
The China Wine Barometer (CWB): a look into the future

INTERIM REPORT to

GRAPE AND WINE RESEARCH & DEVELOPMENT CORPORATION

Project Number: **USA-1202**

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Executive summary

1. In terms of awareness, red wine and beer dominate, but Champagne, white wine and whisky follow closely.
2. The main motivations to consume wine are its health and relaxation benefits and its ability to assist in the creation of a friendly atmosphere.
3. Imported wine is stated to be consumed at least once per month by roughly 2/3 sampled.
4. The quintessential bottle of wine in the mind of Chinese consumers is a French, Bordeaux, Cabernet Sauvignon sold at less than \$AUD 40.
5. Awareness of red wine is highest amongst wine types, with France generally the leader, but there is indication that Australia is gaining ground in Tier 2 cities.

Executive summary (cont.)

6. Whilst Chinese consumers have a defined set of associations of French and Chinese wine, they have not yet developed strong associations for Australian wines or the Barossa Valley, Australia's most salient region.
7. France and Italy stand out as fine wine producers with China perceived as a predominant commercial producer. There is not a clear perception how to categorise Australian or the other major producers in this context.
8. Imported wines are more often consumed in restaurants.
9. Previous tastings, recommendations by peers and food-matching suggestions are key choice drivers of wine in the on-premise sector.
10. The majority of wines are purchased at less than 250 RMB (~ AUD 40) in an on-premise venue, but Chinese consumers dramatically increase their spend to over AUD 100 during a business dinner or formal meal/celebration.

Research Overview

This research

This report presents the findings of the first wave of the GWRDC funded project “**The China Wine Barometer (CWB): A look into the future**”.

This research extends and compares Wine Intelligence’s **Vinitrac**® for China with a survey developed by the Ehrenberg Bass Institute for Marketing Science to track the preferences, purchases, and usage occasions of Chinese wine consumers in a range of first and second tier cities twice a year over a three year period.

This wave of the **CWB** focuses on the awareness, attitudes and perceptions Chinese consumers have about wine and their specific attitudes and behaviours in the on-premise sector. The data was collected for both **Vinitrac**® and the **CWB** in March-April 2013.

Who we surveyed (n=913)

The sample obtained is socio-demographically representative in terms of age, gender and income of the upper-middle class urban population aged 18-49 living in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, and Wuhan who drink imported wine at least twice a year.

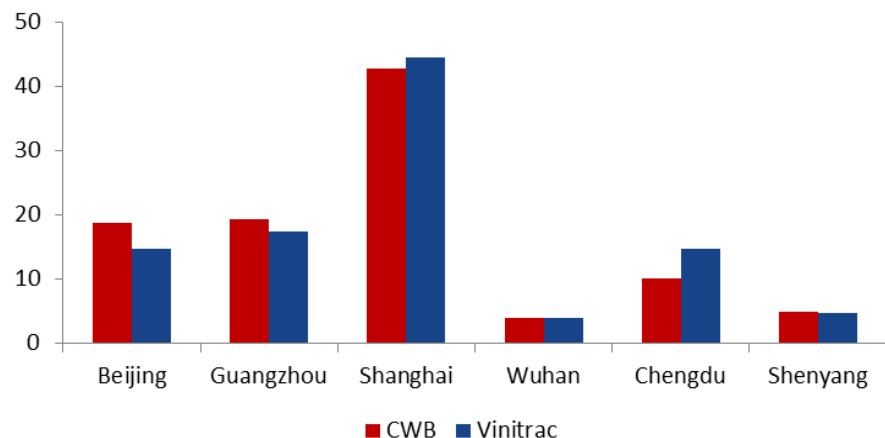
The respondents are characterised as follows:

- **Cities:** 43% Shanghai, 20% Beijing, 20% Guangzhou
- **Gender:** Male 60% – Female 40%
- **Age:** 65% are 30-44
- **Income:** 45% > RMB 10,000 (AUD 1500) a month; 80% > RMB 6,000 (AUD 1000) a month
- **Academic degree & English Speaking:** 80%

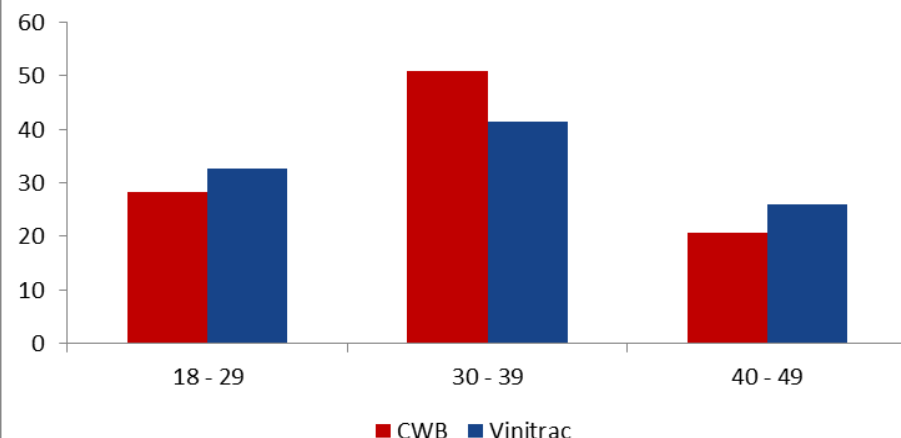
Comparable sample with Vinitrac®



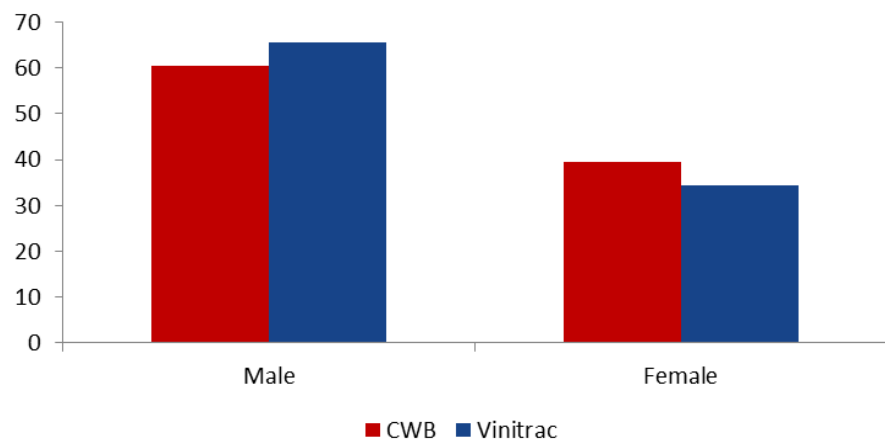
City (%)



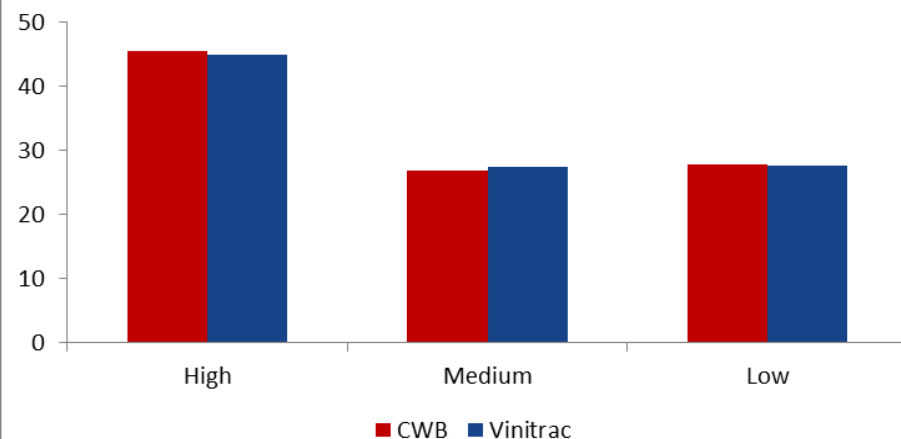
Age (%)



Gender (%)



Income (%)



Reporting approach

The first section of the results presents the awareness and attitudes Chinese consumers have about wine in general. The second and third sections of the results expose Chinese perceptions of country and region of origin. The fourth section addresses the perceptions of commercial and fine wine in China in the context of country of origin. The final section of the results presents the attitudes and behaviours Chinese consumers have about wine in the on-premise sector.

Reporting is based on conventional market research techniques and similar methods utilised in **Vinitrac**[®]. However, two methods, **Pick-Any** and **Best-Worst Scaling**, that have the potential to add further insight and are part of the Ehrenberg-Bass Institute tool kit, are applied and described in further detail in the following slides.

Pick-Any method



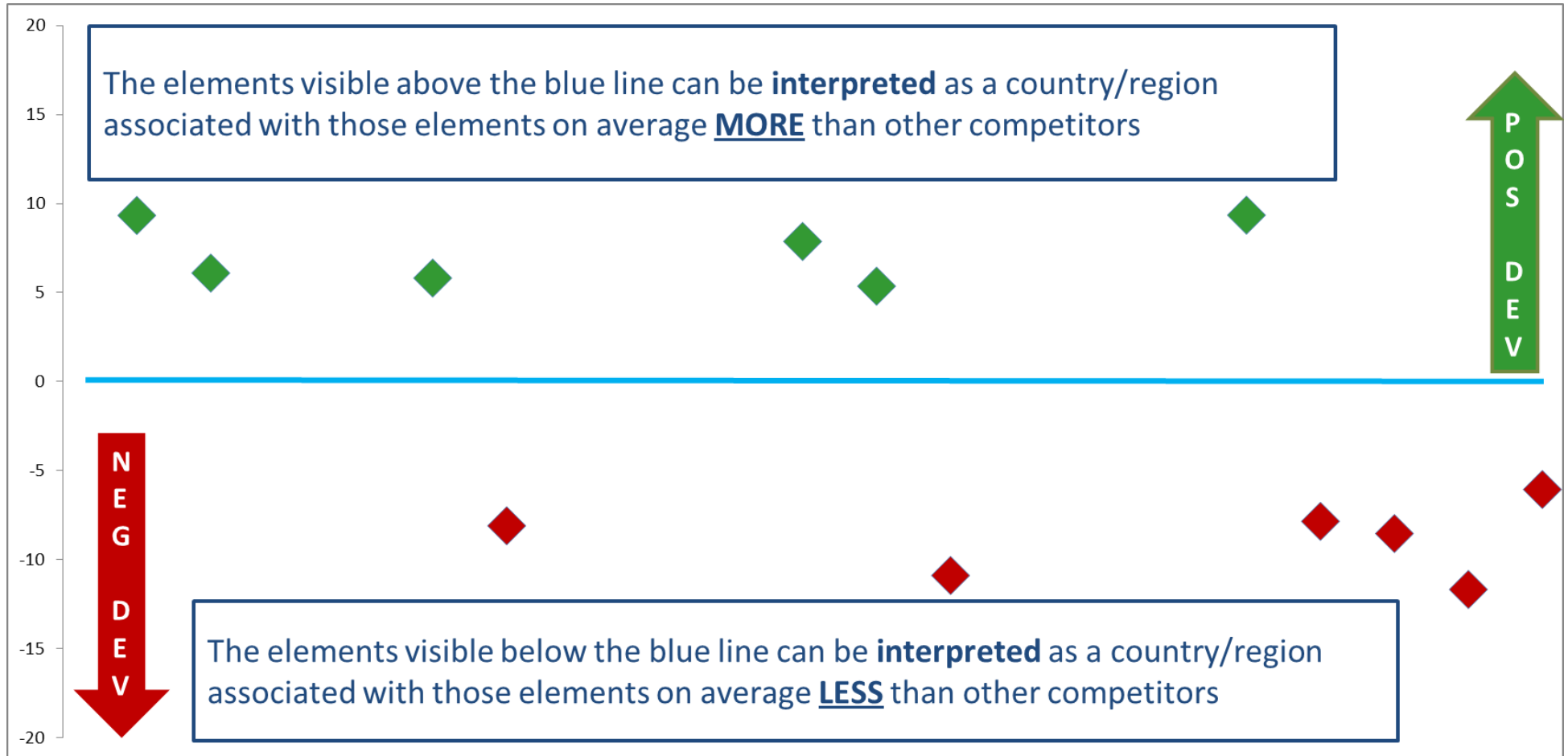
A pick-any method measures the perceptions consumers have about different brands, countries, regions etc. in relation to different product dimensions. The method consists of showing respondents a list of items for each of the dimensions researchers want to investigate. Respondents can rate as follows:

- For each dimension, respondents are asked to indicate which, if any, country (region) they would associate with each attribute.
- Respondents can select as many attributes as they want and link the same attribute to more than one country (region).

Deviations from the average numbers of ticks are calculated.

- A positive score on an item means that a country/region is perceived to be associated with that item on average MORE than other competitors.
- A negative score on an item means that a country/region is perceived to be associated with that item on average LESS than other competitors.

Interpretation of *pick-any* data



Best-Worst scaling

Best-Worst Scaling is a choice-based approach for measuring relative attribute importance. Respondents are asked to select the most-important (best) item and the least-important (worst) item from sets of three or more items.

