Advance Australia Fair – China summary

Introduction

The Advance Australia Fair Country of Origin (COO) project collected qualitative and quantitative data from frequent wine-buying consumers, wine importers and retailers in seven countries (USA, UK, China, Vietnam, India, Korea and Indonesia). The final report comprises 5 separate volumes and runs to more than 450 pages. Copies are available on request from Wine Australia.

Eight summary documents have been prepared to provide an overview of the report's key findings. One looks at the overall project; the others examine each of the markets individually. This document provides a brief summary of the findings for China. It is designed to be read in conjunction with the overall project summary.

There are two sections, covering consumer and trade research. Each includes qualitative and quantitative findings. In each section, there is also a summary of some of the detailed economic analysis and modelling. Additional information to assist in interpreting the measures used and the data is provided in appendices to the full report.

General findings

Overall perceptions of Australia

Data analysis across all countries reveals that Australia's country image overseas is generally positive. We are 'liked' because of assumptions about or experience of our humour, our easy-going nature and so on, and it is certainly always better to be viewed positively than negatively.

However, these are not generally positive associations for the producers of fine wine. For instance, the French are largely believed to be 'snobbish', 'rude' and 'arrogant'. Not ideal perhaps if you're selling holidays in France, but for selling a high-priced, premium product these attributes are strongly congruent with consumer expectations. There are no 'modest' or 'humble' luxury brands with a 'good sense of humour'. They simply would not be in the luxury category if they were.

All countries and country nationals have positive and negative country image associations, and these can be informed by both real, objective country knowledge and hearsay. However, they are formed in the minds of consumers and these often stereotypical impressions can strongly affect consumer opinions.

The strongest COO influences on purchase behaviour are linked to the degree of 'congruency' or 'fit' in the minds of consumers between what they think a country (and its people) can produce and the product or product category under evaluation. For example, a country like Iran may not have any positive country associations, but it has developed special expertise over thousands of years specific to making exquisite, hand-knotted silk rugs. These command a high price and are highly desirable around the world, despite any negative COO-based feelings.

The questions put to wine buyers (consumers and trade) internationally were: Can Australia produce a fine wine (consistently, reliably) or, indeed, any high-quality products? Are Australian winemakers skilled and knowledgeable enough? Do they understand quality, and are they passionate about quality, as the French or the Italians are believed to be? Are there other high-quality products made in Australia that support their ability to make fine wine?

Unfortunately, the opinions gathered suggest that the response to these questions is generally 'No' rather than 'Yes', particularly as compared to 'old world' wine producers, especially France and Italy. However, a number of opportunities to improve this perception were also identified.

Positive key words for Australia and Australian wine

First, it is important to understand that, unlike many industrialised first-world countries, Australia has what is called a 'single dimension' country image (country brand personality). This means that when a person overseas thinks of Australia, or any of our products with the exception of products such as merino wool, lamb or beef, they 'halo' their beliefs with the stereotypical images aligned with our geography, climate, movies/advertisements (*Crocodile Dundee*, for example) and native animals.

These associations are consistent, clear and strong. Even those who have visited Australia and 'know' Australians generally support these stereotypes.

Hence it is necessary to leverage the most positive associations that can be manipulated to support premium positioning, and considered uniquely our own. These descriptors can be reinforced and communicated via imagery, key words and headlines/positioning statements, and branding.

A review of the average scores for the items used to quantify Australia's different COO aspects (country, wine, people, food personalities) and affective responses show that there is strong and largely consistent support for terms that include:

- bold
- strong
- exciting
- prosperous
- authentic
- sincere
- charming
- honest
- imaginative/innovative
- down to earth.

Also when people think of Australia, they tend to feel:

- happy
- enthusiastic
- pleased/excited.

There are also negative reactions to Australia, such as angry, bored etc. Moreover, in some markets we are also associated with terms such as lazy, racist and party-loving, but fortunately, these negative associations have no influence on perceptions of fine wine fit; that is, of our ability to produce fine wine. Hence while no strategies should be put in place that could be seen to reinforce such associations – indeed every effort should be made to distance Australia and our wines from these associations – they don't seem to pose a distinctive threat to perceptions of Australian wine quality.

Consumer research in China

Qualitative findings

The first stage of the study was to conduct focus groups in each country. These were conducted by specialist research consultants according to a consistent interview guide. Locals were used to ensure consumers would feel free to say what they thought without fear of offending any Australians in the room.

