.1 %
White wines	14.3 %	6.9 %	37.7 %

Table 11 – Wine sales according to category: percentage growth total value 2007-2012¹⁹

4.2. Consumption

In global comparison Singapore is quite small but nevertheless a wine market with high potential. As a fragmented and complex market, the challenge is in the specific demands. The typical words to describe a Singaporean customer in general are: price sensitivity, brand orientation, quality awareness and keenness to luxury. To capture the peculiarity of the

Singaporean wine market, the wine consumption of the multi-ethnic city state will be analysed. Therefore the basic indicators and the general preferences will be handled first, before a more concrete consumer profile of the Singaporean population will be drawn.

As a young wine market Singapore observes a quick growth in the recent years. According to Euromonitor the sales of wine were 10.3 million litres in 2013 alone. This is a growth of 51.2 per cent since 2007. Especially champagne showed a tremendous growth of 22.3 per cent from 2011 to 2012. The sales in red wine were growing by 13.4 per cent and white wine by 12.2 per cent. In total the consumption of wine was growing by 13.7 per cent from 2011 to 2012. This was surpassing the forecast numbers for 2012 by almost ten per cent.

Wine sales according to category: total volume 2007-2012 in thousand litres						
	2007	2008	2009	2010	2011	2012
Wines	6,830.0	7,454.1	7,486.0	8,234.0	9,085.5	10,329.6
Brandy	30.1	30.3	30.1	30.2	30.4	30.6
Port wines	12.8	12.9	12.8	12.8	12.9	12.9
Sherry	2.6	2.6	2.6	2.6	2.6	2.6
Vermouth	14.7	14.8	14.7	14.8	14.9	15.0
Sparkling wines	569.1	604.3	637.1	758.7	849.7	1,045.3
Champagne	289.7	309.9	324.7	386.7	434.0	530.7
Still wines	5,996.0	6,568.9	6,549.8	7,158.6	7,912.0	8,933.8
Red wines	4,025.5	4,415.7	4,405.9	4,829.3	5,366.6	6,087.2
Rosé	91.1	91.9	89.7	90.5	91.7	93.2
White wines	1,879.3	2,061.3	2,054.2	2,238.9	2,453.8	2,753.4
Other wines	235.7	250.5	269.1	286.6	293.4	320.0

Table 12 – Wine sales to category: total volume 2007-2012 in thousand liters¹⁹

Wine sales according to category: percentage growth total volume 2007-2012			
	2011/2012	2007-2012 CAGR	Total
Wines	13.7 %	8.6 %	51.2 %
Brandy	0.7 %	0.3 %	1.5 %
Port wines	0.4 %	0.2 %	0.8 %
Sherry	0.3 %	0.2 %	1.0 %
Vermouth	1.0 %	0.5 %	2.3 %
Sparkling wines	23.0 %	12.9 %	83.7 %
Champagne	22.3 %	12.9 %	83.2 %
Still wines	12.9 %	8.3 %	49.0 %
Red wines	13.4 %	8.6 %	51.2 %
Rosé	1.6 %	0.4 %	2.2 %
White wines	12.2 %	7.9 %	46.5 %
Other wines	9.1 %	6.3 %	35.8 %

Table 13 – Wine sales according to category: percentage growth total volume 2007-2012¹⁹

The overall market development is steadily positive. At the same time the prices for wine were rising due to increasing production costs and tax increases on the import of alcohol. When taking a closer look at the market one can see several strong consumption preferences. At first, the different countries of origin can be seen, but experts go further and determine specific grape variety and brand preferences.

According to Euromonitor the three main countries of origin, which are preferred in Singapore, are France, Italy and Australia. Though it must be mentioned that France contributes the most revenue with 417.4 million SGD in 2011, Australia is leading the market by volume. According to the government agency IE, six countries are responsible for about 86 per cent of wine imports. In volume, Australia is leading with 31 per cent market share at import, followed by France with 26 per cent, Chile with nine per cent, Italy with seven per cent, the United States with 6.4 per cent and New Zealand with 5.9 per cent. South Africa, Spain, Argentina and Germany all have a market share at import of about three per cent each.

Import, export and consumption of wine in Singapore					
	2010	2011	2012	2013	2014
Imports (in 1000 hl)	235	268	279	285	329
Exports (in 1000 hl)	118	138	153	162	181
Consumption (in 1000 hl)	117	130	126	123	148
Consumption per capita (annually in l)	2.8	3.0	2.9	2.7	3.2

Table 14 – Import, export and consumption of wine in Singapore²¹

Consumption preferences

Aside from the country of origin, preferences can be seen according to grape variety and price segment. In the category sparkling wine with a growth rate of 23 per cent from 2011 to 2012, champagne was beside red wine and white wine one of the most popular alcoholic beverages in Singapore. Especially at Chinese New Year as well as on Christmas and Easter the Asians tend to follow Western traditions. Apart from these special occasions, Singapore is known for an elitist night life with many exclusive restaurants, bars and clubs.

There is a clear preference for red wines detectable. Especially popular red wines are Cabernet Sauvignon, Merlot and Shiraz, while white wines are usually Chardonnay, Riesling and Sauvignon Blanc.

Red wine according to grape variety: percentage total volume 2007-2012						
	2007	2008	2009	2010	2011	2012
Cabernet Sauvignon	30.5 %	30 %	30 %	30 %	30 %	30 %
Merlot	16 %	16 %	15.5 %	15 %	15 %	15 %
Syrah	24 %	24 %	24 %	24 %	24 %	24 %
Others	29 %	30 %	30.5 %	31 %	31 %	31 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Table 15 – Red wine according to grape variety: percentage total volume 2007-2012¹⁹

White wine according to grape variety: percentage total volume 2007-2012						
	2007	2008	2009	2010	2011	2012
Chardonnay	38 %	38 %	36 %	35.5 %	35.5 %	35.5 %
Riesling	13 %	12.5 %	12.5 %	12 %	12 %	11.5 %
Sauvignon Blanc	20 %	20 %	22 %	22.5 %	22.5 %	23 %
Others	29 %	29.5 %	29.5 %	30 %	30 %	30 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Table 16 – White wine according to grape variety: percentage total volume 2007-2012¹⁹

²¹ The International Organization of Vine and Wine (OIV) – Statistics (2015)

The reasons for the tendency of drinking more red than white wine are numerous and are evaluated differently by experts.

For example, red is a colour of luck in the Chinese culture. In Chinese tradition, red stands for joy, luck, wealth, summer and the South. This could be a reason why Chinese people prefer red wine.

Additionally red wine is considered to be health-promoting, at least consumed in moderation. One cup a day is to be considered to reduce the risk of coronary cardiovascular diseases and to increase the quality of life. In Singapore's society a healthy diet and a balanced lifestyle play a more and more important role. Therefore it is not a surprise, that even women prefer red wine over white wine.

The hot weather and humid climate not only influence the dining culture and facilitate the light Asian cuisine but also must alcohol be consumed differently under these tropical conditions. The heat and humidity as well as the light cuisine would rather advocate the consumption of white wine. However, the flavour perception of Asian people at the interaction of food and drinks is essentially different from that of the European. Generally one can observe that food and drinks are consumed separately in Asia. While traditionally wine is consumed while eating in Europe, in Asia tea is the beverage of choice. Especially in the Chinese culture tea ceremonies are held and tea is drunk with food. But at a closer look, one can see that the tea is drunk before and after the eating, not during. The combination of food and drinks like in the Western society is not important for Chinese people. Eating and drinking are viewed as two separate activities. Among others, this is a reason why many Chinese people do not understand why certain wines match with certain dishes. Thus it is perceptible that the light Asian cuisine would match excellently with German white wines but the combination is not seen to be logical to Chinese flavour perception. They are used to consume very flavourful kinds of tea, like green or black tea. These basically resemble the composition of heavy red wines because they generate similar taste connotations, mainly due to their tannin and catechine content. Also the drinking temperature of red wine is more similar to warm tea than the cool, refreshing white wine.

Beside the different flavour perception and the cultural circumstances, the eating and drinking culture also differs because of the environment where the meals are consumed.

The Singaporeans and the numerous visitors of the city eat out very often. The main reason is that eating together is an eminent part of the social life. This is especially the case in a society focussed on profession and the career where time is a scarce resource. In food courts and hawker centres with self-service one can eat out very cheap, even cheaper than preparing at home.

