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Producing and Consuming Locally: Switzerland as a Local Market

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27.1 Introduction

To date the wine economics literature has almost completely neglected Switzerland and its wines, unlike its neighboring countries France, Italy and Germany, which have been subject to numerous research papers. There are several reasons which may justify this lack of interest in Swiss wines. Switzerland is a small player on the global wine market as it ranks only 24th in terms of volumes produced (Wine Institute 2014b). Moreover, given its high consumption of wine per capita (about 40 liters per year and per inhabitant, Wine Institute 2014a), the local production is not sufficient to satisfy the demand. Thus, exports of Swiss wines are negligible (less than 1%, Bundesamt für Landwirtschaft 2015). As a consequence, the reputation and visibility of Swiss wines outside the country itself remain very limited.

Switzerland, nevertheless, displays specificities that warrant a deeper analysis. First, the structure of the Swiss wine industry and the business models adopted by most wine producers are particular. A large number of small and family-run wineries, which predominantly sell their wines directly to final customers, coexist with a few cooperatives and large wineries, which sell most of their wines through retailers. Second, the production conditions are distinctive due to both the geography of the country and its high labor costs. Switzerland's vineyards spread along Alpine valleys, rivers and lakes and tend

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to be very sloping in nature, thereby making it difficult to mechanize the wine-growing process. The presence of a large mountain range in the middle of the country further leads to the existence of multiple microclimates characterized by diverse weather patterns and soil types. This variety allows Swiss producers to offer a great diversity of wines,[1] which is both an opportunity—as it allows a better match with customers' taste—and an additional source of complexity, especially for foreigners. Wages and land prices, which are among the highest in the world, push up the prices of local products including wines. Third, the market is characterized by low trade barriers and the presence of numerous wine merchants, which result in aggressive pricing of foreign wines. Thus, local producers have to remain competitive in comparison to foreign wines and are not in a position to raise their prices in order to exploit the demand-supply imbalance. Overall, these elements result in a complex situation, which is best summarized by two quotes, which may appear contradictory at first: "entry-level Swiss wines are the most expensive in the world",[2] while "the best Swiss wines are still a bargain for the quality".[3] The costs of production result in high prices *on average*, while the pressure from imports and the lack of visibility of Swiss wines prevent the best producers from increasing their prices to the level of their peers from more reputed regions.

The remainder of this chapter discusses and analyzes the elements introduced above in detail. We devote particular attention to the business models adopted by Swiss wineries and their fit with the conditions of production and the organization of the wine market in Switzerland. This chapter proceeds as follows: the next section (Sect. 27.2) discusses wine production in Switzerland. Section 27.3 examines the market for local and foreign wines in Switzerland. In Sect. 27.4, we present the various business models that are encountered in Switzerland and analyze their respective performance. Section 27.5 concludes.

27.2 Wine Production in Switzerland

27.2.1 History of Wine in Switzerland

Switzerland has a long history of wine growing. Vine plants dating back to the Iron Age (around 800 BC) have been found in Valais. Under the Roman

[1] Switzerland hosts more than 50 indigenous grapes in addition to international varieties.

[2] Philippe Bovet, quoted in Mathez de Senger (2015).

[3] José Vouillamoz, quoted in Laird (2013).

Empire, the production of wine rapidly increased. During the Middle Ages, abbeys and monks further fostered the production of wine in Switzerland, notably in the regions of Neuchâtel (Carthusian monastery of La Lance), Vaud (Abbeys of Aucrêt and Montheron in the Lavaux) and Valais (Abbey of Saint Maurice, Monastery of Notre-Dame de Géronde). At that time, wine was mostly produced to satisfy one's own needs and not for sale. The situation evolved and, following the 1847 Sonderbund War, entrepreneurs took over wine production from the monks and turned it into a flourishing business.[4]

