

Riesling RISING

The growing popularity of new Riesling brands is revitalizing German wines in the U.S. market • BY KEVIN BARRY

German wines may have declined in the United States last year, but savvy marketing and packaging, along with good value positioning, have caused some of the country's branded Rieslings to quickly accelerate. German table wine shipments decreased 10.2 percent to 2.8 million cases in 2009, but several brands bucked trends and had banner years. Polka Dot nearly doubled to 245,000 cases, up from 130,000 cases in 2008, and Relax Riesling increased 19 percent last year to 280,000 cases. "Relax Riesling has the taste profile that was primarily produced for the international consumer, as opposed to a German consumer," notes Chris Klau, president of Schmitt Söhne USA, which markets the brand.

Featuring intriguing New World-style names, snazzy labels and premium wines, German offerings like Relax Riesling (\$9.99 a 750-ml. bottle) and Polka Dot Riesling (\$10.99) have been sizzling ahead during tough economic times. Younger German winemakers are producing wines in a totally different style than was the norm years ago, when the industry was primarily focused on sweet Liebfraumilch wines. "Relax Riesling is nice and fruity up front. It has good acid balance and a little bit of a backbone to it," Klau says. "It's a very food-friendly and user-friendly wine."

Riesling's taste profile is driving growth as a stand-alone wine and as an accompaniment to food. "Riesling is nice to drink on its own, especially in the summer on a hot day. Because of the acidity, it goes with a variety of foods, particularly spicy foods," says Nick James, vice president and senior brand

manager of Shaw-Ross International Importers. "Traditional German wines tend to be consumed on their own, but they're really too sweet to go with a main course. Riesling is attracting a much younger audience, which is what everyone is after."

Marketing efforts that present German wines with New World sparkle encourage young adult consumers to try Riesling. Premium German wines have also long been held back in the United States because of labeling that has been foreign and confusing. "The whole idea behind Relax Riesling was to be contemporary and attractive and get the attention of the millennial buyers and the younger consumers who didn't want to be drinking their parents' or grandparents' wine any longer," says Schmitt Söhne's Klau. "We got away from using village and vineyard names and went with more contemporary packaging."

Rieslings are beginning to cultivate a strong following. "Consumers are starting to understand that the Riesling grape originated in Germany and no other country can quite duplicate the soil characteristics and the minerality of the wine," Klau explains. "You can duplicate the grape itself, but you can't duplicate the taste profile because of those factors. The terroir is totally different in Australia or in the Northwest United States or in California than it is in the different valleys in Germany."

Making Headway

While German wines don't have significant on-premise penetration compared to Italian, French or California wines, some offerings are making headway in contemporary restaurants. At The Melting Pot Restaurant, which boasts 142 restaurants in



The Mosel Valley in Germany is known for its mineral-rich soil and steep landscape. The region produces several white wines, but Riesling dominates the area.



The Melting Pot restaurant (left) features a number of German wines on its menu, including the top-selling Schmitt Söhne Piesporter Michelsberg Riesling. Schmitt Söhne (right) produces the country's top-selling German wines: the eponymous brand and Relax Riesling.

38 states, Schmitt Söhne Piesporter Michelsberg Riesling (\$8 a glass; \$31 to \$39 a 750-ml. bottle, depending on location) is the top-selling wine by the glass and overall.

German wines at The Melting Pot vary by location, but the selection typically ranges from Villa Wolf Gewürztraminer (\$29 a 750-ml. bottle) to Manfred Breit Piesporter Goldtropfchen Riesling Auslese (\$72). Popular German wines at the restaurant chain include Manfred Breit Piesporter Goldtropfchen Riesling Kabinett (\$36), Dr. Fischer Ockfener Bockstein Riesling (\$49) and St. Urbans-Hof Ockfener Bockstein Riesling (\$69). Each unit of The Melting Pot is required to carry several German offerings, including the Schmitt Söhne Piesporter Michelsberg Riesling, Villa Wolf Gewürztraminer and Pfallf Gruner Veltliner (\$34).

