Forget special occasions, it is time to relax in China

By Dr Justin Cohen, Dr Armando Maria Corsi and Professor Larry Lockshin
Ehrenberg-Bass Institute for Marketing Science, School of Marketing, University of South Australia

Having an effective strategy for the Chinese market is top of mind for most wine producers and merchants not just in Australia, but globally. The Australian Grape and Wine Authority (formerly known as the Grape and Wine Research and Development Corporation) is conducting outreach with its China Insight's program and we have been asked to deliver seminars, webinars and teleconferences to discuss our research. For more information on how to attend or to access the full reports, please contact AGWA.

AGWA, under its former GWRDC title, has generously supported the China Wine Barometer (CWB) since 2013. This tracking program conducted by the Ehrenberg-Bass Institute for Marketing Science (EBI) identifies the attitudes, perceptions and buying behaviour of Chinese wine drinkers. The data collection occurs biannually across a range of Tier 1 and Tier 2 cities in China. The topic of this article is derived from the analysis of the Wave 2 data (n=966), which focusses on the off-premise sector. The January/February 2014 edition of this journal presented results from Wave 1, which focussed on the on-premise sector.

The Wave 2 data continues to tell the same story as Wave 1. France (98% awareness) and Bordeaux (83%) are dominant and known by virtually all wine drinkers in China. Australia is only known by about 75% of the wine drinking population, while Barossa Valley is known by slightly less than 50% of Chinese wine drinkers. Cabernet Sauvignon is the most well-known grape variety (82%), while Shiraz is still only known by one-third of the population. The majority (50%) of wines are purchased at less than RMB 200 (about A$35) per bottle in the off-premise sector, but there is a small space (9%) for more expensive (more than RMB 500) wines.

These results are encouraging. We are holding position in the Chinese market, which has experienced some recent volatility. Government anticorruption campaigns are taking its toll on gift giving and public displays of hedonistic behaviour. This is an opportunity for Australia. The topic of this article is how to reframe our thoughts on wine retail in China, so that Australia can be as competitive as possible.

When exporting wine to China for the purpose of retail, the formats that exist in this channel are broad and much more complex than in Australia. Figure 1 demonstrates the penetration levels of the various retail channels across wine shoppers.

The leading wine retail channels are hypermarkets, specialty wine stores and online wine retailers, however, wine shopping penetration is above 50% for all but one channel. These results demonstrate the formats where one can reach the biggest volume of shoppers, but, given the difficulties the majority of producers have in entering hypermarkets or supermarkets, it is interesting to note that there are other attractive opportunities worth exploring. For example, wineries can establish relationships through their distributor with the myriad of local wine shops, which are now widely present in Tier 1 cities, and also growing in Tier 2 cities. The relationship with these stores must be nurtured in order to make sure the wines are properly marketed to shoppers.

Another opportunity worth exploring is online wine sales. The latest figures on the online market in China show that e-commerce increased by more than 70% in the past five years, with total transactions breaking US$200 billion in 2012. The sales volume of wine grew from US$15 million in 2010 to US$56 million in 2012. Some of the biggest online wine retailers declare an average of

