

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**Case study of Spanish wine exports expansion to selected
countries**

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BACHELOR THESIS ASSIGNMENT

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Business Administration

Thesis title

Case study of Spanish wine exports expansion to selected countries

Objectives of thesis

The bachelor thesis is thematically focused on wine export from Spain. The aim is to analyze selected countries for wine export and eventually determine the most suitable country.

Partial goals of thesis are:

- To provide an introduction to Spanish wine industry and its classification
- To describe the countries with the strongest wine production
- To evaluate the potential countries for wine export

Methodology

In order to reach reliable data, literature review is based mainly on specific articles, books, reports and other sources available published by the related institutions. In the analytical study the reasons of choosing the potential countries for wine export are mentioned then PESTLE analysis is utilized to identify the factors, environment, opportunities, restrictions or challenges of each country that may influence and have impact on the business later on. PESTLE analysis is very useful for organizations to understand the environment of a country they want to operate in. Next the country risk is evaluated according to CESCE agency that analyzes possible risks deriving from trade and investment abroad. The test shows short, medium and long term political and commercial risks. The model of cultural distance made by Hofstede is used because I believe it is very important to understand the cross cultural communication and cooperation. Since these days in a world impacted by globalization, businesses in order to succeed are forced to expand overseas, thus confronting with different norms, ethics and culture. Knowing Hofstede dimensions may contribute to the success of operating overseas and dealing with foreign customers and business partners.

The proposed extent of the thesis

40 pages

Keywords

wine, export, classification, wine industry, viticulture, analysis

Recommended information sources

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Declaration

I declare I have worked on my bachelor thesis titled “Case study of Spanish wine exports expansion to selected countries” by myself and I have only used the sources mentioned at the end of my thesis.

Prague, 14th March 2017

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**Case study of Spanish wine exports expansion to selected
countries**

**Případová studie expanze vývozu španělských vín do
vybraných zemí**

Summary

This bachelor thesis presents an introduction into wine industry and viticulture. Theoretical part focuses on the history of wine, wine classification, and brief description of the world's biggest wine producers and their regions for wine cultivation.

The analytical part is dedicated to Spanish wine export expansion to Canada, Denmark and Japan. This part consists of the PESTLE and risk analysis, model of cultural distance and the prognoses for the future wine consumption of each country.

Keywords: wine, export, classification, wine industry, viticulture, analysis

Souhrn

Tato bakalářská práce se zabývá seznámením s vinařským průmyslem a vinařstvím jako takovým. Teoretická část se zaměřuje na historii vína, jeho klasifikaci a stručný popis světově největších výrobců vína a jejich regionů, kde se víno pěstuje.

Následuje praktická část, která je věnována expanzi vývozu španělských vín do Kanady, Dánska a Japonska. Tato část práce obsahuje PESTLE a risk analýzu, dále model kulturní vzdálenosti a v neposlední řadě také prognózu pro budoucí spotřebu vína v každé z uvedených zemí.

Klíčová slova: víno, export, klasifikace, vinařský průmysl, vinařství, analýza

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1 Introduction

Wine is one of the oldest and noblest beverages in the world and nowadays it is not only a part of our lifestyle or culture but also an important issue of business and economic factors. While considering wine as a food product, it is differentiated from other agricultural products with its rich variations.

Winemaking is part of a traditional sector of the economy in many southern countries especially for countries such as Italy, France, and Spain where the wine production represents the largest production in the world. Even though the consumption of wine in nordic countries is increasing, the production is still much lower due to unfavorable climatic conditions. Spain and wine has always been an essential part, therefore this thesis will focus precisely on the wine market and its worldwide export.

The theoretical part will acquaint readers about the rich history of wine and its varied classifications based on the use of professional literature. Subsequently, the author will describe the most significant producers of wine worldwide and the major regions where the wines are grown.

The practical part will be focused on the characteristics of the Spanish export market, where the author will subsequently select new potential buyers of the Spanish wine such as Canada, Denmark and Japan. Afterwards PESTLE and Risk Analysis will be used for all the selected countries, as well the model for cultural distance will be used, and finally prognosis will be made based on an excel calculations.

2 Thesis Methodology and Objectives

2.1 Methodology

In order to reach reliable data, literature review is based mainly on specific articles, books, reports and other sources available published by the related institutions. In the analytical study the reasons of choosing the potential countries for wine export are mentioned then PESTLE analysis is utilized to identify the factors, environment, opportunities, restrictions or challenges of each country that may influence and have impact on the business later on. PESTLE analysis is very useful for organizations to understand the environment of a country they want to operate in. Next, the country risk is evaluated according to CESCE agency that analyzes possible risks deriving from trade and investment abroad. The test shows short, medium and long term political and commercial risks. The model of cultural distance made by Hofstede is used because I believe it is very important to understand the cross cultural communication and cooperation. Since these days in a world impacted by globalization, in order for businesses to succeed they are forced to expand overseas, thus confronting with different norms, ethics and culture. Knowing Hofstede dimensions may contribute to the success of operating overseas and dealing with foreign customers and business partners.

2.2 Objectives

The bachelor thesis is thematically focused on the wine export from Spain. The aim is to analyze selected countries for wine export and eventually determine the most suitable country.

Partial goals of thesis are:

- To provide an introduction to Spanish wine industry and its classification
- To describe the countries with the strongest wine production
- To evaluate the potential countries for wine export

3 Theoretical Part

The teoretical part will be divided into two parts. The first part consists of the introduction to the wine industry, global history of the wine and its beginnings, general classification, the biggest world's producers will be mentioned and described. The second part will be focused on Spanish wine. This part will include the country characteristics, classification of Spanish wine, and the most famous wine regions will be briefly introduced

3.1 Introduction to Wine Industry

Wine is one of the oldest cultural drinks in the world. In the past, wine was recommended as medicine. Hippocrates, Plinius or Celsuse mentioned in their writings that it contains beneficial impacts. (Johnson, 2005)

3.2 Wine History

Wine is a drink with a long and interesting history behind it. The oldest archeological wine evidence comes from 5400 - 5000 BC, from the area of Persia, nowadays known as Iran. There was a pitcher found with yellow sediment on the bottom. Chemical analysis proved there was a significant presence of tartaric acid that appears specially in the wine grapes, terebinth (*Pistacia terebinthus, lat.*) was also detected that served for preservation of wine. The Sumerians from the area of nowadays Iran and Iraq are considered the oldest wine growers. In Mesopotamia they used to drink wine made from dates or plums. The wine made from wine grapes got imported to Mesopotamia, that is explained by its name „the mountain drink“ (BERANOVÁ, ŘEŠÁTKO, 2000).

Vitis vinifera or commonly used grape vine is connected with the beginning of the civilization. The viticulture used to be on a high level in Egypt, Babylonia and Assyria near 3500 BC. According to some documents already the first pharaohs were cultivating 6 to 8 types of the grape vine. In the Ancient Greece, concretely in Crete or Thrace we would even be able to talk about the advanced viticulture. The viticulture was spread from the Ancient Greece to Italy, Sicily and the area of Black sea. While the colonies were being established by Phoenicians, the Gauls were learning how to cultivate vitis vinifera in the south of France (HAUFT, 1973). The expression for wine has the same origin in all Indo-European

languages - in sanskrit “vena”, in celtic “gvid”, in latin “vinum“, in German “wein”, in French “vin”, in Spanish “vino” or in Czech “víno”. Talking about the meaning and expending with the wine in the ancient world it is important to mention that the Romans were very successful spreading the viticulture by establishing new wine fields and teaching the local inhabitants about the growing and production. According to a Muslim legend about the origin of wine, the first wine fields were created by a man named Hama and there was a devil that helped him. He sprinkled the ground of the vineyard with blood of peacock, the leaves of the wine grapes were splashed with the monkey’s blood, the ripening wine grapes were covered by the lion’s blood and the ripe wines by the blood of a swine. This explains why the wine drinker first acts like a peacock then becomes happy and cheerful jumping as a monkey. If the person continues drinking he begins to be furious and a fighter as a lion and if he still does not stop drinking eventually he grows to act like a swine (DOČKAL, 1999).

3.3 Wine Classification

There are several ways to distinguish wine types, according to the colour, sugar content or grape variety. The wine law arranges distribution, classification and categorization of wines. This distribution is based on the law and the European regulations about wines. Wine distribution is following:

3.3.1 According to the wine colour

The wine colour is not influenced by the juice of the grape. It is determined by the presence or absence of the grape skin during fermentation.

White wine

White wine is made of the white, red or blue grapes of the grapevine. The blue grapes are used only without vinous fermentation – it is called claret. Most white wines are made for instant consumption. The rule says the younger the wine the better. There are only few exceptions when the white wine is better to be stored and consume after several years. White wines are served about 8-10°C. (Wine of Czech Republic, 2015)

Rosé wine

Rosé wine is a natural dry wine (brut) made of blue grapes or a mix of white, blue or red grapes. Rosé wine is made the same way as a red wine, but the leaching is shorter. In general all the rosé wines are stored and served little bit colder than the white wines, about 7°C. A bottle of rosé wine is a perfect refreshment during summer season. (Wine of Czech Republic, 2015)

Red wine

Red wine is a natural dry wine made of blue grapes of grapevine. It is made of fermentation or its treatment in special fermentation tanks using high temperature. Red wine is a wide range of wine category, from light wines that are served colder than usual to wines that are good for longtime ripening. Some red wines need decantation¹ before consumption. (Wine of Czech Republic, 2015)

3.3.2 Sparkling Wines

Sparkling wine is produced by primary or secondary alcohol fermentation of grapevine cider or wine. A special characteristic of sparkling wine is that the carbon dioxide leaks when opening the bottle. It is caused by the fermentation and overpressure together with carbon dioxide in closed bottle stored in 20°C and at least 3 bars (unit of pressure). We have to distinguish few types of sparkling wines according to the production method, because not all the sparkling wines are the same quality. The methods used in production of sparkling wine are following (Macnail, 2001):

Traditional Method

This method is also known as Méthode Champenoise. It is used on the principle of the secondary fermentation inside a bottle. The beginning of the production is very similar to the production of still white wine. In the first step the grapes are gently pressed, and in the second the juice is fermented. After this step the wine becomes very acidic. Then the wine is put into bottle with combination of wine, yeast, and cane sugar (so called "liqueur de

¹ **Decantation.** Decantation is a process for the separation of mixtures, by removing a layer of liquid, generally one from which a precipitate has settled.

tirage"). The bottle is later closed with a crown cap (the same cap is used to store beers) and put upside down. The yeast starts the secondary fermentation in the bottle and the pressure of carbon dioxide that occurs create bubbles. Since the container is closed the carbon dioxide is not able to escape and instead it is reabsorbate in the wine. The yeast cells die and leave sediment at the bottom of the bottle. The bottle is stored horizontally. Once the second fermentation is done the dead yeast cells have to be removed from the bottle, the process often lasts more than 3 years. The process of removing the yeast cells is known as Remuage. The bottles are shaken until all the sediment gets to the neck of the bottle. In the passed this procedure was done and shaken by hands. The neck of the bottle is later freezed and sepereted from the rest of the wine by the pressure. This process is known as "disgorgement". At last there is a final dosage added into the wine known as liquer d' expedition“. This is a combination of wine and suger that will specify the final level of sweetness. In case of not adding this mixtured the product type is called Zero Dosage or Brut nature. The most commont version of this type of wine is Brut. Wines that are produced in the traditional way are the most expensive. All Champagne is made with Méthode Champenoise. Sparkling wine made in Spain, called Cava is also made in the traditional method, using different grapes: Pinot Noir, Xarel-lo, Macabeo Parellada or Chardonnay. (Macnail, 2001)

