

Market Watch

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MARKET EXPERTS



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LANGUAGE MATTERS

Fruit flavours found in wine

Durian

The long and winding road

If you think you have got it all worked out, that every city you visit is more or less the same, if the preponderance of the same retailers, brands and seen-it-before architecture confront you every time you step off a plane, we have news. The vast, confusing, exciting and chaotic interior of China awaits you. Even a short visit to the cities, towns and fields that lie beyond the well-groomed downtowns of China's coastal cities can reveal the awesome scale of the country, and the unparalleled contrasts (some stunning, others shocking) that lie there.

For this 8th issue of Market Watch – a fortunate number in Chinese culture – we have tried to capture some of the challenges and contrasts that the Middle Kingdom offers. The most exciting market in world wine can be an alien and hostile environment at times, and yet can deliver great excitement and pleasure. When both feelings happen within minutes, as they can do in China, the result is as intoxicating as it is frustrating.



Richard Halstead, Chief Operating Officer

Cellar door in Shandong province, China

A Scottish castle might not be what you would expect to find in the Chinese countryside, but if you make the right turns off the main road between Yantai and Penglai in Shandong province, Northeastern China, you're in for a treat. Not only will the intrepid traveller be treated to a tasting of home-grown wines in Shandong province's very own Highland retreat, they can also tour the castle's state-of-the-art winemaking facility, or wander among the vines that the winemaker has planted to explore the ideal varietal for Shandong's soil and coastal climate.

There's more than enough in the area to keep the wine tourist busy. Just down the road, guests can sample the Chinese conglomerate COFCO's finest wines while sitting at a wine bar overlooking the winery, golf course and country club of Chateau Junding. Another short trip brings the traveller to the property where Lafite are building their first Chinese vineyard. The mass-market Chinese wine brand Changyu has its very own wine history museum in Yantai, and the countryside is dotted with Disney-inspired versions of French chateaus that are worth seeing for their novelty value alone.

Shandong province has long been known as one of China's wine-producing centres, but it's only in recent years that serious investment has begun to pour into building the infrastructure to turn Chinese wine tourism into a force to be reckoned with. For now, the wine tourism market still seems to be in its early stages. On a recent visit during a sunny weekend in June, there seemed to be more staff than visitors at many places, and in a country where popular tourist destinations tend to be filled with what the Chinese call "people

榴莲

liú lián



Wolfberry/Goji

枸杞

gǒu qǐ



Myrica rubra

杨梅

yáng méi



Hawthorn

山楂

shān zhā



mountain people sea” – or more simply, a sea of people – the vineyards of Northeastern Shandong make for a remarkably relaxing weekend trip from Beijing or Shanghai.

That may be set to change with the completion of a new airport in a few years’ time, and the arrival of big name wineries such as Lafite. Even then, the vineyards may prove more profitable as resorts and wedding destinations than as a way to show off the region’s wines. Nonetheless, giving China’s burgeoning middle class the chance to experience wine in a beautiful setting can’t hurt in helping to win over these important consumers to the world of wine.

Until then, Shandong’s unique take on cellar door is one worth seeing with your own eyes.



Changyu Wine Culture Museum, Yantai, Shandong province



Treaty Port Vineyard’s very own Scottish castle, Penglai, Shandong province



Plantings of Grenache Noir at Treaty Port Vineyards

Maria Troein, China Country Manager, Beijing, China

Star fruit

杨桃

yáng táo



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What direction do you think the Chinese wine market is headed? Share your thoughts on the future of the Chinese wine market by simply replying to this email. The sender of the most interesting response will win a Wine Intelligence Report of their choice.

Apply cultural insights to understand China

An outsider coming to learn about the European wine market would be foolish to simply run a few focus groups in Paris and then assume that the findings apply across the continent. Similarly, the researcher seeking to understand the Chinese market needs to understand that there is a huge amount of diversity within China – including cultural, economic, and culinary diversity – and research findings on the Chinese market need to be put in their proper cultural context. The sophisticated researcher not only realises that there are differences between the hugely varying consumer groups within China, but also tailors the research design and use of research methods to get the best insights for the specific question at hand. After several years of researching the Chinese market, I have three pieces of advice on how to apply cultural insights to understand Chinese consumers.