In 1850, vineyards covered 35,000 hectares (ha), more than twice today's surface (Swiss Wine 2015). The decline in acreages after 1850 can be attributed to natural, demographic and economic factors. The natural factor takes the shape of a deadly foe for vines, the phylloxera. It was first identified in 1854 in New York State and rapidly proliferated. By 1861, it had reached Europe. In Switzerland, the arrival of the destructive insect is reported a few years later (Forel 1874). Despite desperate actions from Swiss authorities, it eventually destroyed much of the existing vineyards (Dumartheray 2012). During the first half of the twentieth century, the acreages devoted to vines continued their decline and never recovered from the phylloxera outbreak. Various demographic and economic factors are partially responsible for explaining this stagnation (Virieux 1947). The rapid urbanization of Switzerland and the small surface of the Swiss Plateau (which is both the most densely inhabited region in Switzerland and also where the vast majority of the vineyards are located) limit the space available for wine growing. Insufficient profitability and increased competition from foreign wines put additional pressure on the Swiss wine industry. Another factor that contributed to the sluggishness of the Swiss wine sector relates to old succession laws, which favored the parceling of land. As most wineries in Switzerland are family-owned, the enforcement of this law has made it difficult for wine producers to ensure the financial viability of their operations over the long term. This law also provides some justification for the relatively small size of wineries in Switzerland. According to Emery (2001), the 5259 ha of wine growing in Valais are represented by 119,500 parcels owned by about 23,000 proprietors. More than half of these proprietors cultivate wine on less than 1000 square meters and only 250 own more than 2 ha.

More recently, the trend of reducing wine-growing areas has not only receded but has even started to reverse with a timid increase of 4% between the mid-1980s and 2014. The quantity of wine produced has nevertheless

[4] Zufferey (2010).

decreased by about one third over the same period (Bundesamt für Landwirtschaft 2015). This lower productivity per hectare reflects a shift from a mostly quantity-oriented production toward a more qualitative approach. At the same time, the decline in productivity also induced an increased demand for foreign wines, which has led to a more competitive environment. The progressive liberalization of wine imports has accentuated this phenomenon. The past decades have been characterized by a desire by more and more Swiss producers to boost the quality of their wines. This trend finds its origin in Valais, the largest wine-producing region in Switzerland, but has since spread over the whole country. In Valais, Louis Imhof, Simon Maye and Charles Caloz have played an important role in this evolution. In 1966, they founded the Saint Théodule Guild, whose primary objective was to foster the production of high-quality wines in Valais.[5] Since 1966, the Guild has seen a dramatic increase in size, with more and more producers willing to become members, thereby reflecting their eagerness to provide the market with wines of high quality. Producers from other parts of the country have also started to recognize the potential offered by their terroir and some of them (e.g. Daniel and Martha Gantenbein, Luigi Zanini, Jean-Michel Novelle) have acquired a strong reputation, not only in Switzerland but also on foreign markets.[6]

27.2.2 Geography, Climate and Classification System

Switzerland is a fairly small country (41,285 square kilometers) with a mountainous landscape. From a geographical viewpoint, the country can be subdivided into three parts: the Alps (around 60% of the surface), the Jura (a mid-altitude mountain range that accounts for about 10% of the surface) and the Plateau, which stands in-between the Jura and the Alps and is densely populated (close to 400 people per square kilometer, about 30% of the surface). As a result, only a small part of the country can be considered as suitable for wine production. Most of the acreage available for growing wine can be found on the Plateau (especially in its Western part) and in Alpine valleys such as the Valais (which corresponds to the northern tip of the Rhone Valley) or Graubünden (the southern tip of the Rhine). As such, the production of wine in the country remains modest (around 115 million liters in 2013) when compared to France (4200 million liters) or Italy (4400 million liters). It

[5] Feuille d'Avis du Valais (1966).

[6] For instance, Daniel and Martha Gantenbein export about two thirds of their production and have made it into Fallstaff's list of the 100 best wines in the world.

nevertheless ranks Switzerland 24th in the world in terms of production (Wine Institute 2014a, b).

Switzerland is located in the middle of Europe and is surrounded by three of the world's most important wine-producing countries: France, Italy and Germany. Famous wine-growing regions such as Burgundy (Côte de Beaune and Côte de Nuits), the Rhone Valley (Côte-Rôtie, Hermitage, Châteauneuf-du-Pape) and Piedmont (Barolo and Barbaresco) lie within a less than 200 kilometer radius from Switzerland. The climate on the Swiss Plateau is continental and is close to climatic conditions in Burgundy and home to rather cooler grape varieties. In the Valais, on the other hand, we observe an arid climate with low precipitations and high average temperatures but cool nights due to the mountains and altitude. In Ticino, a third, distinct, more Mediterranean climate is discernible. Sunshine is longer and rain is common in spring. The soil in which wine is grown varies quite widely as well. The Plateau is primarily gravelly, the Valais has soil ranging from granite to schist and limestone, and Ticino is composed of granite in the North and limestone in the South. Overall, the elements for producing high-quality wines are present in several of the largest wine-producing areas in Switzerland (e.g. Valais, Ticino or Graubünden).