Transfer Method

The approach of the transfer method is the same as the traditional method up to remuage. This method is less expensive. After the fermentation is done the wine is tranferred into a tank where the sediment is removed and then the wine is put back into a new bottle through filtration system. This method leads to cutting the intensity of taste of the final version of wine. (Macnail, 2001):

Charmet Method

The Charmet Method is also known as Tank Method. The first and second fermentation are processed in enclosed and pressurized tanks. The closing part of the procedure is very important. The carbon dioxide that incurres is concentrated into wine and later causes the bubbles. The method is fast, cheap and does not require intensive work. The final bubbles are less clearer, apparent and flavored. The wines that are commonly known and done by this process are for example Prosecco, Sekt or Asti from Italy. (Macnail, 2001)

Injection Method

This is the cheapest and fastest method that can be used to produce sparkling wine. The carbon dioxide is added directly through an injection. The wine produces large bubble that disappears quickly from the glass. This method is considered as the lowest quality way of productiong this type of wine because the natural fermentation procedure is not done. (Macnail, 2001)

Distribution of sparkling wines according to the sugar cane

- **Brut nature** – „naturally hard“: less than 3 g of sugar per litre (sugar was not added after the second fermentation)
- **Extra Brut** – „specially hard“: content of sugar is between 0 and 6 g per litre
- **Brut** – „hard“: content of sugar is less than 12 g per litre
- **Extra dry – Extra sec** – „specially dry/extra dry“: sugar content is between 12 g and 17 g per litre
- **Sec** – „dry“: content of sugar is between 17 g and 32 g per litre
- **Demi-sec – Medium-sec** – „half dry“: content of sugar is between 32 g and 50g per litre
- **Doux** – „sweet“: content of sugar is more than 50 g per litre

3.3.3 Dessert Wines

Dessert wines contain a higher amount of sugar or alcohol. Sugar and alcohol can be added artificially. The sugar content reaches 3 – 28% residual sugar. Every dessert wine is different since each wine is made from different grape variety. This type of wine is very sweet and full of flavour. It can be served as a last item on the menu along with a dessert. The grapes are picked very late of the harvesting time in the autumn. In the southern countries they are left on the sun to get completely dry or there is additionally alcohol added. These wines usually come in a small bottle and are served in tiny glasses. Other types that are famous are Málaga, Muskateller, Tokajer, Caluso Passito or Samoswein. (Johnson, 2005)

3.3.4 Fortified wines

Fortified wines contain distilled beverages or brandy. The alcohol is added before the fermentation is finished - this leads to kill the yeast and leaves the residual sugar behind. These wines are nowadays often used for cocktails or any cake or dessert ingredients. The most famous countries producing fortified wines are France for its Vermouth, Spain for its Sherry and Portugal for its Port wine or Madeira. Port wine can also be called a dessert wine when the production procedure is changed. The brandy has to be added before the process of fermentation begins. Fortified wine is also sometimes called a liquid dessert. In general, it goes with chocolate and creamy desserts or fruits. (Johnson, 2005)

3.3.5 Wine Without Named Origin

This wine category can be also called „table wine“. Still wines come from the grapes of grapevine which can be either unregistered, cider type or table wine produced in any member state of the EU. It is the lowest category of wines. The revenues are unlimited at the vineyards. In some cases the bottle can be marked by its variety and year of production. These wines are usually light, extractive suitable for ordinary consumption with food. It has a very low percentage of alcohol content. The grape varieties that are often used for production of table wines are for example Cabernet Sauvignon, Pinot Noir, Chardonnay, Merlot, Muscat or Port. (Johnson, 2005)

3.4 World's Biggest Wine Producers

There are few leading nations that every year appear on the top of the list of wine production in the world. As it can be seen in the Table 1, the highest production of wine in 2016 reached the countries located in the southern Europe followed by countries of all continents such as USA, Australia, China, South Africa and Chile. (OIV, 2016)

Table 1 2016 Wine Production in the Main Producing Countries

Country	2012	2013	2014	2015	2016	2016/2015 Variation in volume	2016/2015 Variation in %	Ranking
Italy	45,6	54,0	44,2	50,0	48,8	-1,2	-2%	1
France	41,5	42,1	46,5	47,4	41,9	-5,7	-12%	2
Spain	31,1	45,3	39,5	37,3	37,8	0,5	1%	3
United States	21,7	23,6	23,7	22,1	22,5	0,5	2%	4
Australia	12,3	12,3	11,9	11,9	12,5	0,6	5%	5
China	13,8	11,1	11,1	11,5	11,5	0,0	0%	6
South Africa	10,6	11,0	11,5	11,2	10,5	-0,7	-7%	7
Chile	12,6	12,8	10,5	12,9	10,1	-2,7	-21%	8
Argentina	11,8	15,0	15,2	13,4	8,8	-4,6	-35%	9
Germany	9,0	8,4	9,2	8,8	8,4	-0,4	-4%	10
Portugal	6,3	6,2	6,2	7,0	5,6	-1,4	-20%	11
Russia	6,2	5,3	4,9	4,9	4,9	0,0	0%	12
Romania	3,3	5,1	3,7	3,5	4,9	1,3	37%	13
New Zealand	1,9	2,5	3,2	2,3	3,1	0,8	34%	14
Hungary	1,8	2,6	2,6	2,9	2,7	-0,2	-6%	15
Greece	3,1	3,3	2,8	2,5	2,6	0,0	2%	16
Serbia	2,2	2,3	2,3	2,3	2,3	0,0	0%	17
Austria	2,1	2,4	2,0	2,3	1,8	-0,5	-21%	18
Georgia	0,8	1,0	1,1	1,7	1,7	0,0	0%	19
Moldova	1,5	2,6	1,6	1,7	1,7	0,0	0%	20
Brazil	3,0	2,7	2,7	2,8	1,4	-1,4	-50%	21
Bulgaria	1,3	1,8	0,8	1,3	1,3	0,0	1%	22
OIV World Total	258,1	288,9	270,8	274,4	259,5	-15,0	-5%	

(source: own illustration according to OIV, <http://bit.ly/2mft06L>)

3.4.1 Italy

Italy produced the most wine in 2016, according to the International Organization of Vine and Wine with its production of 48.9 mhl. (OIV, 2016)

Italy, or officially Italian Republic, is situated in the south of Europe surrounded by the Mediterranean Sea with its borders with Slovenia, Austria, Germany, Switzerland, France and two sovereign states Vatican and San Marino that enclave within Italy. The capital of Italy and also the antient world is Rome. (Bonetto, 2016)

Italy has 20 regions, each region is distinguished by its own dialect, traditions, architecture or typical food. The climate differs from the north to the south in Italy. In the north the weather between the Dolomites and the Tuscany region offers cold winter and very

hot and humid summers. The climate in central Italy is milder with a smaller temperature between summer and winter. Summers are longer and hotter than in the north. In the islands and the south of Italy the winters are never hard. This part of Italy enjoys similar spring and autumn temperatures to those reached in the summer in other areas of Italy. (Bonetto, 2016)

Italy has a long history in wine production and suitable climate for wine making. There are several top regions:

Veneto

Veneto is one of the most important wine regions in Italy. Though it is not very large, it produces more wine than rest of the country and it is the biggest exporter. This region has 26 DOC`s (Denomination of Controlled Origin) and 13 DOCG`s (Denomination of Controlled and Guaranteed Origin) quality classifications. Veneto is best known for its Prosecco from the Glera grape, Soave, a white wine made from Garganega grapes and Valpolicella, red wines made from a blend on Corvina grapes. (Hazan, 2015)

Marche and Abruzzo

Marche and Abruzzo are located in the centre of Italy. These regions are famous for their production of white grapes Verdicchio and red grapes Montepulciano. Verdicchio white grapes are great partners for seafood. (Hazan, 2015)

Tuscany

Tuscany wine region offers internationally–recognized wines of all styles. The Sangiovese grapes are produced in this region making Tuscany a wine`s lover paradise. Tuscany is best known for production of red wine. Chianti is produced in high volume and exported worldwide. (Hazan, 2015)

Piedmont

Piedmont is the best rated wine region in Italy and the primer rival to Tuscany. This region is often called the Italy`s top wine region or „Italy`s Burgundy“ due to the amount of small vineyards. It produces 58 DOC and DOCG wines that makes Piedmont the region of highest percentage of classified wines in all Italy including Barolo, light wine and Moscato d`Asti sparkling wine. (Hazan, 2015)

Lombardy

Lombardy is the largest wine region producing two of the most famous sparkling wines: Franciacorta and Lambrusco. Lombardy is still building its reputation in the wine industry. The biggest vineyards are located close to the city Lugano and around the Lake Garda. (Hazan, 2015)

Sicily

The last viticulture place that shall be mentioned is the largest island in the south of Italy, Sicily. The wine makers moved from high volume production to focus on quality wines of great character. Thanks to its constant climate Sicily is known for production of soft wine Nero d'Avola which is the most famous on the island. Cerasuolo di Vittoria gained the DOCG classification. (Hazan, 2015)

3.4.2 France

France, or officially the French Republic, is a country located in western Europe with its capital in Paris. The population reaches almost 67 million inhabitants. It borders Belgium, Luxembourg, Spain, Italy, Germany, Switzerland, Monaco and Andorra. The climate is regulated by the balance of power between oceanic weather from the west and continental anticyclones from the east. The western part of France has a mild climate, possibly rainy throughout all the year. The eastern side of France has a more continental climate apart from the mountains, the winter are colder. The south coast benefits from the continental climate moderated by the influence of Mediterranean. The wine production has increased by 1% to 47.4 mhl in 2015 and these are the wine regions in France:

(Williams, 2015)

Bordeaux

Bordeaux is one of the largest wine regions in France that produces almost 900 million bottles a year by 10 000 producers of wine. The name Bordeaux came from the red wine blend. Red Bordeaux is a red wine made from Cabernet Sauvignon wine and Merlot wine together. (Per and Britt Karlsson, 2015)

Champagne

The Champagne region is located northeast from Paris. This region is well known for its sparkling wine. The sparkling wine made in Champagne is the only sparkling wine that can be called by its location where it is made. It also produces Chardonnay as a white wine and Pinot Noir as a red wine. (The wines of France, 2017)

Burgundy

The winemakers in Burgundy in general have small vineyards and produce small amount of wine. White wine is mainly produced with the Chardonnay grapes and red wines are made from the Pinot Noir grapes. Burgundy region offers numerous AOC wines which is the French classification of quality wines. (The wines of France, 2017)

Alsace

The Alsace region is primarily known for its production of white wine. It is located close to the borders with Germany. Alsace produces aromatic Gewürtztraminer wines, Rieslings, Pinot Gris or Muscats. (The wines of France, 2017)

Rhône region

The Rhône region is smaller than other regions producing wine but has potential. It produces red wines from the Syrah grape Côte-Rôtie. The white wines are made from Viognier grape. Rhône is mostly known for its rosé wines made from Grenache grapes. (Rhône Wines, 2013)

Languedoc

French wine region Languedoc is the most productive region that counts up to 40% of France's wine. It mainly produces cheap red table wine. In 2001, this region's production was higher than the production in United States. (The wines of France, 2017)

3.4.3 United States

The United States of America is a democratic republic located in the continent of Northern America between the Atlantic and Pacific ocean with its capital in Washington, D. C.. The population counts of 323 995 528 inhabitants and neighbouring countries are Canada and