Hawker centres have no air-conditioning and are open on the sides, only roofed. They are located in residential areas and at traffic junctions. Food courts, for example the chains Foodjunction, Banquet, Foodrepublic and Kopitiam, are air-conditioned and often located in shopping centres, in office buildings or at the airport. The core principle is in each case the same: small kitchens offering a selection of dishes which are mostly prepared freshly. In hawker centres and food courts one can choose among the different national cuisines, for example Chinese noodle dishes, fish dishes, Indian and Malay dishes, but as well Korean and Japanese dishes, fresh fruits, fruit juices, desserts and many more. Meanwhile Western cuisine is also offered in many food courts. Due to the cheap prices the Singaporeans use hawker centres and food courts many times a week, especially during the lunch break and after work. Because of the fast and often high-quality food, not only low-income parts of the population use the food courts but also parts of the middle-class. But nevertheless it is very rare to find an opportunity to consume wine. What is known from Italy and France as a small bistro, is still to be discovered as a concept in Singapore, but offers potential to familiarize the middle-class with consuming wine in everyday life.

Beside the food courts and hawker centres for the daily life, there is a broad selection of upscale and exclusive restaurants. Especially tourists and expats as well as business people are the main target group for these restaurants. These customers tend to consume premium wines of established brands and exorbitant prices.

The internal factors like culture, flavour association and lacking wine knowledge as well as the external factors like climate, eating culture and social behaviour pattern are significantly influencing the wine consumption.

Price segmentation

Beside the individual preferences another factor must be considered, which segments the consumers according to income.

Due to the high import taxes and other added costs, the price of wine in Singapore cannot just be converted to another currency; it must be kind of translated. This must not be disregarded.

	Low price segment	Middle price segment	Premium price segment
Sales price in Europe	< 3 EUR	3-10 EUR	> 10 EUR
Sales price in Singapore	20-25 SGD	25-50 SGD	> 50 SGD
Target groups	Restaurants Off-trade	5 star hotels Individuals Corporate Events Social Events	Wine collectors Wine lovers

Table 17 – Wine price segments

Singapore is not only because of its multi-ethnic population but also because of its historic influences a complex market with a special demand. The interaction among the different cultures and the strongly growing and thriving economy dominate the city, which offer western standards. The annual average income per person is about 39,000 SGD and at the same time the rate of millionaires is 15.5 per cent. This population segment is highly educated, has travelled a lot and brought appreciation for wine back to Singapore from their experiences abroad. For the younger generation this means to not only consume wines of the premium segment like Bordeaux and Burgundy but also New World wines like Pinot Noir for example. The tourists are, beside the permanent residents, the ones who value maximum enjoyment for the appropriate price. Furthermore there is a large expat community which is used to drink good wines from the United States or Europe and shops quality-oriented and price-sensitive. The growing middle-class and the further immigration of highly qualified workforce explain the increasing expenditures for alcoholic beverages.

Expenditures for alcoholic beverages (retail) 2007-2012 in million SGD						
	2007	2008	2009	2010	2011	2012
Expenditures	619.0	651.8	658.9	793.5	858.4	918.7

Table 18 – Expenditures for alcoholic beverages (retail) 2007-2012 in million SGD¹⁹

After the analysis of the consumption preferences and the price segmentation, a closer picture of the consumer profiles will be drawn.²²

²² Franz Gosch – Weinmarketing (2003)

The Singaporean wine consumers are separated into five groups: wine investors, wine tourists, wine drinkers, wine connoisseurs and wannabe wine connoisseurs. Below they are briefly drafted.

Wine investor

Wine is more and more socially accepted and a status symbol, which is not just for consumption but also bought as a desired collectable. This is seen in the increasing sales of red wines, which is mainly suitable for long-time storage. Many positive characteristics like security, high return on investment and inflation resistance are looked for by investors. Furthermore wine is deemed to be future-proof because it is assumed that the boom in countries which have recently discovered wine consumption will continue and therefore the wine sales will increase internationally. But investments in wine are not suitable for everybody. Beside the financial resources, one needs a grasp and at least basic wine knowledge to be successful in the wine business. Rarely German wines are traded as investment objects, mainly because they are not known on the Asian market. Therefore Singaporean wine investors are not a target group for new German market entries. But wine investors can quite be important, when German wines emerge in this group of customers.

Wine tourists

The wine tourists are as well not a target group for the German wines because wine tourists shop wine very rarely and not with focus on quality. There are no specific preferences and the wines are not chosen according to wine knowledge. For this target group, a standardized labelling and an appealing design would be suitable. But to enter the Singaporean wine market it is more useful to focus on the following three groups as a target.

Wine drinkers

This group values constant quality at a good price-performance ratio and therefore knows wine brands. The many cheaper wines in the supermarkets and the strongly increasing wine consumption in general are a sign that Singapore as a younger wine consumption country takes a look at the international wine market. It is not advisable to enter the market into the low-cost sector because it might associate German wines in the future with the low-cost sector. However the low-cost sector could be used as a door opener to the market and can be useful for a market entry.

Wine connoisseurs

Many of the Singaporean wine consumers are very interested in wine and they visit wine tastings to be informed about wines, winegrowing, different wine growing countries and to get to know new products. All the time there are wine tastings in Singapore organized by different providers to support their sale activities, which should educate the wine consumers about the different sorts of wine. This group is very interesting as a target group for German wine.

Wannabe wine connoisseurs

This type of consumer is one of the most difficult to classify on the Singaporean market because they do not have a typical shopping behaviour. Wannabe wine connoisseurs are likely to spend huge amounts on wine. The problem is, they spend it on special wines with the intention to get a product which earn them approval and prestige. They do not buy these wines because they are interested in wines but because the specific wines put them into a certain position. This approach is strange to German wine makers. But to enter the Singaporean market successfully it is important to offer these kinds of wine as well, to show the wine consumers that German wines can get along on the highest level.

With the basis of these types of consumers the potential Singaporean wine customers can be categorized but there is still the challenge to serve every customer individually. Summarizing, it must be said that the Singaporean wine market is very young and the wine consumers must be in general categorized as very inexperienced. This offers, with an annual growth rate of about 10 per cent, a huge potential for wines with history and quality. The Singaporeans value quality and prestige. The European wines attract the most attention with their century-old wineries. Still red wine is dominating due to different reasons among the still wines and there is a preference for champagne detectable. In general there is a tendency to consume wines of the medium price segment. As a European winegrower it must be considered that the high import taxes increase the prices considerably, but this will not result in more profit for the wineries. With a view on the premium segments and the growing wine knowledge among the population, the wine consumption in Singapore can be categorized as quality-oriented and price-conscious with potential to more curiosity and the desire to taste new wines. Furthermore wine becomes more and more a status symbol with prestige effects.

Concluding, it can be determined that the market concerning demand and supply is fragmented and needs a specific offer. Due to tradition, culture, climate and the multi-ethnic population as well as the lacking wine knowledge one can find consumers which are quality-oriented and price-conscious but as well curious about new products and trends. This holds a huge potential for new wines. The consumer profile is especially suitable for high quality wines and authentic brands.

4.3. Import

As already described in the section about the Singaporean wine market, the wines of some countries play a more important role for consumption and import than others. Especially countries from which wines are already for years available on the market. The most imports come from France, Australia, Chile, Italy, the United States and New Zealand. More than 80 per cent of imports come from these countries. Countries like Spain, Argentina and Germany still play a minor role at imports.

The imports and re-exports of wine to and from Singapore have developed in the recent years as follows:

Imports, exports and sales in million litres			
	2009	2010	2011
Imports	20.8	23.9	27.3
Exports	10.7	12.1	14.2
Sales	10.1	11.9	13.1

Table 19 – Imports, exports and sales in million litres¹⁹

The imports according to different countries of origin in the recent years are as follows:

Imports according to country of origin: volume in million litres			
	2009	2010	2011
France	8.2	9.9	12.1
Australia	5.4	5.6	6.0
Italy	1.3	1.6	2.1
Chile	1.6	1.8	1.6
USA	1.2	1.2	1.6
New Zealand	0.8	1.0	1.0
Germany	0.3	0.5	0.6

Table 20 – Imports according to country of origin: volume in million litres¹⁹

Imports according to country of origin: value in million SGD			
	2009	2010	2011
France	276.3	343.3	417.4
Australia	59.0	63.2	71.9
Italy	15.2	19.1	25.0
Chile	9.0	10.1	9.3
USA	9.1	11.1	13.0
New Zealand	10.6	13.1	14.0
Germany	3.1	5.6	5.6

Table 21 – Imports according to country of origin: value in million SGD¹⁹

At the entry into Singapore, private individuals who are at least 18 years old, do not enter from Malaysia and were outside of Singapore for at least 48 hours, can import the following amounts of alcoholic beverages freely:

Free alcohol amount per private individual			
	Spirits	Wine	Beer
Option A	1 litre	1 litre	1 litre
Option B	-	2 litre	1 litre
Option C	-	1 litre	2 litre

Table 22 – Free alcohol amount per private individual²³

At the commercial area, the “Sales and food act” and the “Food Regulation” regulate the import of alcoholic beverages. The import is only allowed for a registered and licensed legal person who holds a “Import Permit” of the Singapore Customs. This person is also responsible for the rightful payment of tariffs and other fees. In the recent years the number of registered importers has increased rapidly, mainly because it is very easy to get a licence. Every imported wine must be registered at the Food Control Department (FCD). The FCD and the Singapore Customs have the authority to control every imported grocery and beverage and to destroy spoiled groceries and beverages. Usually only products which are classified by the government as dangerous to health or security and socially displeasing will be controlled. Normally the extraction of a sample is not necessary.²⁴

According to the law, the description on the labelling and the content must match. This means for example, that the declared quantity (e.g. 0.7 litres) must be in the bottle. Violations of these import regulations are sometimes punished with severe fines.