The country still lacks a clear and homogeneous classification system such as the ones encountered in Piedmont, Bordeaux or Burgundy. Not being in the European Union, Switzerland is not required to implement the same regulations as its neighboring countries. Until recently it was therefore up to the vintners to decide what to put on the label. The situation started to change about two decades ago when Appellation d'origine contrôlée (AOC) systems, similar to those used in France, were progressively put in place. However, as a federal country, Switzerland grants considerable autonomy to the cantons responsible for implementing these new regulations. This decentralized organization impedes a unified brand appearance of Swiss wines, as the various wine-producing regions of the country follow different rules and have different marketing strategies. As an example, the terminology "Grand Cru" is used in Vaud and Valais, while the terminology "Premier Grand Cru" is encountered in Geneva and Vaud. The conditions for a wine to obtain this title are, however, different in all three cantons (which together represent 75% of the production in Switzerland) leading to an incomprehension by customers (Thomas 2014). This situation results in an additional source of complexity, which makes it difficult for customers to understand different terroirs or historical status and their impact on wine quality and pricing.

27.2.3 Wine Regions and Wine Styles

The Alps and differences in altitudes, soil composition, exposures and hygrometry result in a variety of terroirs and, thus, a surprisingly large number of wine types can be encountered in Switzerland.

Swiss wine is produced on 14,883 ha of vineyards, mainly located in the west and in the south of Switzerland. Switzerland is further subdivided into six wine-growing regions. The canton of Valais (5000 ha) represents the largest wine-growing surface followed by Vaud (3800 ha), the German-speaking part of Switzerland (2600 ha), Geneva (1400 ha), Ticino (1100 ha) and the three-lake region (950 ha).[7] Some "terroirs" benefit from an especially strong reputation. This is the case for the canton of Vaud whose Chasselas from Calamin or Dézaley are well-known. In Valais, the villages of Fully and Chamoson are well-known for their Petite Arvine and Syrah, respectively. The cantons of Graubünden and Ticino are recognized for the quality of their Pinot Noir and Merlot, respectively.

Red wine varieties account for 58% of the total surface and white varieties for the remaining 42%, with a mixture of international and local varieties, some of which have been created by the Swiss oenological research center. The most common international grape varieties include Cabernet Franc, Cabernet Sauvignon, Gamay, Merlot, Pinot Noir and Syrah for red, and Chardonnay, Marsanne, Müller-Thurgau, Pinot Gris and Sauvignon Blanc for white. The country is also home to a variety of "specialties", that is, indigenous varieties such as Carminoir, Cornalin, Diolinoir, Gamaret, Garanoir and Humagne Rouge for red, and Amigne, Chasselas, Humagne Blanche, Païen, Petite Arvine and Johannisberg for white. Over the past two decades, wines produced from these varieties have seen their market share increase. These varieties possess the potential to produce wines of great interest but generally require a lot of attention and are production-wise not always as efficient as international varietals.

27.3 The Wine Market in Switzerland

Since 1980, the wine supply from the Swiss market has always been lower than domestic consumption. As shown in Table 27.1, the breakdown of consumption between Swiss and foreign wines remains stable over time with

[7] All data in this section is taken from BLW (2015).

Table 27.1 Consumption, imports and exports (2008–2013)

	2008	2009	2010	2011	2012	2013
Consumption	293.0	303.0	297.9	302.3	291.5	269.4
Imports	187.6	193.6	196.9	192.5	192.8	187.3
Production	107.4	111.4	103.1	112.0	100.4	83.9
Exports	2.0	1.9	2.1	2.2	1.7	1.8

Notes: Quantity in million liters
Source: GTIS, Euromonitor International

39.2% and 60.8%, respectively, for 2013. Switzerland thus has to resort to wine imports (1.85 million hl) and is only able to export a marginal fraction of its production (17,000 hl).