What follows is a summary report of the findings of three focus groups (six participants each) based on age range 20–29 (Group 1), 30–39 (Group 2), and 40 and above (Group 3). The focus groups were conducted in Beijing. Generally speaking, the respondents have observed an increase in consumer demand for foreign wines, especially red wines. Similar to the findings in other developing wine countries, we have found that the wine knowledge of Chinese consumers is still developing. Online shopping outlets are popular for wine purchases, especially for young consumers.

Importantly, country of origin and packaging appeared to be the key selection criteria for Chinese consumers. According to the respondents, packaging will directly reflect whether a wine is premium or not; packaging with classic elements is preferred. This finding is consistent with the nature of the Chinese culture, with a strong orientation towards foreign brands.

French premium brands were first mentioned by the research participants. They see France as the birthplace of red wine, with a long history of winemaking. They stated that the French climate is suitable for grape growth and it is known for its winemaking technology. The participants believed all these conditions are essential for premium wine. Thus, the majority of focus group participants thought perfect wines should come from France.

Australia is the second choice, because it is rich in grapes. They generally believe Australia is an emerging wine country with good environment and suitable climate for grape growing. Although Australia does not have as long a history as French traditional chateaus, it is not inferior to French wines in taste. The respondents stated that Australian wines have a price advantage over other wines within the same level (especially in comparison with French wine) and Australia is a leader in the new world. It was also noted that Australian wines are stronger in the level of fruitiness, which is the reason why Chinese women consumers strongly prefer Australian wines.

Most respondents suggested that a bottle of premium red wine should cost around 80 to 250 USD (around 500 to 1500 RMB). They would be willing to pay 10–20 per cent or even more for the country of origin, especially for the elder group of customers.

One of the exercises was a country ranking group assessment, in terms of where they believed the 'best wines in the world' would be consistently produced. The scale was 1 to 10 – where 1 was the 'worst' and 10 was the 'best'. Australia scored very highly in this exercise – second only to France in expectations of quality – an extremely positive result. These comments from focus group attendees summarise the feelings well.

- First impressions are very strong, so French wine is the main choice as it's more famous. French wine is better.
- France and Australia
- France, then Australia
- I think French and Australian wines taste pretty good. I think there is a psychological effect in buying French wine. Australian wine is more cost-effective. All Australian wines taste pretty much the same – little brand differentiation (not as positive).

Table 1: China range of scores for imported wines

Country	Overall	Younger Group	Middle-aged Group	Older Group
France	9.8	10	9.8	9.7
Australia	8.7	8.2	9.2	8.7
Italy	8.2	8.3	8.0	8.2
Spain	8.0	7.3	8.2	8.5
Chile	7.6	7.7	7.2	7.8
Argentina	7.1	6.3	7.2	7.8
New Zealand	7.0	6.5	7.0	7.5
US	6.8	6.2	7.2	7.0
Canada	6.8	6.3	6.8	7.3

Quantitative (survey) findings

Aside from asking wine buyers their opinions about Australia, our wines and people, we also investigated their perceptions of their own cultural congruence with Australians, because it is expected that when people feel a cultural affinity with others they are more trusting of their products and services.

Other potential moderators measured included wine involvement and subjective (self-assessed) wine knowledge. These aspects were investigated to determine if wine was an important product to them (in their lifestyle), if they considered themselves to be well informed and knowledgeable with respect to wine, and if these considerations would influence the effects of COO associations. In general, influences found were small and largely insignificant, meaning that the power of COO was robust to consumer wine knowledge, involvement with wine and cultural affinity with Australia.

Aside from their impressions and beliefs about Australia, a number of broad-based questions relating to where they hear about wines and general consumption were also asked. Some of this data is provided in this summary; Part 3 of the full report provides the comprehensive results.