²³ Changi Airport Singapore – Passenger Guide (2014)

²⁴ Singapore Customs – Information for Importers (2014)

In Singapore there are no upper limits for importing wine. Generally for imported goods, there do not have to be duty paid either. Due to social and environmental reasons alcoholic beverages, tobacco products, automobiles and products based on crude oil are an exception and for these product duty must be paid. The amount of duty to be paid depends on the transaction value or the CIF (cost, insurance, freight). This means the paid price including the freight and insurance costs. The calculation of the duty is based on the Customs Valuation Code (CVC).²⁵

The formula for the calculation for wine is as follows:

$$\text{Duty} = \text{total quantity in litres} \times \text{purchase tax} \times \% \text{ of alcohol content}^{24}$$

According to this, the calculation of the duty is independent from the actual value of the product. Therefore there will be the same amount of tax for two wines with the same alcohol content even if one costs several euros and the other costs several hundred.

The purchase tax can be found in a table and is here pictured in extracts for wine products.

HS Code	Description	Excise duty
2204.10.00	Sparkling wine	SGD 88.00 per litre alcohol
2204.21.11	Wine of fresh grapes, not over 15 % alc/vol, in containers of 2 litres or less	SGD 88.00 per litre alcohol
2204.21.13	Wine of fresh grapes, over 15 % but not over 23 % alc/vol, in containers of 2 litres or less	SGD 88.00 per litre alcohol
2204.21.14	Wine of fresh grapes, over 23 % alc/vol, in containers of 2 litres or less	SGD 88.00 per litre alcohol
2204.29.11	Wine of fresh grapes, not over 15 % alc/vol, in containers of more than 2 litres	SGD 88.00 per litre alcohol
2204.29.13	Wine of fresh grapes, over 15 % but not over 23 % alc/vol, in containers of more than 2 litres	SGD 88.00 per litre alcohol
2204.29.14	Wine of fresh grapes, over 23 % alc/vol, in containers of more than 2 litres	SGD 88.00 per litre alcohol

Table 23 – Tariffs on Wine Notification of Tariff Changes of Singapore Customs²⁴

²⁵ United States Department of Commerce – export.gov (2012)

A calculation would be for example like this: Import of 100 litres wine with an alcohol content of 12 per cent. $\text{Duty} = 100 \times 88 \text{ SGD} \times 0.12 \rightarrow \text{Duty} = 1,056 \text{ SGD}$

Additionally at the time of sale there will be the Goods and Services Tax (GST) of seven per cent which is a value added tax.

On products which are only designated for the re-export to other countries there must be no duty paid as long as they coincide with the License Warehouse Scheme (LWS) and are stored in a licensed warehouse. Also products designated for consumption in Singapore can be stored at this warehouses and the according duty payment postponed. But then the postponed payments must be done at the time the goods leave the warehouse.²⁴

Particularities of the Singaporean wine market

Due to the tropical climate, it should be considered when importing wine to use special wine storage warehouses and refrigerated transport vehicles.

A further particularity of Singapore is a regulation introduced on 01.04.2009. On wines with a maximum quantity of 2.25 litres per label per day which is used for an officially approved wine presentation no duty and GST must be paid. This regulation should support wine competition and wine sales on the Singaporean market.

4.4. Law

Singapore has very strict laws in several areas. The traffic is heavily regulated, chewing gum is only available with a prescription and jaywalking will be punished. As well careless pollution of the city and drinking in public transportation can be fined with up to 1,000 SGD. Therefore it is no wonder that Singapore has a remarkably clean cityscape and one of the lowest crime rates in the world. Strict regulations can be seen everywhere in daily live and consumption of alcohol is not an exception.

The Liquor Licensing Board (LLB) is the governing body for the sale of alcoholic beverages and therefore also for the sale of wine to the end customer. All sales of alcohol of retail or wholesale nature must need a licence from the LLB. Issued licences are valid for two years

and must be renewed then. The sale of alcoholic beverages in shops with a licence is only allowed at certain times. Off-trade liquor licenses are enabling supermarkets, hypermarkets and retail shops to sell alcoholic beverages from 6 a.m. until midnight. On-trade liquor licenses have a further categorization into first-class public houses, second-class public houses and outdoor stalls. This categorization is done individually at the time of the licencing.²⁶

Sale of alcoholic beverages – limitations		
Off-trade	Liquor shops	06:00 – 24:00
	Beer shops	
	Beer houses	
On-trade	First class public houses	06:00 – 24:00
	Second class public houses	06:00 – 22:00
	Outdoor beer stalls	06:00 – 03:00

Table 24 – Sale of alcoholic beverages - limitations²⁶

Generally the LLB distinguishes between two major categories:

1. Licences for the sale of alcoholic beverages on premise
2. Licences for the sale of alcoholic beverages off premise

The sale at wholesale activities as well as delivery is defined by law as follows:

1. The sale of any quantity of alcohol to a licence holder of a public house, beer house, retail liquor shop and/or
2. The sale of a quantity over 30 litres to any person at any time.

If the above mentioned categories are not met, the sale is categorized as retail.

There are four main types of licences:

1. Public house licence – a licence for the sale of alcohol (including beer and brown ale) for the consumption on premise
2. Beer house licence – a licence only for the sale of beer and brown ale on premise

²⁶ Singapore Police Force – Liquor Licensing Board (2014)

3. Wholesale liquor/retail liquor shop licence – a licence for the sale of alcohol (including beer and brown ale) off premise
4. Wholesale liquor/retail beer licence – a licence only for the sale of beer and brown ale off premise

To run wholesale as well as retail at the same time, there are two licences needed. For example a “Wholesale Liquor Shop Licence” and a “Retail Liquor Shop Licence” can be issued to the same shop with the same name.

The minimum drinking age in Singapore is 18 years. All retailers and salesmen are obligated to check the customers’ age when obvious doubts of meeting the drinking age occur. Some on-trade businesses like bars and nightclubs tend to raise the age limit at events to definitely avoid punishments for underage drinking. Despite these strict regulations more and more minors tend to illegal alcohol consumption. Due to increasing numbers of alcoholic intoxication among minors, the government is thinking about raising the drinking age to 21 years.

Furthermore the consumption of alcoholic beverages is officially forbidden in public places in Little India, Raffles Place, Bugis, Chinatown, Singapore River and the Shenton Way Areas at the weekend. These actions became effective along with a 25 per cent increase of the purchase tax in February 2014 after a decision of the Singapore Customs. These regulations mainly strike the drinking habits of the younger people which like to start the weekend with a glass of wine or beer at encounters in public places.

Other regulations concern smoking in public buildings and the blood alcohol limit while driving. This is mentioned here because it could have indirect effects on the consumption. According to the Road Traffic Act, drivers with a blood alcohol content of more than 0.35 per mill are committing the corpus delicti of driving under the influence of alcohol. In January 2009 the smoking ban in public building was expanded at outdoor areas and public places by the National Environment Agency (NEA).

Beside these basic restrictions there are some product-specific, legal requirements.

Regulations concerning the labelling of wine bottles are, in contrast to Europe, very clearly defined in Singapore. According to the AVA, the labels must contain the following information:¹⁸

- Name of the product
- Name and address of the manufacturer, importer, distributor and the packaging company
- Country of origin
- Best before date

To conclude, requirements concerning promotional events and activities are mentioned and should be considered.