Consumers primarily buy wine in supermarkets, followed by direct purchases from producers and specialty shops. While the latter two remain at a relatively constant market share, supermarkets have managed to increase their market share gradually and this distribution channel now represents 42% of total sales.[8] However, wines sold at supermarkets come mostly from abroad or from large domestic wine producers. Smaller or more renowned producers tend to sell their production directly to customers, often based on a reservation system, with a limited quantity that each customer may purchase. In this section, we first examine the situation of foreign wines in Switzerland and then move to the analysis of the market for local wines.

27.3.1 Specificities of the Market for Foreign Wines in Switzerland

As domestic production is not sufficient to cover demand, 60% of wines have to be imported to cover total consumption. Switzerland has established rules and quotas on imports of agricultural products and therefore on wine through time. Until 1995 it was thus only possible to import red wine. This rule has been softened and white wine imports have been allowed since 1996. Since 2001, accompanied by the adoption of the General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO) rules of the Uruguay round, Switzerland merged the quotas on red and white wines to obtain a general quota on wine imports of 170 million liters a year. Over the past few years this quota has more or less been completely exhausted with imports oscillating between 152 and 168 million liters (Bundesrat 2012). This historic rule may explain how, until this day, 70% of red wine consumption consists

[8] Association suisse du commerce du vin.

of foreign wines, while 60% of white wine consumption emanates from domestic production (Swiss Wine Promotion 2014). These rather low trade barriers have been further facilitated with the signing of bilateral agreements with the European Union, making wine imports attractive and relatively easy for foreign producers. The different agreements have also maintained taxes and import duties at a low level, which is coupled with a low value-added tax (VAT) of 8%.

Due to their relatively high income and wealth, the Swiss population is willing to spend more money on wine than people in other countries are. For example, the average price of a bottle bought in Switzerland lies at 7.95 Swiss Francs (CHF)[9] (Observatoire des vins en grande distribution en Suisse 2015), while in France it stands at 3.80 CHF (€3.17) (FranceAgriMer 2012). Switzerland thus constitutes an attractive market for foreign wine producers as pricier products can be sold more easily. This is coupled with a historically and culturally strong interest for wine in Switzerland. Consumers are willing to inform themselves before buying wine and take the visibility and notoriety of foreign wine producers into account in their purchase decision. Wine knowledge is therefore rather high and reinforced by travel to neighboring wine regions.

As a consequence, there are a large number of wine shops catering to this strong demand for foreign wines. This competition among wine shops puts price pressure on foreign wines and has led to a situation in which some of the most prestigious foreign wines can be obtained more easily and cheaper than in their home countries. Furthermore, the proximity to some of the best wine regions in the world renders the direct sourcing and importations from domains easy. In recent years, the strong appreciation of the Swiss franc with respect to the euro has further reinforced the attractiveness and good value of foreign wines. This constellation creates price pressure on Swiss producers due to the low production costs in foreign markets and the relatively easy and cheap possibility for these to import to Switzerland.

27.3.2 Specificities of the Market for Local Wines in Switzerland

According to the Swiss Wine Promotion (2014), Switzerland has around 4000 professional winemakers who, on average, cultivate wine on a surface of 1.5–10 ha and produce around 20,000–50,000 bottles per vintage. This

[9] This number probably underestimates the true average price as it is solely based on prices from supermarkets which tend to sell at cheaper prices.

average hides a contrasting reality: while most wine estates can be considered as rather small, it is a few larger wineries that retain a substantial market share. For instance, the Provins cooperative accounts for close to one fourth of the overall production in Valais (Emery 2001).

The market structure appears to be adapted to the specificities of Swiss wines. The primary market is relatively homogenous with most small producers selling the majority of their wines directly to consumers. More popular, smaller-quantity wines are predominantly sold directly to consumers through a reservation system which is similar in spirit to the allocation system in Burgundy. This leads to a situation in which customers remain loyal to winemakers. This phenomenon is further enforced by producers who reward loyalty in various ways (e.g. by increasing allocations on specific wines or outright refusing to give the most sought-after wines to customers just ordering these). Larger producers tend to sell a major part of their harvest through supermarkets or specialized wine shops. The distribution is, however, more complex as larger producers tend to cover the full spectrum of quality levels. They sell entry-level wines through dedicated brands via hard discounters or supermarkets and turn toward a more direct distribution to consumers for high-end wines (Thomas 2014). On the secondary market, Swiss wines are nearly nonexistent as in general wines are bought to drink and not to sell at a later period.