Table 2: Sources of information for wines purchased

Relied on Sources of Wine Information Scale of 1 to 7 (1= not important, 7 = Very Important)	All countries N=2017		China N=299
	Mean	s.d.	Mean
Word of mouth (family, friends, work)	5.29	1.391	5.77
Wine tasting	5.12	1.662	5.71
Liquor store or wine store	5.11	1.452	5.69
The internet (brand sites or wine region sites)	4.84	1.689	5.63
Visit to a wine region	4.74	1.853	5.90
Wine region information, brochures and maps	4.67	1.681	5.53
Newspaper or magazine advertising	4.56	1.644	5.15
Wine club	4.56	1.917	5.55
Going to a wine show or trade fair	4.52	1.836	5.68
On line wine retailers	4.47	1.732	5.19
Wine writers or 'bloggers'	4.44	1.747	5.40
TV advertising	4.44	1.671	5.14
Wine shows	4.43	1.880	5.56
Tourism centers	4.21	1.832	4.72
Billboards and/or road signage	4.18	1.775	4.95

Table 3 illustrates how Chinese wine consumers view the percentage chance that Australia can produce the 'ideal' or best possible wine. Results reflect focus group indications, that we are second only to the French, and on 'par' with the Italians and Spanish. This question, importantly, illustrates the 'gap' between the wine producing countries.

Table 1: Perceived likelihood a country will produce the 'ideal' high quality wine

Wine Producing country	All Countries % N=2017		China % N=299
	Mean	s.d.	Mean
France	70.88	24.560	64.20
Italy	62.58	25.682	48.74
Spain	57.54	25.672	45.11
US	57.28	26.646	42.76
Australia	**55.88**	**25.920**	**45.98**
New Zealand	53.60	25.839	44.04
Chile	52.82	26.854	40.33
Argentina	49.46	25.854	40.78
Ranking	*5th*		*3rd*

Summary of models – COO constructs

What follows is a summary of the beta statistics for the mediated and moderated regression analysis completed. (See Appendix 2 for an explanation of how to interpret the model statistics).

Two models were investigated:

- The first tested the power of Australia's country personality (CP) to influence fine wine fit (FWF) directly, and through the potentially mediating variables of Australia's wine personality (WP), people (PP) and food (FP) personalities.
- The second tested the purely emotional effects of Australia's evoked country-based emotions – how people feel when they think of Australia, our wines (WE), people (PE) and food (FE) – on fine wine fit. The potentially moderating influences of consumer wine involvement, subjective (self-assessed) wine knowledge and perceived cultural congruency with Australia were also tested. This is not included in this summary but results can be found in Part 3 of the full report.

As found in the qualitative work, Australia has a consistent and strong country image, with both positive and negative aspects. Interestingly (and importantly), the negative aspects of our COO stereotype were not found to have a significant effect on fine wine fit. However, they may be more damaging in terms of influences on business-to-business relationships. Traits such as 'lazy' and 'laid back' are detrimental to our international reputation as desirable business partners. For a full explanation of the variables used in the models see Appendix 2.

The questions asked that related to Australia, our wine, our people and food included in the survey were used to determine the degree to which Australia's country, wine, people and food personalities, and the emotions they evoked, influenced beliefs regarding Australia's 'fit' (ability) to consistently produce fine wines.

What follows is the first model tested. It shows Australia's country personality (CP) as the driver of the subsequent mediating variables of wine personality (CWP), food personality (CFP) and people personality (CPP). In other words, first people form in their minds their overall perceptions of Australia. Then drilling down from this, they considered our products (in this case focused on wine), the types of foods we eat (expected to contribute to our ability to produce fine wine based on the qualitative data) and our people (are we capable technically of making fine wine – and do we have the skill, history, love and passion to do it?). These three 'mediating' variables each make their own distinct contribution to fine wine fit (FWF): the congruence between perceptions of us and the concept of excellent, high-quality wine. We know that countries like France and Italy are deemed highly congruent with fine wine. This is due to their long history in making wine, the number of premium wine brands (and other premium brands across a spectrum of luxury goods) that come from those countries, and strongly held, consistent beliefs that their national cuisines and the skills of their people and personalities are all congruent with the production of fine wines.

Results of a follow up study including only the USA, UK and China revealed that Australia's country personality (stereotypical image) had a direct and indirect influence on Chinese consumers' likelihood to purchase Australian wines, the amount they purchased and the price they were willing to pay. When country personality was found to be a direct influence, results were negative – people were less likely to buy and willingness to pay a premium price declined – so if they did buy it would be at a value or lower price. Alternatively, for those who did believe the 'fit' between Australia and fine wine was stronger, they were more likely to buy, buy in greater volumes and pay more. Hence Australia's country personality dimensions have a direct influence on sales and prices.