Generally the advertising area in Singapore is very strongly self-regulating and responds very sensitively to ethic violations. Instructions are issued by the Advertising Standards Authority Singapore (ASAS). According to the Singapore Code of Advertising Practise, children must not be pictured together with alcoholic beverages in any kind. In circumstances where the presence of children is a normal condition (e.g. family dinners), it must be clearly visible that they are not consuming alcoholic beverages. Promotional activities for alcoholic beverages should not be oriented at the target group of young people and should not encourage to consuming alcoholic beverages. People consuming alcohol must be obviously above the legal drinking age. Advertising should neither focus on the stimulating nor the calming effects of alcohol and it should not picture a necessity of drinking alcohol to gain social acceptance or social success. Moreover alcohol must not be advertised in situations where alcohol limits the safety. This means situations when operating machines, driving or activities with a link to height, water, concentration of reflex awareness. Under no circumstances advertising should be linked with excessive consumption of alcohol.²⁷

These rules should always be observed at promotional events, on flyers, in announcements and in social media activities.

²⁷ Singapore Advertisers Association (2008)

4.5. Distribution

The sale of alcoholic beverages in Singapore can be roughly categorized into two sections: on-trade distribution and off-trade distribution. Not to be disregarded are the specialised retailers which are kind of a tie between the sections and can satisfy special demand of the Singaporean customers and at the same time can practice marketing at social or corporate events.

At first the general development of the distribution channels will be looked at before going into the details of the particularities of the special retailers as well as potential linked marketing strategies.

The term on-trade includes restaurants, clubs, inns and bars while off-trade means all wholesalers and retailers like supermarkets and special retailers. In the long-term the off-trade sales were increasing. 7.3 million litres were sold off-trade in 2012. Only 3.1 million litres were sold on-trade in restaurants and hotels.

Wine sales volumes on-trade vs. off-trade 2007-2012 in million litres						
	2007	2008	2009	2010	2011	2012
Off-trade	4.7	5.2	5.2	5.8	6.4	7.3
On-trade	2.1	2.3	2.3	2.5	2.7	3.1
Total	6.8	7.5	7.5	8.2	9.1	10.3

Table 25 – Wine sales volumes on-trade vs. off-trade 2007-2012 in million litres¹⁹

For this development there are several reasons. On the one hand the number of young customers which are consuming wine of the low-price segment and are not so much focussed on quality and country of origin are increasing. But on the other and more important hand, this can be seen as an indicator for an increasing tolerance of alcohol as a part of social events. Apparently more and more people in Singapore begin to consume wine casually and informally at home. These people belong to the high-income middle-class, as already mentioned before (in consumption). They are well educated, often have travelled a lot and have accustomed to western living standards. They have an intermittent or built-on wine knowledge which they would like to develop further. Here mainly wine of the medium price segment is consumed. One can see that the off-trade sales enjoy increasing popularity because

the people possess more and more wine knowledge, slowly buy more wine for the consumption at home and in general social drinking is more accepted than earlier.

It is interesting to see that nevertheless the on-trade sales are more profitable for the sellers and manufacturers. Despite only one third of the quantity of wine is sold on-trade, the revenue is with 278 million SGD in the year 2012 more than the revenue off-trade (271.6 million SGD). This means that with a third of the volume more than 50 per cent of the profit is generated. Hence it can be concluded that the on-trade sales are not only more profitable for the distributors, importers and manufacturers but also attract an essentially better funded customer group. Furthermore on-trade is more consistent and stable. This distribution channel is therefore more suitable to introduce new wines and to establish brands with profitable revenue.

Wine sales values on-trade vs. off-trade 2007-2012 in million SGD						
	2007	2008	2009	2010	2011	2012
Off-trade	180.1	199.7	190.8	208.2	231.6	271.6
On-trade	176.3	193.2	183.8	208.4	233.8	278.0
Total	356.5	392.9	374.6	416.6	465.4	549.6

Table 26 – Wine sales values on-trade vs. off-trade 2007-2012 in million SGD¹⁹

The plus in revenue in 2012 in comparison to 2011 were 18.8 per cent in on-trade and 17.3 per cent in off-trade sales. In general the revenue have risen which is connected to the consumption but contrary to the increasing prices.

In opposite to the on-trade and off-trade classification, one can categorize the market by the participants, individuals and organizations. This makes sense because the market is, as already mentioned, complex and fragmented. When only looking at on-trade and off-trade, the influence of the special retailers gets lost. These special retailers play an important role at the wine sales in Singapore because they act as a link between on-trade and off-trade. They supply social and corporate events as well as an ambitious client base.

Therefore it is recommended to pay special attention to the sale through specialised wine retailers and small wine dealers because their customers value individual consultations and specialized personnel as well as wines with character. It is estimated that so far about 70 of

these specialised retailers exist in Singapore. Specialised retailers generate about 24 per cent of the revenue of wine sales.

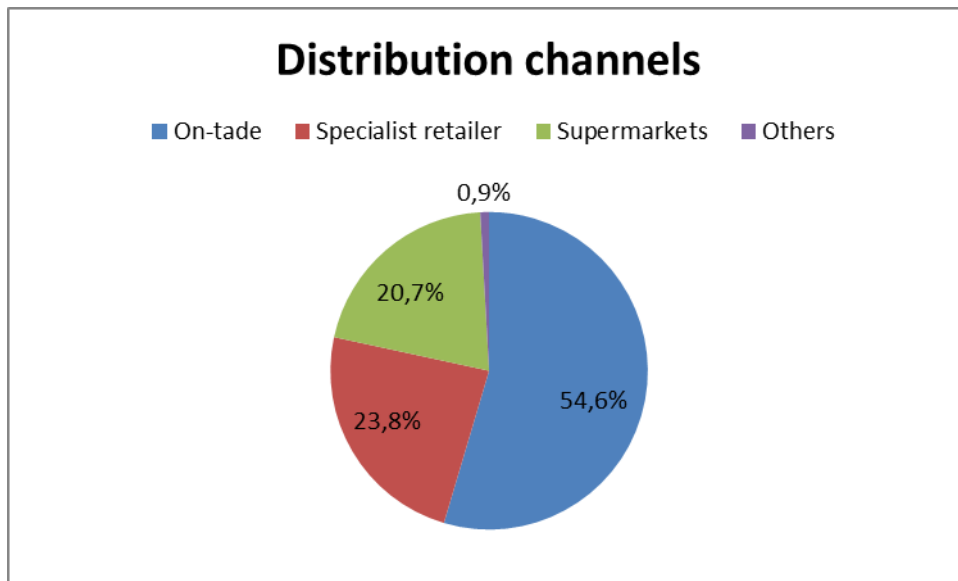


Figure 8 – Distribution channels for wine in 2012²⁰

Over the years the specialised retailers became a popular point of sale for alcoholic beverages in general and wine in particular. Especially because the sale of wine needs a competent and individual consultation where not only the sale is conducted but also a pleasant ambience and an intensive customer care is desired.

This development is as well an indication for a thriving new market with great growth potential. Growing wine knowledge and willingness to try new products as well as an adaption of the western life style and a passion for European atmosphere need a specific assistance. This is rather provided in special retail shops than in big supermarkets. The Straits Wine Company is the market leader with its product range of wines and alcoholic beverages, followed by Cellaboration. Beside the large product variety and the individual consultation they offer supply to social and corporate events, with which they generate the most revenue. Sometimes they collaborate with wine experts or a wine academy, organize special wine tastings and seminars and therefore offer a concept to approach the Singaporean wine customer.

Beside the consistent on-trade distribution and the specialised retailers there are a couple of supermarket chains which supply the mass market and private persons with alcoholic

beverages. The most popular chains are Cold Storage (48 outlets) and their partner The Market Place (eight outlets), NTUC Fairprice and Giant. At Cold Storage every brand of wine has to pay a registration fee of 4,000 SGD and 50 SGD per unit wine in storage. Furthermore 5 to 12 per cent of the revenue must be paid each year as a basic stake. Despite the listing is without limitation in time, the supermarkets demand every two years after their biennial reports, for wines which are behind the general sales expectations, a fee to increase advertising. It is difficult to make a profit here. It is more about gaining a market share of the total volume and to generate revenue through high numbers than to sell quality wine at premium prices. It is important not to overestimate the Asian market. The Asian per capita consumption of wine is only a tenth of that of Western countries. Hardly any consumer buys large amounts of wine at once in the supermarket for consumption at home. Discounts and special offers are rare and therefore the mass consumer usually only buys small amounts of wine. At the same time the supermarkets do not have an own-brand of wine or other alcoholic beverages. Despite that, one can see especially in the big chains like NTUC Fairprice and Coldstorage the efforts of emphasizing the wine section among the other alcoholic beverage sections. For example with an exclusive cooling area, Italian decoration or the attempt to sort meaningfully, the customers' attention is called on wine and its exclusivity. In opposite to wine dealers which focus on country of origin and grape variety, the supermarkets focus on a sorting based on price segments.