Another important attribute of Swiss wines is related to its price. As mentioned, Swiss wine is perceived as expensive. This can mostly be attributed to high production costs and more specifically high labor costs. With minimum wages starting at around 20 CHF per hour, it is very difficult to produce cheap wine. This high labor cost is accompanied by legal and geographical constraints of the vineyards. Due to complex succession laws, parcels are divided and thus remain very small. Moreover, parcels may often be quite dispersed and build on hillsides as terraces. This leads to a loss of time when moving from one parcel to another and makes the use of mechanical equipment nearly impossible. The repair and construction of stone walls needed to maintain the soils on hillsides further increases costs. According to Emery (2001), this leads to a production cost of 35,000–55,000 CHF per hectare. The high purchase power of customers, however, allows vintners to sell their wines at prices which more or less cover their costs. According to a recent survey, a majority of customers are ready to spend on average 10–20 CHF for a bottle of wine (M.I.S. Trend 2013). Interestingly, this amount is quite similar to the average price at which Swiss producers sell their wines and corresponds to a classic pricing strategy in a competitive market in which marginal costs are relatively equal to selling prices.

Even though prices have largely remained stable in nominal terms and cover production costs, their positioning compared to foreign wines has varied substantially over the last five years. The 40% appreciation of the Swiss franc toward the euro has made local wines look relatively more expensive when compared to foreign wines. At the same time, prices from nearby wine-producing regions (Burgundy, Piedmont, Rhône and Bordeaux) have strongly increased over the last decade. These two phenomena result in a market structure in which Swiss entry-level wines look extremely expensive when compared to their foreign counterparts. On the other hand, prices of the best Swiss wines have become increasingly attractive to customers as they offer good quality at a very competitive price when compared to good French or Italian wines. Thus "as Swiss wineries are less competitive compared to foreign ones with respect to price levels and topographical conditions, they are forced by the market to differentiate themselves by creating better value for customers" (Fueglistaller et al. 2014). This focus and evolution from quantity to quality allows Swiss wines to enjoy a relatively good level of notoriety within the country. In fact, only French and Italian wines are better known than local ones by Swiss wine consumers (M.I.S. Trend 2013). In general, Swiss customers have a good opinion of "their" wines, with only 5% of people thinking that foreign wines are of better quality, while 46% strongly disagree with this statement (M.I.S. Trend 2013).

27.4 Business Models in Switzerland and Their Respective Performance

The business model applied by Swiss wineries is to a large extent influenced by two constraints. On the one hand, the historical and geographical context implies that most wine estates are forced to be of small size. On the other hand, the strong presence of foreign wines on the market puts pressure on wine producers and influences their strategies. Generally, two business models are encountered in Switzerland: small/family wineries which sell most of their production directly to final consumers and cooperatives/larger wineries which sell to final consumers mainly through supermarkets and specialty shops. In the following paragraphs, we present four small examples illustrating different cases which are representative of the Swiss wine business.

Denis Mercier Since 1982, Denis Mercier has cultivated 7.2 ha situated mainly around the town of Sierre (Valais) and produces on average around

40,000 bottles per vintage (Mémoire des Vins Suisses 2015b). He has specialized in varieties that are typical for his region and has achieved a considerable reputation for his Cornalin. He has been following a traditional approach to wine-making and reaches for the highest quality standards. His wife takes care of the distribution and welcomes clients picking up their wines at the winery, which is the norm. The couple is now helped by their daughter and employs additional personnel for the harvest only. Most clients go to the winery to collect their wine order and take the opportunity to have a discussion with one of the three family members to learn more about the wines they purchase and wine-making in general. Due to his reputation and small-scale production, about half of the ten varieties Denis Mercier has on offer are available in limited quantities only. Prices have somewhat increased with inflation through time but remain at a very reasonable level considering the quality and work put into its production. This approach is representative of many small, successful Swiss wineries. Family businesses with a direct distribution channel and warm welcome, rather stable prices through time and a limitation of quantities, ensure that loyal customers receive at least one bottle of their desired wine.