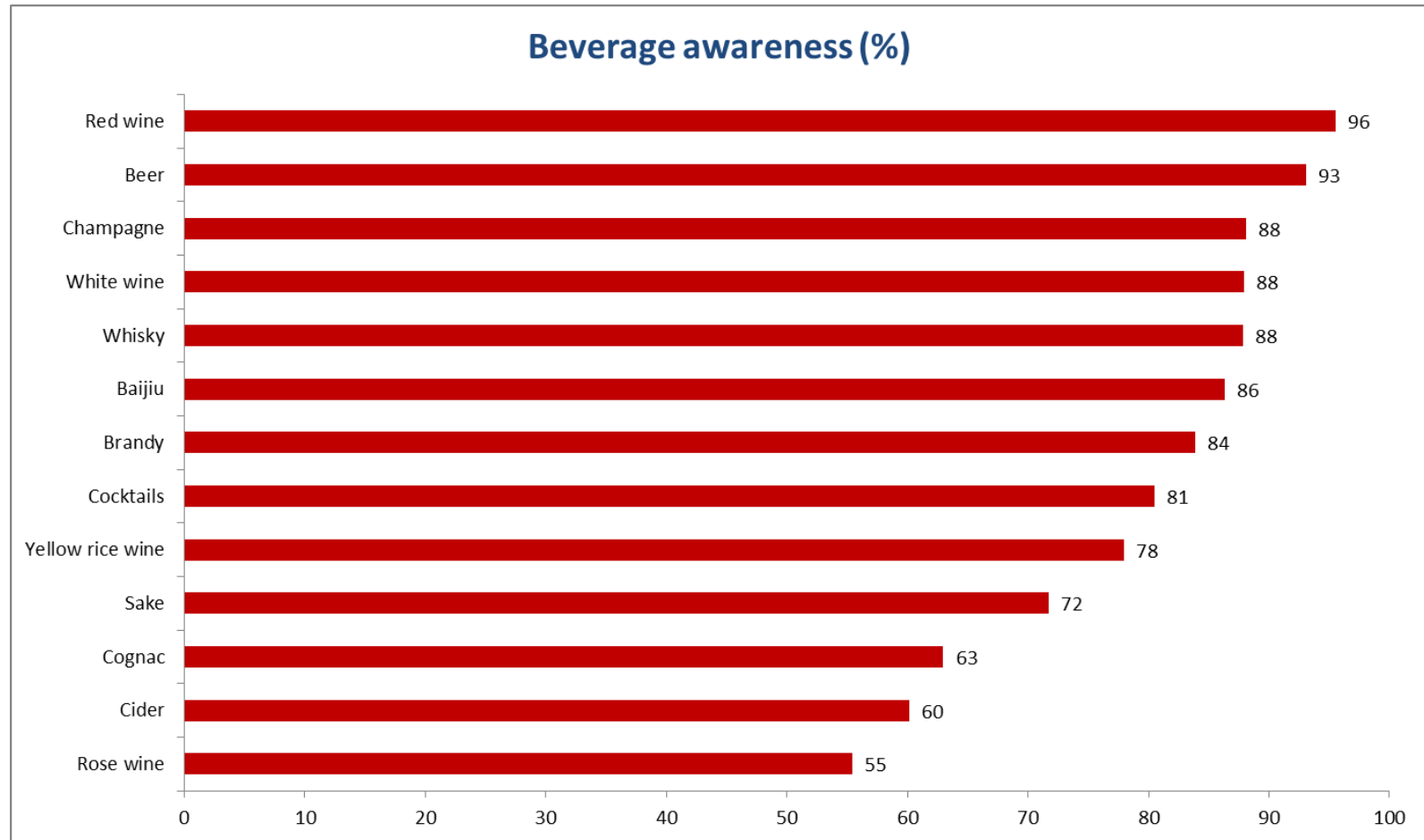
The method is a break-through in market research because it uniquely produces a ratio-level scale of consumer preference as well as overcoming some of the response bias and discrimination problems that plague traditional techniques.

The most important element takes on a value of 100, and all less important attributes are a ratio relative to the most important attribute. This indexed display allows for ease of comparison, e.g., an item rated 75 is 75% as likely to be rated most important, than an item at 100. This method provides a more realistic overview of the tradeoffs consumers make in a decision-making process.

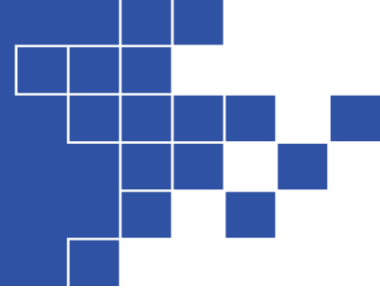
Results

Awareness and attitudes

Red wine and beer lead, but Champagne, white wine and whisky follow closely



Wine drinking motivations



Methodological Explanation

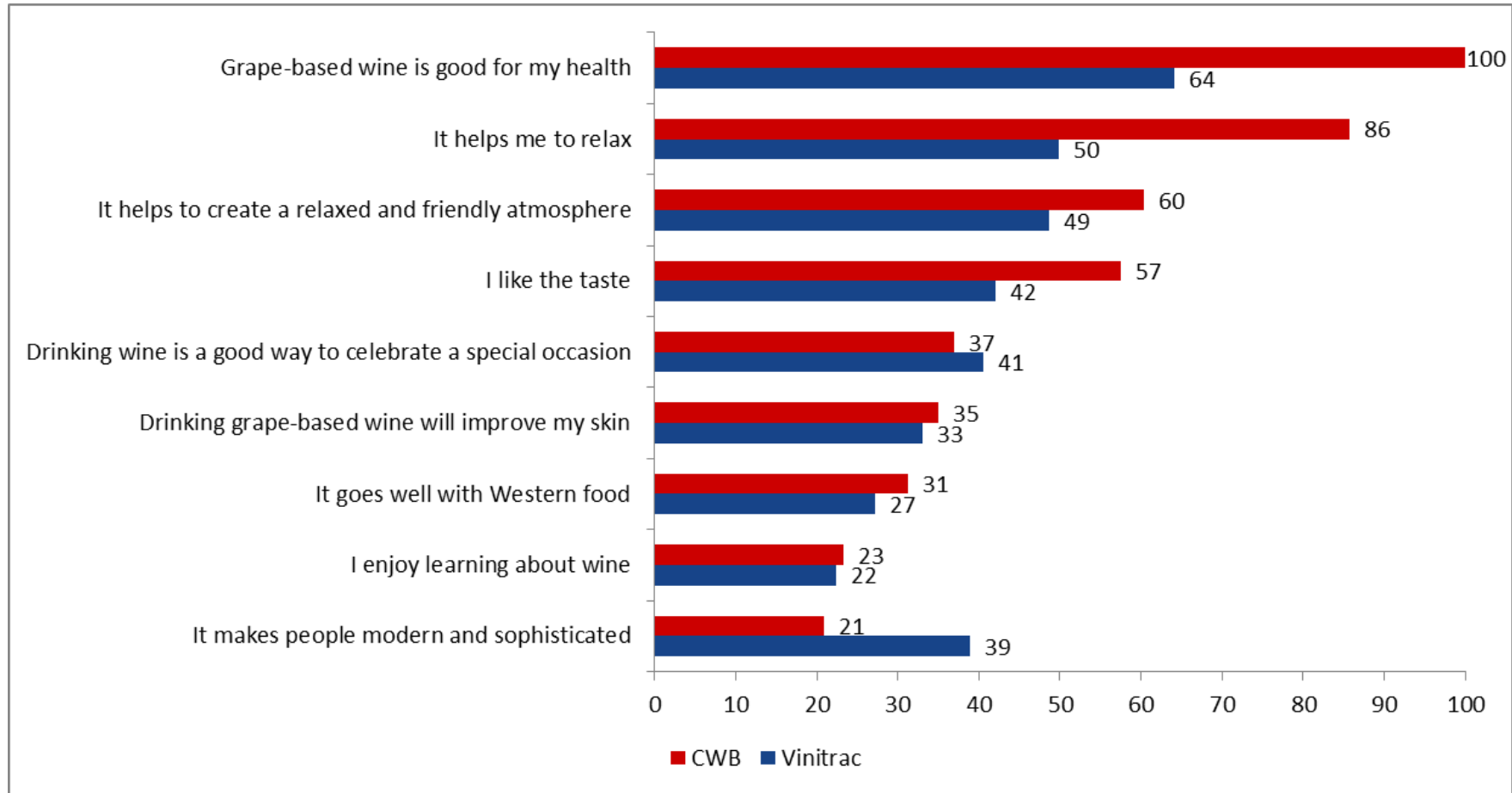
China Wine Barometer

Using Best-Worst, the most important element takes on a value of 100, and all less important attributes are a ratio relative to the most important attribute

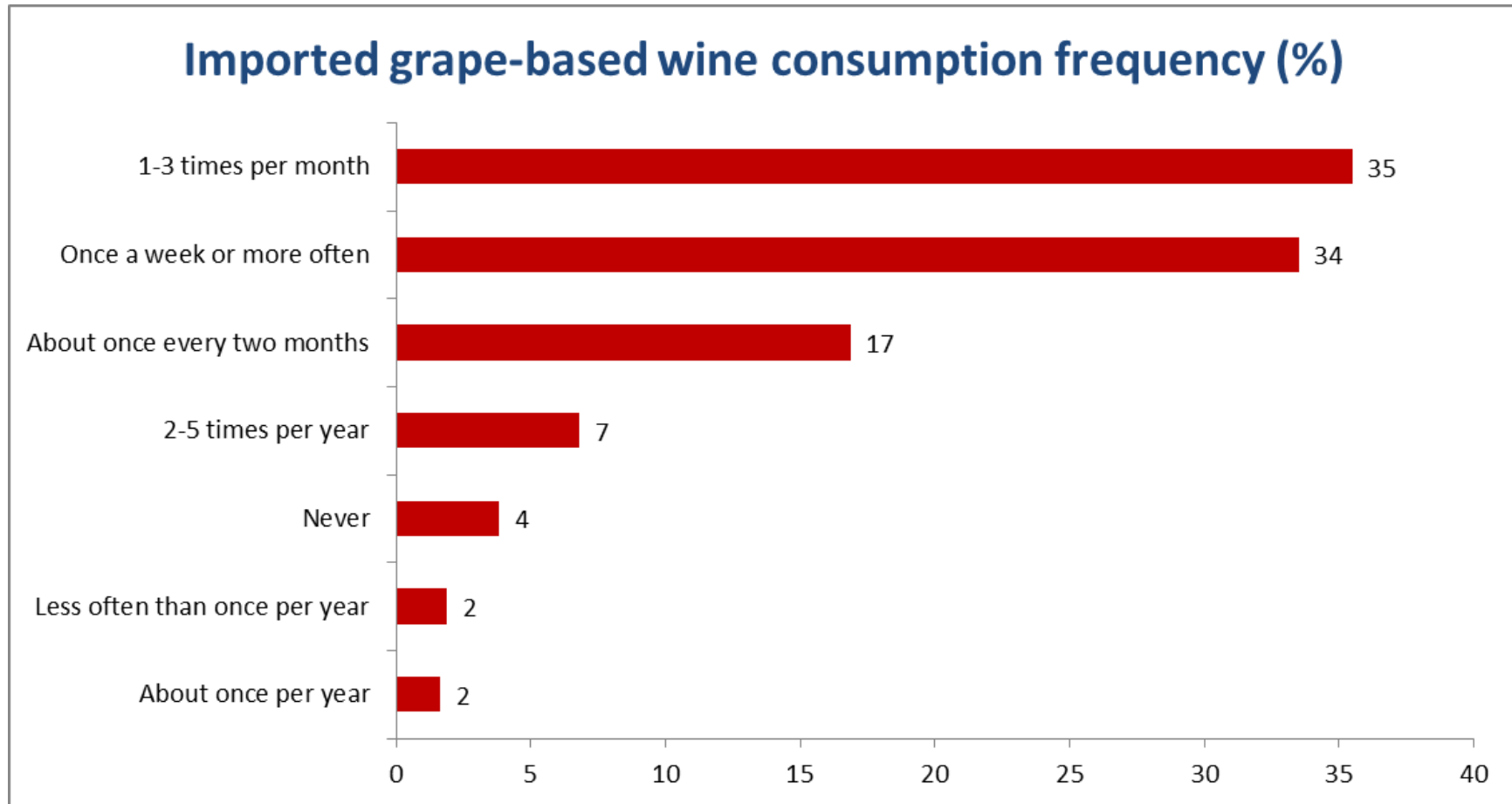
VINITRAC®

% of times each element is ticked by respondents. Respondents can tick ALL elements that apply.

The Chinese feel that wine is good for health, helps relaxation, creates a friendly atmosphere and like the taste



Imported wine is stated to be consumed at least once per month by roughly 2/3 sampled



The quintessential bottle of wine is a French Cabernet Sauvignon from Bordeaux priced below RMB 250 (based on % 'aware' or % spending on-premise)



France	97
China	84
Italy	83
Australia	77

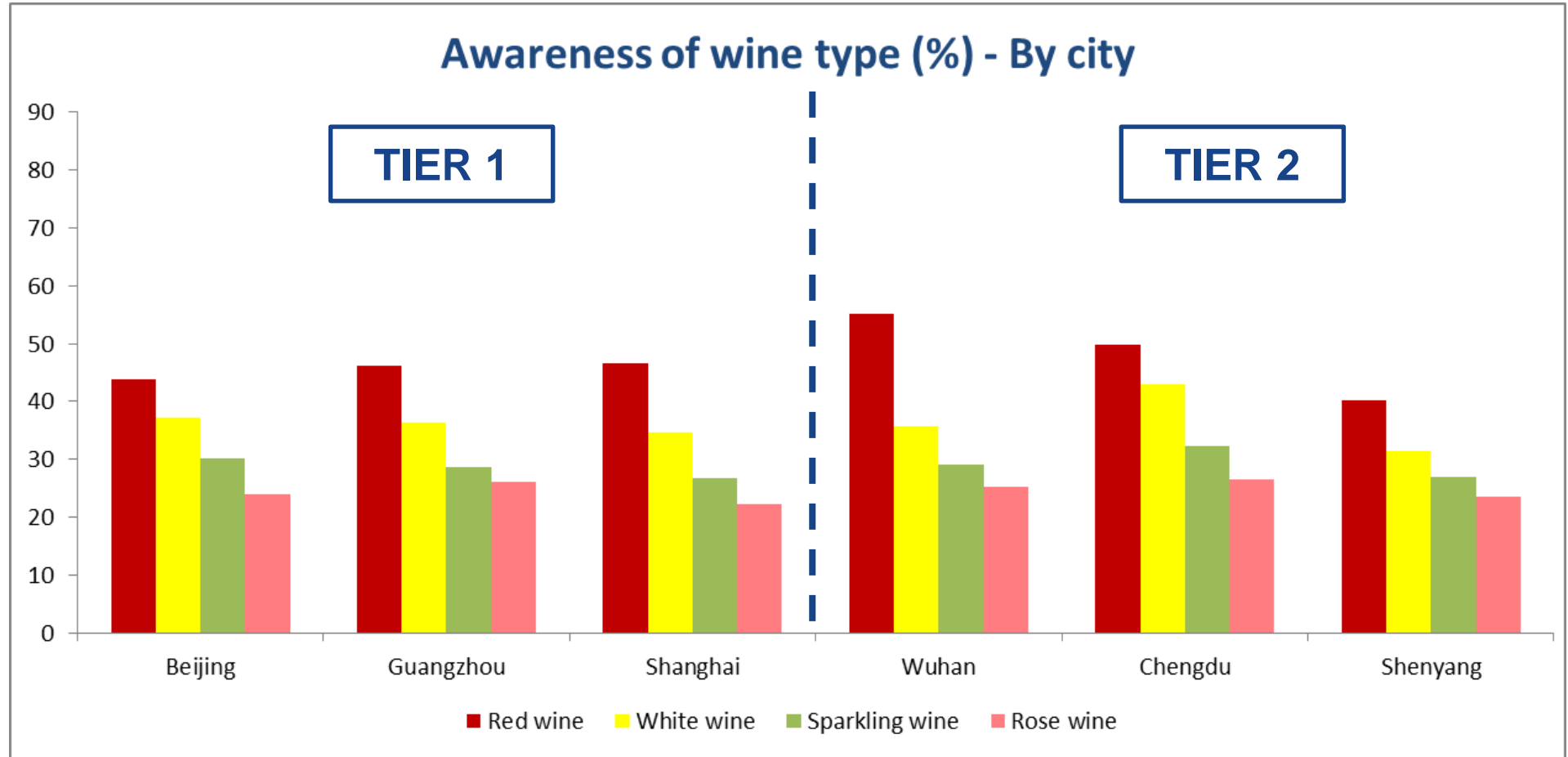
Bordeaux	87
Provence	60
Napa Valley	57
Barossa Valley	54