Red wine sales according to price segment: percentage of off-trade volume						
	2007	2008	2009	2010	2011	2012
< SGD 26.5	16.0 %	16.5 %	17.0 %	16.5 %	16.0 %	14.5 %
SGD 26.51 – SGD 33.50	28.0 %	28.0 %	29.5 %	29.5 %	29.5 %	29.5 %
SGD 33.51 – SGD 40.00	26.0 %	26.0 %	27.0 %	27.5 %	27.5 %	28.5 %
SGD 40.01 – SGD 46.50	16.0 %	15.0 %	14.0 %	14.5 %	15.0 %	15.5 %
SGD 46.51 – SGD 80.00	9.5 %	9.5 %	8.5 %	8.5 %	8.5 %	8.5 %
> SGD 80.01	4.5 %	5.0 %	4.0 %	3.5 %	3.5 %	3.5 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Table 27 – Red wine sales according to price segment: percentage of off-trade volume¹⁹

White wine sales according to price segment: percentage of off-trade volume						
	2007	2008	2009	2010	2011	2012
< SGD 26.5	12.0 %	11.5 %	12.0 %	11.8 %	11.3 %	10.5 %
SGD 26.51 – SGD 33.50	29.5 %	29.0 %	29.5 %	30.0 %	30.0 %	29.5 %
SGD 33.51 – SGD 40.00	29.0 %	29.5 %	30.0 %	30.0 %	30.0 %	31.0 %
SGD 40.01 – SGD 46.50	16.0 %	16.5 %	16.0 %	16.2 %	16.7 %	17.0 %
SGD 46.51 – SGD 80.00	13.5 %	13.5 %	12.5 %	12.0 %	12.0 %	12.0 %
> SGD 80.01	100 %	100 %	100 %	100 %	100 %	100 %

Table 28 – White wine sales according to price segment: percentage of off-trade volume¹⁹

Sparkling wine sales according to price segment: percentage of off-trade volume						
	2007	2008	2009	2010	2011	2012
< SGD 26.5	15.5 %	15.0 %	15.5 %	14.4 %	13.0 %	12.0 %
SGD 26.51 – SGD 33.50	34.5 %	34.5 %	36.0 %	36.4 %	36.7 %	37.3 %
SGD 33.51 – SGD 40.00	40.5 %	41.0 %	40.0 %	40.8 %	41.9 %	42.2 %
> SGD 40.01	9.5 %	9.5 %	8.5 %	8.4 %	8.4 %	8.5 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Table 29 – Sparkling wine sales according to price segment: percentage of off-trade volume¹⁹

It is again detectable that red wine is sold as the most exclusive of wines. As well in the supermarkets it is findable in the upper price segments while white wine, prosecco and other sparkling wines (not including champagne) is only sold up to the medium price segment.

Finally the wine presentation will be shortly handled. As already mentioned when going into detail at advertising, there are strict regulations concerning alcohol at commercials or promotional events. Under consideration of these aspects a short overview of possibilities and concepts concerning the support of wine consumption will be given.

In the off-trade area the combination of bistro and wine retailer is mentionable. The wine is ideally presented according with the food. It is not only presented in the ideal ambience but also the possibility to taste the wines is given. The Straits Wine Company, Wine Connection, Merchants Duxton and Magma each have implemented this concept in their shops and are all successful with it. Furthermore usually all necessary items for consuming wine like corkscrews, decanters, bottle coolers etc. are offered in the wine shops as well, so that the customer can find all necessary in one place. Also sometimes red wine will be offered as health promoting under the label “organic”. As well there are normally special offers positioned all over the shops to point the customers’ attention to new products.

Furthermore mentionable is the necessity to have professional marketing material. Brochures, flyers and organized promotion events are the most effective ways to reach an exclusive and loyal client base. Also a beautiful packaging, exclusive boxes and pictures of the winery and the country of origin are fascinating the Singaporean customers and bring them closer to the wine culture.

Generally it must be recorded that on-trade and off-trade sales have almost the same strong position according to value. But it is clearly observable that on-trade sales generate the bigger profit. Important links between the two ways of distribution are the specialised retailers which are a crucial instrument to reach special target groups with their individual concepts, exclusive client bases and activities at social and corporate events. To summarize the previous statements, a market entry of a new wine can be done via the following three steps:

- A global brand from the low-cost or medium price segment as a door opener in the off-trade sales (supermarkets)
- Main share of the wine in the medium price segment via specialised retailers (exclusive marketing material as well as special offers)
- Cooperation with an on-trade reseller (hotel, country club etc.) for promotion and revenue

Not to forget are the online sales activities which a lot of specialised retailers use as a second source of income and to make the shopping more comfortable for the customers. Especially for manufacturers from abroad this is appealing to steer and channel the sales.

4.6. Business practice

Wine is a product which is consumed by many different groups of people but still needs time to be known and accepted by all potential customers. Those who already discovered wine drinking for themselves can purchase the products for the private consumption or collection as well as publically in a restaurant, hotel and so on. These sales in the on-trade area, followed by the sales through specialised retailers, are the most strong in revenue according to volume. Nevertheless it should be mentioned that wine consumption is not happening daily for Singaporeans.

In supermarkets there is rarely the possibility for consultation because the employees there have no special wine knowledge. This can be seen as well in the sorting on the shelves which does not always make a lot of sense and the storage of some wines at the wrong temperature. Nevertheless, these are the conditions where the mass consumer, not knowing a lot of wine, is buying its wines. At specialised retailers the conditions are entirely different. Competent consultation, often from wine enthusiasts which imports on their own behalf, is self-evident. It must be considered that this competent consultation can be influenced by the individual liking of the seller and the wine knowledge is not always as elaborated as in Europe.

The store opening times are generally very customer friendly in Singapore and oriented at the work days of the people. Most of the supermarkets are open from Monday to Sunday from at least 7 a.m. until 10 p.m. in the evening. The only exception when usually almost all shops are closed is the Chinese New Year. The opening times of the specialised retailers differ from this and are open at their own times. Generally alcohol can only be sold from 6 a.m. until midnight and only with a special licence. Furthermore alcohol can only be sold to individual at the age of 18 year or older which can produce an identification card if there are doubts.

Cash is still the most spread paying method in Singapore. The cashless paying is becoming more and more popular. It is almost everywhere possible to pay by card and the used technologies are state-of-the-art. While credit cards are accepted, the NETS cards (Network for Electronic Transfers Singapore) are preferred.

Marketing and image are very important for wines in Singapore. This is connected to the fact that prestige in Asian culture and also to Singaporeans is very important. One likes to show off and it is considered to be very uncomfortable to be seen or associated with a product with a bad image. Therefore it is very important that the international wine companies practice good marketing. This seems to be the weak point of the German wine industry at the moment. It should be the focus on presenting the wine as trendy but also of high quality. The customers have to know about the quality of the German wine. As well the individuality of the wine should be emphasized.

Generally it is possible to advertise for alcoholic beverages in Singapore. Therefore there must be observed strict regulations and ethical standards especially concerning children and

adolescents. In this area the wine industry is heavily self-regulated and is overseen by the ASAS.¹⁹

The wine market in Singapore is strengthened by a growing number of events and information material. For example every two years the Wine & Spirits Asia as part of the Food & Hotel Asia takes part in Singapore. Also wine clubs, wine blogs and wine courses are getting more and more popular. As well cooking shows on television with a growing audience and articles about cooking and food in magazines and journals are available. An example for this is the almost 30 year's old magazine Wine & Dine.

Sales margin – example

The sales price of a wine imported to Singapore is very different from the price in Europe because some costs come to account which are somewhere else very little or not at all given. For exemplification there is an exemplary percentage calculation of an international wine brand below:

Example of price calculation of imported wine in Singapore	
VAT	6.5 %
Excise	21.8 %
Import tax	0 %
Retailer	18.7 %
Distributor	12.5 %
Manufacturer	40.5 %
Total	100 %

Table 30 – Example of price calculation of imported wine in Singapore¹⁹

5. German wine

Germany is one of the classic wine countries but compared to other nations it has a quite small square footage of vineyards. In total, the area is smaller than for example the vineyards of the French wine region of Bordeaux. With a production of 8.2 million hectolitre per year Germany is in ninth place among the wine countries with the most production in the world. While the square footage in Germany remained relatively the same in recent years, the area in the countries of the “new world” is increasing steadily. An example for this is Australia with an increase of about 150% in production since 1990.

The international image of German viniculture does not represent the actual production. German wine is often equalized with white wine, but more than one third of the vineyards are planted with grapes for the production of red wine. Also despite the most known grape variety for Germany, the Riesling, is in fact the most planted one, it accounts for only about 20% of the area. In fact the grapes planted and the wines produced in Germany show a great variety.