Domaine Louis Bovard Louis-Philippe Bovard took over the family domain in 10th generation in 1983. He cultivates 16 ha and produces around 180,000 bottles annually (Mémoire des Vins Suisses 2015c). His wines are distributed either directly to visiting consumers or through specialty shops throughout Switzerland. This is possible due to the segmentation of his wine range which goes from cheaper entry-level wines to more expensive and prestigious cuvées. His winery is located in the middle of the Lavaux (Vaud), which is now a UNESCO World Heritage site and famous for its Chasselas cultivated on ancient stone terraces. Mr. Bovard is known for his curiosity and innovative spirit. This has led him to try out different international varieties next to the classic Chasselas and Pinot Noir grapes of the region. He can build on his ownership of one of the best known appellations of Switzerland (Dézaley Grand Cru) which grants him immediate recognition on the Swiss market. He, furthermore, was mentioned favorably after a recent visit by Stephan Reinhardt of TWA which granted him visibility at home and abroad (Moginier 2015). Even before this recent acclaim and for the last 15 years, Mr. Bovard has exported some of his wines, following the trend set by German and Austrian wineries. He also took part in recent trips to Japan to reinforce his position there, hoping to sell at least 5000 bottles on this market (Buss 2013). This example illustrates a willingness to increase exports through more international visibility built on a strong domestic presence for wineries with a medium-sized annual production. This is reinforced by the creation of different product lines to play on price discrimination. In many respects, Mr. Bovard incorporates the direction Swiss wineries aim to pursue in the future.

Provins Provins has been the cooperative of the Valais region since 1930. Its 4400 members cultivate around 1100 ha and produce 13–15 million bottles a year, which corresponds to 23% of the harvest in Valais or 10% of the harvest in Switzerland as a whole (Mémoire des Vins Suisses 2015a). Their members are compensated per square meter, not kilo, to encourage cooperators to strive for quality versus quantity. A priori, it may seem as if such a large company may not be able to produce high-quality wines; however, quite the opposite is true. Provins has decided to strongly segment their market and diversify into different lines according to quality and customer. They introduced an entry-level line of wines in supermarkets and for hard discounters at affordable prices. They further created a "Maitre de Chais" line of wines which are labeled as premium wines and consist only of the best grapes of exceptional parcels. These wines can also be found in supermarkets, specialty shops and Provins shops and go for about 75% more than the entry-level line. Finally, it distributes a "Crus des Domaines" line which fetches double the price of the "Maitre de Chais" line and aims to compete with the world's top wines (Provins 2015). In 2014, Provins introduced an iconic wine, named "Electus" (sold at 190 CHF), to compete with the best wines in the world. In a tasting by Jancis Robinson in 2014, it reached a good position when opposed to very good wines from France and Italy (Guertchakoff 2014). This constitutes one of the first attempts at competing at a high price and quality level with neighboring wine-growing regions. The election of Provins as winemaker of the year 2013 and of its oenologist Miss Gay in 2008 further shows the commitment to follow, even as a cooperative, a qualitative path.

Obrist Obrist has taken a different form of expansion and service. This company started as a wine merchant in Vevey (Vaud) in 1854 but soon understood that having its own vineyards could be beneficial. It therefore started buying some up in 1896. Since the 1960s, it collaborates with a winery in Valais to be able to source wines from that region and sell them in their shops. Nowadays, Obrist is one of the largest wine merchants and producers in Switzerland with parcels ranging from Lavaux to Valais and covering a total of 55 ha. It sells its wines to restaurants, through specialty shops, its own shops and directly to individuals (Obrist 2015). This more diversified approach of doing business is followed by some Swiss producers. A few, such as Obrist, try to create a value chain from production to distribution while also diversifying in the sale of other domestic or foreign wines. Others have expanded abroad (e.g. Georg Fromm to New Zealand) or have opened a smaller-scale wine bar or restaurant (e.g. Weingut Bad Osterfingen).