Figure 1: Distribution of responses to the question - Of your total wine purchases each year how much is from Australia (%)

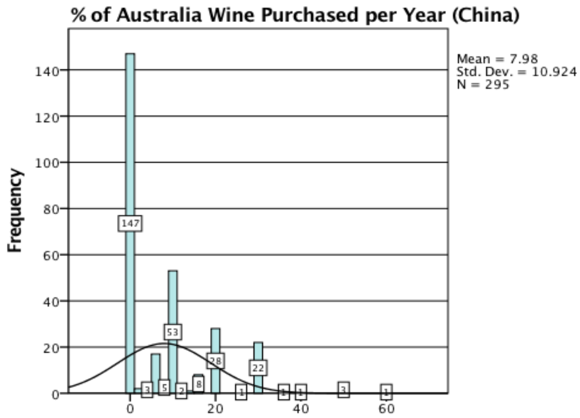


Figure 1 and Table 4 indicate that, overall, Chinese consumers are purchasing relatively little Australian wine as compared to French and Chinese wines. Indeed, local wine is supported strongly, as it is in the USA.

The table below shows the average percentage of total wine that consumers allocated to specified countries. (When reporting on their annual purchases of wine, respondents could allocate '0'% to countries).

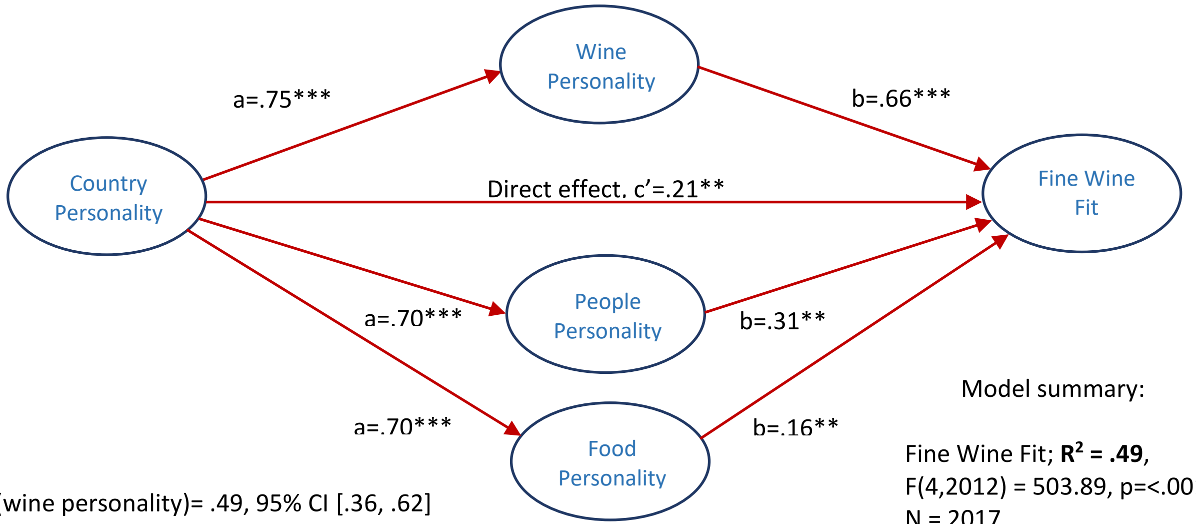
Table 2: Percentage of total wine purchases per year by country

Country	Mean %	SD
% Australia	7.98	10.92
% Chile	6.62	10.92
% China	28.36	27.76
% France	25.17	20.47
% Italy	9.04	11.05
% NZ	4.71	7.70
% UK	6.26	11.30
% US	7.06	9.76
% Others	4.76	10.29

Overall results – total sample

Testing all COO personality constructs together reveals a strong and positive influence of country personality (CP) on wine personality (WP), people personality (PP) and food personality (FP). These variables all substantially and significantly moderate the relationship between country personality and fine wine fit (FWF), with an overall R^2 of 0.49. Logically, wine personality is the strongest mediating factor – it's also important to note the strong direct effect of CP on FWF, even when the mediating variables of WP, PP and FP are present. Hence, testing confirms the influence of COO associations with consumer perceptions of Australia's abilities to produce a fine wine with a substantial R^2 outcome of almost 50 per cent. All relationships are highly 'statistically significant', meaning there is less than a 5 per cent**probability* that the test outcomes are purely by random chance (*$p < 0.05$). While the mediating factors are by far the most important drivers, even their presence does not render the direct influence of country personality insignificant, although its influence is minor once they are introduced. What follows are individual models for each country.