Cab Sauv	83
Chardonnay	55
Sauv Blanc	53
Riesling	52

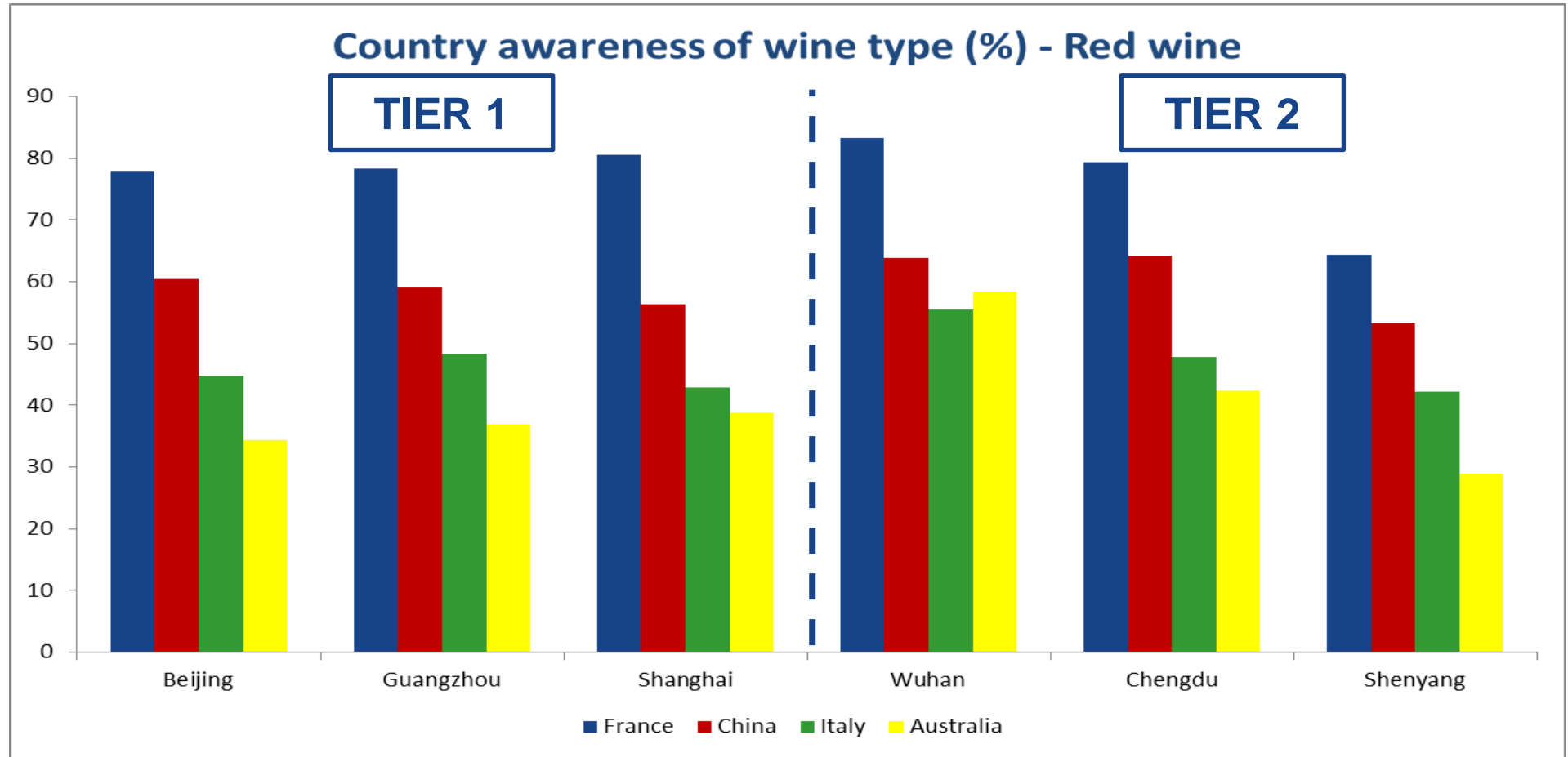
< RMB 250	45
RMB 250-699	37
≥ RMB 700	18
(on-premise)	



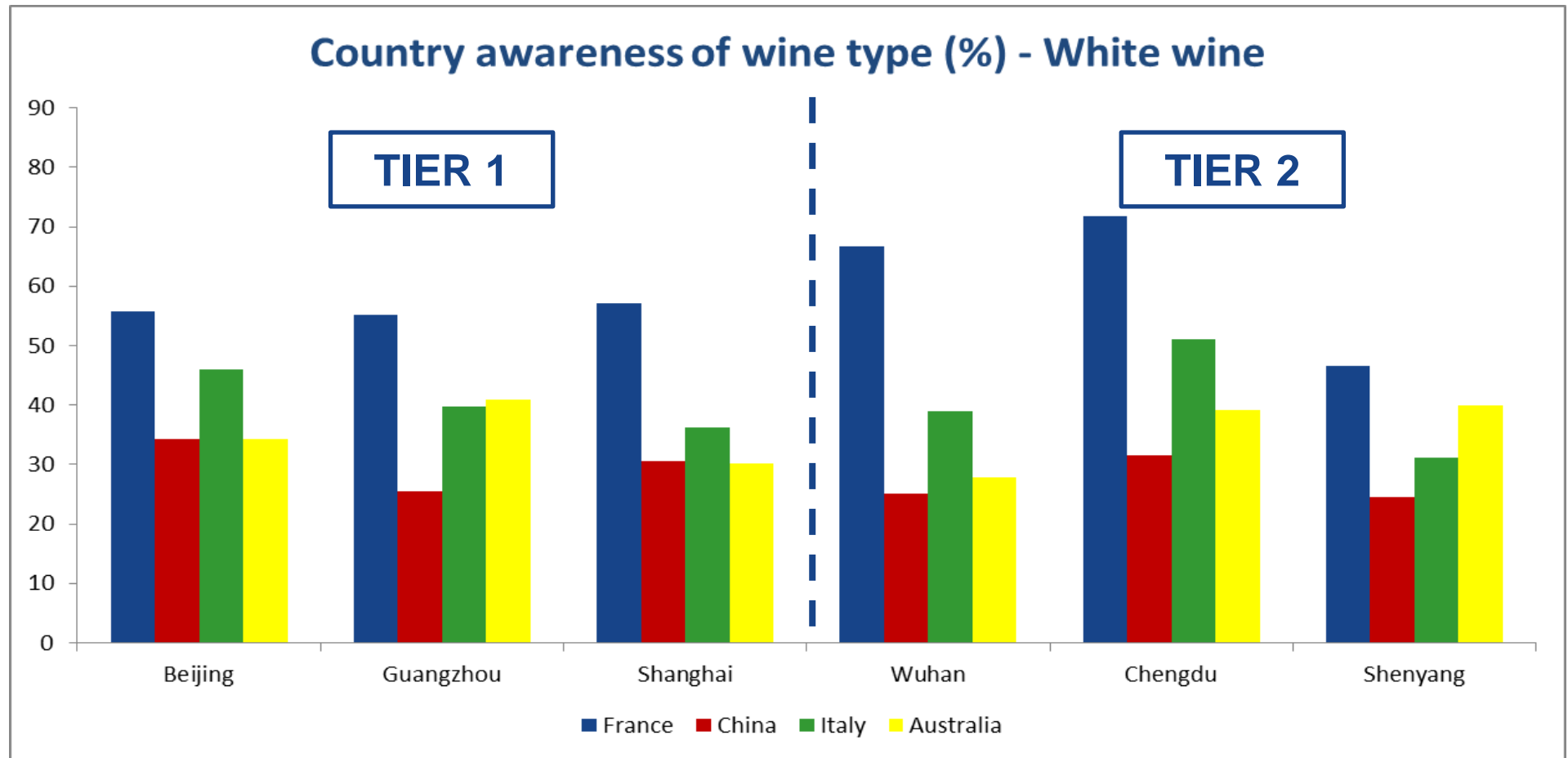
Chinese consumers are most aware of red wine, with subtle differences between cities



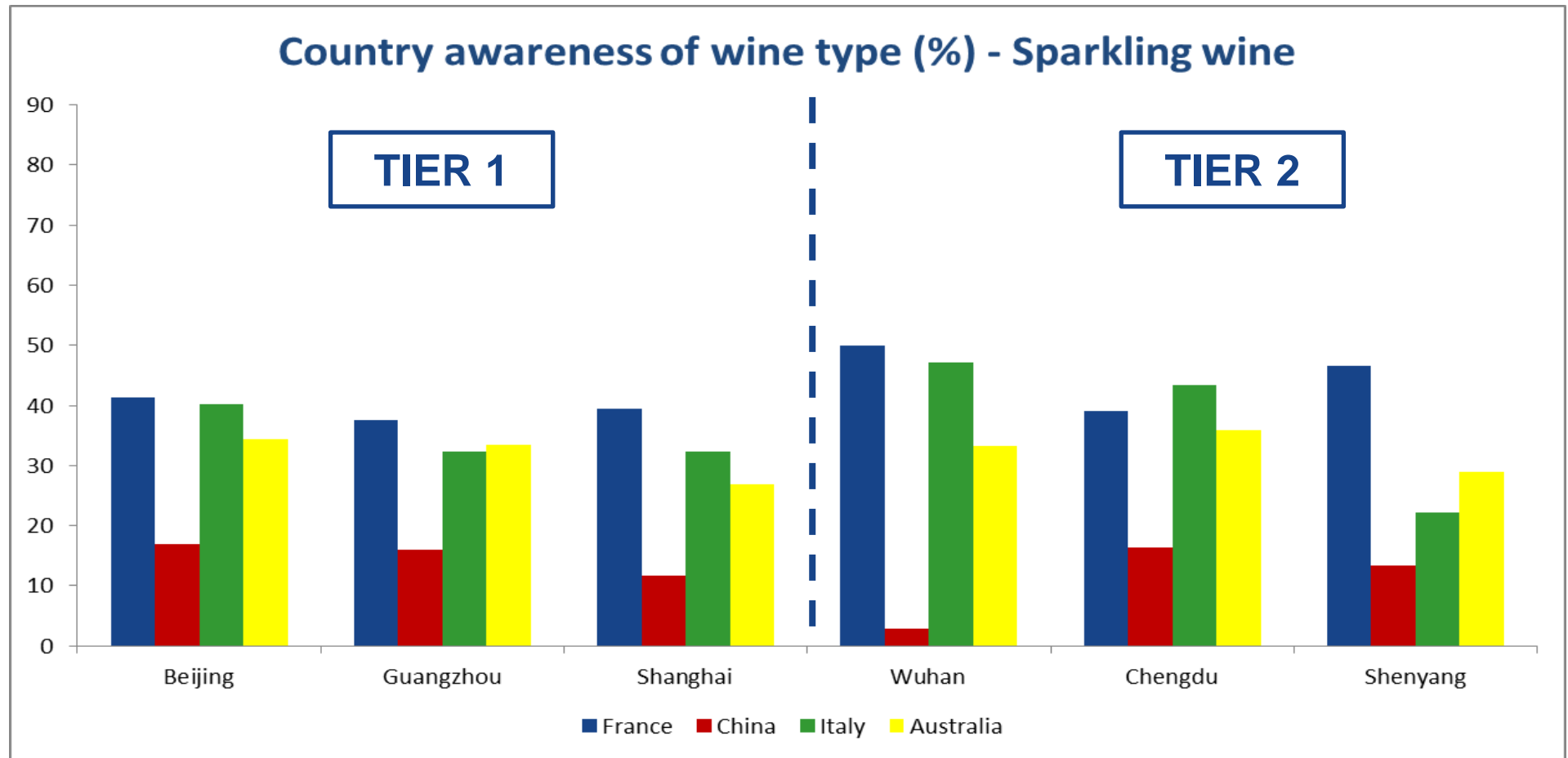
Chinese most aware of French red with Wuhan having higher awareness for Australian red than other cities



