

Are you feeling **LUCKY?**

Wine Intelligence's latest consumer research in China has some encouraging news for Australian exporters hoping for success in this explosive marketplace

Any Australian wine exporter who hasn't got China somewhere near the middle of their radar screen really needs to rethink their priorities. The Chinese middle class is expanding so quickly that it may soon be visible from space, and its thirst for imported wine is growing so explosively that some of the more bullish elements of the wine trade are suggesting it could bring about the end of the global oversupply.

Or so the story goes. The truth, as always, is a little more complex than the hype. Behind the tales of newly-wealthy citizens of Beijing, Shanghai and Guangzhou knocking back bottles of Lafite mixed with Coca Cola (among other oft-repeated 'facts' about wine in China that tend not to stand up to scrutiny), lies a much more interesting story. Yes, the Chinese are mad for France in general and Bordeaux in particular at this moment. Yes, it's fair to say that doing business in the Chinese wine market at the moment has parallels with the gold rushes of the 19th century – few fortunes, many broken dreams.

However here's three predictions that should get the heart beating faster: over the next 15 years the population of Chinese consumers able to afford wine will increase threefold to around 80 million; wine will become much more important to their drinking habits as it starts to establish itself as an appropriate drink for more casual occasions; and once this happens, Chinese consumers will opt for a style of wine that suits their palate – and that wine is likely to be Australian, not French.

France is, unquestionably, the leading player in the imported wine market. But research among upper and middle class Chinese wine drinkers, carried out in July by Wine Intelligence, shows that 37% had

drunk Australian wine within the preceding six months. When the same question was asked in December 2009, the proportion was 28%, behind Italy. Scaling that statistic up to the current upper middle class wine drinking population (about 14 million consumers), it means that in the first six months of this year, more than 1.2 million Chinese tried Australian wine for the first time.

Jenny Li, Wine Intelligence's China market analyst, detects some positive momentum for Australian wine. "The impression I've got from our research so far is Chinese people really like the taste of Australian wine when they get to drink it," she says. "It's very easy to drink and very approachable. The Chinese buy Bordeaux wine as a gift or for a business lunch, maybe for showing off, but they will buy Australian wine to drink at home with family and friends."

General awareness of Australian wine in China is also high, at 60% of the wine-drinking population – a little behind Italy but comfortably ahead of the likes of California, Chile and Spain. Interestingly, the Chinese have an even more favourable impression of Australia the country, with 70% of those questioned in the Wine Intelligence survey reporting 'positive' or 'very positive' feelings.

"People who drink wine in China are the middle and upper classes. The fact they drink wine already shows they're more open to Western culture and

Western products," Li says. "Maybe you need to customise and localise marketing a bit but there are no obvious taboos."

Chinese consumers are under the firm impression that wine is a healthy beverage: not a claim that is ever likely to appear in Western advertising but which can come into play in Chinese marketing.

Li says that small or medium sized producers from Australia may struggle to be picked up by the five national distributors, which already have well-organised portfolios and are in no desperate need to bring in new brands. Instead, she recommends dealing with locally-based distributors which operate in the country's second-tier cities.

The AWBC has programs in place to help novice exporters find their way in China and Li stresses this needs to be backed up by an energetic, proactive approach from the suppliers themselves. In particular, Li advises exporters to "do their homework" before selecting a prospective partner: what is the company's on- and off-trade split? What other wines do they sell? What kind of volumes do they handle?

"Basically you have to be very involved," she says. "I think some



exploratory research is crucial.

Distributors expect suppliers to share the AMP (advertising, marketing and PR) with them, half and half. They also expect the wine supplier to come to China regularly and to talk to trade people."

Li advises Australian suppliers to be wary of consultants, fixers and middlemen who offer to hold the hands of newbie exporters, and also to get to grips with the huge cultural differences that exist, not only between Australia and China but within China itself.

For example, any supplier hoping for an off-trade listing needs to factor in an 'entry fee' which may or may not feature on the official version of the accounts. "They wouldn't call it bribery," Li says.

She adds: "When you talk about food matching, the pairing of Chinese food and Western wine is totally different." This presents particular challenges for those dealing with restaurants: the Chinese tend to eat many courses at once, served in a random order, making it nigh impossible to make meaningful

suggestions about "the right wine".

Another consideration is superstition. China's lucky colour is red, so it should be no great surprise that something like 94% of imported wine is red. Numbers are also important. "In the off-trade people always sell wine in double bottles, in very nice packaging," says Li. "We give gifts in even numbers, not odd numbers. Odd numbers are perceived as very unlucky."

Will Australia's luck run out in China? Not any time soon, judging by the consumer research and the latest sales figures. Li does not expect to see the Aussies conquering the high-end wine boutiques or auction houses of Hong Kong in the near future, but as a popular choice on the mainland, Australian wine is already several steps ahead of its international rivals.

THE SIZE OF THE PRIZE

Wine Intelligence's research in China has focused on four major cities: Beijing, Guangzhou, Shanghai and Wuhan. There are important differences between them: what people drink, where they buy it, what sort of income they're on and how knowledgeable they are. China is certainly a market experiencing explosive growth but it's already the eighth largest wine consuming nation on the planet. IWSR research measures it

at 72 million cases, ahead of Russia and Australia and not too far behind Spain. Sales are increasing by almost 19% a year. Wine Intelligence calculates that 23 million Chinese can afford to drink wine on a regular basis, a figure which is projected to rise to 34 million by 2015 and 80 million by 2025 as the urban middle class increases in size and Western drinking habits become more entrenched.




We do the lot



Principal Business
Partner of the
14th Australian Wine
Industry Technical
Conference



AMCOR



SPK



Guala Closures Australia

Call Jo Baker, Kirstie Morgan or Lisa Ashby on 08 8561 0600 or email vinpacpackaging@vinpac.com.au