Figure 2: Influence of country personality via wine, food and people personalities on fine wine fit (all countries)



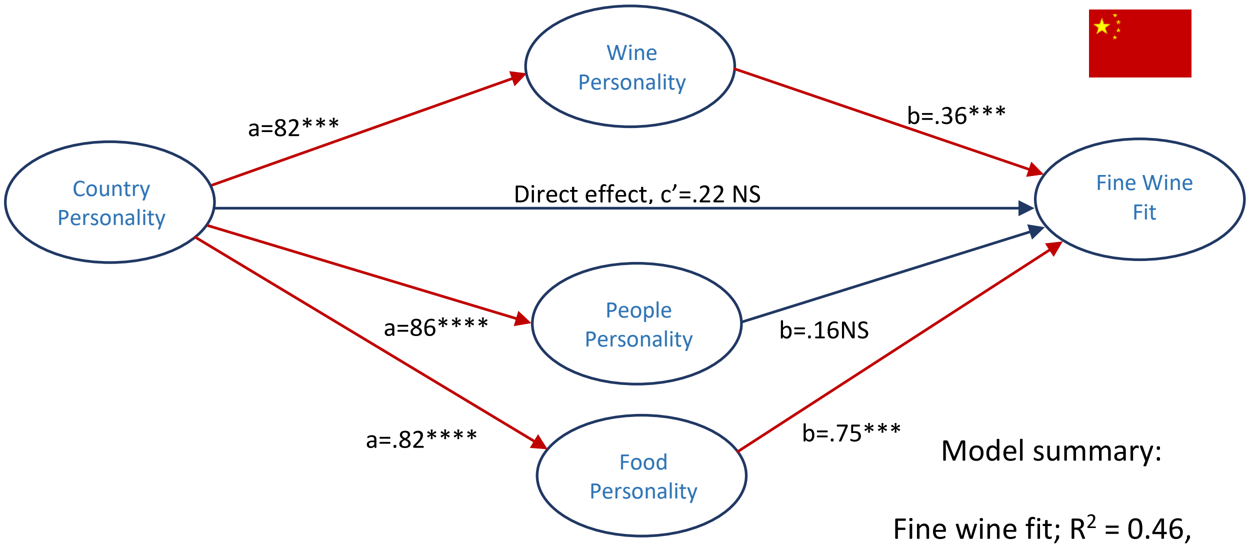
Model summary:

Fine Wine Fit; **R^2 = .49**, F(4,2012) = 503.89, p=<.001
N = 2017

Indirect effect, ab(wine personality)= .49, 95% CI [.36, .62]
Indirect effect, ab(people personality)= .22, 95% CI [.11, .31]
Indirect effect, ab(food personality)= .22, 95% CI [.01, .22]

China (N = 299) – CP on Fine Wine Fit

Figure 3: Influence of country personality via wine, food and people personalities on fine wine fit



Model summary:

Fine wine fit; R^2 = 0.46, F(4,294) = 63.48, p=<.001

Indirect effect, ab(wine personality)= .27, 95% CI [-.02, .62]
Indirect effect, ab(people personality)= .13, 95% CI [-.15, .48]
Indirect effect, ab(food personality)= .61, 95% CI [.18, 1.07]

- Positive influence of country personality on wine personality, people personality, and food personality.
- **NO** direct influence of country personality on fine wine fit.
- Positive influences of wine personality and food personality on fine wine fit.
- Mediation: There are significant indirect effects of country personality on fine wine fit through **wine and food personality**.

With an R2 of 0.46 for the model, for Chinese consumers Australia's wine and food personalities are extremely important to the overall concept of our ability to produce fine wine, and these are fully mediated by country personality. It not surprising that for these consumers, Australia's food personality is a strong mediator for CP. China imports a wide range of foods from Australia and it's likely that consumers would be better informed regarding the range and quality of the foods we eat. Results are similar for Vietnam and Korea and are likely to reflect Asian cultural values where good health and food quality are believed to be strongly linked.