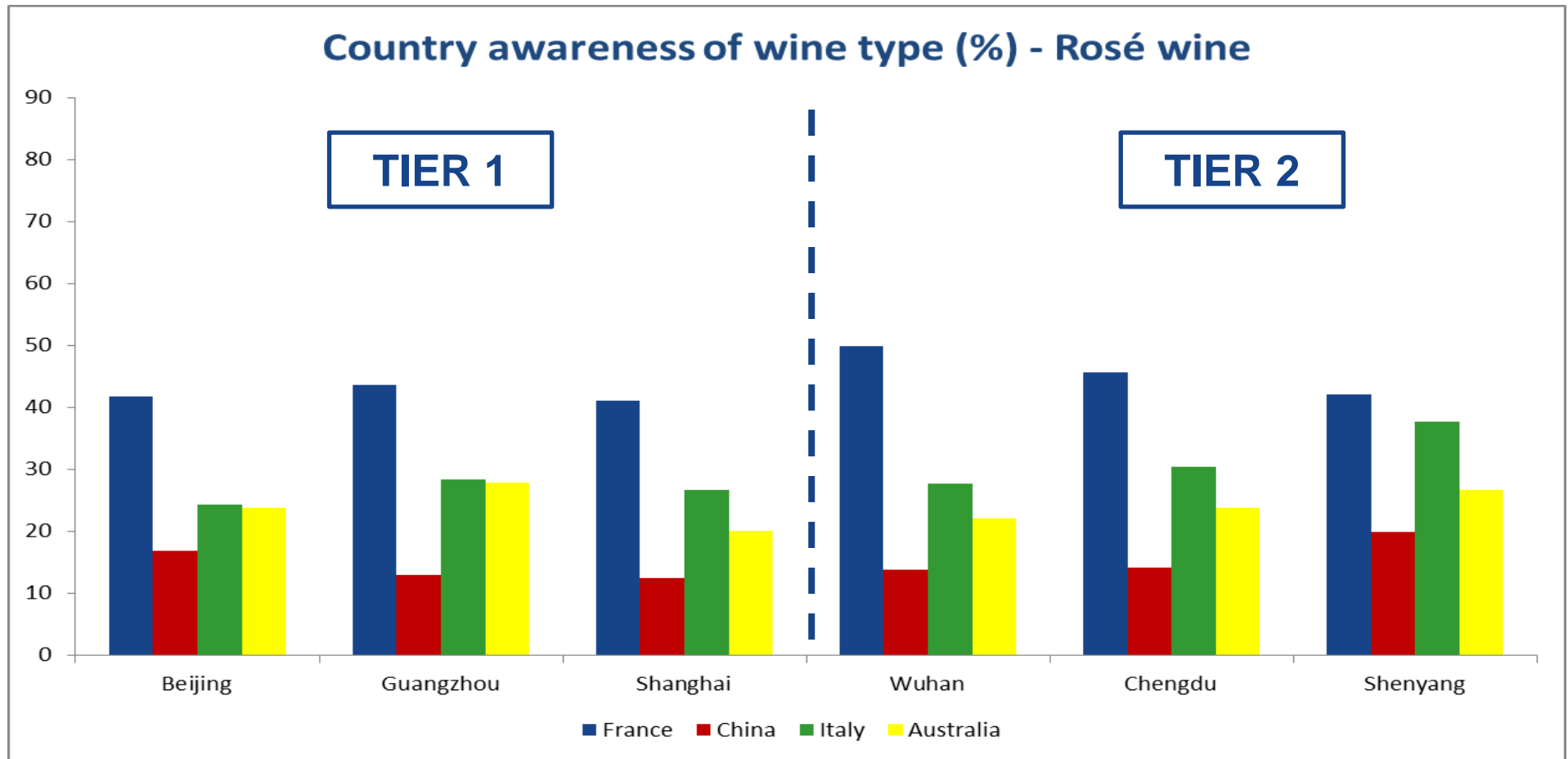
Chinese less aware of white wine, but France still dominant with Australia performing better in Tier 2



France and Italy share similar awareness as sparkling wine producers with Australia following closely

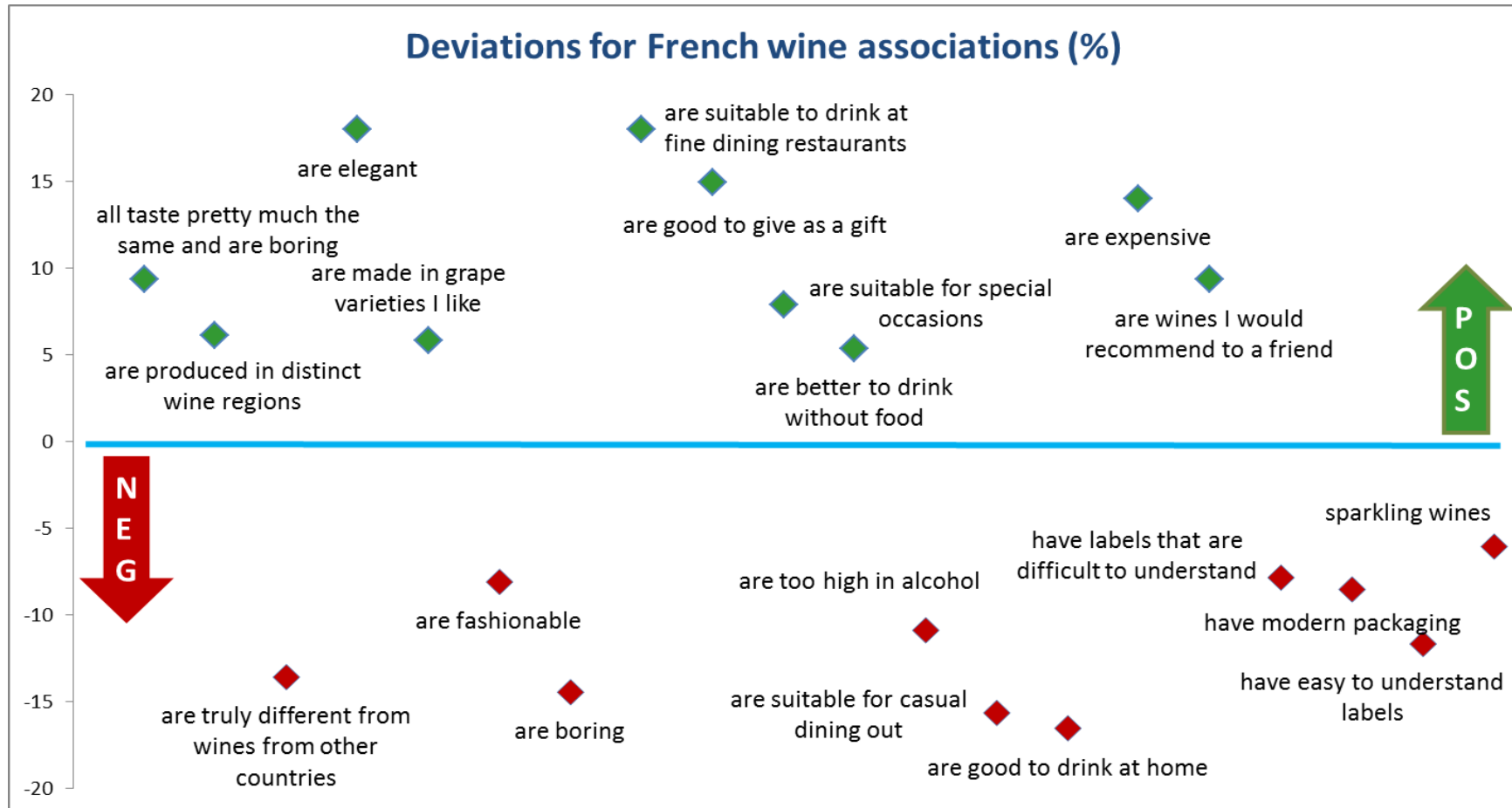


Lowest awareness for rosé with France still leading while Italy and Australia are close competitors

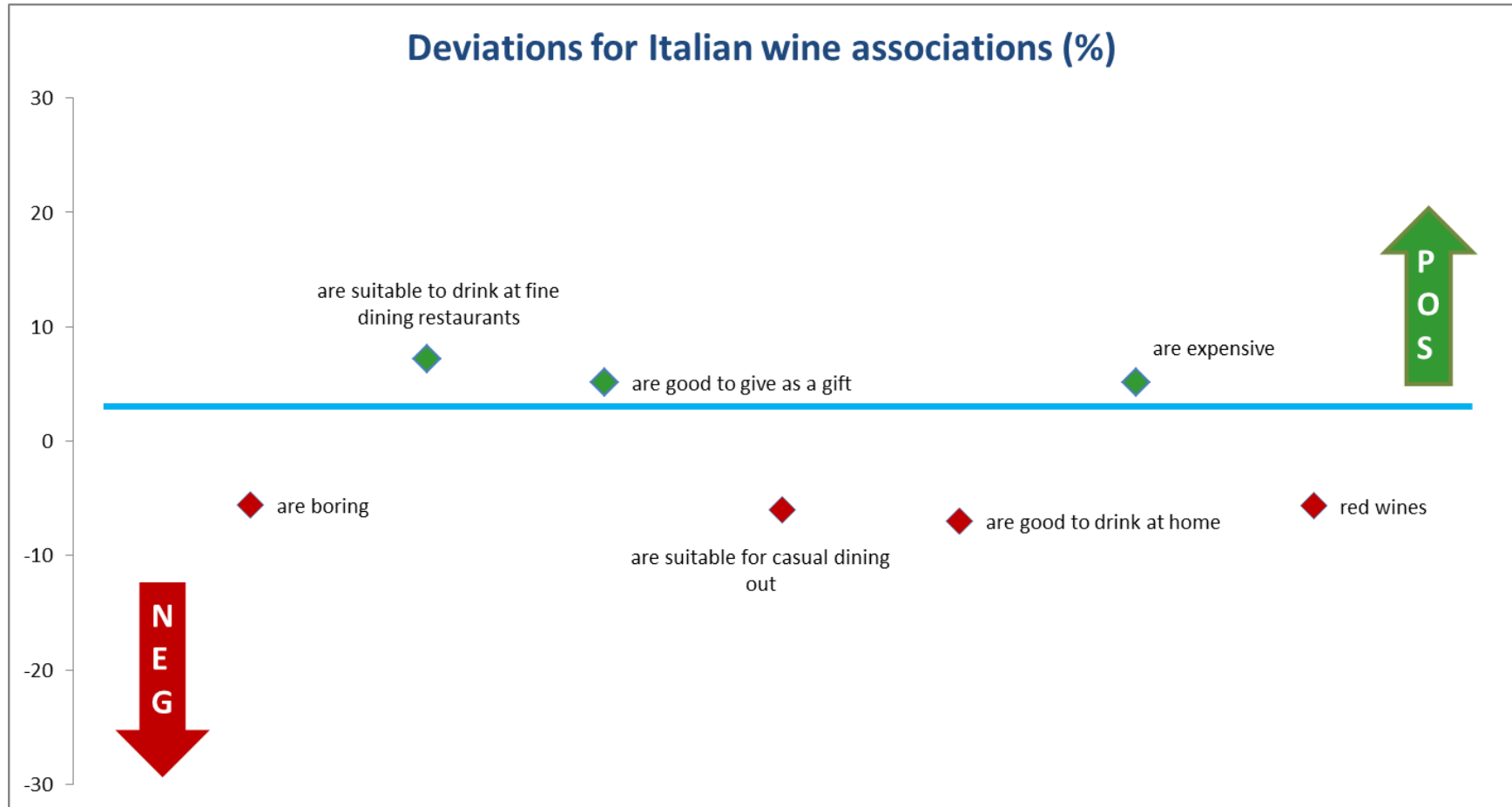


Country of origin perceptions

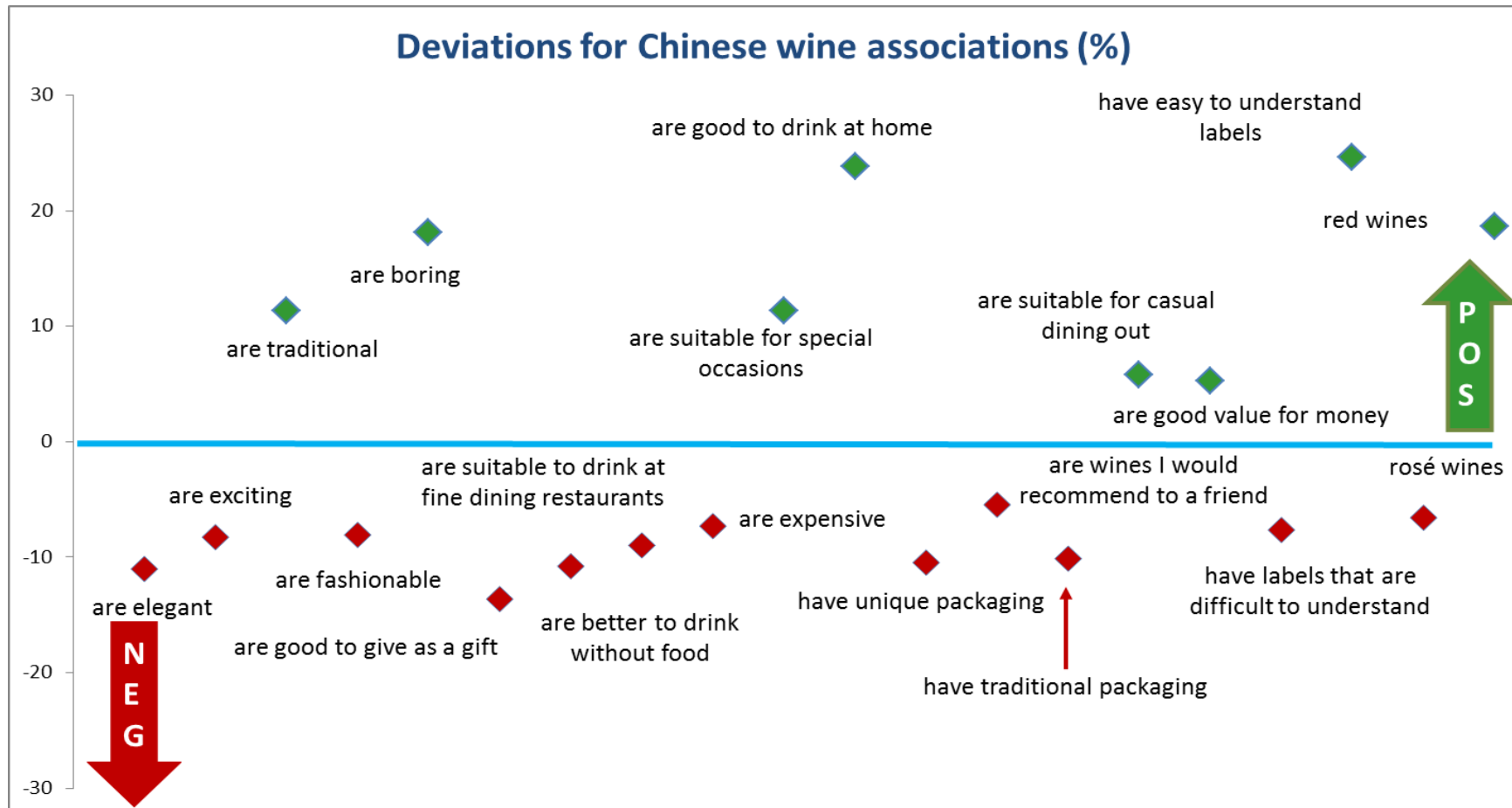
Chinese consumers have detailed perceptions of French wine with a premium/sociable position