Mexico. USA also owns two lands Hawaii and Alaska. Hawaiian islands are found in the Pacific Ocean and Alaska lies on the coast of Arctic Ocean. The country consists of 50 states. The climate of the U.S.A. is unstable in terms of temperature. There are three climate zones. The north part has temperate climate which is much colder and humider compared to Europe. The southern part of the U.S. has a subtropical climate with very comfortable temperatures. California, Florida and Mexican gulf lie in the Mediterranean climate. (Central Intelligence Agency, 2017)

The beginnings of wine growing in the U.S. are dated to the end of 19th century. During this time French missionaries came to the New World and brought first European wine varieties. However, prohibition stopped the viticulture in the 30's. Everything changed during the 1970's when the big viticulture boom started. These are the most common regions:

California

California produces almost 90% of all the U.S. wine production. It is the most important region for wine growing in the country. Due to the diverse climate and geography of the region it allows production of various styles and grape varieties. There are two famous valleys: Napa Valley and Sonoma Valley. These places have the ideal microclimate for production of wine, grape varieties mostly from France, Italy or Germany. California is best know for the cultivation of Chardonnay. (Wine Searcher, 2014)

Washington State

The climate conditions in the states of Washington are dry and warm which results in a powerful structure and a rich berry-fruits. It is one of the largest and top producers of Merlot and Cabernet Sauvignon. (Wine Searcher, 2014)

Oregon

Cool and marginal climate in Oregon make an elegant character for the cultivation of Pinot Noir. (Wine Searcher, 2014)

Texas

Texas is one of the oldest viticulture regions in the United States. The grapes grown here are Cabernet Sauvignon, Chardonnay, Chenin Blanc and also Sauvignon Blanc. (Wine Searcher, 2014)

New York

New York denominates for its colder climate that makes the wine lighter. There is often seen a production of sparkling wines. It is a well known region for the grape variety Riesling. (Wine Searcher, 2014)

Virginia

In the past, Virginia's wineries were suffering from a disease and pest which destroyed lots of wine plants. In 1970s, the new wine cultivation period came and nowadays Virginia plants modern hybrid vine varieties such as crossing the French and American grapes for example Seyval Blanc. (Wine Seacher, 2014)

3.5 Spain

This chapter will introduce basic characteristics of Spain, its history and development of viticulture in Spain, regions where the wine is produced and the classification of Spanish wines.

3.5.1 Country Characteristics

Spain, officially the Kingdom of Spain, is a country located in southwestern Europe surrounded by Mediterranean Sea in the southeast and Atlantic Ocean in the northwest. Spain's neighbouring countries are Portugal on the west side, France and Andorra in the north and northeast and Gibraltar, small land located in the south and east. The population counts of 48,563,476 inhabitants. The climate consists of three different zones. The Mediterranean zone is famous for its hot and dry summers. The oceanic climate located in the north of Spain is characterised by warm summers but rainy and mild winters. The semi-arid zone has very hot summers that extend into the late autumn. (HAM, 2013)

Figure 1 Symbol of Spain



(source: <http://bit.ly/2mMRvLG>)

Figure 2 Flag of Spain



(source: <http://bit.ly/2mTRR3A>)

Basic Information

- Capital: Madrid
- Area: 505,370 km²
- Highest point: Pico de Teide in Canarian Islands (3 718 m)
- Time zone: +1 (summer)
- Population: 48 563 476 (30th in the world, 2016)
- Density: 92 inhabitants / km²
- HDI: ▲ 0,876 (very high)
- Language: Spanish (official), Catalan, Basque, Valencian, Galician (co-official)
- Ethnic groups: Spanish
- Religion: Catholicism 67,8 %
- Government: Unitary parliamentary constitutional monarchy
- Monarch: Felipe VI.
- Prime Minister: Mariano Rajoy
- Currency: Euro
- GDP per capita: 26, 863.18 USD (2013, world bank)

3.5.2 History of Wine in Spain

Spain is one of the most famous producers of wine in the world. The Spanish wine has been around for many decades. The evidence proves that the viticulture in Peninsula,

Spain occurs since the Tertiary times and is over 65 million to 2.6 million years ago. However, some evidences say that the Spanish inhabitants started planting the grape seeds between 4000 and 3000 B.C. Around the year 1100 B.C. when the seeds have been found and the Phoenicians discovered the city of Cádiz the wine-making culture has increased. Then the Carthaginians came and brought all new and modern techniques for the wine cultivation. The story of wine mostly begins after the Romans won the Punic Wars against the Carthaginians and suddenly the Peninsula was owned by the Roman Empire and they named it Hispania. (EÑÍN, 2010)

The Romans entered around 210 B.C. and the Golden Age for Spanish wine began, the wine production was traded and expanded to the entire empire and became a main source of work and income for its people. Spanish wine started to be a very desired product. The quality distinguished from region to region, but it is said to be the best wine was produced in the province of Tarragona, near Barcelona and the area of Andalucía, in nowadays Córdoba. (EÑÍN, 2010)

The Spanish wine used to be exported to Normandy, Galia, Bordeaux, Brittany and also Provence in France. The Archeologists found amphoras with wine settlements proving the fact.

When the Roman Empire fell in A.D. 476, Muslims came to Spain and forbid drinking and using all kinds of alcohol. The wine production was no longer the major trade in Peninsula, instead they started using the wine grapes as food or they dried them as raisins. However, Muslims kept some wine fields for production of wine and they started to improvise cultivating a new type of wine with a high percentage of alcohol called fortified wine. Nowadays this type of wine is still produced in south of Spain, in the region of Andalucía and the name is Sherry wine, a very sweet type of wine but one of the most popular exported goods. (EÑÍN, 2010)

In 1492, Muslims were thrown out or made to convert and the Spaniards finally took control over their country. The wine production celebrated its come back. The inhabitants created a lot of new wine fields. After founding America by Christopher Columbus Spain started exporting wine to Latin America and suddenly the wine became one of the main indicators of Spanish economy. For its long history it makes Spain one of the most developed country in the viticulture. (EÑÍN, 2010)

3.5.3 Wine Regions in Spain

Figure 3 Map of Wine Regions in Spain



(source: WineFolly, <http://bit.ly/2mTHCfJ>)

Rioja

Rioja is the most famous region of wine with a long tradition. The region consists of three different communities – La Rioja, Basque Country and Navarre. These communities are spread over 54 000 hectares. Rioja wines differ from the ageing time, joven (young) wines have pure fruity taste. Crianzas spend one year ageing in barrel and one in bottle. Reservas spend one year in barrel and two in bottle and Gran Reservas spend two years in barrel and three more years in bottles. (Spanish Wines, 2011)

Ribera del Duero

The Ribera del Duero area is located in the community of Castile and León. Ribera del Duero is known for its very dry and hot summers but cold winters. Most of the grape varieties that are cultivated here are red (Tempranillo, Cabernet Sauvignon, Merlot, Malbec, Garnacha Tinta) only one white grape Albillo is grown in Ribera del Duero. (Spanish Wines, 2011)

Rueda and Torro

Vineyards located around the cities of Salamanca, Avila and Valladolid. The grapes that are grown here are Verdejo, Viura and Sauvignon Blanc. (Spanish Wines, 2011)

Navarre

The region Navarre has one of the most famous Denominaciones de Origen in Spain, the Spanish wine classification of quality. Navarre mostly produces rosé and red wine which are almost 95% of the wine production. (Spanish Wines, 2011)

Wine region of Madrid

Viticulture in Madrid is not particularly well known but the history dates back to the 8th century. There are lots of small vineyards around Madrid nowadays. Winemakers cultivate Tinto Fino, which is the local name for Tempranillo, for red wine. Airen and Malvar grapes are grown for production of white wine. In some areas Garnacha grapes shall be found as well. (Wine Searcher, 2014)

Wine region of Barcelona

Catalunya is the home region for production of Spanish Cava. This sparkling wine is produced the same way as French Champagne. These are the wineries that produce Cava: Codorniu, which is the largest producer, Freixenet, Cava Colomer Bernat, Juve‘ y Camps, Segura Viudas and Terelló. (Wine Searcher, 2014)

Wine Region of Malaga

Malaga specializes in production of sweet fortified wine from the Pedro Ximenez and Moscatel grape varieties. Malaga has three DO classification: DO Malaga (sweet white wines), DO Sierra de Malaga (white, rose and red wines) and DO Pasas de Malaga (wine made from raisins). (Wine Searcher, 2014)

Wine Region of Valencia

The Valencian wine region is considered as one of the oldest producers in Spain. These wines are exported internationally. The wine ageing differs from the ageing of the wines produced in Rioja or Ribera del Duero. The grape varieties that are cultivated here are merseguera, malvasía, tempranillo, monastrell and moscatel. Valencian region consists of the DO wines from Alicante and Utiel-Requena. (Wine Searcher, 2014)

La Mancha

It is the world's largest wine region that is continuously growing. Over 300 wineries can be found. La Mancha has extraordinary condition for wine cultivation due to the extremely long sunshine days and great ripening cycle. It is commonly known for production of Tempranillo and Garnacha wines. (La Mancha, 2016)

Jerez

Jerez is a region located in the south of Spain, in Andalusia, and is best known for its Sherry wine. The word Jerez means „sherry“ in Spanish. The region produces completely unique wines to the world: vino fino, amontillado, oloroso (meaning dry, crisp, light and almond wine). (Wine Searcher, 2014)

Spanish wine production in 2015 was 36.7 mhl, which was a slight increase compared to 2014. (OIV, 2016)

3.5.4 Spanish Wine Classification

Spanish wines are known for their quality. There are certifications confirming the process of production type and origin. In order to receive these certifications wineries have to fulfill strict requirements. The certifications are listed below.

Estate Wines (Vinos de Pago)

This is the highest category of wine production. Estate Wines are recognized as prestigious wines made from grapes that are grown under strict climatic and soil conditions depend on a certain place or rural site. The wineries are controlled by government and wines must be bottled in the winery of the specific vineyard or an area where the vineyard situated. Once the wineries fulfill the production and marketing requirements and the wines are produced in a vineyard within the boundaries of a Qualified Denomination of origin. The winery will receive the “qualified vineyard” and wines can be labeled as “qualified vineyard wines”. (Joan Mora, 2013)

Denomination of Origin Wines (DO - Denominación de Origen)

Wines that are labeled by the DO sign are famous Spanish Wines produced in a production area and satisfy the highest parameters of quality and type according to the Spanish government. These wines are regulated by the state that is responsible for making secure about the use of grapes. The parameters DO wines need to accomplish include production per hectare, approved methods of wine making and ageing times. Denomination of Origin status is able to obtain after five years of recognition of the region producing quality wines with a geographical indication. (Joan Mora, 2013)

Qualified Denomination of Origin Wines (DOC – Denominación de Origen Calificada)

The production area can obtain this category after a long period of time achieving high quality. The parameters required to attain this status includes of having Denomination of Origin (DO) status for at least previous 10 years and all products must be bottled in wineries from the region of wine production before coming to the market. Also the winery needs to follow a suitable quality control system. (Joan Mora, 2013)

Quality Wines of Geographical Indication (VC - Vinos de Calidad de Indicación Geográfica)

These wines are produced in a region, location or a place determined by grapes cultivated there. These grapes are known for their quality, reputation or characteristics due to the geographical environment, a human factor or both. Special production of grapes or aging can also play a role in this indication. There are six regions indicated by this

denomination: V.C. Granada, V.C. Cangas, V.C. Lebrija, V.C. Sierra de Salamanca, V.C. Valtiendas and V.C. Valles de Benavente. (Joan Mora, 2013)

Country Wines (VdlT - Vinos de la Tierra)