The restaurant specializes in fondue, which presents an opportunity for white German wines, such as Rieslings and Gewürztraminers. "It represents a fruit-forward, sweeter wine that appeals to our core demographic," says Kendra Shier, vice president of branding for The Melting Pot. "The cheeses, sauces and elements of the seasoning go beautifully with Riesling and Gewürztraminer."

Glass pours make up 60 percent of total wine sales at The Melting Pot, and the popularity of wine flights has been contributing to the growth of German wines. Flights offer three 2-ounce pours and range in price from \$7 to \$15. "It gives consumers a taste of three different wines so they can

decide which wine they would like to explore further," Shier says. "All of them are specifically designed to go with our four-course dinner feature."

Every six months the food components of the four-course meal at The Melting Pot change, as does the featured wine flight that accompanies it. A recent Melting Pot flight featured Schmitt Söhne Piesporter Michelsberg Riesling, Sokol Blosser Evolution 11th Edition and Villa Wolf Gewürztraminer for \$10.

Shier anticipates the number of German wine offerings to grow at The Melting Pot. "In the next 12 months, we're going to add more Austrian and German wines to the list because they make complete sense for the cuisine," she says. "We have to be careful about giving that variety to the guest."

Market Leverage

With its substantial portfolio of wines, Schmitt Söhne USA has more than a 50-percent share of the German wine segment in the country. Last year, the company's portfolio of German wines grew about 6 percent by volume. Schmitt Söhne's U.S. portfolio spans more than 10 German labels, and Schmitt Söhne Riesling (\$9 to \$10 a 750-ml. bottle, depending on location) is the company's best-seller. Last year, the brand decreased roughly 1.7 percent to 850,000 cases, according to Impact Databank. Strong growth from some of the newer brands in the portfolio offset this minor decline.

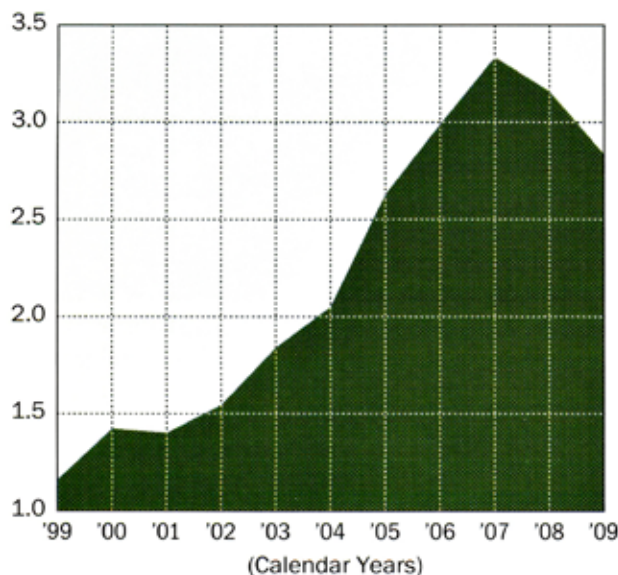
LEADING GERMAN WINE BRANDS IN THE UNITED STATES

(thousands of nine-liter cases)

Brand	Importer	2007	2008	2009	Percent Change	
					2007-2008	2008-2009
Schmitt Söhne	Schmitt Söhne USA	900	865	850	-3.9%	-1.7%
Relax Riesling	Schmitt Söhne USA	200	235	280	17.5	19.1
Polka Dot	E&J Gallo Winery	60	130	245	+	88.5
Blue Nun	Shaw-Ross International Importers	245	240	235	-2.0	-2.1
Total Leading Brands		1,405	1,470	1,610	4.6%	9.5%

Source: IMPACT DATABANK ©2010

U.S. IMPORTS OF TABLE WINE FROM GERMANY*—1999-2009 (millions of nine-liter case shipments)



*Includes bulk

Source: IMPACT DATABANK ©2010

Based on the success of Relax Riesling, Schmitt Söhne USA launched two new brands last year: Superstition (\$8.99 a 750-ml. bottle) and Anything Goes (\$11.99). Superstition, which blends 51-percent Riesling and 49-percent Pinot Blanc, is drier in style. “The blend gives it a whole different mouth feel. Pinot Blanc softens up the acid from the Riesling a little bit and gives it a rounder mouth feel that is more food friendly,” Klau says.