Trade research in China

Qualitative findings

This is a very brief summary of 10 in-depth interviews: 5 wholesalers/distributors and 5 wine retailers. The interviews were conducted in several cities across China: Beijing, Shanghai, Guangzhou and Chengdu. Information regarding consumers' preferences for various wine attributes, perceptions of quality arising through country of origin, and imagery associated with Australia was sought across all instances of data collection. More than one-third of the interviewees mainly sell French wines (more than 50 per cent of total sales) and about one third of the respondents mainly sell Australian wines, which added up to more than 50 per cent of their sales.

By way of example, the following comments highlight the importance of COO to customers.

- Country of origin is very important. Any domestic wine is unexceptional, because it is made in China. Firstly, China doesn't have a history of wine. Secondly, China is famous for copying. As a result, Chinese pay more attention to foreign products, believing them to be safer and having quality assurance.
- Customers mainly follow the brands.
- The wine must be bottled and packaged in the country of origin.
- The country of origin is a guarantee of quality.
- Country of origin is very important, worth 60–70 per cent. Brand and history will give confidence to customers. Public praise is also very important.
- Country of origin is very important. Many people don't understand it, so we explain it in most occasions.

The respondents believe competition in China's wine market is very fierce for two key reasons: the market entry of new local and international brands; and the slow global economic growth, including in China, leading to a reduction in demand for wine. Another issue in the Chinese wine market is the impact of government policy on an initiative to cut down entertainment costs (i.e. the government has set many restrictions on its departments' entertainment expenses). As such, it is believed consumption and demand for premium wine will be reduced. According to the interviewees, there is an obvious decrease in demand from state-owned enterprise and public institution on premium wine. [Note: this reduction in demand has not affected Australian wine exports to China, including higher-priced wines.]

Respondents generally agree that consumer knowledge remains low and a lot of their customers rely on recommendations from sales staff. As with the findings generated from the consumer focus groups, the interviewees reinforced the importance of country of origin and packaging, which are the key factors driving Chinese customers' purchasing decisions. They further elaborated that France remained the top source of premium wines. Nevertheless, the interviewees made several positive observations about Australian country image, country wine image and country person image.

The respondents consider that if a country is politically and economically stable, they would believe this country is easy to do business with. They emphasised the importance of trustworthiness and the sense of responsibility when dealing with a foreign business partner. They further required excellent products with a high level of market awareness, good quality, reasonable price, timely delivery, flexible payment terms, good profit and sustained marketing support. In addition, the participants agreed Australia, the USA and France had the strongest connection with China in commerce and politics. As a result, they all thought these three countries were the easiest to do business with.

Most respondents believed that their suppliers have some flexible strategies to deal with unexpected situations. What makes respondents satisfied is that suppliers are flexible to changes in contracts, especially during some unexpected circumstances. Some respondents were unsatisfied when foreign suppliers failed to consider the Chinese culture and ways of business dealing. They call for honesty, flexibility and channel support in terms of pricing and promotion.

Quantitative findings

As with the consumer studies, broad questions regarding country preferences for imported wine were explored with the trade survey. Those surveyed, drawn from across China, were responsible for buying decisions. In total, 100 usable surveys were completed. The entire sample across all seven countries was 762. The table below shows responses to the question: 'What is the percentage chance 'x' country can produce the best quality wine?'. Results for the entire sample and China are shown in Table 5.

Respondents were asked what percentage of their stock was usually Australian then their perceptions of quality and their stock levels were analysed. Results show that, as you would expect, there is a strong correlation of almost 0.8 between their perceptions of how good our wine is and their stock levels.

Table 3: Percentage chance of producing high quality wine

Country of Origin	All countries N=762		China N=100
	Mean	s.d.	Mean
France	28.52	18.595	51.60
Australia	**14.95**	**11.741**	**10.10**
Italy	15.08	10.891	3.16
New Zealand	8.08	8.214	1.30
Chile	13.18	11.986	5.02
US	12.85	11.946	5.52
Ranking	*3rd*		*2nd*