27.5 Conclusion

The wine market in Switzerland is saturated. Local winemakers face several internal constraints (conditions and costs of production) and external challenges (proximity to the world's most reputed wine-growing areas, strong competition from foreign wines). Consequently Swiss winemakers have no choice but to focus on quality and rely on a differentiation strategy. There is no place for mediocrity and no excuse for producing wines of bad quality. In this context, small wineries seem well armed. But it is crucial for Swiss wines to improve on their visibility and notoriety, not only to reach foreign markets but also to remain successful on their own local market. The following eight points summarize this situation:

1. **A saturated market**: In general and as noted by Fueglistaller et al. (2014) "The Swiss wine market […] can be characterised as a saturated market which is comparable to a zero-sum game where additional gains of one market participant can only be realised to the detriment of another". Thus, wining market share is only possible on the back of other producers or foreign wines. To be able to compete with foreign wines, a differentiation or pricing approach can be pursued (see Catry 2009).
2. **Quality over quantity**: Over the last 20 years, most wine producers have opted to switch from quantity to quality and revert back to traditionalism. This hints at the fact that a product differentiation approach yields better results than aggressive pricing campaigns when producers face high production costs. The success of the most qualitative producers has driven more and more producers to pursue this direction.
3. **Niche products**: In line with a product differentiation strategy, winemakers have been planting indigenous grape varieties on an increasing surface area. As it is difficult to compete with foreign wine producers and their international varieties, this allows Swiss producers to reduce competition and propose a niche product which may also bear fruit in a future internationalization strategy. Both the higher-quality perception of these specialties

and the difficulty in growing some of them (e.g. such as Cornalin) justify higher prices.

4. **Small is beautiful**: Concentrating on small wineries is a direct response to growth problems which emanate from two distinct sources. First, high labor costs impede growth. Up to a certain size, the reliance on cheap (or free) labor from family members allows winemakers to reduce costs. Many have understood that growing larger and having to employ one or two workers may lead to financial difficulties. Second, the difficult succession laws and high land costs render the purchase of additional parcels complicated. It therefore appears that having small family wineries is the most efficient way to contain costs.
5. **No place for mediocrity**: Many producers are having a difficult time since the Swiss franc surged against the euro. As a consequence, in 2012, the Swiss Parliament decided to declassify ten million liters of AOC wines to simple table wines (Herminjard 2013). These difficult times have further been reinforced by a drop in alcohol consumption on the national market. As prices of Swiss wines are relatively inelastic due to costs and the desire to keep loyal customers, a response to these two phenomena has been difficult. It thus appears that wines of lesser quality or which do not have a distinctive positioning have difficulties being sold.
6. **No excuse for bad quality**: The geographical and geological particularities of Switzerland offer good to excellent conditions for wine growing. Like some of its closest neighbors (Burgundy and Alsace in France, Mosel and Nahe in Germany), Switzerland used to have a relatively cold climate. This made it difficult to ensure a good and qualitatively homogeneous crop from one vintage to another. Global warming has changed this situation and has transformed a former weakness into strength. Since the mid-1990s, very few years have suffered from bad weather, while a number of vintages have benefited from outstanding conditions (1995, 2000, 2005, 2009, 2010, 2013 in some parts of the country, 2015).
7. **Visibility and notoriety**: The difficulty in sourcing many wines has led to a lack of visibility as many are very difficult to obtain or taste. This low visibility is reinforced by a variety of factors. A unique and clear AOC system is yet to be developed. Moreover, there is currently a quasi-absence of wine experts on the market. Hopefully, the situation has started to change. Vaud and Valais, the two leading cantons in terms of quantity produced, are now working on classification systems. The recent advent of expert wine tastings and winery rankings shows that Swiss wines have evolved qualitatively and are now in a comparable position to good-quality foreign wines. Especially the favorable mention of the Chasselas grape and

several producers in Robert Parker's Wine Advocate (TWA) has increased awareness of Swiss wines at home and abroad.[10]

8. **Exports**: An increase in notoriety and visibility should facilitate the export of Swiss wines. It has become a necessity to grow abroad in order to diversify output and reduce complete reliance on the home market for some producers. As in other Swiss industries, the choice to go for niche products and varieties is the best.

Overall, it appears that the idea of producing and consuming locally has worked for Swiss winemakers. However, the positive developments thus far should continue to evolve in the future for producers to remain competitive and profitable.

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[10] David Schildknecht, a journalist at TWA, has put four Swiss vintners in his best of 2012 list and, in 2015, Stephan Reinhardt, another journalist of the TWA team, wrote two articles fully devoted to Swiss Chasselas and Pinot Noir, with many scores close to or larger than 90.

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