Chinese consumers view Italian wine similarly to French with weaker opinions skewing to a premium position



Chinese wine represents the best choice for everyday consumption and ease of purchase

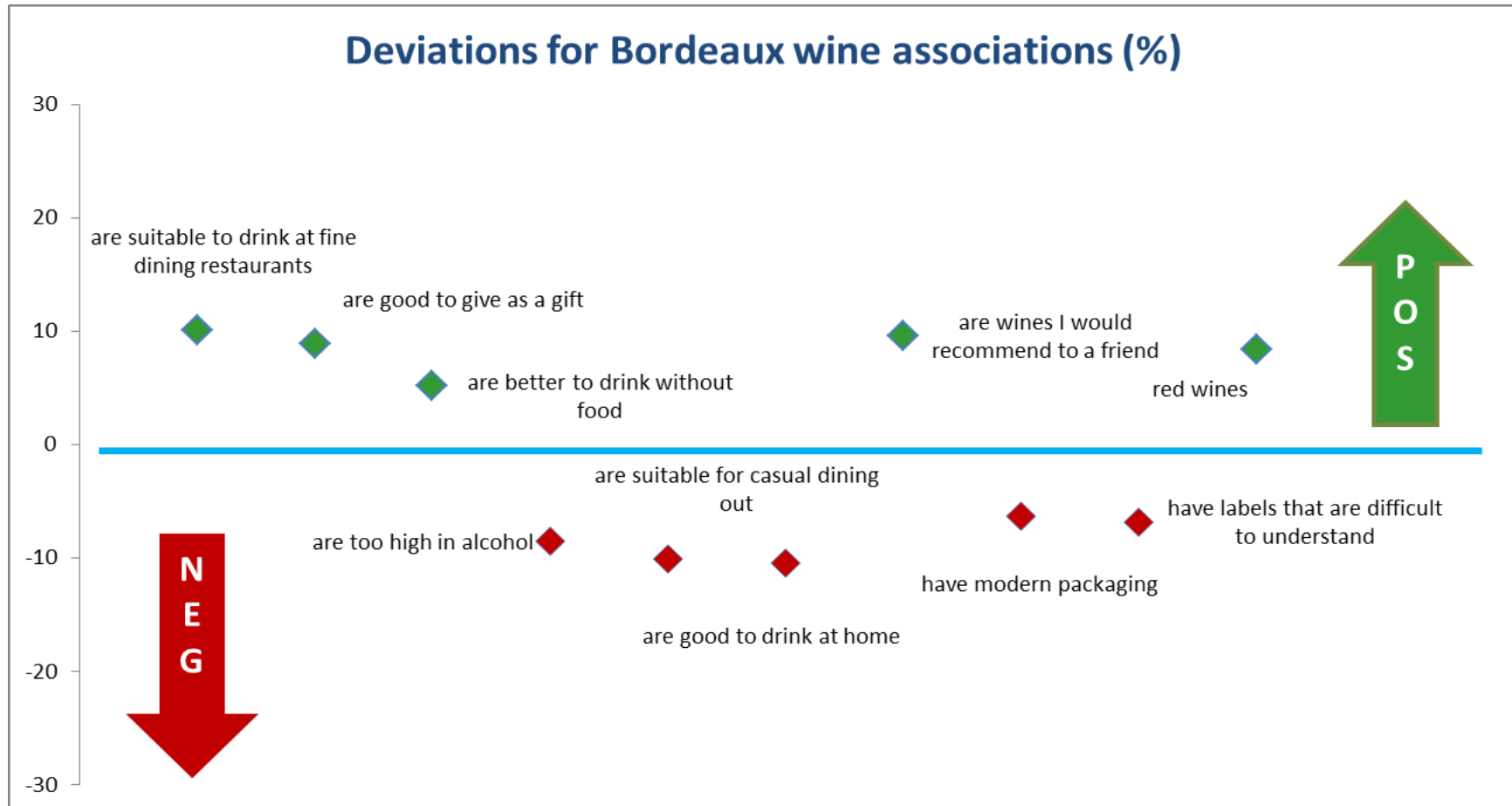


No distinct perception of Australia

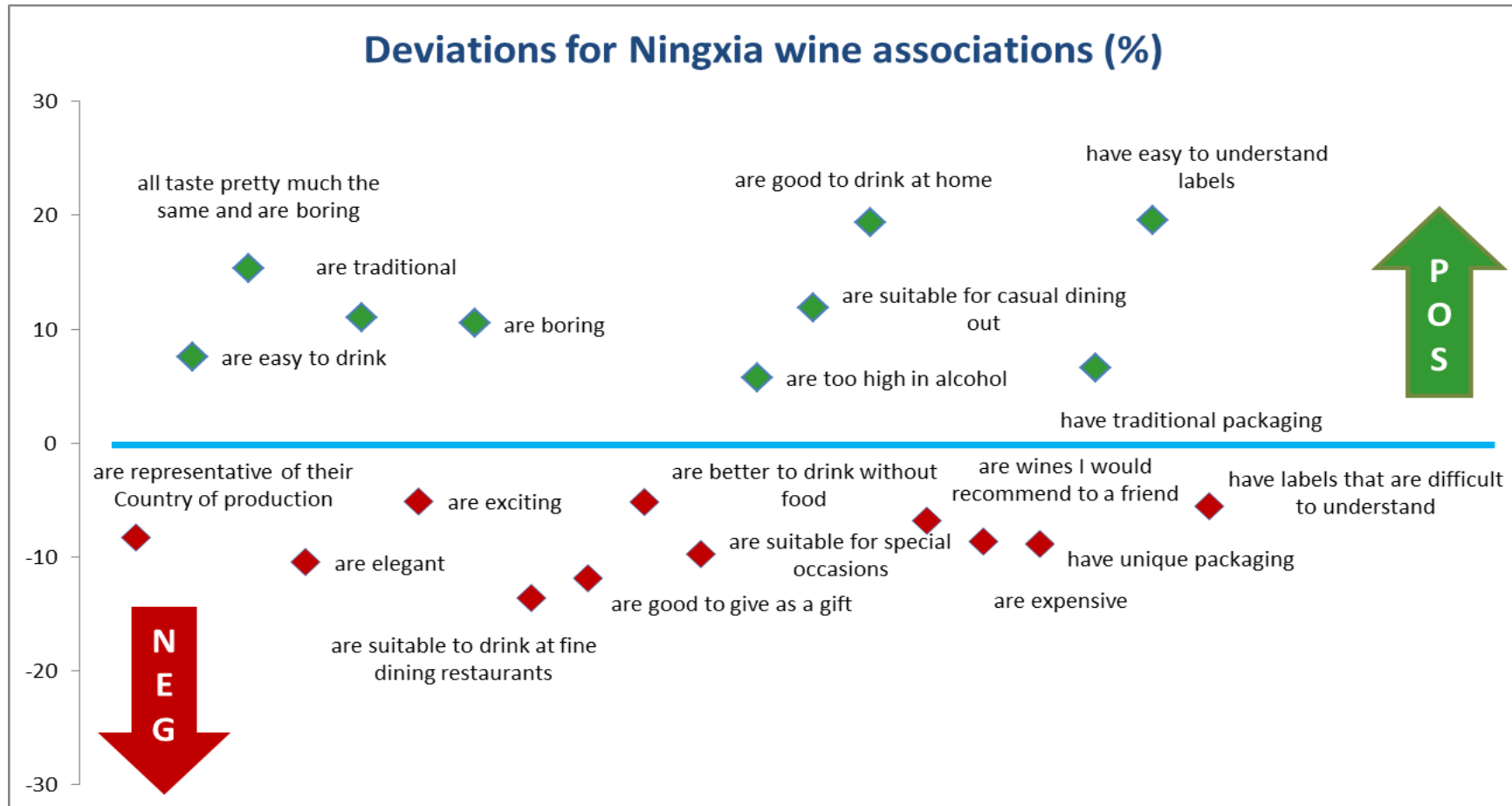


Region of origin perceptions

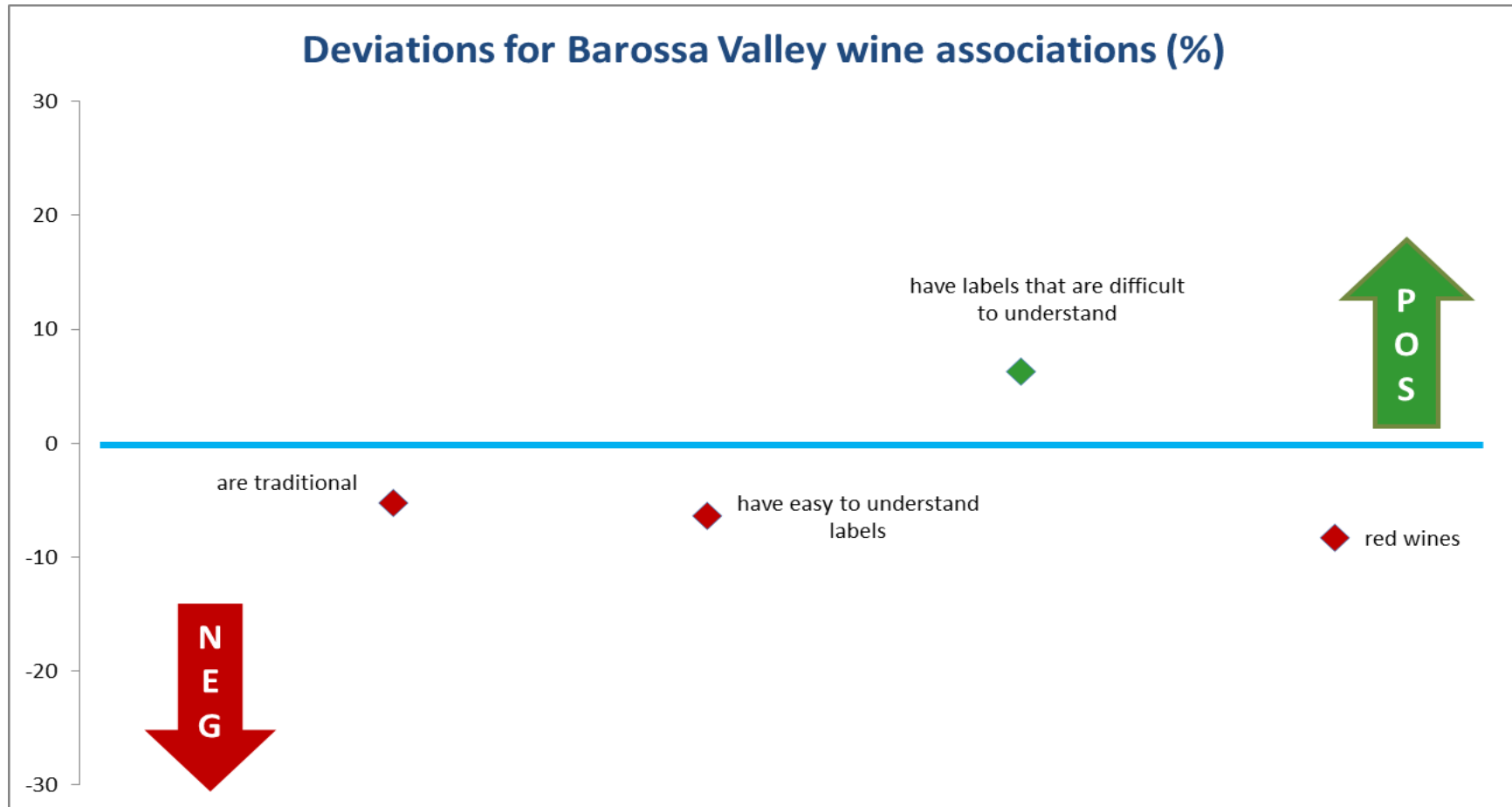
Associations for region of origin are lower than for country, but Bordeaux still has distinctive elements



Chinese consumers have clear ideas about Ningxia, which differ strongly from Bordeaux