Table 4: Relationship between perceptions of quality and stock levels

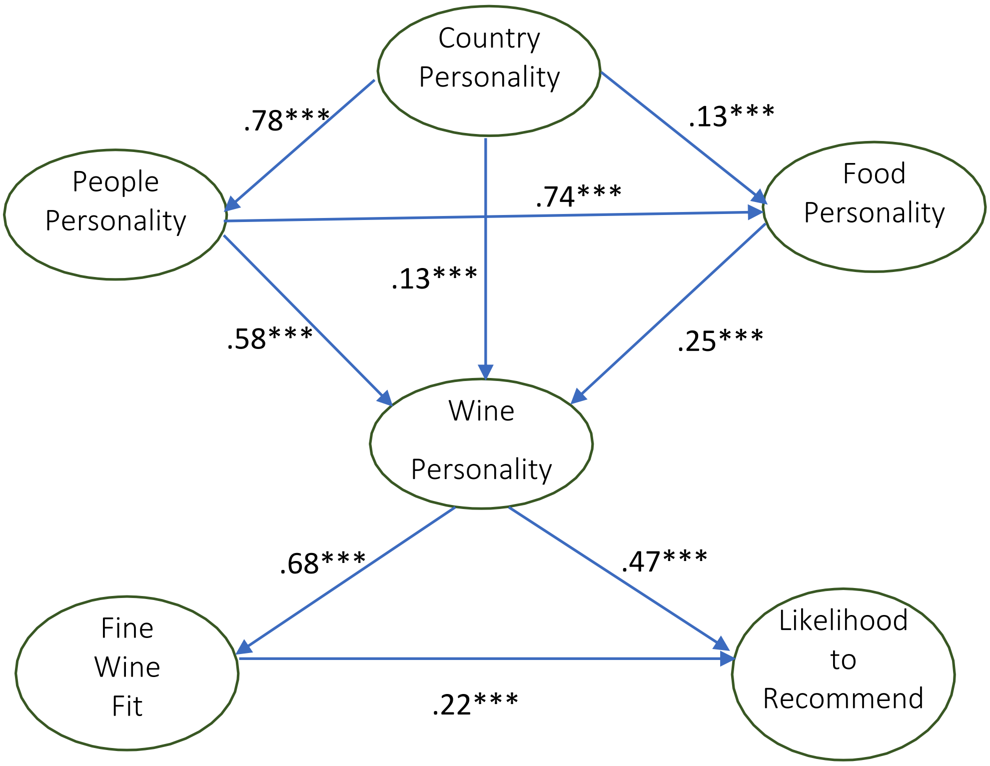
Wine source	% of Stock_ France	% of Stock_ Aust	% of Stock_ Italy	% of Stock_ NZ	%of Stock_ Chile	% of Stock_ US
Best Quality Wine_France	.697**					
Best Quality Wine_Australia		.752**				
Best Quality Wine_Italy			.678**			
Best Quality Wine_New Zealand				.508**		
Best Quality Wine_Chile					.750**	
Best Quality Wine_US						.745**

In China, sales of French wines far exceed those from anywhere else at 44 per cent. Australia, as expected based on consumer sentiment, is second at 9.7 per cent, with the US third at 6 per cent.

The following models illustrate a summary of the **total effects** for the models depicting the antecedents of fine wine fit (See Appendix 2) and likelihood to recommend Australian wine to their customers. Similar to our exercise in the consumer survey, we tested the power of Australia's country personality (CP) to influence fine wine fit (FWF) directly, and through the potentially mediating variables of Australia's wine personality (WP), people (PP) and food (FP) personalities. We then extended this model by including the behavioural component of likelihood to recommend Australian wine as the ultimate dependent/outcome variable. See Appendix 3 for a full explanation of how to interpret the models.

The model below shows the results, overall, for all countries (N=762). Findings reveal that both our wine personality and the degree of belief in our ability to produce fine wines are very impactful in terms of whether or not Australian wines will be recommended to customers. However, it is important to note that all Australia's personality dimensions make a significant and strong contribution to this overall outcome. The importance of the perceptions of our people is particularly evident.