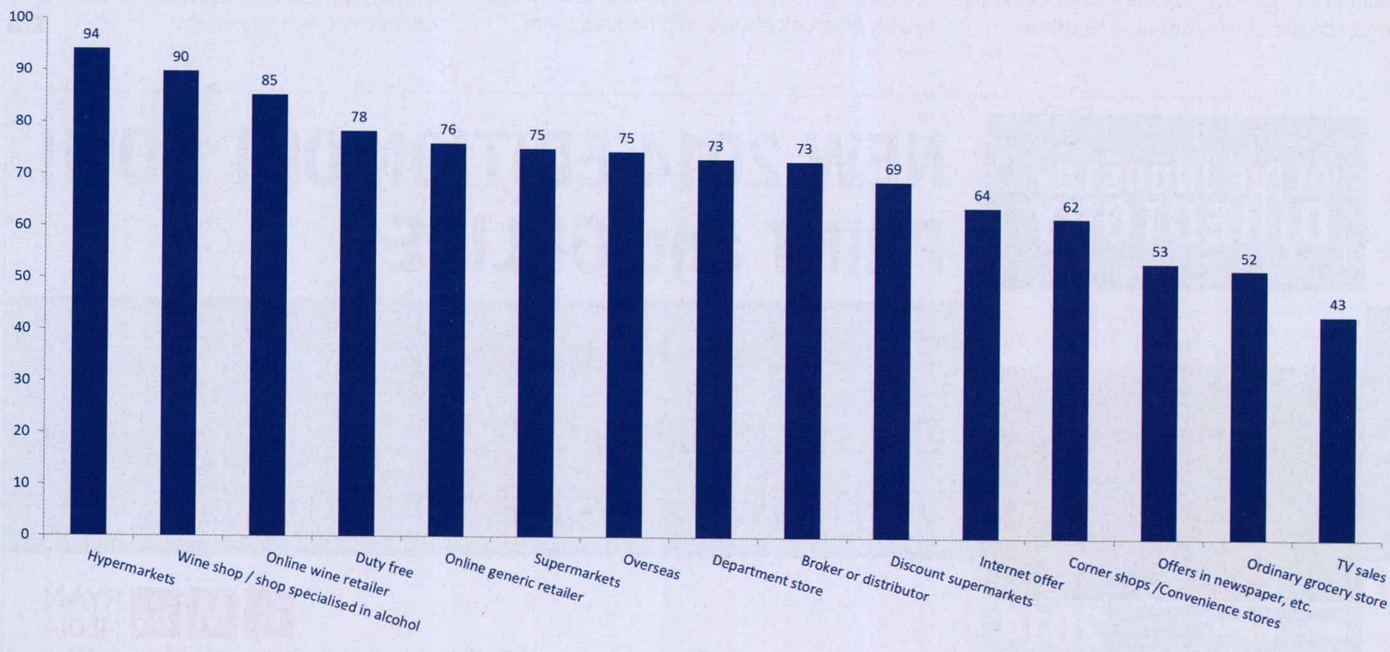

Figure 1. Retail channel penetration in China.