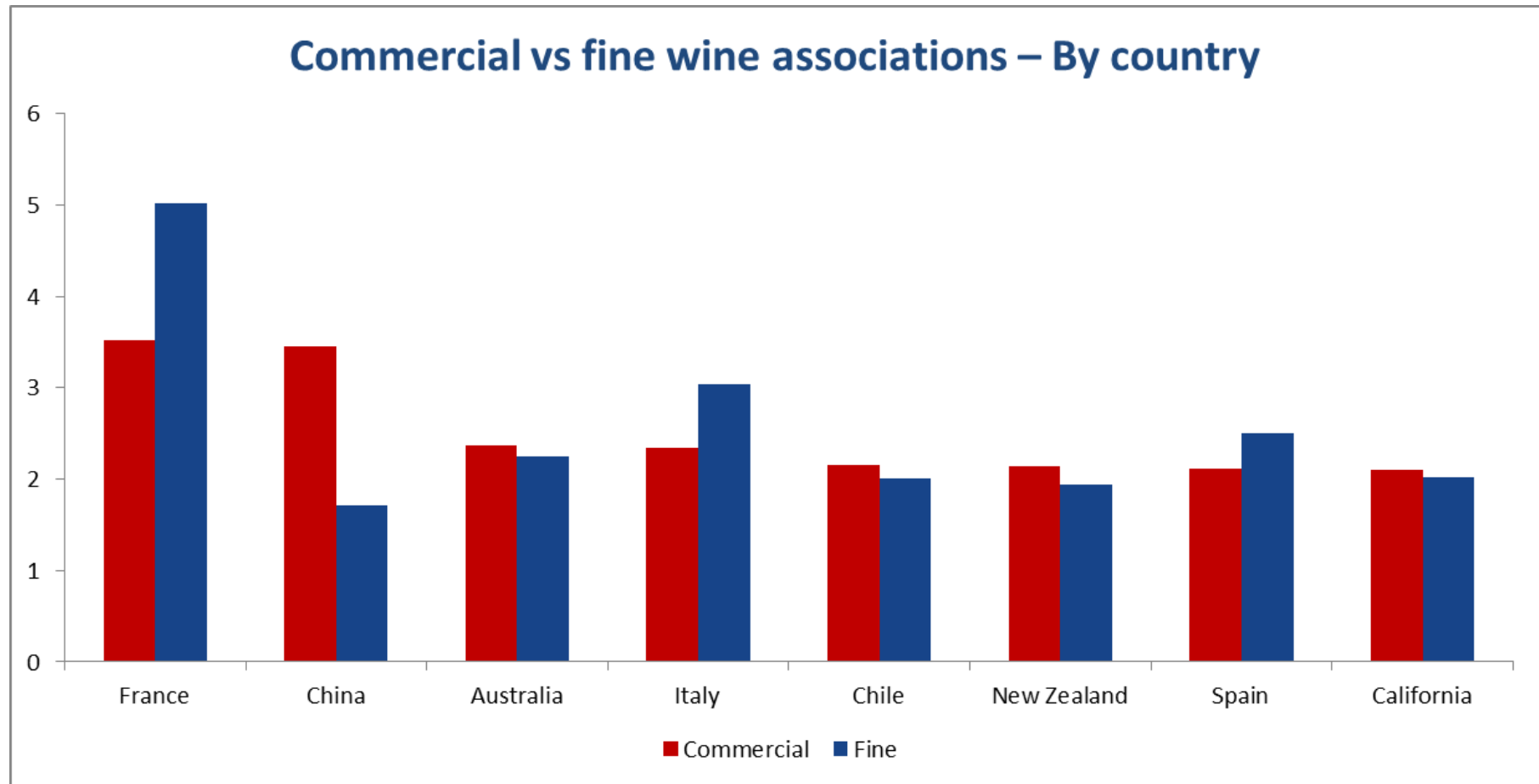
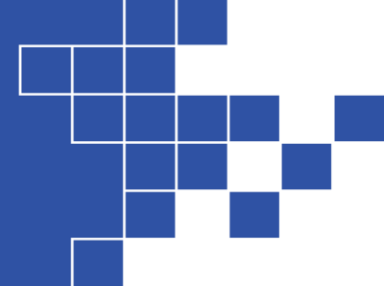


Chinese consumers have not developed a clear perception of the Barossa Valley

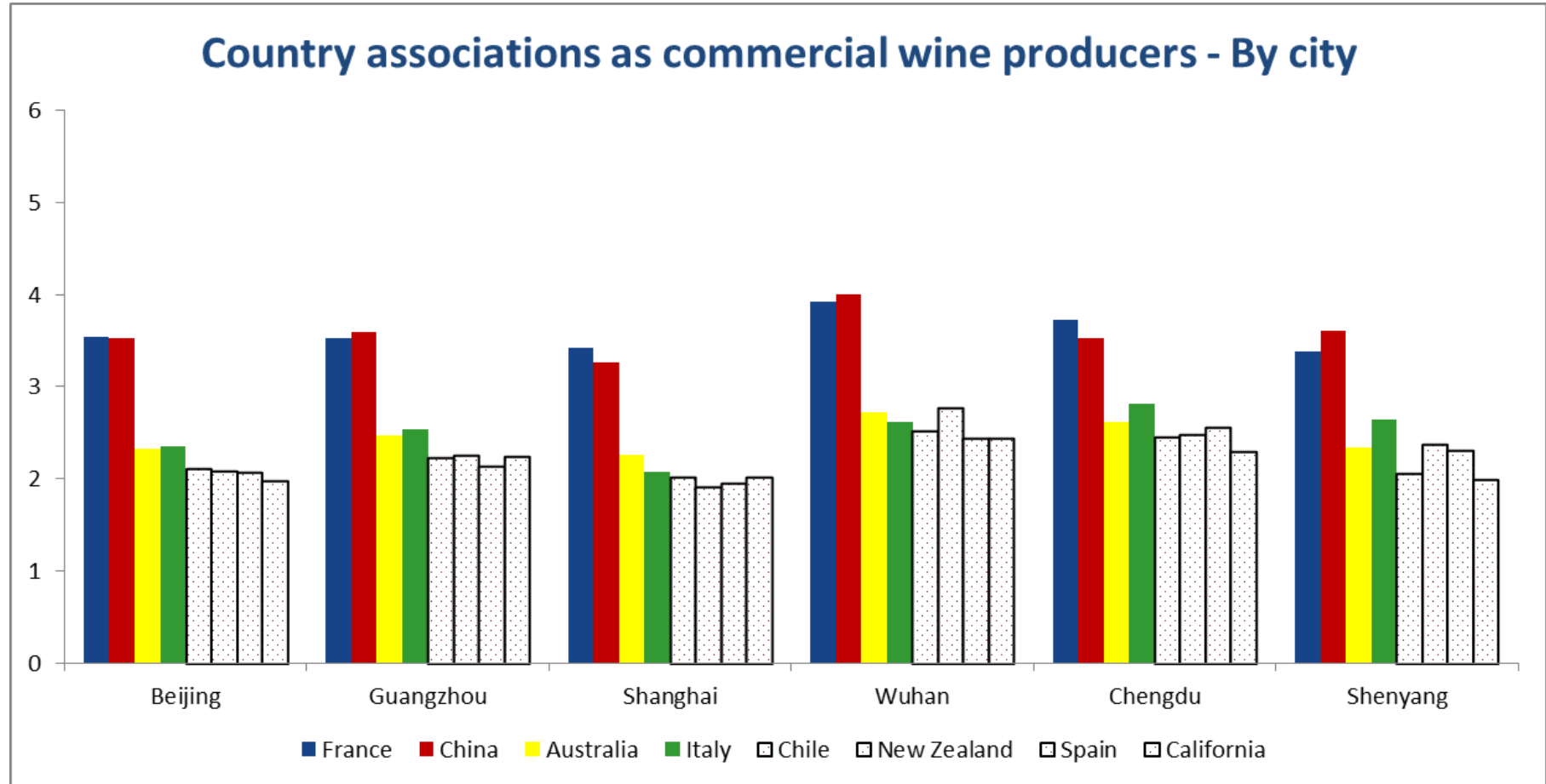


Commercial vs fine wine

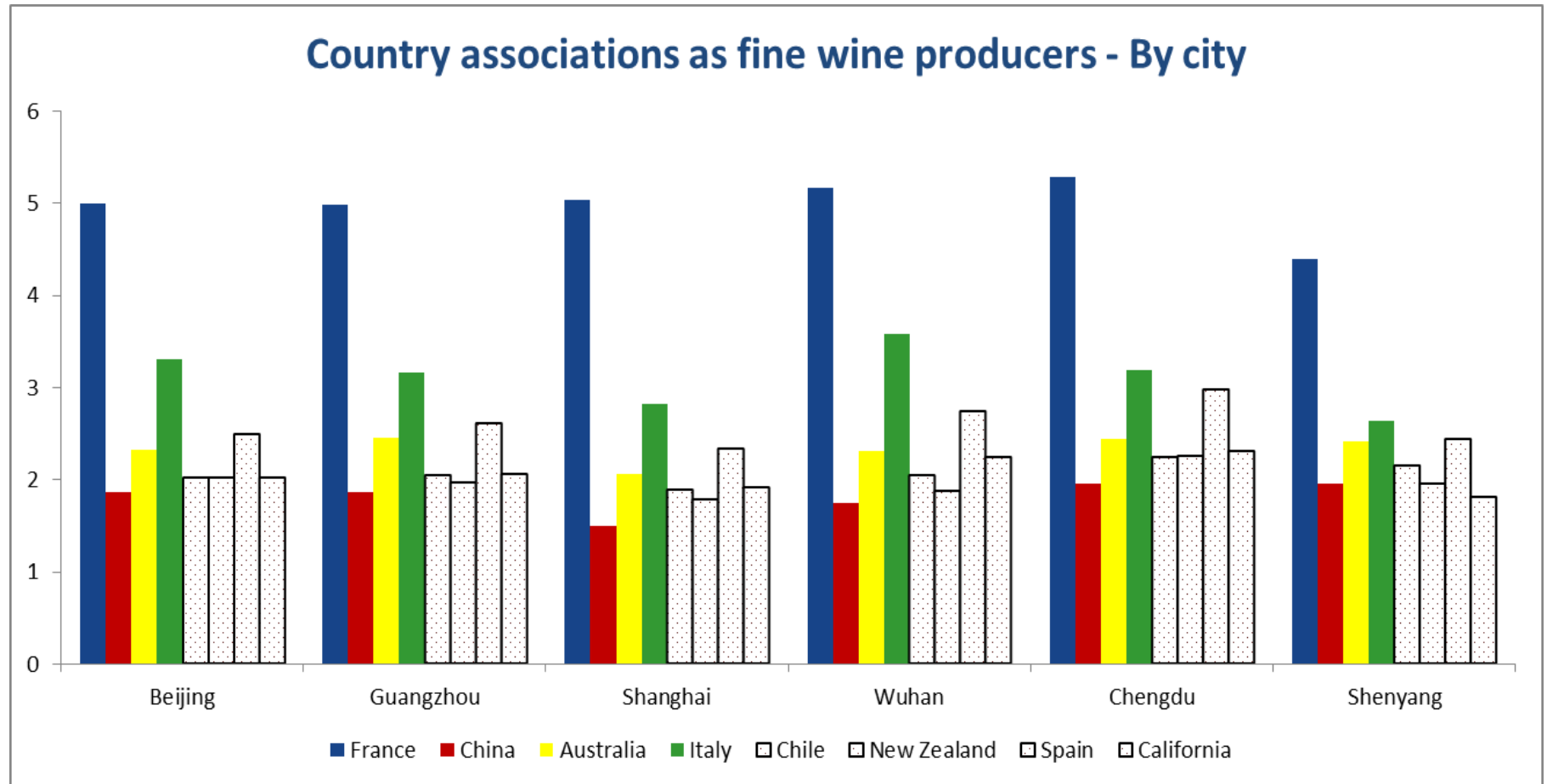
France, Italy and China clearly have either a fine or commercial perception with Australia and the other major producers having no clear position



France and China closely compete for mental availability in the commercial wine space, while all other countries lag behind at similar levels

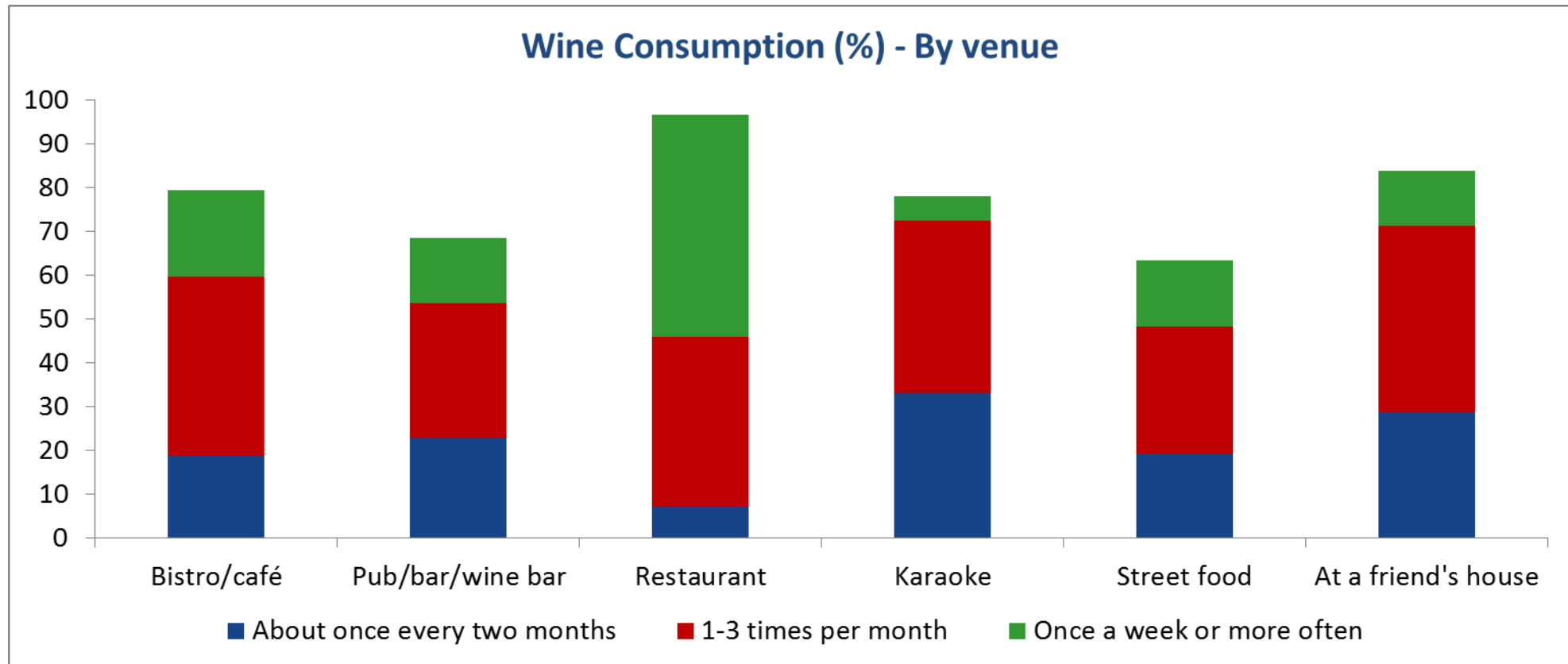


France and Italy stand out as fine wine producers with the perception of Australia similar across cities