All wines have to be produced exclusively from country grapes that are harvested at vineyards determined for quality wine which are cultivated in certain areas and made of variety of wines permitted in countries of the European Union. The variety of grapevines does not have to be registered in the national wine variety book, but it needs to have legal permission to produce country wines. One of the requirements is the sugar content, which must not be less than 14°NM. The classification of country wines includes the obligation to stamp the bottle by the year of production, geographical indication, minimum alcohol content and an indication of the organoleptic, or other characteristics of the product. It represents higher quality than the table wine. There are 43 registered country wines in Spain. (Joan Mora, 2013)

Table Wines (VdM - Vinos de Mesa)

This is the lowest category of wines. Table wines do not have any denomination of origin neither protection of origin label. The wine growers do not have an obligation to specify the year of production, variety or source of the grape. In general these wines are used for ordinary consumption due to the low volume of alcohol content. (Joan Mora, 2013)

Figure 4 Spanish Wine Classification



(source: Enoarquía, <http://bit.ly/1fJOoNI>)

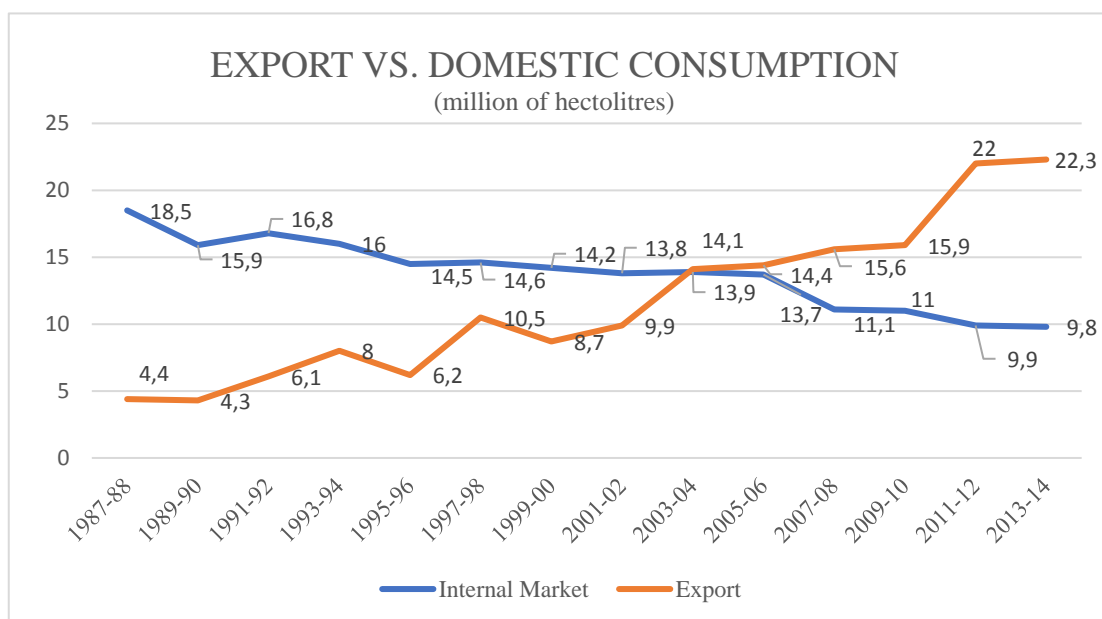
4 Analytical part

In the analytical part, begin to analyze Spanish wine export itself, the consumption, main markets for export and evolution of export. Then the countries for potential markets will be analyzed in terms of consumption, risk and cultural distance. Furthermore the trend analysis will be used to determine the future wine consumption.

4.1 Characteristics of Spanish Wine Export

Regarding the export and the domestic consumption of wine in Spain it can be stated that the amount is significantly different (Figure 5). Until 2003 the internal market consumption was higher than the export however between the years 2003 and 2004 they became equal. Throughout the years shown in the graph wine export was not always stable. In 1996, there was a major drop although the following years export increased up to 10,5 million hectolitres. In 2000 wine export slightly decreased again to 8,7 million hectolitres but since then the Spanish wine export was only increasing until now. According to the graph below it is clear that export of Spanish wine plays a major role in production of wine nowadays. (MAPAMA, 2016)

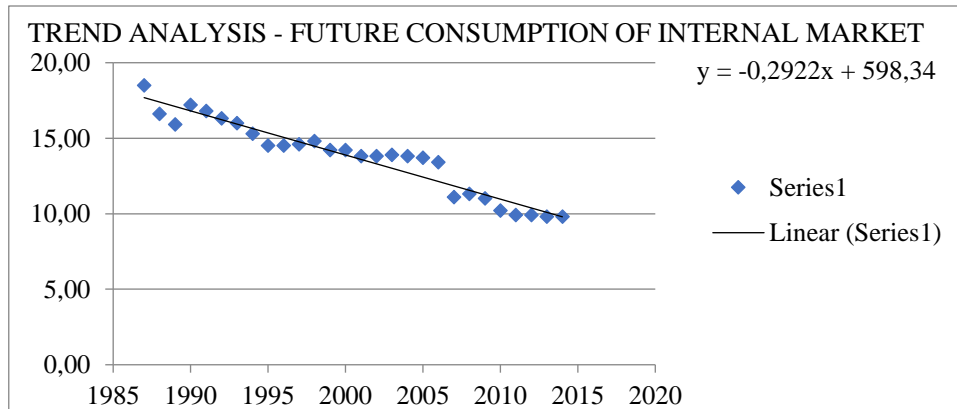
Figure 5 Export vs. Domestic Consumption



(source: own illustration according to MAPAMA, <http://bit.ly/2INXII6>)

This figure represents trend analysis of future consumption of internal market in Spain. As it can be seen the consumption will be dropping in following years due to the economic problems of the country such as high unemployment rate therefore spanish wine drinkers tend to swich to cheaper wine alternatives or beer as a lower cost option. (own findings)

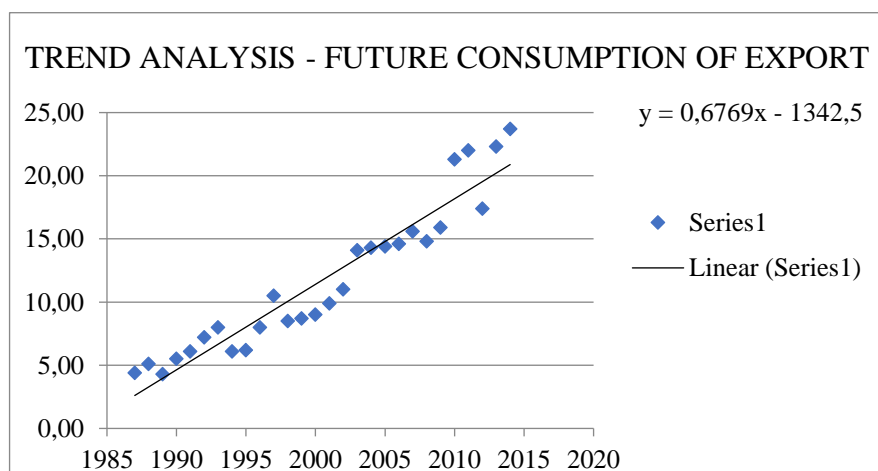
Figure 6 Trend Analysis – Future Consumption of Internal Markets



(source: own illustration based on the Figure 5)

In the Figure 7 there is shown trend analysis of future wine consumption of export, which is going to increase. Due to the decline of domestic consumption wine producers focus on the markets abroad to minimize the difference lost in the internal market. (own findings)

Figure 7 Trend Analysis – Future Consumption of Export



(source: own illustration based on the Figure 5)

The countries listed below in the table 2 are the principle markets for Spanish Wine Export in 2015. The table includes grape juice and vinegar. Spain sells more than 100 millions of Euros in 9 different markets but France has been the principal client in terms of quantity and increased up to third place in value. The prices dropped down, only in United States, Switzerland, Canada, Japan, Mexico, Norway and Ireland overcame to 2 Euros per litre in the first 21 countries on the list. France and Germany have been the principle markets since the year 200 and has had the fastest evolution in terms of quantity. (MAPAMA, 2016)

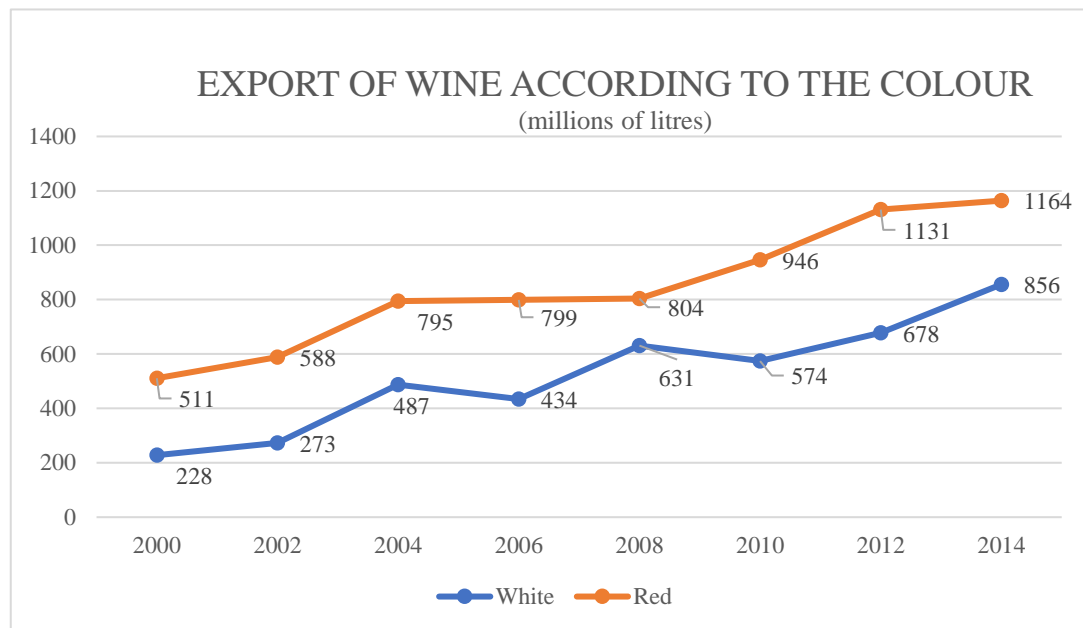
Table 2 Main Markets of Spanish Wine Export in 2015

Ranking	Country	Value in Million €	Quantity in Million Litres	€/l
1	Germany	403,4	448,6	0,9
2	United Kingdom	356,1	198,4	1,79
3	France	297,9	689,4	0,43
4	United States	295,9	81,1	3,65
5	Netherlands	137,9	100	1,38
6	Belgium	130,3	68,1	1,91
7	China	119,6	81,4	1,47
8	Switzerland	115,7	36,8	3,14
9	Italy	114,8	334	0,34
10	Portugal	91,8	221,3	0,42
11	Japan	86,2	39,9	2,16
12	Canada	85,4	34,8	2,46
13	Mexico	57,8	19,4	2,99
14	Sweden	53,7	27,5	1,95
15	Russia	49,6	125,5	0,4
16	Denmark	43,1	29,8	1,45
17	Finland	27,3	14,7	1,85
18	Norway	24,5	8,6	2,84
19	Czech Republic	24,5	54,2	0,45
20	Ireland	19,7	7,2	2,74
21	Lithuania	19,2	16,1	1,19
	TOTAL EXPORT	2953,8	3037,3	0,97

(source: own illustration according to MAPAMA, <http://bit.ly/2INXII6>)

In terms of wine colour of still wines export in quantity Spain continues being the predominating exporter of red wine although the Figure 8 below shows that the recent 16 years the export of white wine increased from 6,3% up to 9,6% in the year 2014. (MAPAMA, 2016)

