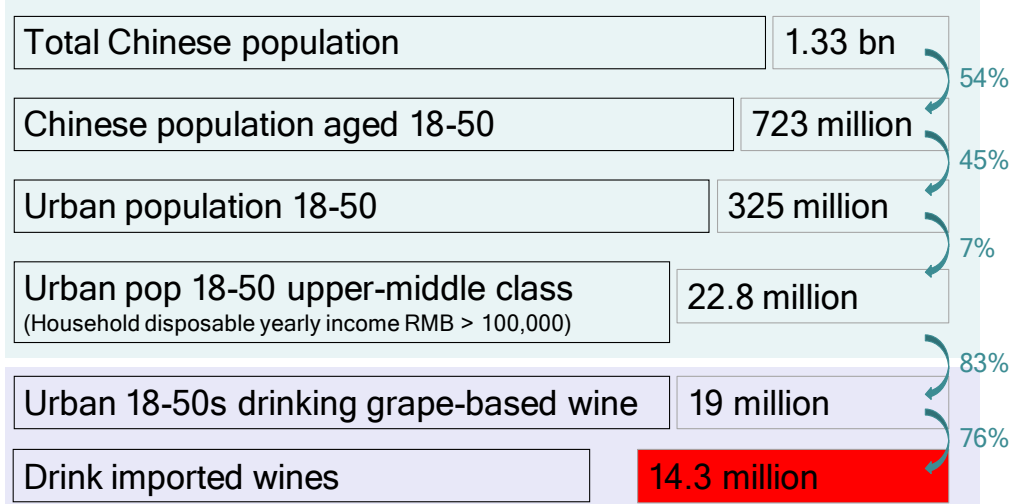


## The Chinese wine market *The great red hope?*

### China: what's the actual market size - the Wine Intelligence model

- China is a populous country of 1.33 bn
- ...but how many are relevant to imported wines?



Source:      = The CIA World Factbook 2009, The United Nations Revision Population Database 2007, McKinsey Global Institute 2006  
     = Wine Intelligence calibration survey, Nov 2009, n=999, all adults, Beijing, Shanghai, Guangzhou, Wuhan

- In 2010, targeting Chinese wine consumers means:
  - Targeting 23 million adults who can afford to buy imported wines
  - Targeting 14.3 million adults actually drinking imported wines

### However, a forward looking approach provides another picture

- A fast growing economy:
  - The economics: +8.2% GDP growth in 2009
  - Middle-upper class is expected to reach 80 million adults in 2025
- A strong openness to Western countries products, culture & lifestyles
  - These aspirations extend to the wine category:

We in China are embracing the western culture more and more, and wine is a part of that culture

*Male, Frequent imported wine drinker*

Wine is about atmosphere, sophistication. . .not like Chinese liquor which is for people who can drink lots of alcohol

*Female, occasional imported wine drinker*

Source: Wine Intelligence, focus groups with upper-middle class urban consumers of imported wine, Shanghai, Dec 2009

## The Chinese wine market

*The great red hope?*

### Why do Chinese consumers drink wine?

#### Rational factors

Taste preference  
Perceived health consequences  
Enhances food

#### Emotional factors

Show respect  
Romantic/sophisticated atmosphere  
Show sophistication  
Convey good luck

- Imported wines are primarily differentiated from domestic wines on:
  - Perceived quality
  - Respect in a business context
  - Sophistication

*Source: Wine Intelligence, focus groups with upper-middle class urban consumers of imported wine, Shanghai, Dec 2009*

### How do they choose wine?

#### What motivates them to buy a wine?

##### Important choice cues when buying wine in the middle and high price brackets (in rank order of importance)

- 1<sup>st</sup> Provenance
- 2<sup>nd</sup> Word-of-mouth
- 3<sup>rd</sup> Information on the back label
- 4<sup>th</sup> Quality indicators
- 5<sup>th</sup> Traditional looking packaging

*Source: Wine Intelligence, Vinitrac® China, Dec '09, n=1,028 urban upper-middle class wine drinkers*

#### What deters them to buy an imported wine?

##### Main barriers to buy imported wine

- When it is too expensive
- When they are not familiar with the wine
- When it is written in a foreign language

*Source: Wine Intelligence, focus groups with upper-middle class urban consumers of imported wine, Shanghai, Dec 2009*

### Some summary points...

- The market is still quite small but shows strong growth opportunities
- Wine benefits from a positive perception vs other alcoholic beverages
- Imported wines sales growth benefits from two major trends:
  - Openness to Western culture, lifestyles and products
  - Quality perceptions
- However, several barriers will have to be overcome when building a strategy for penetrating this market (the price, the language, the unfamiliarity with the wine category etc.)



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