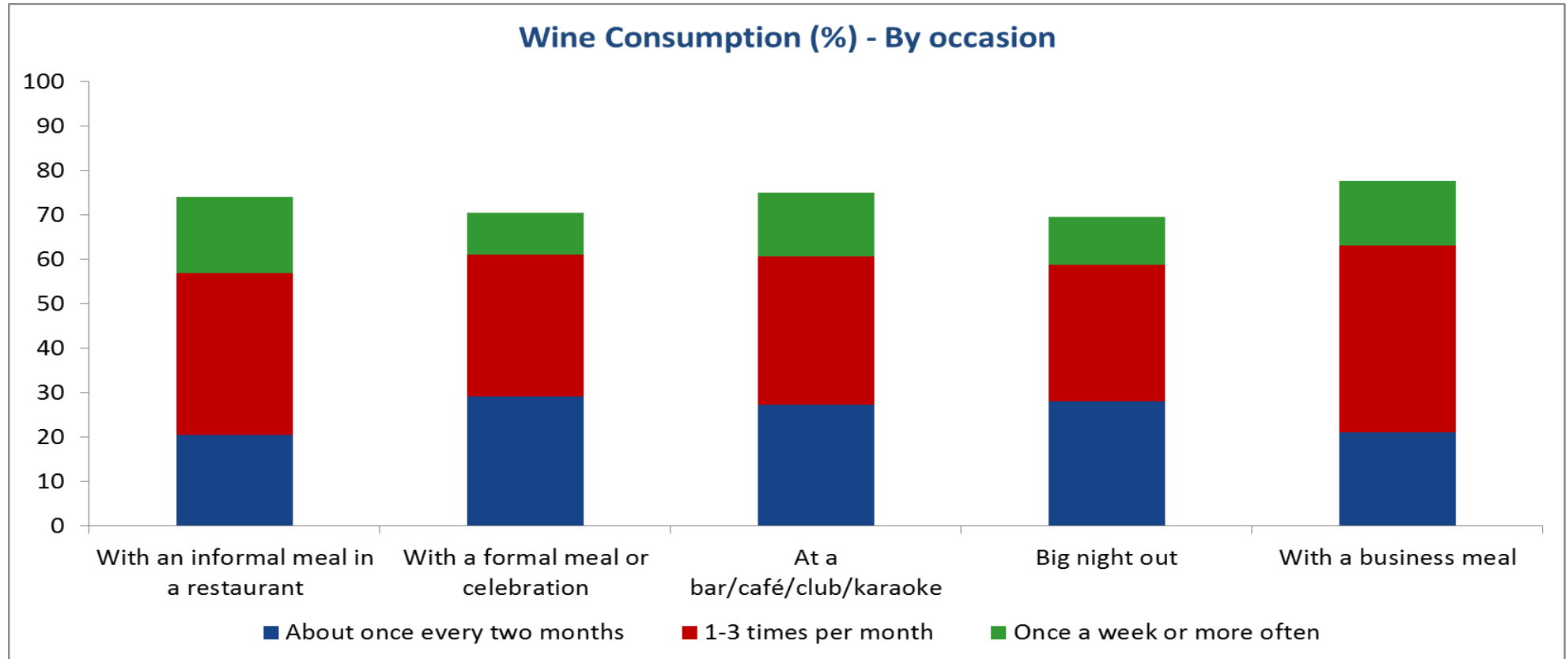


Attitudes and behaviours in on-premise

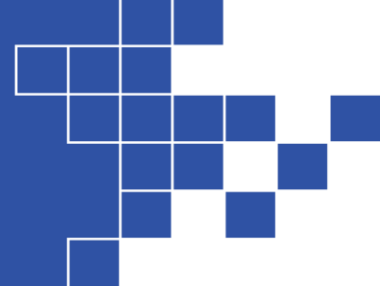
Imported grape-based wines are more often consumed in restaurants, but off-premise important



Not much difference between frequency for types of on-premise



Consumers recall their last bottle of wine purchased in a restaurant as a French Bordeaux Cabernet Sauvignon priced between RMB 250 and 699.



France	56
China	23
Italy	5
Australia	4

Cab Sauv	83
Merlot	6
Chardonnay	5
Sauv Blanc	4



Bordeaux	41
Napa Valley	4
Barossa Valley	4
Bourgogne	4

RMB 250-699	37
< RMB 250	31
≥ RMB 700	18

Wine choice drivers



Methodological Explanation

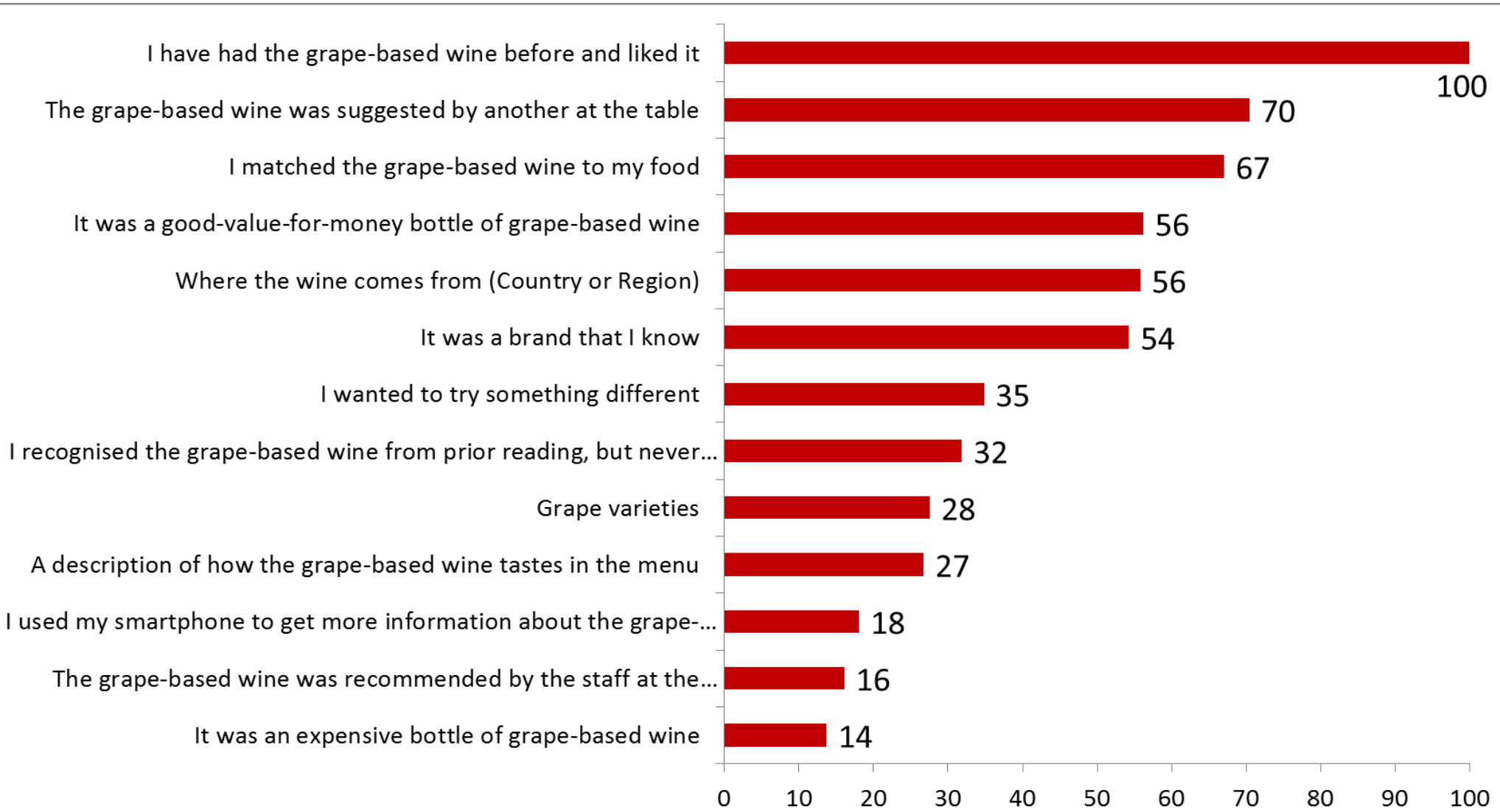
China Wine Barometer

In the Best-Worst method, the most important element takes on a value of 100, and all less important attributes are a ratio relative to the most important attribute

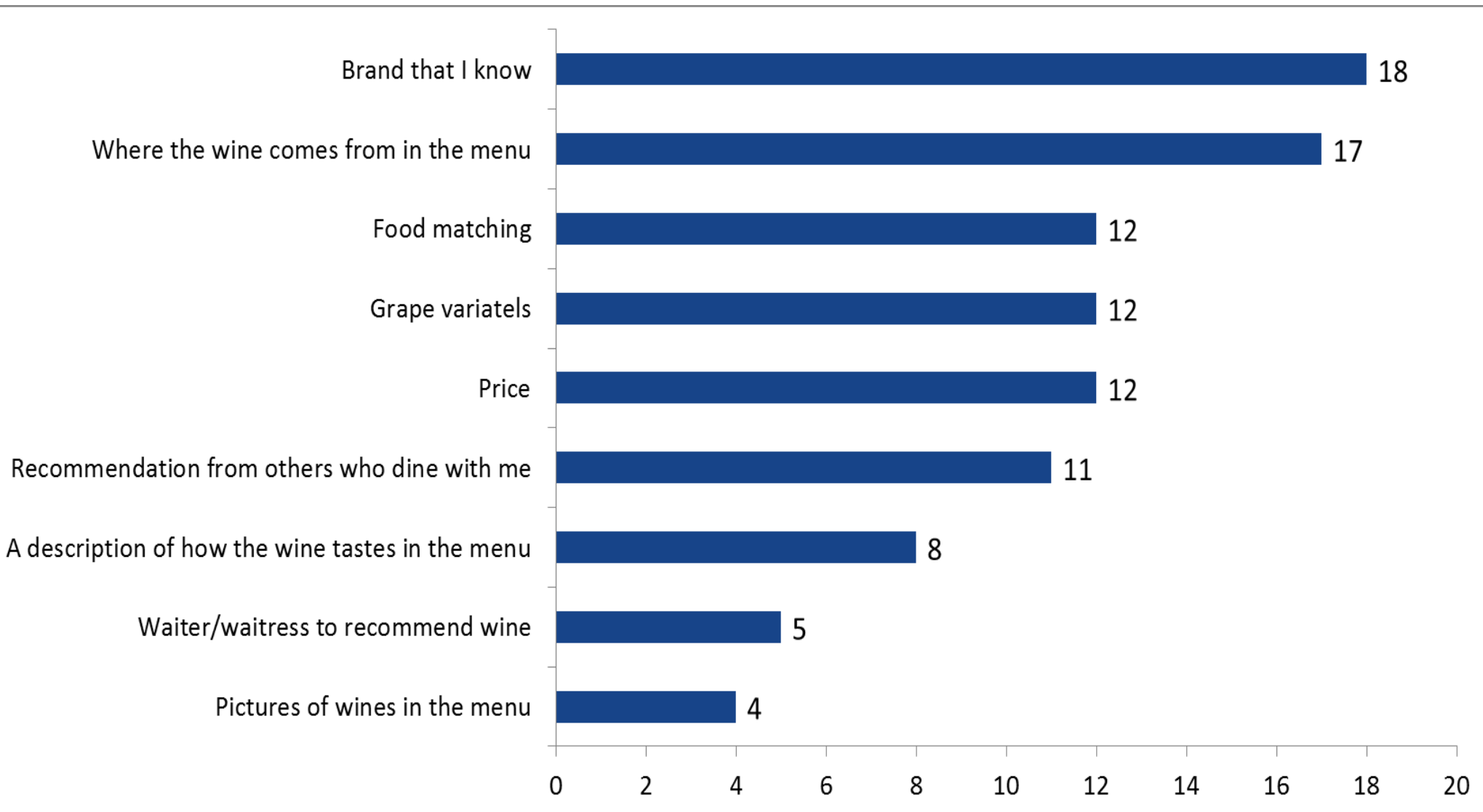
VINITRAC®

Weighted score of the 3 most important elements influencing the choice

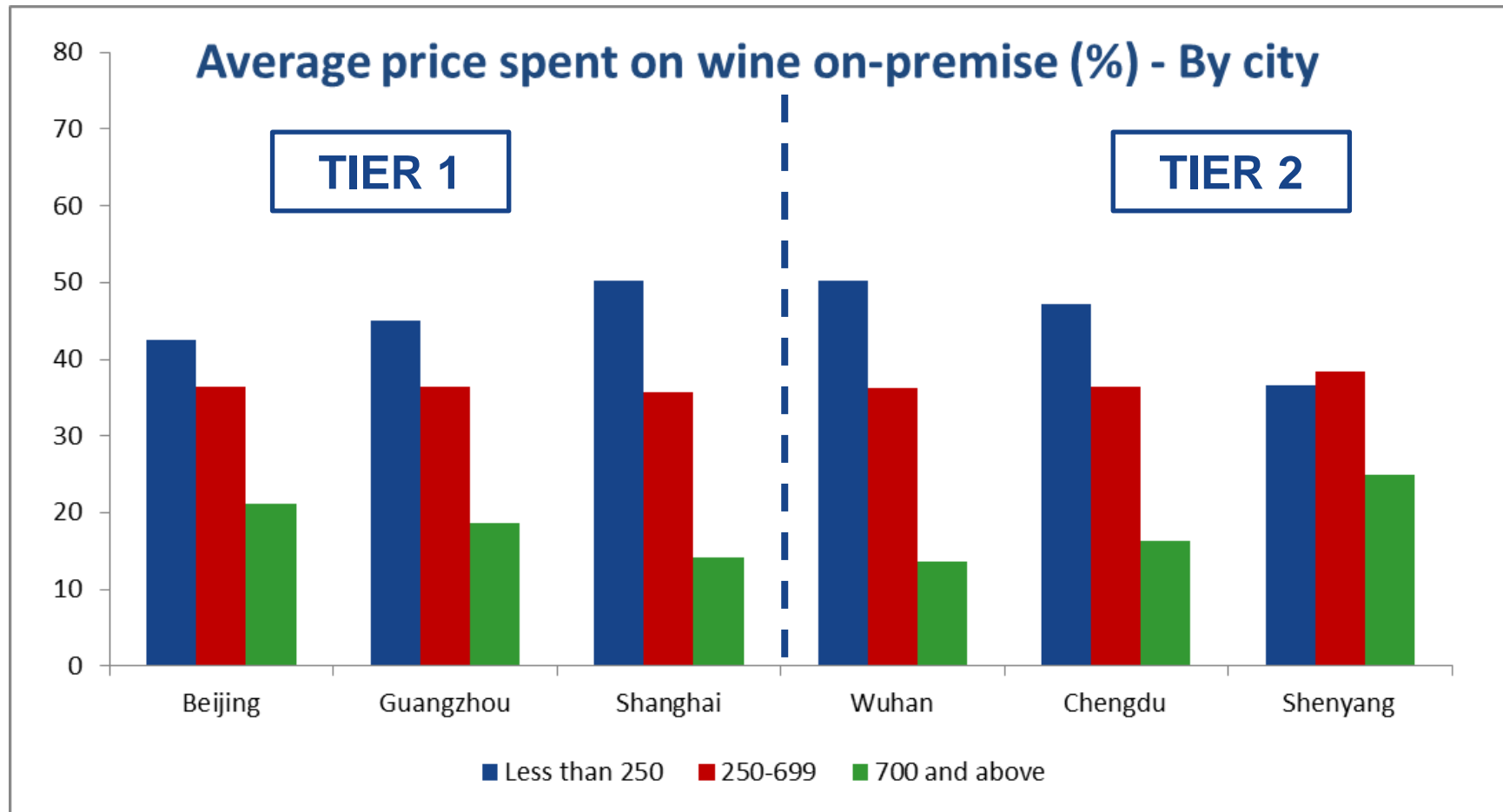
Having tried a wine previously is the most important element driving the choice of wine on-premise