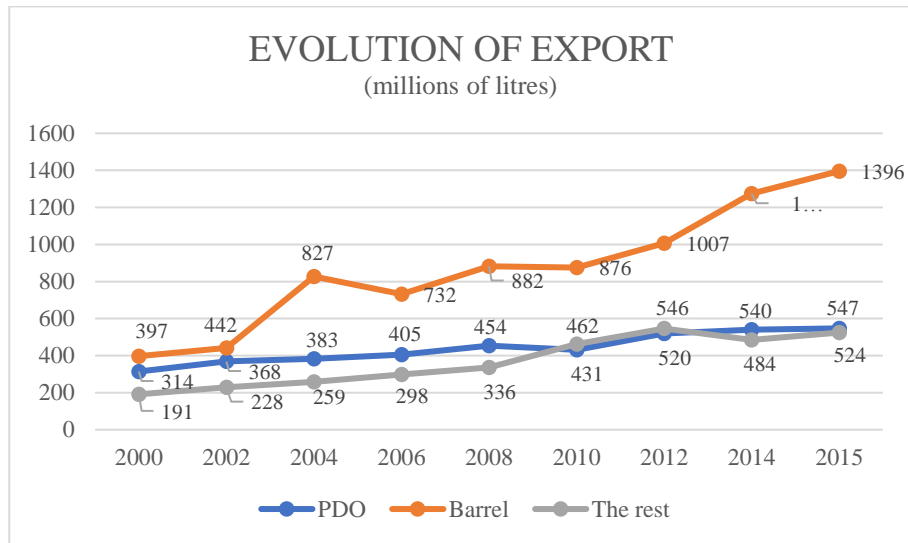
Figure 8 Export of Wine According to the Colour



(source: own illustration according to MAPAMA, <http://bit.ly/2INXII6>)

In terms of quantity of exported wine, barrels has increased the most in the past 16 years. Particularly in 2003 and 2004 when the wine had to be supply to France and Italy. On the other hand, wines labeled PDO, Protected Denomination of Origin, have been more stable during all the evolution. (MAPAMA, 2016)

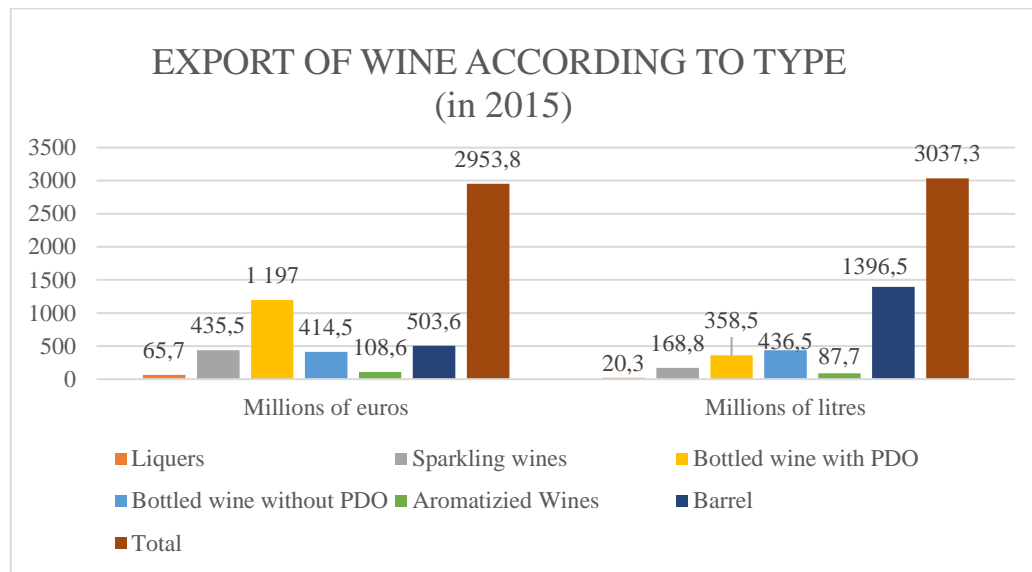
Figure 9 Evolution of Export



(source: own illustration according to MAPAMA, <http://bit.ly/2INXII6>)

The Figure 10 below compares export of wine according to type such as liquers, sparkling wines, aromatized wines, bottled wines with and without PDO, protected denomination of origin. As it is stated in the graph bellow Spanish wine is mostly sold in barrels, in 2015 it was 1396,5 millions of litres to foreign countries that made 503,6 million of Euros. Bottled wine with protected denomination of origin made the highest revenue since they are the most expensive, comparing to the bottled wine without protected denomination of origin Spain sold 436,5 millions of litres which made 414,5 millions of euros. Sparkling wine such as Cava, which is made through the traditional method, is more expensive than regular still wine, as the figure bellow shows revenue was 435,5 millions of Euros, though only 168,8 millions of litres were sold. Liquers and aromatized wines are the lowest Spanish export items. (MAPAMA, 2016)

Figure 10 Export of Wine According to Type in 2015



(source: own illustration according to MAPAMA, <http://bit.ly/2lNXII6>)

4.2 Analysis of selected countries

In the analysis of selected countries, three countries for Spanish wine export will be selected and evaluated. These selections include Canada, Denmark and Japan. Each country is located in different continents, thus it is interesting to compare all the factors. First, I will analyze political, economical, social, technological, legal and environmental factors of each country, and then use the risk analysis of the Spanish company CESCE that analyzes political situation, external and internal economy. Later, I will compare six dimensions of national culture which are part of a model of cultural distance conducted by the professor Geert Hofstede. It is a study of how values are influenced by culture in the workplace. It is measured by indexes that reach values between 00-100. Each dimension is explained below (HOFSTEDE, 2005):

Power distance measures the degree of how the less powerful member of a society accept and expect that power is distributed unequally. (HOFSTEDE, 2005)

Individualism degree expresses how the individuals tend to take care of only themselves. Collectivism, on the contrary means the preference of the society to work together. (HOFSTEDE, 2005)

Masculinity represents a desire of society for ambition, assertiveness, pride, or material rewards for success are emphasized over traditionally female orientations – interpersonal harmony, modesty or preference for cooperation. (HOFSTEDE, 2005)

Uncertainty Avoidance measures the extent to which people in a society feel threatened by ambiguity and therefore - we try to avoid ambiguous situations by providing greater career stability, establishing more formal rules, rejecting deviant ideas and behavior, and attainment of expertise. (HOFSTEDE, 2005)

Long term orientation shows how every country maintains some links with its own past while dealing with things of the present and future. (HOFSTEDE, 2005)

Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. **Restraint** stands for a society that suppresses gratification of needs and regulates it by means of strict social norms. (HOFSTEDE, 2005)

Later I made the prognosis of wine consumption of each country which will be calculated using the trend analysis. “A trend analysis is an aspect of technical analysis that tries to predict the future movement of a stock based on past data. Trend analysis is based on the idea that what has happened in the past gives trader an idea of what will happen in the future.” (Investopedia, 2017)

Data used for the calculations are based on the tables of wine consumption from the years 2007-2014 of each country, which will help predict the expected consumption for the years 2015, 2016, 2017, 2018, 2019 and 2020. These calculations were performed using program Excel by adding Trendline into graphs and choosing the linear option of the Trendline and later calculated by an equation $y = mx + b$. (own findings)

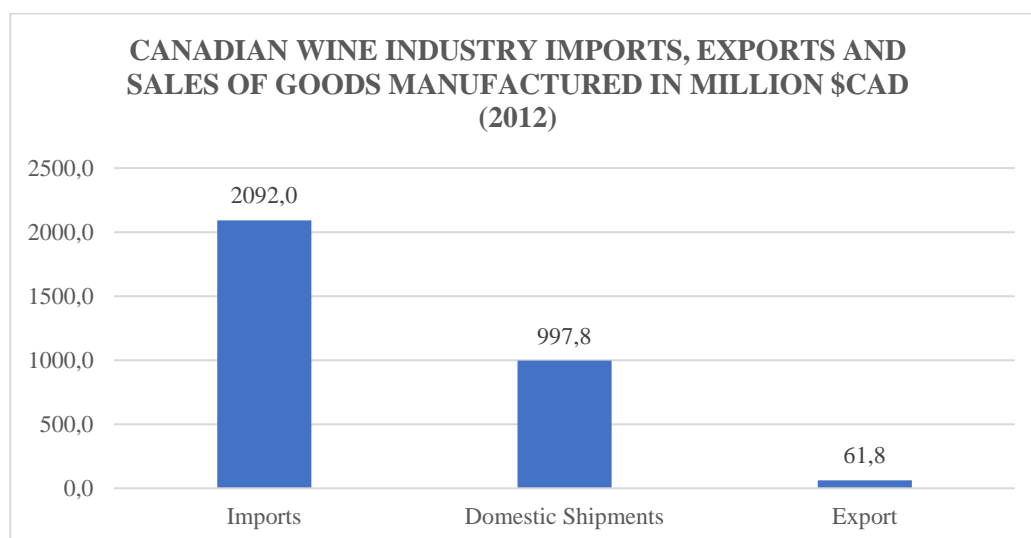
4.2.1 Canada

There are several reasons why Canada is an interesting market for Spanish wine export. First it is one of the countries with the highest consumption of wine and the climate is rather colder which does not satisfy the cultivation of grapes. The country has its own wineries in Ontario and British Columbia. The most common wine varieties that can be found on the Canadian market are Riesling, Chardonnay or Sauvignon Blanc as white wine and Merlot, Cabernet Sauvignon and Pinot Noir as red wine. However red wine was the

most popular preference of Canadian consumers in 2014. It counts for almost 60% of all wine consumption. Eventhough Canada has its own wineries it is not enough to satisfy domestic consumption therefore the country is very dependent on foreign wine import as it can be seen bellow in the Figure 11. Wine consumption in Canada has risen by 0,6 % since 2013. The reason can be decreasing health life style of Canadians that cause impact of beer sales. (Agriculture and Agri-Food Canada, 2013)

The Figure 11 represents Canadian wine industry in terms of imports, exports and domestic shipments within Canadian borders. As it can be seen from the graph, Canada is dependent on the import of wines from other countries. Main importers are United States (22%), France (22%), Italy (19%) and Australia (10%). As mentioned above Canada also produces its own wine which exports to the United States and China - these two countries make 86% of all Canadian export of wines.

Figure 11 Canadian Wine Industry Imports, Exports and Sales of Goods Manufactured in Million \$CAD (2012)



(source: own illustration according to Agriculture and Agri-Food Canada)
<http://bit.ly/2mxkAdu>

4.2.1.1 Pestle Analysis of Canada

In order to analyze all the factors that may influence the negotiation between Spain and Canada, the Pestle Analysis is used bellow. The analysis will determine if there are any aspects of political situation, technologies, environment which affect the business.