The German premium wines represent today two different styles of wine: On the one hand traditional sweet, low alcohol wines and on the other hand dry wines, which accompany dining well. To produce sweeter wines the fermentation has to be stopped at a certain point that not the entire sugar is transformed into alcohol. Therefore low alcohol wines are sweeter in this case. The dryer wines have then usually a higher alcohol level because the fermentation is completed. This second style of wine is produced in the recent years and also hundreds of years ago while the first style of wine was produced mainly in the twentieth century.²⁸

5.1. Export of wine

In comparison to other wine nations, Germany is a quite small wine export country. With an export of about 3.9 million hectoliters of exported wine, Germany is on the eighth position in the world in 2014. With about 22.6 million hectoliters Spain is the major exporter in the world, followed by Italy with about 20.5 million. At third place is France with about 14.4 million hectoliters. Then follows Chile with about 8 million and Australia with about 7.3 million hectoliters. Right after are South Africa with about 4.8 million and the United States with about 4 million. Following Germany on rank eight, there is Portugal with about 2.9 million and Argentina with about 2.6 million hectoliters. Finally to round up the big wine exporters, there is on rank eleven New Zealand with about 1.9 million hectoliters of wine exports in the year 2014.

With a look on the change in export volumes between the year 1990 and 2014, one can see that all eleven countries have increased their wine exports. The countries together have increased their exports from 44.4 million hectoliters in 1990 to 92.9 million in 2014. This is an increase of 109.2 per cent. The biggest increase can be found in the wine countries of the

²⁸ Deutsches Weininstitut – German Wines (2016)

new world. Chile and Argentina have exported together in the year 1990 about 0.5 million hectoliters and therefore increased their exports until 2014 of more than 2000 per cent. Australia and New Zealand is in a similar position with an increase of about 2000 per cent. Since South Africa was not exporting wine in 1990, it has the biggest percentage increase.

Germany was able to expand its exports volumes of about 39.3 per cent and with this is among the classical European wine countries. France experienced an increase of about 20.3 per cent and Italy of about 64.4 per cent. The Iberian countries of Portugal and Spain were able to increase their wine exports even more, with 106.3 per cent and 334.9 per cent respectively.²¹

5.2. German wine in Singapore

German wines are in Singapore still niche products and Germany is more associated with beer and rarely with wine. The quantity of exports of German wines to Singapore was about 0.5 per cent of the total quantity of exports in the years 2010 and 2011. In 2012 it was even lower with 0.4 per cent of the total exports which is a volume of about 4,000 hectolitres and a revenue of about one million Euros. A reason for the low numbers is the comparatively low profile of German wines on the Singaporean wine market. The wine from the wine regions along the rivers Rhine and Moselle have the highest popularity because German white wines, from these regions, are in general a lot more known than German red wines. They are therefore more present at the Singaporean market. In general sweet wines like from the category late vintage are preferably bought and drunk by Singaporean customers. Due to the lacking profile German wines are rarely found in the supermarkets and are mainly distributed through specialised wine retailers, for example Magma. There, the customers value quality a lot and shop German wines purposefully. As well among sommeliers in Singapore, German wines are appreciated. For the mass market they are not yet available.

Another important role plays the language barrier to the German language. Asian people often pay a lot attention to the correct pronunciation of words but the German language is very strange and distant to them. So they might have difficulties in pronouncing the words and therefore, to not embarrass themselves, they tend to just order different wines of which they know and can pronounce the names. This problem is intensified by the fact that a lot of

German wine companies do not translate their websites to the English language and the Singaporean customers cannot further inform themselves about the wines. Therefore they do not feel approached as a customer. The barrier is further intensified because a lot of German grape varieties are only grown in Germany and therefore are not very known outside of it. For a lot of Singaporeans the typology and labelling is as well confusing because there are not any standards which someone can orientate oneself. The group of wine lovers which is interested in the topic and likes to taste new wines is an exception to this because if necessary they look up the information and learn the pronunciation.

When it comes to a benchmark for quality, the Singaporean customers are used to take French wines as an example. The problem is, that German and French wines have different approaches to quality. While the French wines are considered to be better when older, this is not necessarily evident for German wines. This is further confusing when shopping and can be an obstacle for German wine sales.

The low profile of German wines is not at least caused by the scarce marketing activities while the market potential of German wines is seen as quite high. German wine companies can learn a lot from the market activities of French wine companies, for example clustered marketing activities of all French wine regions together. Two possibilities that can be done are the creation of an own corporate identity of German wines and the standardization of a brand for the mass market. Furthermore the packaging and labelling play important roles for successful sales activities. The Riesling weeks and the German wine dinners are a good start for the marketing of German wines on the Singaporean market.

As positive one can note that from a European perspective as well as from an expert's perspective the German white wines accompany the light Asian cuisine very well. The reasons therefore are the aromatic taste, the lightness and freshness and the high acidity of the wines. But one should keep in mind that the Asian eating and drinking habits are very different from the ones in Europe.

It is advisable to get to know the market beforehand of starting business there and visit Singapore on business travel which can have a lot of advantages. These advantages can be, that the German wine company can get to know and explore the market, the potential customers and the consumers. Constant business travel to Singapore of companies already in

the market can give the possibility that the customers can get more information about the wines and get to know where the products come from. This is very important to Asian customers so they can feel more secure about and closer to the product.

5.3. Market analysis of German wines in Singapore

To take a closer look at the market for German wines in Singapore, there is an analysis of the presence of German wine in Singaporean businesses below. For this analysis, wine selling businesses were observed if they sell wine from Germany or not. In total 443 businesses were included in the analysis, 263 or 60.5 per cent of them had German wine for sale, 175 or 39.5 per cent did not. It is crucial to notice that almost all of the businesses which had German wine for sale, had only a few German wine products unless they were specialized on them. Usually there were German products from only one winery or sometimes from a few. Other wine countries like France, Italy, Spain, Australia, Chile, Argentina or the US have a highly broader range of products.

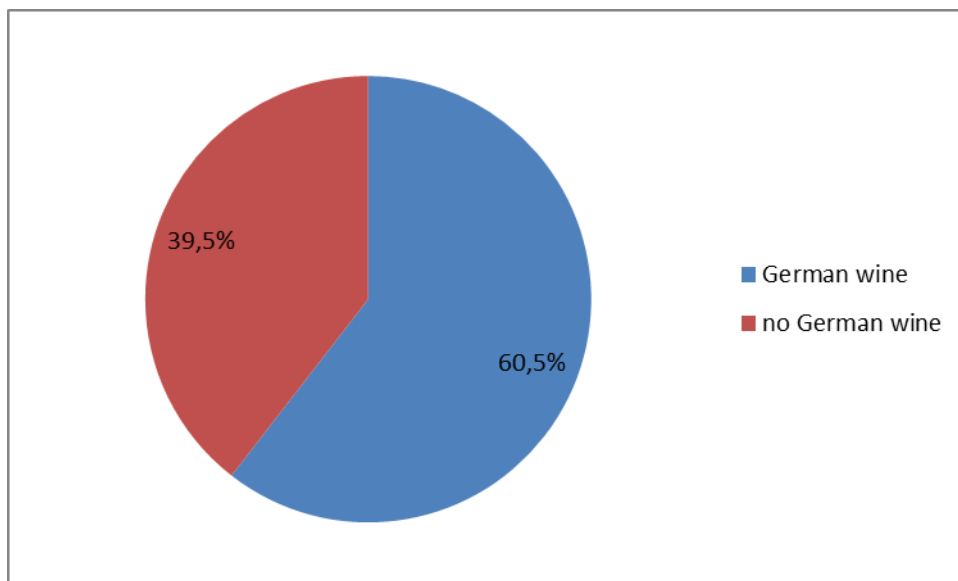


Figure 9 - German wine in Singaporean businesses

338 or 76.3 per cent of the 443 businesses were supermarkets. 67 or 15.1 per cent were retailers specialized on wine. This group is comprised of mostly small shops but with a tendency to grow a lot in the future. The remaining 38 businesses are summarized as others and comprise importers, distributors and wholesalers.