1. Think of China's regions as separate countries. At a minimum, this means a study that aims to understand the Chinese market overall needs some degree of representation from different parts of the country. But it also has implications for how you think about your research design. Will the study be conducted in Mandarin (China's national language) or in the local language? Wine consumers are typically comfortable in Mandarin, but for products looking to explore opportunities among less-educated consumers, other languages might be preferred. Are there typical behaviours for respondents in that region, such as being quieter or more talkative, which need to be accounted for when designing exercises or activities? For qualitative research, does your moderator have experience conducting groups or interviews in that region? These questions would be natural when conducting research in Europe, and thinking of China's regions as separate countries helps ensure that they don't get lost when researching China.
2. Treat empathy as the backbone of your project. Researchers always seek to understand, but when the culture is too foreign or the gap is too large, the danger is to categorise and describe rather than to truly understand. In the Chinese wine market, the features of the market that are distinct – such as the ganbei or “bottoms up” drinking culture – are important, but it is also important to understand the role wine has in the life of an average consumers, especially when looking past some of the specific customs that make the wine culture in China different. In some cases the truly meaningful behaviours aren't all that different from how a mainstream UK consumer, or a newly developing US consumer, think and feel about wine, and maintaining a strong sense of empathy throughout can help the researcher to understand the aspects of the relationship that are truly meaningful.
3. Visit China to see the differences with your own eyes. There is no substitute for walking the streets and (unfortunately) breathing the air. Your researcher should at a minimum speak Mandarin and have spent time in China, but to truly understand what the research findings mean and to build an intuition around who the people you're learning about truly are, a trip to China is invaluable. When this isn't possible, the researcher can help bring the findings to life by including a sense of the place and people when explaining the findings, using stories to help bring the characters in the research alive.

China is a complex but rewarding market to study. Not only does the diversity within the country require a sophisticated approach, the fast pace of change also pushes us to constantly review what we think we know. Those who invest the time to explore the market in all of its complexities, however, will find that what they learn is worth the effort.

Rui Su, Research Manager

A call to arms: revamping the Chinese supermarket wine aisle

How many people does it take to buy a bottle of wine in a Chinese supermarket? More than you might think, at least if the staff-to-customer ratio during a recent set of store visits in Beijing is anything to go by.

Picking up a bottle of wine in the local Walmart, or Carrefour, or BHG or Lotus supermarket in Beijing can be a daunting experience. The wines are not necessarily placed in any apparent order on shelf, and certainly not in clearly labelled groups of country of origin or varietal. Many wines are missing a shelf tag, which has important information like price and Chinese brand name. Shoppers walking into the aisle look bewildered, and as soon as the customer enters the aisle, one of the several shop assistants milling in the aisle typically swoops in and tries to lead the sale.

This might be a workable system – a wine aisle that’s challenging to navigate on your own, but accessible when a dedicated member of staff helps you choose and find the wine that’s right for you – if only consumers placed more faith in these shop assistants. Our data shows that this is typically not the case, and supermarket shop staff tend to be one of the least trusted sources of information on wine. In my own experience, the guidance from shop assistants has actually discouraged me from making a purchase, as I suspected that I was being directed to the wines that the shop had decided to push (at least one was a wine directly imported by the store itself), and doubted that the shop assistant had tried any of the wines and would have useful advice on which style matched what I was looking for.



In this context, it’s easy to understand why online sales are booming. Consumers can browse the wine selection in the comfort and privacy of their own home, they can compare prices across stores and read comments left by other consumers, and they can choose the wine they want without being pressured in the wrong direction by a shop assistant eager to push the sale. Independent wine shops with truly skilled staff are also able to take advantage of the generally low service standards to offer a service that truly does help the (usually more involved) consumer find the right wine for them – often resulting in a small but truly loyal consumer base.

However, both online and independent wine shops require extra effort from the customer to seek them out, and supermarkets remain the top channel for wine in the off-trade. While some consumers care enough about their wine choice – or about getting the best deal – to explore their options, for many the convenience of the supermarket trumps all else. From the perspective of the individual branches, placing the bottles as they sit fit on the shelf and keeping shoppers dependent on shop staff help creates services (shelf placement, staff recommendations) that can be sold to distributors, and consumer lack of knowledge and desire for an easy choice can prove very profitable.

In the long term, however, this type of strategy will alienate shoppers. The more important wine becomes, the more the quality of the wine aisle will contribute in shaping the shopper’s overall impression of the store. In China’s densely populated cities, the competitor is often just down the road. Simple changes to the wine aisle, such as more clear and helpful grouping and ordering of wine – borrowing best practices from more mature markets such as the UK – would make a huge difference in making the wine purchase more accessible. Now is the time for supermarkets to revamp their wine aisles and empower shoppers to find the wine they want – without depending on an army of poorly trained shop staff.