<p>Political factors</p>	<p>The government of Canada is parliamentary democracy and a federal system of parliamentary government with strong democratic traditions. The government has three parts: federal, provincial and municipal. (Government of Canada, 2017)</p>
<p>Economical factors</p>	<p>Canada has the 10th largest economy with the Canadian dollar as its currency. It has relationships with other countries by organizations such as NAFTA, OECD and WTO. There are some important indicators of a country which should be mentioned such as GDP per capita 44,197.1 US\$, GDP \$1,550,536.52 trillion (OECD, 2015) and Inflation annual rate -0,6 (OECD, 2015). Export of goods and services: million US\$ 489,343.14 (OECD, 2015). Import of goods and services: million US\$ 525,382.45 (OECD, 2015).</p>
<p>Social factors</p>	<p>Canada has 34,83 million inhabitants (2013). The number of population is increasing due to the immigration and a lesser extent. In 2006 Canada has experienced population 31,62 million inhabitants. And only between the years 1990 and 2006 the population has increased by 5,6 million. The population itself is moving towards an older population. The average age is 39,5 years old. There are 2 national languages – English and French. The Canadian society is very multicultural, polite and easy-going. (Government of Canada, 2017)</p>
<p>Technological factors</p>	<p>Canadians are connected every day, they search information, buy online or talk together. In 2013 there were 31,66 million Internet users which is 90,9% of the population. Two Digital Communication/HD TV companies (SiriusCanada and XM Canada (with the headquarter in Toronto introduced direct digital satellite radio service to home and cars in December 2005 and have gained over 750 000 and 400 000 subscribers so far. Bell Canada company came with an improved speech recognition</p>

	<p>system in 2003 with a headquarter in Ontario. Since 2005 the Canadian actively use a voice-and-moving-picture-over-internet technology of Skype and started avoiding the traditional telephone network. (Hasha, H., & Dilawary, 2011)</p>
<p>Legal factors</p>	<p>Canada is a federal state with a parliamentary political system. The Canadian legal system follows the British common law due to being the former colony of the United Kingdom in the past. Canada is also a member of Commonwealth Nations. Quebec still retains a civil system for issues of private law. Both legal systems belong to the Constitution of Canada. The two laws that Canada follows are Civil law and Common law. (Government of Canada, 2017)</p>
<p>Enviromental factors</p>	<p>The climate of Canada is characterized by extreme long and cold winters, with the only exception of the Pacific coast. There is only 8% of the land areas which is farmland. More than 30% is forest. The northern areas are covered by tundra and the arctic islands are permanently covered by ice caps. (Hasha, H., & Dilawary, 2011)</p>

4.2.1.2 Risk Analysis of Canada

The commercial and political risks of Canadian market are very low. Political, economic internal and external situation is very stable.

According to CESCE Canada seems to be one of the best countries to enter the market and start a business. I will consider these aspects to make the decision. (CESCE, 2016)

Figure 12 Risk Analysis in Canada



(source: CESCE, <http://bit.ly/2mNaICB>)

4.2.1.3 Cultural distance

Power Distance

Spain obtains a score of 57, which is higher than Canada's score of 39. That means Spanish inhabitants are more likely to expect the hierarchical system and status of each person of society. On the other hand, in Canadian companies the hierarchy is structured for convenience, managers and directors are more reachable. Canadians rely on individual workers or teams and evaluate straightforward communication. (HOFSTEDÉ Centre, 2016)

Individualism

Canada reached a high score of 80 in individualism. That refers to very individualist culture meaning that people are expected to look after themselves. Employees are supposed to be anonymous and active. The promotion is set on provement that someone has ability or has done a certain work. (HOFSTEDÉ Centre, 2016)

Masculinity

The culture of Canadian inhabitants is determined to be masculine with a score of 52. That means Canadians are assumed to gain high standards of performance in sport or work although they prefer to have balance between their work and life. (HOFSTEDÉ Centre, 2016)

Uncertainty Avoidance

Spanish uncertainty avoidance is very high, people like to have rules for everything. Confrontation is avoided since it causes great stress. The society in Canada accepts uncertainty as part of life. They are more likely to be competitive. The argument is generally accepted. People are tolerant to differences and easily accept new ideas, changes. Canadians are able to risk in order to achieve their objectives. Emotions are hidden. (HOFSTEDE Centre, 2016)

Long Term Orientation

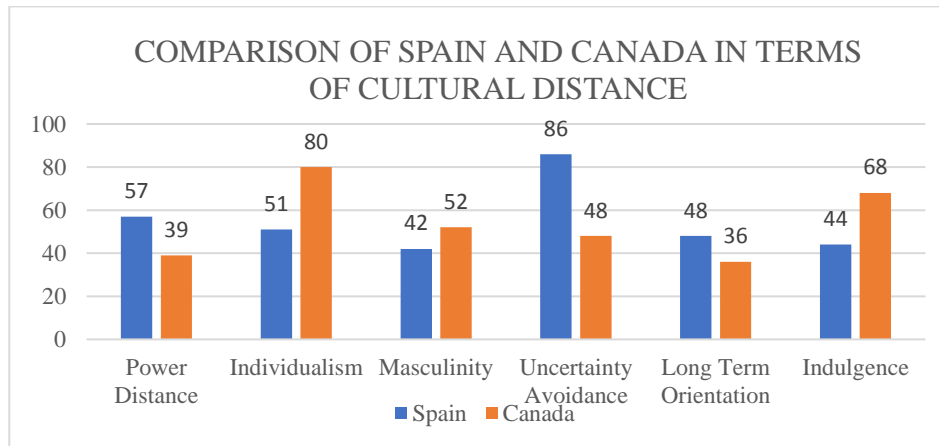
The score for Canada reaches 36 in the long term orientation, meaning it classifies its society as normative. The society respects its traditions. They tend not to think too much in future, making them focus on quick results. (HOFSTEDE Centre, 2016)

Indulgence

Canada obtains a score of 68 in indulgence dimension, meaning it is an indulgent society. People in this society tend to understand their desires in order to enjoy life and have fun. Their attitude is positive and they are more likely to be optimistic. It is important to find leisure time for them and in order to enjoy their free time they tend do not mind spending money. (HOFSTEDE Centre, 2016)

We need to bear in mind that Canada is seperated into two different demographic populations – Anglophone Canadians and Francophone Canadians which are situated in the Province of Quebec. French Canadians tend to be more formal and hierarchical. (HOFSTEDE Centre, 2016)

Figure 13 Comparison of Spain and Canada in Terms of Cultural Distance



(source: own illustration according to Hofstede Centre, <http://bit.ly/2lO3Sbb>)

4.2.1.4 Wine Consumption per capita in Canada

As it can be seen in the table 3, wine consumption per capita in Canada was quite stable during the years 2007 and 2014. Between 2007 and 2009, the consumption slightly decreased from 10,69 l per capita down to 10 l per capita, but later in 2011 there was a significant difference and the consumption increased up to 13,63 and continued increasing until 2014 to 14,18 l per capita. It is clear that Canadians drink more wine nowadays than in the past. Wine has become part of lifestyle for many people. (Wine Institute, 2014)

Table 3 Wine Consumption in Canada

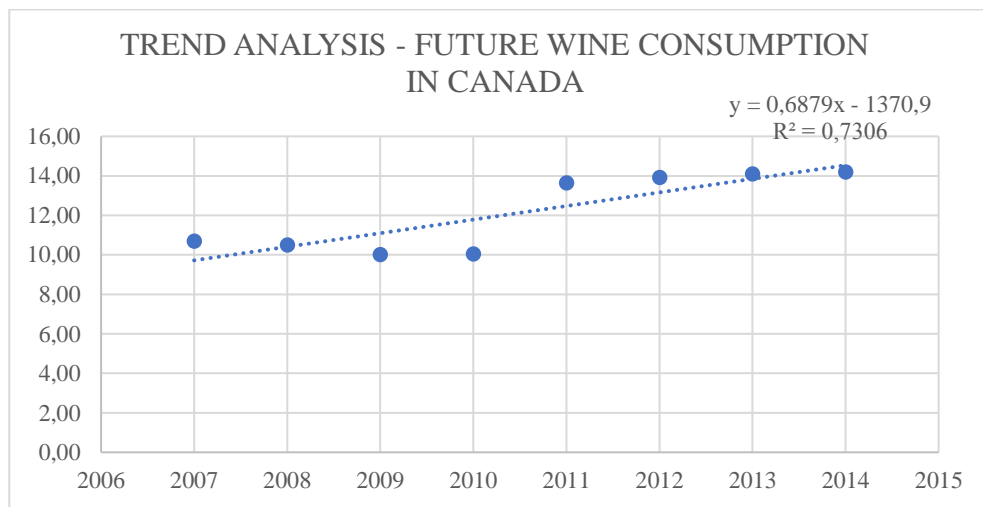
Wine Consumption in Canada	
Year	l / per capita
2007	10,69
2008	10,49
2009	10,00
2010	10,03
2011	13,63
2012	13,92
2013	14,09
2014	14,18

(source: Wine Institute, <http://bit.ly/29GaeA2>)

4.2.1.5 Prognosis of Future Wine Consumption

The prognosis were calculated from the values in the table of the wine consumption from previous years released by Wine Institute. First, the linear trendline was constructed and then regarding the equation $y = 0,6879x - 1370,9$ I calculated the consumption per capita until the year 2020. The Table 4 represents the results of the prognoses. As it can be seen the consumption will be slightly increasing year by year. (own calculations)

Figure 14 Trend Analysis – Future Wine Consumption in Canada



(source: own illustration according to the data from Table 3)

Table 4 Wine Consumption in Canada in the Future

Wine Consumption in Canada in the Future	
Year	l / per capita
2007	10,69
2008	10,49
2009	10,00
2010	10,03
2011	13,63
2012	13,92
2013	14,09
2014	14,18
2015	15,22
2016	15,91
2017	16,59
2018	17,28
2019	17,97
2020	18,66

(source: own calculating according to the data from Figure 14)

4.2.2 Denmark

Denmark is a country located in the north part of Europe. Due to the negative climate, wine production has been negligible. There are few small wineries that produce wine but the production quantity is minor making it rather niche market focused on premium segment. Denmark is dependent on wine import. (CBI Ministry of Foreign Affairs, 2016)

Denmark - as a country was picked to be analyze the export of Spanish wines, since there is a significant amount of wine drinkers. Danes like to discover new wine varieties, as of recent there is a high demand of organic wines. They are concerned about the health life style and many of them prefer wine over beer. They are not only wine drinkers but they also like to develop their knowledge about viticulture itself. The Danish population is ageing even though younger people drink more than older consumers, older consumers on the other hand drink more expensive and quality wines. It is also a natural gateway to Northern Europe. (ProDenmark, 2016)

4.2.2.1 Pestle Analysis

<p>Political factors</p>	<p>Denmark uses general political and economic integration of Europe. The country is also part of NATO since 1949 and EU eventhough it has not joined the Monetary Union of Europe. Denmark is a very developed country with international trade policy based on achieving more free trade on global basis. The country mostly cooperates with European Union countries which counts of 70% of total foreign trade. Danish government consists of multi-party structure, where no single party has the strong majority in Parliament. The parties are Liberal Party, Liberal Aliance and Conservative Party (Ministry of Foreign Affairs, 2017)</p>
<p>Economical factors</p>	<p>Economy of Denmark is properous and growing recent years. It has recovered after the Europeanacrisis. Government plans to make reforms in following years to improve labour and productivity. These are the indicators that should be mention when analyzing economical factors: GDP per capita is \$51,989.3 million, current GDP is \$295,091.33 million (OECD, 2015), Inflation rate 1,2 (OECD, 2015), Export of goods and services million of \$</p>

	157,976.58 (OECD, 2015), Import of goods and services million of \$ 139,261.59 (OECD, 2015).
Social factors	The population of Denmark counts of 5 676 000 inhabitants. In general Danish population is increasing however the population consists of many different ethnic groups. Danes are considered as the happiest people in the world, they are well educated and most of them speak more languages. It is one of the 20 richest countries in the world however money are divided very equally. Danish people focus on health life style and like to attend cultural events, open to new cultures and new people. (Market Research, 2017)
Technological factors	Denmark is a country that uses the highest technologies and modern innovations. The companies come to the market with the latest marketing strategies. Part of the technological innovations is automation. In terms of automatic control that are used in factories, machinery etc. (Market Research Reports, 2017)
Legal factors	Denmark is a monarchy and the highest power belongs to the prime minister. The civil law follows characteristics of the germanic law. (Market Research Reports, 2017)
Enviromental factor	Climate in Denmark is enjoyable during summer time, temperatures reach around 20 degrees and offer very long days. In winter time days are cold and short. Due to its climate and the changes it has a great impact on some industries such as tourism or farming – wine cultivation. Therefore Denmark offers business opportunities for foreign trade. This country bears in mind the environment and health life style thus lots of hybrid cars can be found in Denmark. (EEA, 2015)