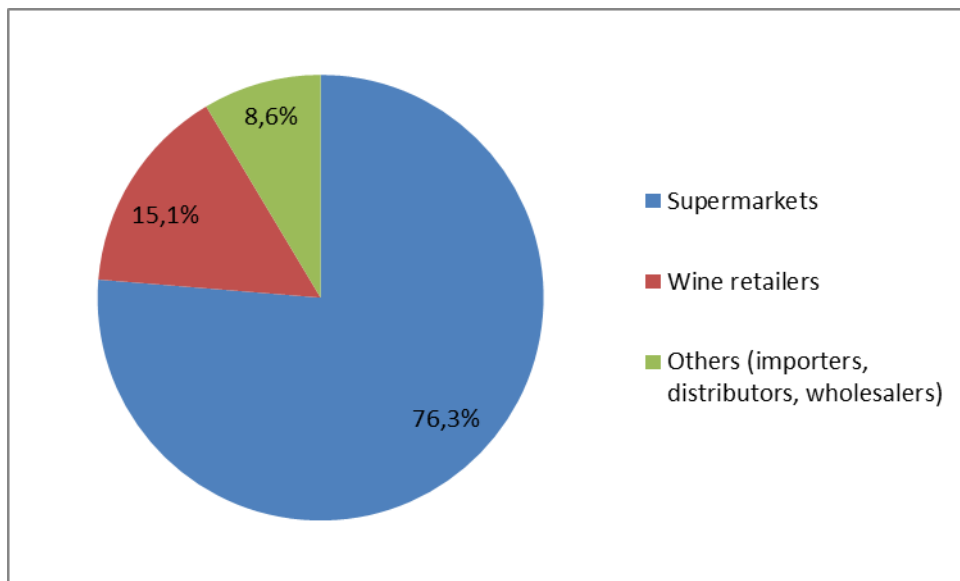


Figure 10 - Type of wine selling business

197 or 58.3 per cent of wine selling supermarkets in Singapore had at least one German wine product in the shelves, 141 or 41.7 per cent did not. Again it is crucial to mention, that if German wine was present, it were very few products. The Singaporean supermarkets focus mainly on the classical European wine countries like France and Italy and the new world wine countries which are closer like Australia, Chile or the US.

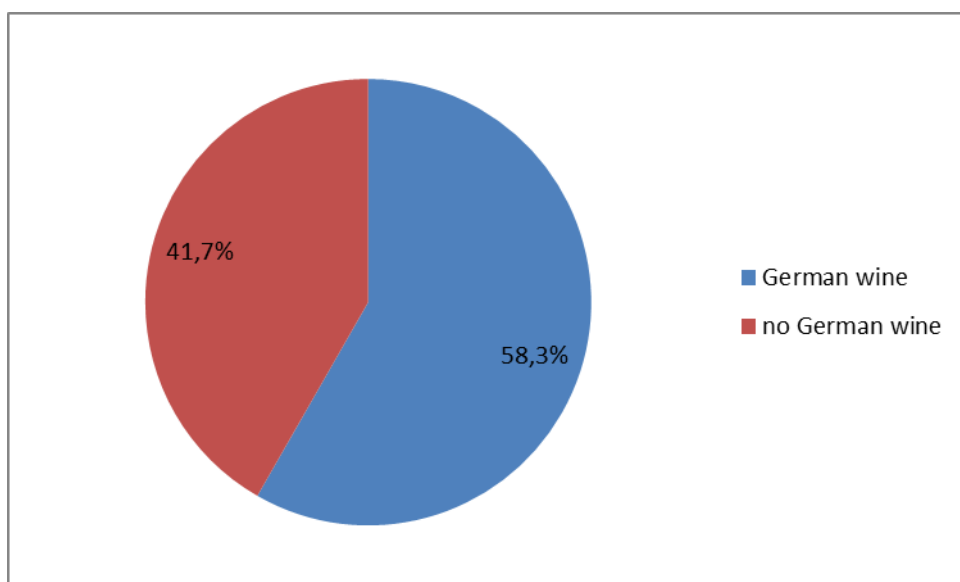


Figure 11 - German wine in Singaporean supermarkets

58 or 86.6 per cent of wine retailers had German wine, 9 or 13.4 per cent did not. Wine retailers often import their wine by themselves. Some wine retailers focus on a specific

country and only import and sell wines from it. The wine retailers which are not focused on one country usually have a broad variety of wine, including from Germany.

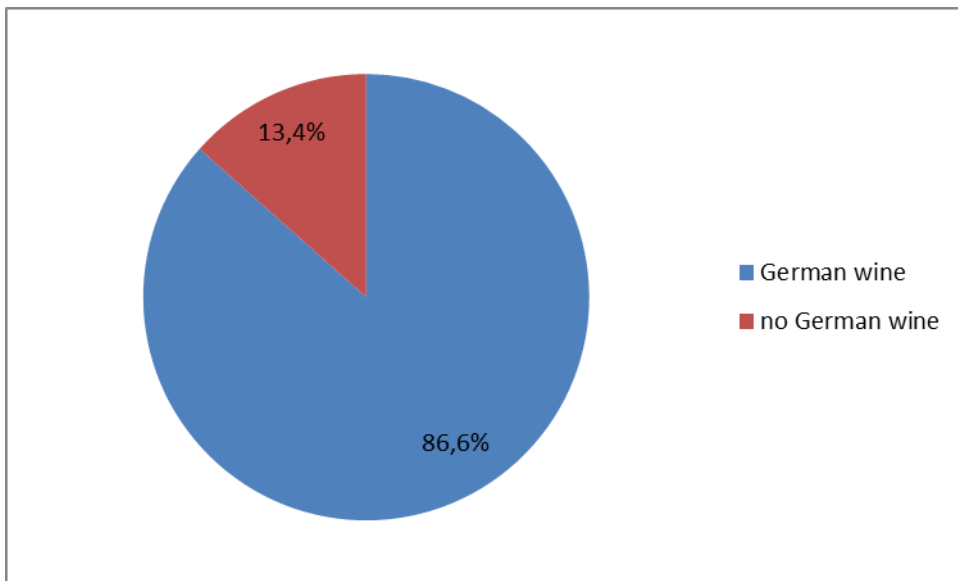


Figure 12 - German wine in wine retailers

Only 13 or 34.2 per cent of the other businesses had German wine to offer. 25 or 65.8 per cent did not. There one can see that German wine is not very established in Singapore. It is only present in a third of the importers, distributors and wholesalers, thus in the businesses which move the wine. This is probably why German wine is only in little numbers in the supermarkets, even if present in a lot. This is different in specialized wine retail because wine retailers often have their own ways of importing.

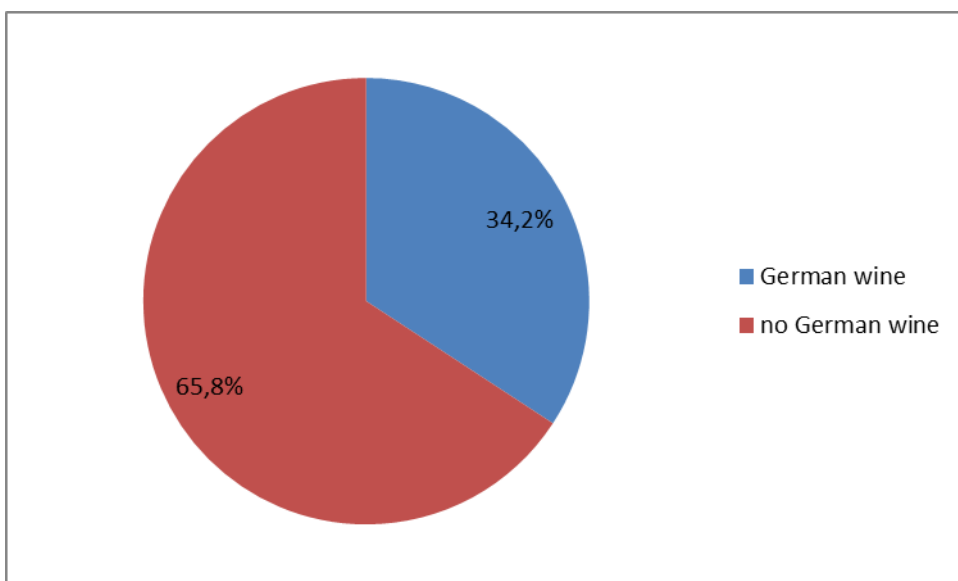


Figure 13 - German wine in other businesses

The collection of data were done in the years between 2014 and 2017 through personal research at place and via the internet and through different ways of communication with the businesses.

5.4. Forecast

The wine market in Singapore is heavily fragmented and special and therefore a challenge in many ways. A young wine culture, lacking wine knowledge, high taxes on alcoholic beverages and traditional habits as well as limited distribution channels and the strong influence of the French and Australian wine industries are obstacles at the market entry for new wines. Nevertheless, experts see the Singaporean market as one with a great potential in Asia. In the following, an overview of basic developments and trends should be given.

