# Playing the long game in China: How the Chinese lexicon can support market development

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In the September-October 2014 issue of this journal, key findings from the Australian Grape and Wine Authority (AGWA) funded Chinese lexicon project were presented. For detailed reporting on this and other China-focussed research, visit the AGWA website, http://research.agwa.net.au. This article will position these research outcomes within a broader portfolio of our research insights on both short and long-term marketing planning. Our industry can use these results to develop a sustainable competitive advantage in the China wine market.

Some of you would have attended the Wine Industry Outlook conference held in October. Some speakers and attendees commented on the pessimism of the industry. This article is not really a pep talk, but focusses on the opportunity in China as one part of success in the global market.

In order to succeed in China, we must have a long-term vision rather than just a focus on short-term success. This is easy to say, but hard to do. In business, all decisions are tempered by the real fear of negative cashflow. A market must be crafted that can generate sustained volume and value growth, not just for the next quarter or even next year, but for decades to come.

Australia is already doing reasonably well in China. There are many wine businesses pounding the pavement across China spreading the message about Australian wine. More hard work is required. However, we have the opportunity to not just work harder, but work smarter. AGWA supports numerous China-focussed initiatives that generate market intelligence that can help.

If you require insights to frame immediate marketing action then please refer to the China Wine Barometer (via the AGWA website). This project is ongoing and provides regular updates on the awareness and image of Australia and its key competitors in China, as well as the 'state of play' in the major retail channels. This is where route to market decisions can be derived at a winery level and where the industry should look to understand how to optimise Brand Australia growth through brand image data. In addition, the Chinese lexicon project has made a contribution by increasing our understanding of Chinese preferences for wine styles. We didn't only validate the lexicon used to describe the wines, but also measured Chinese wine drinkers' likability, willingness to pay, perceived price point and most suitable consumption occasion for our key wine styles. This can help producers across Australia immediately assess whether their products are currently suitable and profitable for export to China.

**The Chinese lexicon project validated the terms Chinese wine consumers use to describe wines and measured consumers' likability, willingness to pay, perceived price point and most suitable consumption occasion for our key wine styles, enabling producers across Australia to assess whether their products are currently suitable and profitable for export to China. Photo: Wine Australia**

This research is ground breaking due to the use of consumers rather than an expert panel to develop terms and descriptions. Our lexicon research demonstrates that current Chinese wine drinkers slightly favour Western descriptors both in laboratory and applied settings. This can be explained by the fact that Western descriptors are the dominant tool used in education and communication with those selling and consuming wine today. Almost all consumer research in China is conducted on current users of the category, with only a few studies investigating non-drinkers of wine. It is quite possible that those alcohol consumers who do not drink grape wine will have virtually no knowledge of the category and very little acclimation to Western culture, food or other products.

Australia has the opportunity to educate and communicate with this much larger cohort of potential wine buyers in a more culturally suited manner. This could be a key factor in developing a sustainable competitive advantage for Australia in China.

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The missing link between Australia and the development of the China market are the Chinese, who are working in a direct sales capacity. Our research indicates that Chinese wine drinkers hold little regard for the recommendations by sales staff in a retail environment or service staff in an on-premise setting. This could be partially attributed to a genuine lack of wine knowledge. We have spoken with many retailers, distributors and Australian wineries with a presence in China and this issue is pervasive. Perhaps we can support those who do business on our behalf in China to better serve potential Australian wine buyers through increasing their wine education and training. The Chinese lexicon has a role in improving the wine knowledge of Chinese direct sellers.

The Chinese lexicon project provides knowledge that can help us play the long game in supporting market development. Much of the wine business marketing activity in China is at the wrong end of the spectrum. We plan wine dinners, galas and tasting events; launch promotions through bricks and mortar and online retailers; and engage buyers through Chinese social media. All of this is good, but it tends to be directed at consumers of the category and these tend to skew towards being heavy users already. Much of our effort is focussed on passionate consumers who we have already hooked. The long game should see us focus on growing penetration to other alcohol drinkers. The path to market growth is through increasing the number of buyers (penetration). The Ehrenberg-Bass Institute for Marketing Science is supported by more than 90 of the top consumer product companies in the world (including Procter & Gamble, Unilever, Kraft, Mars, CNN, Coca-Cola, Lion Nathan, Carlton United Brewery, to name a few) with penetration as a starting point for brand growth.

As an industry we must work together to increase our pool of potential buyers. China is doing its part with an economy that has supported the development of a rapidly growing middle class. It is the job of Australia to find ways to engage these potential customers, educate them about wine in general and Australian wine in particular. We can communicate with them in a way that best encodes the image and value proposition of the Australian category, so that we are top of mind as this cohort develops an interest in wine.

Australia needs a measured, rational and steady approach both at the individual producer level and more strategically at the industry level. In many ways, marketing is much like viticulture. Vines take years to mature. A viticulturist must cultivate and maintain the health of young vines to grow a mature long-term producing vineyard. A marketer cannot build brand equity, construct or shift brand image nor improve mental availability overnight. This takes a long-term focus.

One problem for business is that most decisions are made and performance pegged on short-term goals. It is important to grasp that the evolution of the China wine market will not happen overnight. What we see now is just the start of a long-term trend towards wine consumption. Australia has the opportunity to change the game in China in terms of wine education and communication. Through a concerted and team effort, we might be able to train the distribution, services and retail industries in China in order to facilitate our route to market. By better supporting them, we can better support our current Chinese wine consuming cohort and engage Chinese non-wine drinkers. Australia will reap what it sows. We need to play the long game by investing in education of the trade to use more Chinese based terms and descriptors. We believe this activity will grow the category over time to include new wine drinkers. What we are recommending is similar to what the French have done in the high-end trade; but we should target the much bigger growing middle class through industry education using a Chinese focussed context. WVJ