Brand and origin of wine are the most important elements driving the choice of wine on-premise

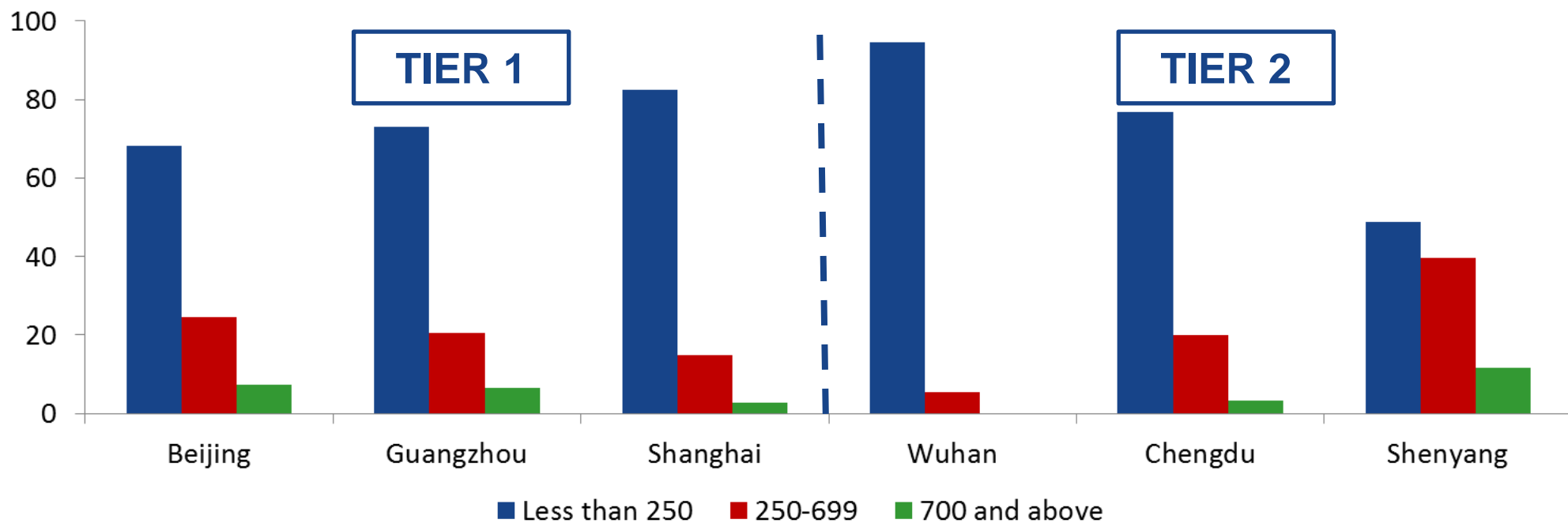


The most frequently purchased price tier in on-premise is less than RMB 250 (~ AUD 40)



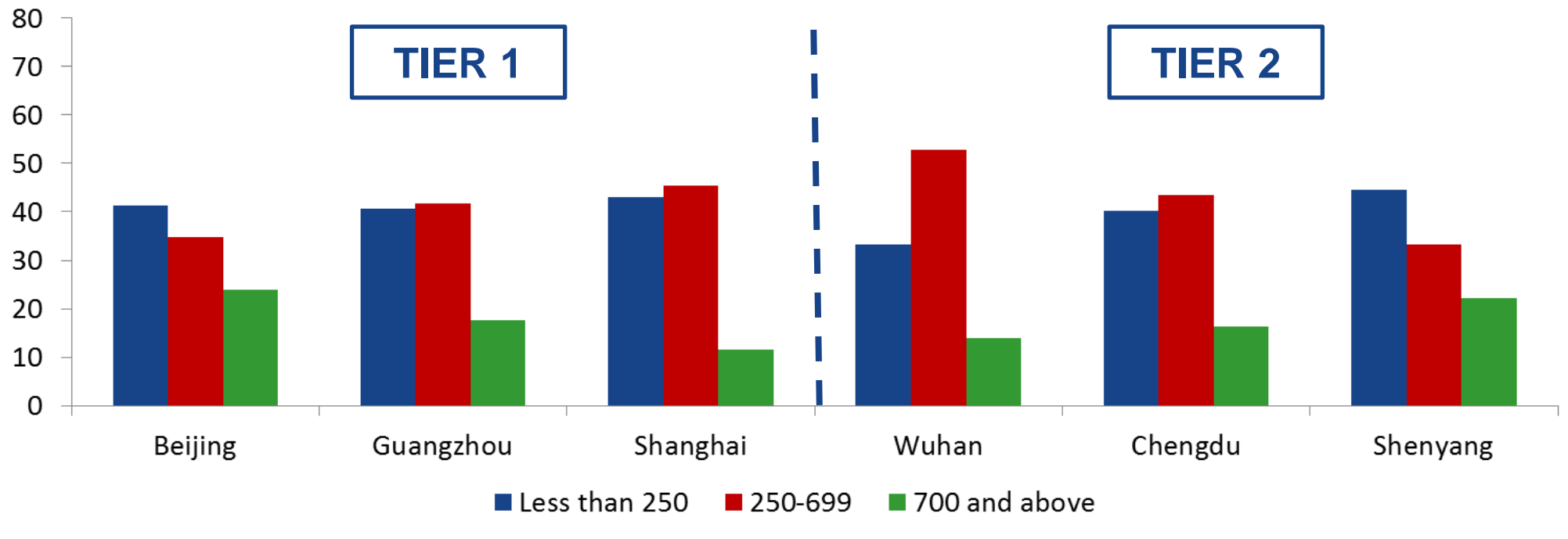
Majority spend less than RMB 250 (~ AUD 40) for an informal meal in a restaurant.

Average price spent on wine for an informal meal in a restaurant (%) - By city



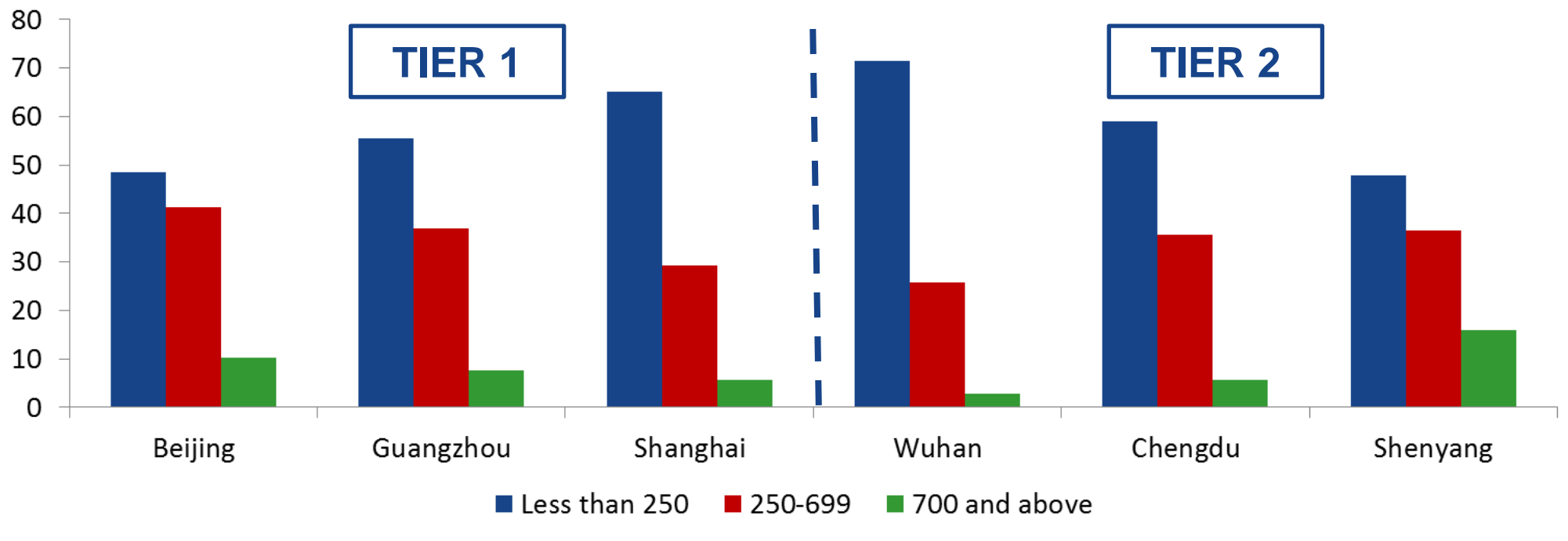
There is a clear increase in spend for higher priced wines for a formal meal or celebration

Average price spent on wine for an formal meal or celebration (%) - By city



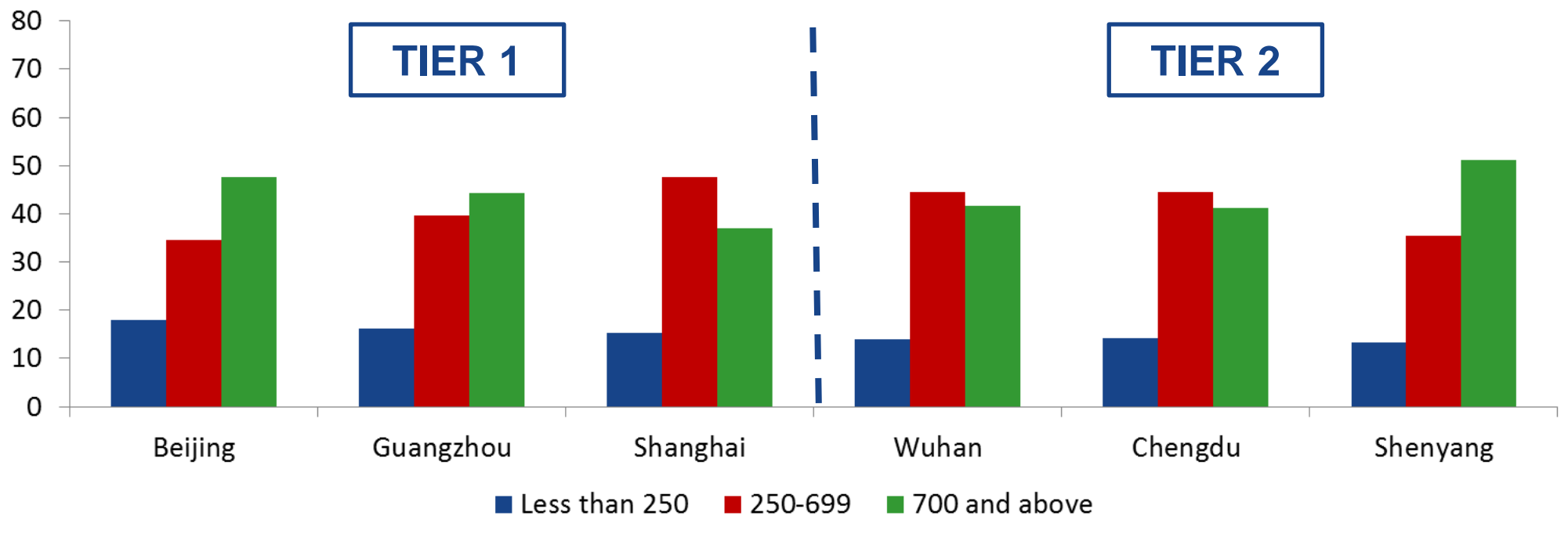
Less than RMB 250 tier is dominant in a bar/café/club/karaoke, but higher prices paid evident in some Tier 2

Average price spent on wine at a bar/café/club/karaoke (%) - By city



Business meals command the highest price points of all occasions

Average price spent on wine for a business meal (%) - By city



Recommendations

An industry plan for China is needed



The data demonstrate a lower awareness of Australia compared to France, Italy and China. Half of Chinese wine buyers are aware of the most salient Australian wine region, the Barossa Valley. There is opportunity here to **raise awareness**.

Pick-Any provides a picture of the perceptions of countries and regions. The main finding is that there are **NO** strong associations for Australia. This should serve as a call to action for the industry to invest in a strategy to **instill perceptions** of Australia and its key regions.

There are clear fine and commercial positions for French, Italian and Chinese wine. Australian wine is neutral in this regard. Australia currently holds a position as being a fine *and* commercial wine producer.

Should we accept the status quo or **develop a position**?

There are insights for individual producers to act upon



The insights from this research can advise the following **producer actions**:

- Insights of wine buying motivations can help position products with targeted collateral and Chinese back label creation.
- Potential opportunity exists to export and distribute into Tier 2 cities which have an elevated awareness of Australian wine.
- Clear perceptions exist of key competing countries and regions which should allow Australian producers to decide to compete head on or perhaps develop a more defensible position.
- There is opportunity for producers to sell both fine and commercial wine.
- On-trade choice drivers can be used to effectively position on-trade, create collateral and support HORECA (Hotel, Restaurant, Café) staff training.
- Wines can be priced for on-trade consumption.

Initiatives should be led by industry organisations and encourage producers to follow



The findings of this wave of the **China Wine Barometer** suggest a need for developing and implementing the following strategic areas.