4.2.2.2 Risk Analysis of Denmark

As it is shown on the risk analysis of CESCE, Spanish agency commercial risk and political risk are low. The political situation is very stable and the internal economy and external economy are regular and are developing stably. The external economy in Canada is more favourable comparing to Denmark. (CESCE, 2016)

Figure 15 Risk Analysis of Denmark



(source: CESCE, <http://bit.ly/2mNalCB>)

4.2.2.3 Cultural Distance

Power Distance

Denmark scores 18 points in the dimension of power distance, which means relationship amongst employees and superiors are more likely to be equal. Autonomy plays significant role for employees. Workplace in this country is more informal and makes comfortable atmosphere for work. Directors and managers rely on the experience of team members. Communication is direct and first names are used. Respect is required by all workers. (HOFSTEDE Centre, 2016)

Individualism

Scoring 74 points in Individualism dimension make Denmark an individualist society. Danes are supposed to take care about themselves. It is not difficult starting new

business with Danish people. Relationships do not have to be created first. The way of communication that is used is very direct. (HOFSTEDE Centre, 2016)

Masculinity

The country obtained 16 points in the dimension of masculinity. Thus it is recognized as a feminine society, for the people living in Denmark it is very important to keep a work – life balance. In terms of solving the problems, directors try to come with a compromise. Equality, solidarity and quality of their working lives are the key for the managers and workers. Danish people debate long until final decision is achieved. (HOFSTEDE, 2016)

Uncertainty Avoidance

Denmark reached 23 points which is very low in the dimension of uncertainty avoidance. Danes make plans however in case of changing they are open to new things and they can adapt to changes. They take it as part of work. No structure is needed. People are known for being curious and individualist making them known for the innovation. Danish inhabitants are creative and well known in the industries such as marketing, financial engineering or advertising. Danes feel comfortable in the work because they do not have to be afraid of not knowing something. They are there to learn. (HOFSTEDE Centre, 2016)

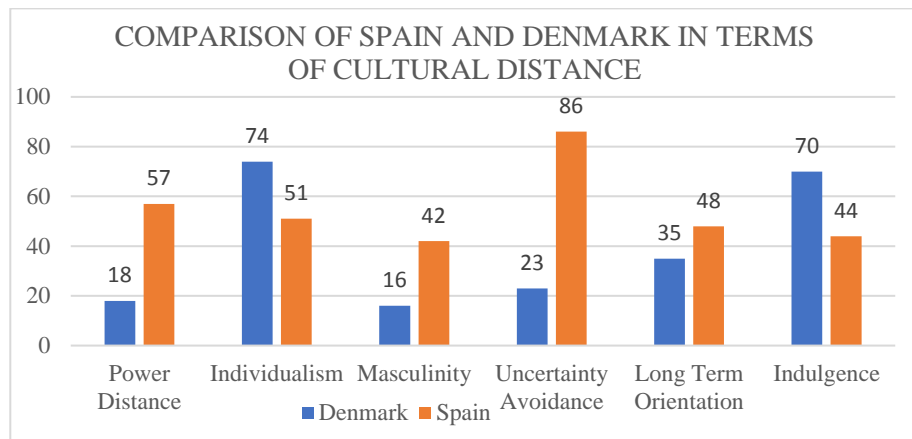
Long Term Orientation

This dimension showed a low score of 35. That means the culture is rather normative. They stand for the truth. As mentioned above they feel natural about changing plans easily therefore quick results are expected rather than long term thinking. They keep their traditions. (HOFSTEDE Centre, 2016)

Indulgence

Scoring 70 points makes Denmark an indulgent country. It is important to keep free time to enjoy life and have fun. They are pleased to spend money on things they like. (HOFSTEDE Centre, 2016)

Figure 16 Comparison of Spain and Denmark in Terms of Cultural Distance



(source: own illustration according to Hofstede Centre, <http://bit.ly/2lO3Sbb>)

4.2.2.4 Wine Consumption per capita in Denmark

The table presents the consumption of wine from 2007 until 2014. The consumption is increasing every year. Danes consumed 27,60 l per capita in year 2007, however, 7 years later, in 2014, the consumption increased up to 45,53 l per capita. The biggest difference appeared between the years 2007 and 2008 where the consumption per capita increased from 27,60 l to 33,45. That is a difference of 5,85 litres of wine per capita. (Wine Institute, 2015)

Table 5 Wine Consumption in Denmark

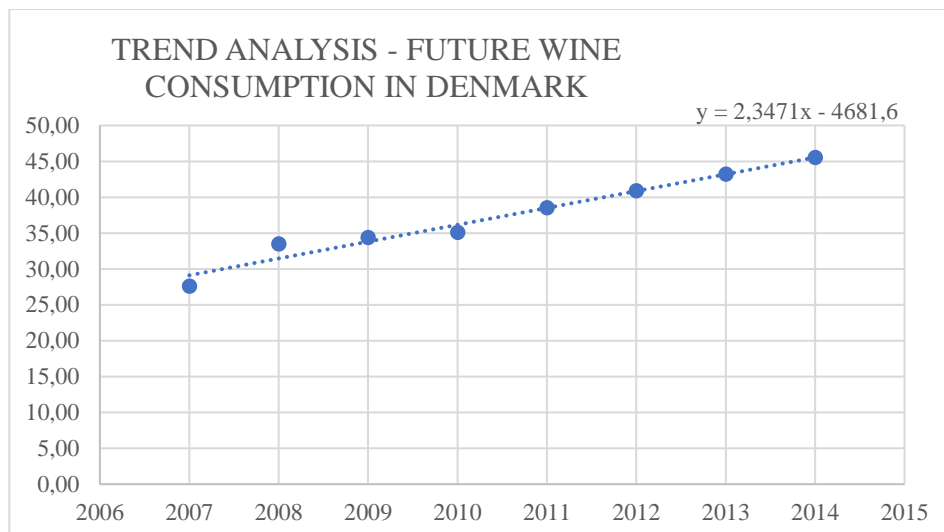
Wine Consumption in Denmark	
Year	l / per capita
2007	27,60
2008	33,45
2009	34,36
2010	35,09
2011	38,52
2012	40,86
2013	43,19
2014	45,53

(source: Wine Institute, <http://bit.ly/29GaeA2>)

4.2.2.5 Prognosis of Future Wine Consumption

The consumption for the years 2015 to 2020 was calculated from the data in Table 5 released by the Wine Institute. Then the trend analysis was done and future consumption was computed according to the equation $y = 2,3471x - 4681,6$. As it can be seen there will be a continuous growth year by year. (own calculations)

Figure 17 Trend Analysis - Future Wine Consumption in Denmark



(source: own calculating according to the data from Table 5)

Table 6 Wine Consumption in Denmark in the Future

Wine Consumption in Denmark in the Future	
Year	l / per capita
2007	27,60
2008	33,45
2009	34,36
2010	35,09
2011	38,52
2012	40,86
2013	43,19
2014	45,53
2015	47,81
2016	50,15
2017	52,50
2018	54,85
2019	57,19
2020	59,54

(source: own calculating according to the data from Figure 17)

4.2.3 Japan

Japan produces its own wine, such as Kobe, Furano or Tokachi. However, due to the soil composition, lack of sun and significant amount of rain resulting in wine production difficult to maintain.

Japan's consumption of wine has been increasing since 1990's from its popularization of the beverage by media and celebrities. Japanese started to seek different wine varieteties from France, Spain and Chile. In 2013, imported wines reached 67% of total consumption. Nowadays - there is around 50% of Japanese people that drink wine once per week and 7% of them drinking wine every day. (Dobronauteanu, 2014)

4.2.3.1 Pestle Analysis

<p>Political Factors</p>	<p>Japan is a monarchy however there are 5 political parties which influence the country: Democratic Party of Japan (DPJ), The People's New Party (PNP), Liberal Democratic Party (LDP), The Social Democratic Party (SDP), The New Clean Government Party (Komeito). The country is part G8 - the most developed countries in the world and ASEAN, which is an organization connecting Asian countries. Japan strongly cooperates with Russia, South Korea, China and Taiwan in order to trade gas, oils and other marine sources. (Frue, 2016)</p>
<p>Economical Factors</p>	<p>Economy of Japan is one of the largest in the world. They put a big importance on the education, students are supposed to attend discourses to develop themselves. Professors watch them resolving problems. A president of each class is chosen to represent the students. The idea is to prepare them for the real work life in the future. Women work until they get married. GDP million \$4,383,076.30 (OECD, 2015), GDP per capita million \$ 34,523.7 (OECD, 2015), Inflation rate 2,0, Export of goods and services thousand \$784,503,946.19 (OECD, 2015), Import of good and gervices thousand \$803,573,919.46 (OECD, 2015)</p>

<p>Social Factors</p>	<p>Japan has 126 133 499 (2017) inhabitants. As it will be mentioned below in the model of cultural distance, the Japanese culture is predicted therefore women are supposed to leave work and have wedding by age 30, then it is expected to establish a family and have a boy in order to give him the family heritage or a work position. The fertility is decreasing in recent years. Japan is open to any religion, most of the people are Christians and some of the population keep traditional Japanese religions. (Frue, 2016)</p>
<p>Technological Factors</p>	<p>The country is well known for its developed technological industry, for its robotics, electronics or automation systems which are used in many public institutions such as hospital or an airport. The automobile industry is also a big part of it. In terms of mobile devices Japanese prefer sending e-mails or sharing information wirelessly by just putting the phones next to each other. It is able to connect to wifi in the majority of the places in Japan. The budget of Japan for research and development is the third highest in the world reaching \$130 billion USD, and over 677,731 researchers work in this department. (Frue, 2016)</p>
<p>Legal Factors</p>	<p>The laws such as their Labor and Corporate laws come from the European system. The job contract is long to cover all the laws of workers, duration of the work, minimum wage that can be obtained etc. (Frue, 2016)</p>
<p>Environmental Factors</p>	<p>Japan is covered by woods and mountains therefore majority of inhabitants lives around Tokyo. The reasons are also higher amount of job positions offered. Japan suffers from natural disasters but the houses are constructed to survive earthquakes or tsunamis. (EEA, 2015)</p>

4.2.3.2 Risk Analysis

The commercial and political risk of the country is low. Political situation is stable. Internal and External economy is regular. (CESCE, 2016)

Figure 18 Risk Analysis of Japan



(source: CESCE, <http://bit.ly/2mNalCB>)

4.2.3.3 Cultural Distance

Power Distance

Japan obtains 54 in the dimension of power distance. Its society is extremely hierarchical. Everyone has its position in a hierarchy. The decision-making process is very slow since everything must be accepted by each person in a layer of hierarchy. Japan is known for its education system and that everybody can get by working hard. (HOFSTEDE Centre, 2016)

Individualism

Japan achieved 46 points in the dimension of Individualism. Theoretically, it means it is a collectivistic country, which is shown in situations such as preference of conformity of team rather than interpretation of opinion of an individualist. Comparing to the rest of Asian countries Japan is not such an collectivistic society. The reason might be that the

family system differs, it is not as extended as systems in Korea or China. The workers of organizations are looked after by employers who make decisions for them in order to prevent responsibility for them. The family heritage goes from the father to the oldest son. Younger siblings are supposed to find their own housing and establish a family. Japanese people tend to be conservative, loyal to a team or group where they belong. (HOFSTEDE Centre, 2016)

Masculinity

Japan is considered as one of the most masculine countries in the world and this analysis proved it since it has obtained 95 points out of 100. Nevertheless, as it is mentioned above, the Japanese society tends to have some collectivistic characteristics, therefore it is not a typical masculine culture. The competition is not between individualists, it is between groups. Children are divided into groups in order to play sports – red team contra white team.

