

EMERGING OPPORTUNITIES IN THE CHINESE WINE MARKET

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Introduction: Voices from the Chinese wine trade on the Chinese wine market of tomorrow



China is the hottest wine market on earth. And yet at the same time it is one of the most difficult.

On the one hand, it's easy to feel excited. It's a market that seems to have risen out of nowhere in just over a decade, and has become a mandatory destination for any serious global player. At the same time, there is good reason to treat the Chinese wine market with caution. The past few years have brought just as many stories of failure as of success. Building a brand in China requires not only the same level strategic planning as in any other competitive global market, it also requires understanding the very specific quirks of doing business in China specifically – such as finding ways to make your product intelligible to domestic consumers while maintaining your branding as an imported product.

Is it safe to assume that the market will continue to grow at the rate of the past few years? Sales figures give us a very crude indicator of future trends, and in a market as volatile as China, any extrapolations should be taken with a very large grain of salt. In addition, overall sales data often fails to capture the nuances in trends that can make or break a brand.



To find out where the market is headed, we turned to experts in the Chinese wine trade. We asked them how they currently view the market, where they see the biggest opportunities, and how they predict the market to develop. Our panel included people from across the industry, ranging from importers and distributors to retailers and wine educators. We covered both the high-end markets in cities like Beijing and Shanghai, as well as internal “emerging” markets in Tier 2 cities such as Wuhan and Chengdu. Although perspectives and points of view varied, we saw a set of patterns across the interviews, which we have weaved together into the analysis and predictions in this report.

Introduction: Voices from the trade on the future of the Chinese wine market (cont.)



Some of the predictions from the trade are expected – such as the continuing broadening of consumer wine repertoires. Other predictions may be less expected, such as the anticipated strength of white wine in southern China, building on its pairing with southern cuisine. We also heard examples of brands or retailers at the forefront of these trends – and what they have (or haven't) done to succeed.

In addition, the consistent advice from the trade was to avoid the common trap of thinking of China as a single market. Not only is regional diversity on par with differences between most countries – both cultural and economic – but gaps in knowledge and experience between consumer groups mean that producers are pitching their product to wine drinkers with very different needs and motivations – a fact that is often overlooked.

A successful strategy requires not only understanding the situation as it currently stands, but also being prepared for the future before it arrives. We hope that the voices from the trade that we have shared with you in this report will do just that – giving you not just an overview of how the market currently works, but also the trade's best estimate on where the market will go next. The Chinese market may be challenging, but it's nothing if not exciting.



Jenny Li,
*Research Manager,
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Trade interview methodology

- Interviews were conducted between November 2011 and February 2012 with 21 members of the wine trade in China who work across various sectors (see distribution below)
- Interviews were carried out primarily face to face, with the remaining interviews conducted by phone. Each interview lasted approximately 1 to 1.5 hours.
- Interviews covered the following topics:
 - The evolution of the Chinese wine market in the past 12 months
 - Emerging trends in consumer wine drinking preference and buying behaviour
 - Key issues regarding trading in the China wine supply chain
 - Suggestions and case studies on how to build successful country, region or brand positioning

Sector	Location	No. of interviews
Nationwide importers/distributors	Tier 1 cities	7
Regional distributors	Tier 2 cities	5
Specialty wine retailers/online wine retailer	Tier 1 and Tier 2 cities	2
Supermarkets	Tier 1 city	1
Hotel/restaurants	Tier 1 cities	4
Wine marketing communication	Tier 1 and Tier 2 cities	2

Additional quantitative data referenced in this report was collected in the following ways:

Vinitrac® China

- Vinitrac® data for this study was collected in November 2011
- Data was gathered via Wine Intelligence's Vinitrac® online survey of 1,011 Chinese imported wine drinkers, meeting the following requirements:
 - Upper middle class (personal income of at least 4,000 RMB per month)
 - 18-50 years old
 - Resident of Beijing, Guangzhou, Shanghai, Wuhan, Shenyang, Chengdu
 - Drink imported grape-based wine at least twice a year
- Invalid respondents (those who sped through the survey or gave inconsistent answers to selected questions) were removed before analysis
- The survey was quota-based and post-weighted to be representative of Chinese upper middle class imported wine drinkers in terms of age, gender and geography

IWSR

- Measures from the IWSR correspond to actual wine consumption figures. This represents sales into the trade (on + off premise)
- The IWSR visits each market each year. Discussions are held with key local experts in the market including importers, producers, grey market operators, duty free operators, and supermarket / hypermarket buyers.
- All volume data is given in thousand 9 Litre cases
- In the breakdown by country of origin, IWSR includes (depending on the market and the size of the category) the following two categories: 'Other' and 'International'
They are defined as followed:
 - 'Other': category including wine blends (normally in bulk or bottled without specified country of origin) and wines from other countries with volumes too small to break out separately
 - 'International': Category including wine brands that have wines from various countries

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