With an average growth rate of five to ten per cent per year and a strong increase in consumption of red wine and champagne the Singaporean wine consumption has more room to grow. According to the study *Wine in Singapore* from Euromonitor it is expected, that the consumption of champagne will grow the strongest, about ten per cent. Red wine, rose wine and white wine will grow respectively about five, two and four per cent in the coming years. Despite the increase in taxation, experts expect a decline in prices per unit of wine. It is a strong development in competition expected which will force the retailers to lower the prices in general.

At the same time an increase in the number of products and brands in the on-trade as well as the off-trade area is observable and will continue in the coming years. Thereby it can be assumed that the off-trade distribution will run out the on-trade distribution not only in volumes but as well in revenue. Due to the trend to social drinking, one can expect that customers will rather tend to shop wine at low prices in supermarkets and wine retailers than to consume the wines in restaurants or other on-trade locations.

Because the Asian culture is not used to the consumption of wine, the knowledge about good wines, the global variety and the combination with food is not present. Nevertheless it is observable that the Singaporean customers are more and more adventuresome and open to trying new things. Especially the high-income middle-class with experience abroad and a high

education level brings European eating and drinking culture to Asia. According to the study *Alcoholic Drinks in Singapore*, the tendency to view drinking as a social activity is rising. This is also seen in some numbers already discussed. Beyond this, it is observable that the age of the consumers is becoming lower and the number of female consumers is rising. Generally gender specific statements are difficult to proof but the tendency of female consumers to drink champagne and white wines is clear as well as the increase overall. Obvious is also that the key to further market development is to bring the customers closer to new wines. Curiosity and the openness to trying new products are given but the general knowledge about wine and its culture is still developable.¹⁹

An interesting approach would be a bistro concept with a specialised retailer. Especially the Asian cuisine must be connected with the wines. In daily life the middle-class must be allured for the glass of wine at dinner time. One idea would be to connect a hawker centre with a wine bistro. In a wine bistro in Queenstown, the guest can bring food from the neighbouring hawker centre and choose a wine accordingly. So far this was a great success. The goal was to reach the middle-class.

Another concept is done by Raymond Lim and Chan Wai Xin with EnjoyWine. The two wine experts are observing a trend towards sweet and light white wines at the younger Singaporean generation. They see an opportunity for German wines to be handed alongside desserts. But other wine experts see this concept as a problem; it could put German wines in certain section and could lower the prestige of the wines. Selective wine tastings, wine courses and promotion events could rather bring Singaporean customers closer to the German dry white wines.

Despite the new tendency towards trendy wine brands it is not recommended to play too much with typology and labelling. Classic and serious but nevertheless original product presentation is seen as still to be effective in the future. As well promotion events and social media channels could be used, especially to reach the younger customers.

Altogether it is about creating a timeless, authentic and genuine image which attracts a Singaporean loyal customer base.

5.6. *SWOT analysis of German wine on the Singaporean market*

Strength <ul style="list-style-type: none"> • Uniqueness of German grapes (dry, climate, hand-picked) • High quality (legitimation of price) • Variety of regions • Great knowledge of winemakers • Traditional wine culture (family businesses) 	Weaknesses <ul style="list-style-type: none"> • Lack of marketing and branding • Language barrier (label and website) • No standardized labelling • Partly inconsistent classification (regional differences) • Small size of German wineries in international comparison • No explicit premium brands
Opportunities <ul style="list-style-type: none"> • Great market growth • Strongly fragmented market • Strong position of old world wines • Openness and curiosity of Singaporeans • Young wine market • High readiness for consumption (of premium and luxury wines) • Preference for quality and prestige • Asian food as ideal culinary completion of German wine 	Risks <ul style="list-style-type: none"> • Strong competition (France/Australia) • Slow market reaction • Poor wine knowledge of consumers • High taxes and tariffs • Distribution barriers • Association with sweet wines • Association of Germany as beer country • Price sensibility with new products • Alcohol refusal due to religion

Table 31 – Strength, Weaknesses, Opportunities and Risks for German wine in Singapore

Strength

Wine experts agree that German wine has a certain uniqueness and especially the grape varieties grown in Germany are special. Due to these unique grape varieties that only grow in the German climate, the natural fruitiness which is achieved without adding sugar and the fact that a lot of grapes are picked by hand, German wine is valued by true wine connoisseurs for the high standard of quality. To copy this is not possible. The limited quantity of German wine because of restricted area of cultivation and the laborious production justify higher prices. Even though the quantity of produced wine is relatively small in Germany, there are a lot of different wine regions and therefore a broad variety of different kinds of wine and

flavors. This is only possible through the high level of knowledge of German winemakers which is passed on through the generations and the wineries often kept in family hands. Compared to the wine countries of the New World, Germany possesses a century old wine culture with a distinct knowledge and experience in wine making.

Weaknesses

Even though the quality of German wine is known among wine connoisseurs, it has not reached the majority of the consumers worldwide. One of the main issues is the lack of marketing and therefore the unfamiliarity of the consumers with the wines. For example, the French and the Italians have mastered what the Germans still need to develop. Marketing tools to settle this gap to other countries could be the presence at wine exhibitions and international events or the merging of regions to regional associations with a common marketing and branding. Furthermore, a consistent labeling of German wines is missing, so that the international customer can understand what wine is in the bottle. This is crucial for German wines because of the language barrier. Wine from English speaking countries has a huge advantage here. Compared to other countries, Germany has relatively small wineries. This is a disadvantage for exporting overseas because of the costs for transport, storage, cooling and again, marketing. These are also aspects for regional associations. Finally, it is to mention that Singaporean customers are aware of brands and prestige and therefore prefer premium and luxury wines. This is an area where German wine is not yet present.

Opportunities

Despite the missing marketing, Singapore offers great opportunities for a market entry of German wine. If new products meet the needs of Singaporean customers, they go very well on the market because of a strong market growth. The curiosity and affection for trying new products are a good basis for raising awareness of German wine products. Especially with the harmonic interaction of German wine with East Asian food. Even though Australian wines are strongly represented and wines from South America are getting more popular, Old World wines still have a strong and dominant position in the market. This is because the Singaporean customer not only values quality and prestige but also tradition and years-long developed wine culture. Their liking of the European ambience and authentic wines let them reach for Spanish, Italian and especially French wines. German wines are relatively unknown but

would fit perfectly in the consumer profile. The Singaporean wine market is very young, highly fragmented and the consumption willingness is very high. Because of the high purchasing power and the tendency to buy luxury products, wine is a demanded product in Singapore.

Risks

Not to disregard with all this positive external factors, are the challenges the Singaporean market holds for new products. The market is very competitive with a strong position of France and Australia as main importers of wine. The reaction to new products is slow and the distribution difficult and not necessarily sales-promotional. The Singaporean consumer is special and would like to be served individually. Furthermore, there are high tariffs and excessive taxes on alcoholic beverages, which increase the prices for wine a lot. Despite the high purchasing power, there is a kind of price sensibility, which is a market entry barrier for new wine products. Australia and South America produce huge volumes of wine for relatively small prices and have a good marketing in Singapore. German wines however are expensive and the price needs to be legitimated as worthy to purchase. Finally, it is to mention that Germany is not associated with wine, more with beer.

In total it can be concluded that there are good preconditions for a market entry. High market growth, young and curious consumers as well as a high purchasing power are the basis for high revenue. Nevertheless, there are challenges to be met, which cannot be disregarded. Distribution, import and high competition are especially in front of the background of poor German marketing a high risks for German wines. The key to success could be the specialized retailers and targeted marketing. German wine must be associated with high quality to be successful on the Singaporean market.

6. General conclusion

The objective of this market analysis was to give an overview of the Singaporean wine market, the opportunities and also the risks for German wine on this market. First a basic outline of Singapore and its specifics was given before the wine market was analysed in particular. At the end the possibilities for German wine were pointed out and also the current presence of German wine products on the Singaporean market was looked at in more details.

As an outcome, this market analysis shows that there is a market for wine in Singapore and a high potential for German wine to be successful on this market. Singapore is a valuable business partner for Germany and open for investments and products, especially food and beverage products, from foreign countries. About alcoholic beverages, there are stronger regulations than in some other countries which result in higher prices on the market. But this can be compensated with the high purchasing power and the demand for luxury products of the Singaporean customers.

In general one can conclude that the Singaporean wine market offers good preconditions for a new market entry. High market growth and young, curious and eager for knowledge consumers as well as a high purchasing power are the basis of a positive development of wine revenues. Nevertheless, there are challenges which must not be neglected. Distribution, import and strong competition especially are risks that must not be underestimated against the background of poor marketing of German wines. Therefore the keys to success are the retailers specialised on wine and targeted marketing. German wine must be associated with high quality to be successful on this market. Here it is crucial not to flood Singapore with products but to selectively place German wines on the market with an efficient and sincere marketing strategy to educate the consumers long-term.

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