Meanwhile, Anything Goes, a 100-percent Riesling, is sourced from the steep slopes of the Mosel Valley, which adds minerality. “The roots of the vine go down deep to lock into the hillsides, and as a result they pull up water that has gone through all the different layers of minerals, so the wine has a much higher level of minerality,” Klau explains.

Another Schmitt Söhne brand, Fünf Riesling (\$6.99 a 750-ml. bottle), was introduced a couple of years ago and is performing well. Klau expects the brand to sell nearly 100,000 cases by year-end. To further expand the label, Schmitt Söhne is in the process of rolling out Fünf Riesling in a 3-liter bag-in-box (\$19.99) nationally, following test marketing in Colorado and Iowa last year.

Original Pioneer

Brands like Blue Nun helped pioneer German wines and garnered strong consumer interest for the category in the United States in the 1970s. Blue Nun peaked in the early 1980s with a volume of about 1.3 million cases per year, according to Importer Shaw-Ross’ James. While the U.S. wine market has changed significantly over the past four decades, so has Blue Nun.

The classic Blue Nun line (\$4.99 to \$6.99 a 750-ml. bottle) has since been expanded to include a Riesling, launched five years ago, and a Pinot Grigio, introduced last year (both \$5.99 to \$7.99). “You have the traditional German wine drinker, who tends to have an older profile and is female. They’re the ones drinking Blue Nun Qualitätswein,” James says. “The younger consumers are driving the Riesling consumption and tend to be more wine savvy and wine knowledgeable.”

While Blue Nun Pinot Grigio has gotten off to a slow start, the Riesling increased about 15 percent last year and now accounts for about 25 percent of the brand’s overall volume. Riesling’s growth, however, was not strong enough to lift the whole brand, which decreased 5 percent last year.

Banking On Versatility

Arlington Wine & Liquor in Poughkeepsie, New York, offers 50 SKUs and 25 brands from Germany, ranging from Bloom Riesling (\$6.99 a 750-ml. bottle) to the 2006 Joh. Jos. Prum Riesling Wehlener Sonnenuhr Auslese Goldkapsel (\$119.99). The store’s top-selling German wine label is Dr. L. Riesling (\$10.99). “It’s probably one of the best values out there on the market,” says Bob Brink, fine wines manager for Arlington Wine & Liquor.

Other top-selling German wines at the store include Clean Slate Riesling (\$9.99 a 750-ml. bottle), Relax Riesling (\$9.99), St. Urbans-Hof Riesling QBA (\$11.99) and St. Urbans-Hof Ockfener Bockstein Spatlese Riesling Kabinett (\$14.99). “German wines have always moved pretty well for us within the under-\$20 price category,” Brink says.

Brink notes the popularity of Rieslings has helped fuel German wine sales. “People are starting to discover that they’re really lovely wines on their own, and they’re not as sticky sweet as some people expect,” he says. “German Rieslings have this core minerality that’s surrounded by nice ripe fruitiness, which makes them so appealing, especially during the warmer months. They’re incredibly versatile.”

Red German varietals are also poised for growth. “Dornfelder is going to pick up for the light-drinking reds,” predicts Brink. “German Pinot Noirs are going to become very popular. People are starting to ask for more German Pinot Noir. The varietal has become such a popular grape for the American consumer, and Germans are realizing that and can sell more outside of their homeland.”

Market Penetration

Schmitt Söhne’s Klau anticipates his brands will continue to have tremendous market penetration because of strong relationships with distributors. “We have to stay out in front of the consumer and make sure we’re creating some kind of demand for our product at that level,” he says.

Arlington’s Brink believes there is room for more New World-style German wine brands to emerge. “They’re trying to attract the younger crowd, and the young wine drinkers out there are looking for those kinds of offerings, something that’s enjoyable and not expensive or too serious,” he says. “It’s a good way to attract young wine drinkers.”

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