Figure 4: Direct effects of country personality via wine, food and people personalities on fine wine fit and likelihood to recommend Australian wines (all countries N=762)



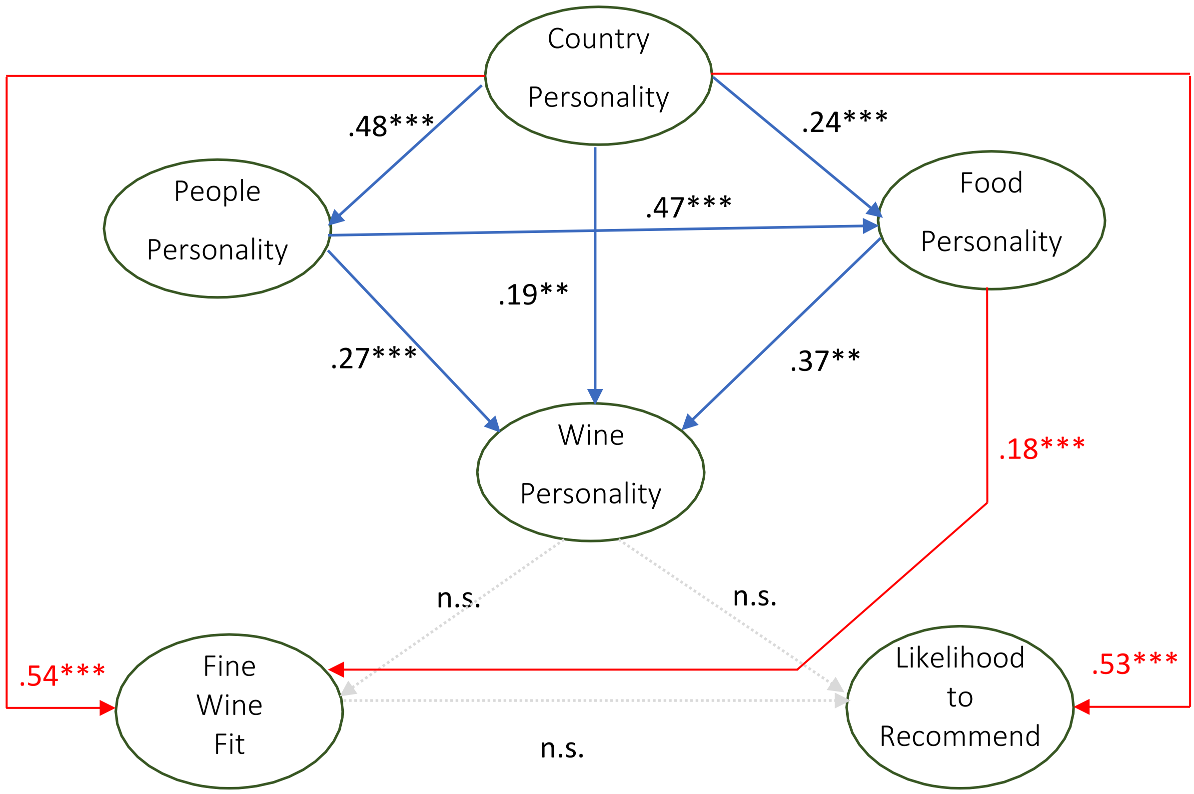
****: significance at p <.01 (99% confidence)*

Results show that all relationships are significant and that the overall impact on any change in the variance to recommend Australian wines is 41 per cent.

COO Dimensions	**R^2 values**
People personality	.60
Food personality	.71
Wine personality	.81
Fine wine fit	.46
Likelihood to recommend	**.41**

CHINA (N = 100) Impact of Likelihood to Recommend Australian Wine to Customers

Figure 5: Direct effects of Country Personality via Wine, Food and People Personalities on Fine Wine Fit and Likelihood to Recommend (China only)



****: significance at p <.01 (99% confidence); **: significance at p <.05 (95% confidence); *: significance at p <.10 (90% confidence); n.s.: non-significant*

R^2 values	
People Personality	.23
Food Personality	.39
Wine Personality	.48
Fine Wine Fit	.41
Likelihood to Recommend	.28

As shown in Figure 5, for Chinese wine businesses the interactions between country personality, people personality, food personality and wine personality are consistent with the overall sample and the proposed conceptual model. However, there was:

- NO influence of wine personality on fine wine fit
- NO influence of wine personality on the likelihood to recommend
- NO influence of fine wine fit on the likelihood to recommend.

Results show that, for the Chinese wine businesses, the impact of country personality is extremely powerful. More specifically:

- Country personality and food personality significantly influence fine wine fit as the two main drivers. These two variables explain 41 per cent of the variance in fine wine fit.
- Country personality significantly influences the likelihood to recommend Australian wines as its only significant driver. Country personality alone explains 28 per cent of the variance in the likelihood of recommending Australian wines.