The collectivistic characteristic is for example the motivation of winning as a team versus the competitors, however, as a masculinity there is a joy of perfection in services, production or presentation of the products. Japanese are known for long working hours and workaholism. Women are not normally on the top of the managers or superiors. (HOFSTEDE Centre, 2016)

Uncertainty Avoidance

Japan again scores very high result of 92 in uncertainty avoidance. It is one of the highest in the world. The reason could be caused by natural disasters such as a tsunami or earthquakes which happen often in Japan thus people are determined to be prepared for all kinds of uncertain situations. The life of Japanese could be called prescribed, since all the weddings, events, funerals, ceremonies are expected to be in the same way all over Japan. The conduct and dresscode are determined and written with detail in books. Changes are difficult to make in this society. In the workplace employers are supposed to make an analysis of risks and show all the facts in details before making any decision. (HOFSTEDE Centre, 2016)

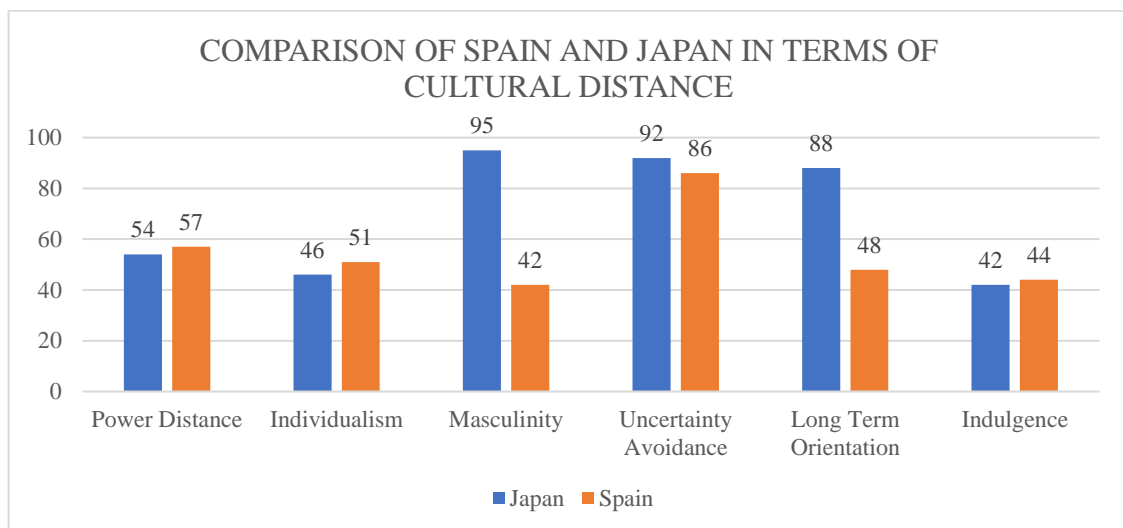
Long Term Orientation

Japan scored 88 points in the dimension of Long Term Orientation. In terms of economical factors, the Japanese plan far in the future as they think companies are not here to earn only in one time quarter but they can serve for many other generations. (HOFSTEDE Centre, 2016)

Indulgence

The analysis showed a score of 42, meaning the culture is restraint. Japanese are more likely to be pessimistic. They do not put an importance to enjoy their leisure time and to fulfill their desires. It is part of their culture and being something different can be perceived as something incorrect. (HOFSTEDE Centre, 2016)

Figure 19 Comparison of Spain and Japan in Terms of Cultural Distance



(source: own illustration according to Hofstede Centre, <http://bit.ly/2lO3Sbb>)

4.2.3.4 Wine Consumption per capita in Japan

The Table 7 below shows the consumption of wine in Japan between the years 2007 and 2014. In 2007 data accounted for 1,85 l per capita, during the 7 years the consumption per capita was slightly rising and peaked in 2014 by 2,74. Recent trends say that the market

is focused on women drinking wine. In the past Japanese were drinking wine only in the bars nowadays wine is experiencing a boom of drinking wines at home. (Wine Institute, 2015)

Table 7 Wine Consumption in Japan

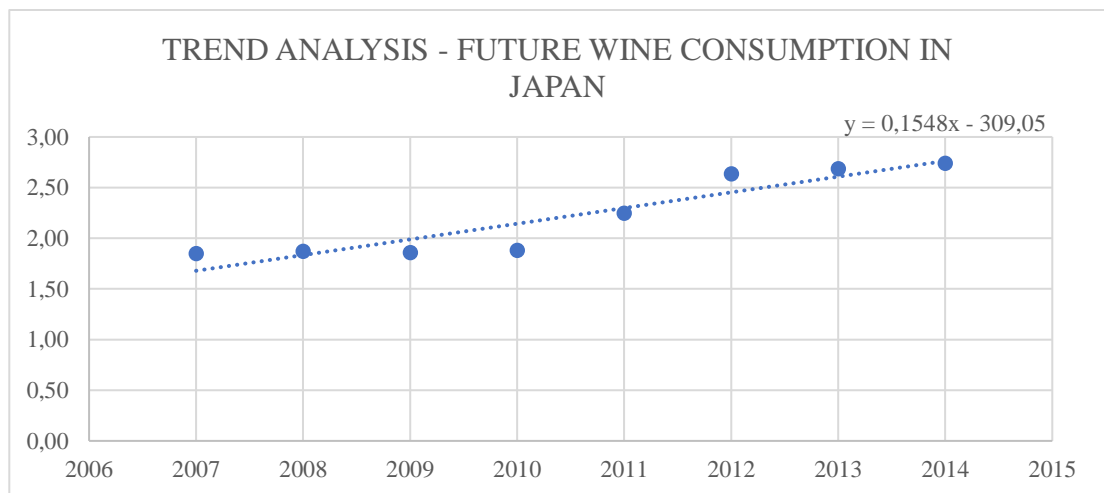
Wine Consumption in Japan	
Year	l / per capita
2007	1,85
2008	1,87
2009	1,86
2010	1,88
2011	2,25
2012	2,63
2013	2,69
2014	2,74

(source: Wine Institute, <http://bit.ly/29GaeA2>)

4.2.3.5 Prognosis of Future Wine Consumption

The prognosis was calculated based on the data from the Table 7 and put into the equation $y = 0,1548x - 309,05$. The results showed the consumption will be steadily increasing. (own calculations)

Figure 20 Trend Analysis – Future Wine Consumption in Japan



(source: own illustration according to the data from Table 7)

Table 8 Wine Consumption in Japan in the Future

Wine Consumption in Japan in the Future	
Year	l / per capita
2007	1,85
2008	1,87
2009	1,86
2010	1,88
2011	2,25
2012	2,63
2013	2,69
2014	2,74
2015	2,87
2016	3,03
2017	3,18
2018	3,34
2019	3,49
2020	3,65

(source: own calculating according to the data from Figure 20)

5 Conclusion

The goal of the thesis was wine export from Spain. The main aim was to analyze selected countries for wine export and eventually determine the most suitable country. In order to achieve the objective was to provide an introduction to Spanish wine industry and its classification, to describe the countries with the strongest wine production and to evaluate the potential countries for wine export.

In the theoretical part of the thesis first the wine history was described, then the wine varieties were classified and divided into categories. Further the part was dedicated to the world's biggest wine producers where the record was established with the volumes of production. Since the goal of this thesis is to determine the countries where Spanish producers can find its highest potential markets to export wine, a chapter was focused on characteristics of Spain and its viticulture, regarding the importance to understand its development stage. In addition, it has also been established the portfolio that can be found within this sector, considering the different types of wine produced dispersed by the various wine regions of the country.

In the analytical part at first the Spanish wine export was characterized. Prognosis of the wine consumption of internal market and export consumption were made. Domestic consumption of wine within the Spanish market will continuously decrease in the following years due to the economic problems occurring in the country such as the high unemployment rate. Domestic consumers tend to drink cheaper wines or to find cheaper substitute products for instance beer. Therefore Spanish wine producers look for new market opportunities abroad in order to ensure they can keep the same volume of sales.

Subsequently, three different countries with distinctive characteristics were selected that can represent valuable opportunities as growing markets to Spain's exportations. The analyzed countries were Canada, Denmark and Japan. The selection was made on the criteria that all the countries are geographically located in different continents, the climatic condition and the volume of consumption. In order to achieve the analysis of the feasibility and situation of these countries five distinct tools were applied: PESTLE analysis, the index of cultural distance by Hofstede, the consumption of wine per capita and prognosis of the future development of markets.

After a critical review of these analyses, it was found that the country, which represents the best opportunity as a potential market to increase Spain's exportation of wine, is certainly **Denmark**.

Considering the PESTLE analysis, as being a part of the EU the political situation of Denmark enhances the opportunities of Spain's exportation once they have free commercial agreements removing the trade barriers. Therefore, the transportation and trade process are leveraged, namely due to the reduction of costs originated in the low distance and non existence commercial trade fairs. The climatic conditions of the country make the wine cultivation extremely difficult which creates a competitive advantage for Spanish producers. The domestic competition will be low, and most of the supply available on the market will consist of foreign wines.

In terms of social aspects, Danes are concerned about their health life style which matches the values obtained in the model of Hofstede's cultural distance index. The culture is characterized as a feminine society connected with the indulgence. Danish people aim to have a positive work-life balance, and are willing to spend money in order to better enjoy their free time.

The risk analysis showed a low probability of unpredictable situations to occur in the near future regarding the economical and political panorama.

One of the main indicators which contributed to select this country for the wine exportation was the prognosis of the future consumption in Denmark. The prognosis have shown a continuous growth of the consumption volume with the highest slope (2,3471) amongst the three analysed countries. Thereby the market size will continue to rise proportionally to the previously referred growth.

As a final thought of this thesis it is recommended to the Spanish wine producers to specialize their product range on the premium and organic wine segment, pursuing the differentiation against their competitors as a way to increase their market share on the Danish market and construct a strong reputation.

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7 Supplements

Supplement 1 Export vs. Domestic Consumption in Future

Export vs. Domestic Consumption in Future (million hectoliters)		
	Internal Market	Export
1987	18,50	4,40
1988	16,60	5,10
1989	15,90	4,30
1990	17,20	5,50
1991	16,80	6,10
1992	16,30	7,20
1993	16,00	8,00
1994	15,30	6,10
1995	14,50	6,20
1996	14,50	8,00
1997	14,60	10,50
1998	14,80	8,50
1999	14,20	8,70
2000	14,20	9,00
2001	13,80	9,90
2002	13,80	11,00
2003	13,90	14,10
2004	13,80	14,30
2005	13,70	14,40
2006	13,40	14,60
2007	11,10	15,60
2008	11,30	14,80
2009	11,00	15,90
2010	10,20	21,30
2011	9,90	22,00
2012	9,90	17,40
2013	9,80	22,30
2014	9,80	23,70
2015	9,56	21,45
2016	9,26	22,13
2017	8,97	22,81
2018	8,68	23,48
2019	8,39	24,16
2020	8,10	24,84