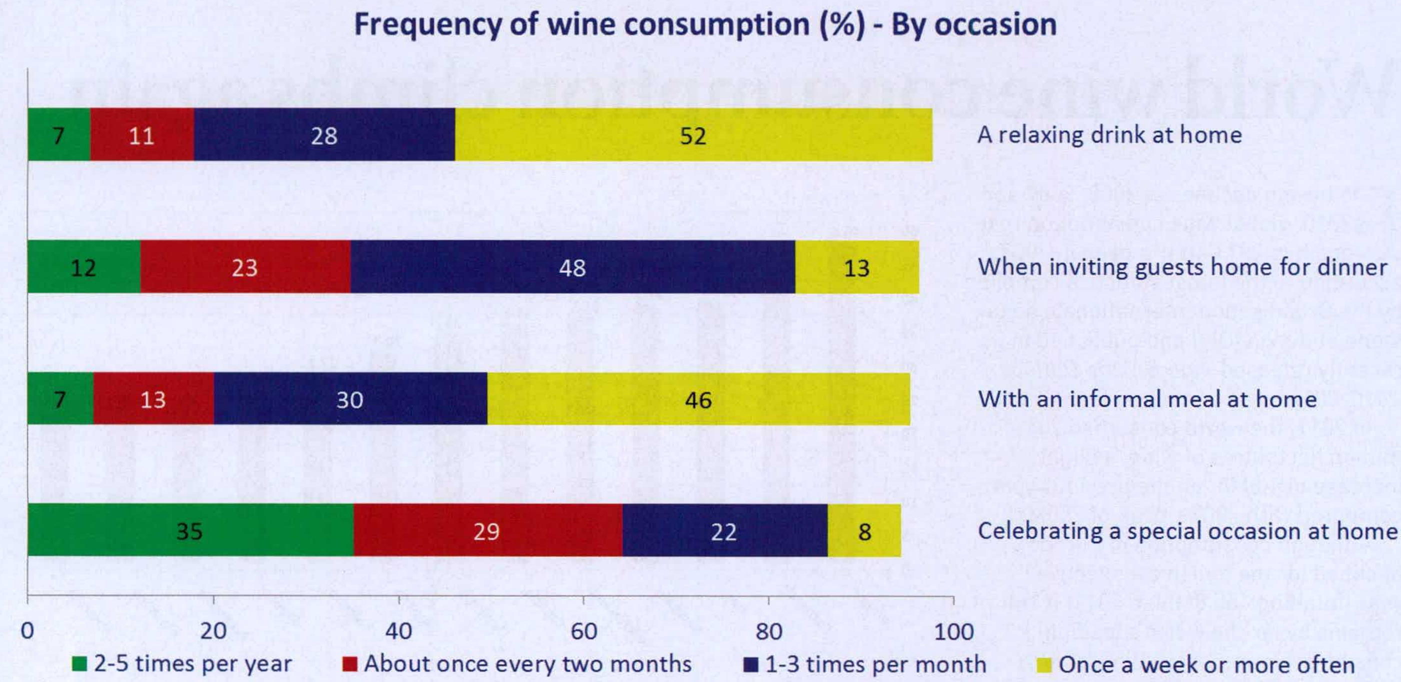

Figure 2. Frequency of wine consumption.

12,000-15,000 bottles of wine sold per day, with peaks of 500,000 bottles of wine sold for example, on 11 November (Singles' Day) and 130,000 bottles of wine sold during the Chinese New Year period. Maybe not the panacea for all wine exporting issues in China, but certainly something worth exploring. For more detailed information on the perceptions of individual brick and mortar and online wine retailers in China, the Wave 2 report of the CWB can be accessed via AGWA.

Focussing more on strategy, a key issue that has been raised is how Australia competes with the premium position of France. A previous article presented evidence of how France is dominant in the China market in terms of mental availability. But there is still an underlying question that remains. Does Australia want to be perceived as a premium or commercial producer? Our research has shown that France has a strong premium position, whilst China, for example, is perceived as a commercial producer. Chinese wine drinkers place Australia in the middle. Or a different way to interpret this is that Chinese wine drinkers are confused about what Australia stands for.

There is great outreach being conducted by AGWA (formerly known as Wine Australia) in China through its A+ wine program. There are also many Australian wineries and businesses working to develop this. This strategy is commendable. It is important to raise awareness and increase the value of our wines in the eyes of consumers. However, recent insights from the CWB Wave 2 indicate that engagement strategies could be more effective if framed differently. Figure 2 shows the frequency of consumption occasions in China.

Weekly consumption of wine is much more prevalent for 'a relaxing drink at home' or 'with an informal meal'. Sure there is a market for hosting dinners and special occasions, but it is possible that fixating on developing our premium position to compete with France could limit potential category entry points for Australian wine. Australia is a great country with a high standard of living. Its people are known for their relaxed lifestyle. Other research conducted by the Ehrenberg-Bass Institute for Marketing Science has demonstrated the connection between country image and wine image. Focussing on a strategy for Brand Australia around relaxing and informal consumption occasions could create congruent memory structures that are easier to imprint on memory and retrieve in purchase situations.

In conclusion, there are many channels available to sell our wines to consumers in China. As the market evolves, there is evidence that wine consumption is no longer just an on-premise phenomenon. Shoppers are buying wines to consume at home. A source of competitive advantage for Australia could be to engage consumers with the most effective message linked with the highest frequency of consumption. There may be cause for some brands to stop battling to be at the apex of luxury and, rather, focus on being physically and mentally available to Chinese wine drinkers based on the most frequent drinking occasions. Australia produces quality, value-for-money wine. Let's tell the Chinese this and show them how suitable it is for their frequent consumption occasions. WVJ