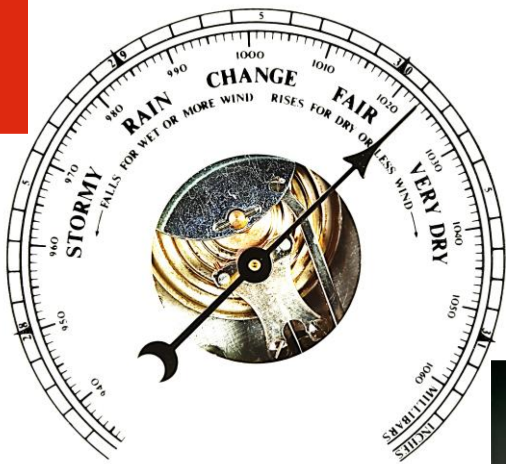
The China Wine Barometer:

a look into the future



FINAL REPORT to

Wine Australia

Project Number: **USA-1202**

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Research Organisation: **University of South Australia**

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Final report to Wine Australia

The China Wine Barometer: a look into the future

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1. Abstract

The *China Wine Barometer* provides a time-series tracking of the attitudes, perceptions and behaviours of multiple samples of Chinese wine consumers, who are socio-demographically representative in terms of age, gender and income of the upper-middle class urban population aged 18-49, who drink imported wine at least twice a year. Data were collected twice a year over the three-year period 2013-2015. The time-series nature of the project, combined with state-of-the-art marketing research techniques equips *Wine Australia* and its levy payers with the knowledge to make smarter marketing choices, so that they can grow their brands, and assist them in decision-making and strategic development in the Chinese wine market.

2. Executive summary

The *China Wine Barometer* is a three-year experimental tracking program executed by the *Ehrenberg-Bass Institute for Marketing Science* on behalf of *Wine Australia* for the benefit of the grape growers and wine makers of Australia, who are currently exporting or thinking of exporting to China. Data were collected twice yearly from 2013 to 2015, which provides six deep dives into the state of the China wine market, with an emphasis on the Australian category in the context of its competition.

Each wave of data collection has been analysed individually and prepared into a managerially-useful slide deck that is available as a PDF download from *Wine Australia* (http://research.agwa.net.au/resource_categories/consumers/). These reports identify the 'state of play' in the China wine market in a sequential basis over three years.

The decks include a dot point executive summary highlighting the key insights, tabulation and visualisations of the data with more detailed explanations and concluding recommendations on how Australian wine brands and the Australian wine industry can use these insights to perform better in the China market. The reports explore the attitudes, perceptions and behaviours of multiple samples of Chinese imported wine consumers. In addition, reports 1, 3 and 5 focus on country-of-origin perceptions and the on-premise channel. Reports 2, 4 and 6 focus on brick-and-mortar, direct-sales from distributors and e-commerce. Finally, reports 5 and 6 also summarise the evolution of the wine market in China by extrapolating out trends and illustrating patterns of behaviour among regular imported wine drinkers.

The major findings are provided in this final report along with the key recommendations. Overall, Australia remains the second largest wine importer into China behind France. However, France and French wine regions stand out as being much more well known and have far greater associations with premium and luxury than Australia. As more and more countries and regions export into China, consumers have much more choice and therefore, awareness of Australia, Australian wine regions and Australian grape varieties and wine styles has barely changed over the last three years. Australia and Australian wineries should continue to work hard to promote a unified image to wine drinkers and potential wine drinkers in China.

More and more people are drinking wine in China, so wine has moved from a luxury good to a premium drink purchased for social and health reasons. Consumption occasions are moving more into the informal and 'at home' locations, which means sales are growing faster in the off-premise than on-premise channels. Major supermarket and hypermarket chains remain one of the key purchase locations, but wine specialty stores and online channels are gaining sales, while local shops and convenience store channels are decreasing. The same informal trends are occurring on-premise, with growth in wine bars and less formal restaurants, except for formal celebrations, gift giving and business meals.

There are limitations of scope in this project. The project only investigated the current heavy buyers of imported wine in China as per the request of the industry. Data collection initially was executed across six cities in China, but in Wave 3, the data collection was extended to nine cities after consultation with *Wine Australia*. Future tracking in China should explore more lower tier cities and also establish benchmarks of light buyers and alcohol category consumers, who are not yet wine buyers in addition to our current understanding of heavy buyers. This will provide more meaningful intelligence to generate brand growth strategies for the Australian category.

The final report that follows explains in detail the methods and sampling applied in this project. The key findings from each report are collated. The insights are then interpreted in the context of the project objectives. Recommendations taking into consideration the learnings from six investigations of the wine market are provided.

Acknowledgements

The researchers thank *Wine Australia*, without the financial support of which this research would not be possible.

We also would like to thank the team of programmers at *Wine Intelligence,* who set up the various questionnaires online, managed the online panel of respondents, and prepared the datasets.

3. Background

In a wine world characterised by consumption saturation in mature markets, the key to growth is market development and smarter marketing in emerging wine markets such as China. This project addresses Program 2 of the *Wine Australia Strategic RD&E Plan 2012-2017*. Identifying and tracking the attitudes, perceptions and wine buying behaviour of Chinese wine consumers will contribute significantly to consumer insights and market development, satisfying both themes outlined in this program.

In order to remain competitive in China and reinforce its market-orientated core competency, Australia must understand its current positioning at an attribute level (e.g. country-of-origin, region-of-origin, grape variety, etc.) across its portfolio. This will allow developing marketing strategies that efficiently reach consumer touch points and bring to market wines that delight the consumer in the context of the unique social environment that impacts Chinese wine buying preferences. The research will also identify purchase patterns and the factors that influence buying behaviour. The opportunity exists to track the behavioural evolution of Chinese wine preference in a time-series manner. Finally, this knowledge needs to be presented in a functional and understandable manner.

Measuring the importance of different features and consumers' preferences for products is important for marketers and managers. Most trackers are scale-based (using 1-5 or 1-7 ratings) and although easy to complete, weakly discriminate among attributes (Hein et al., 2008). Furthermore, culture can impact scale usage (Couch and Keniston, 1960; Bachman and O'Malley, 1984), thus it is recommended to use more efficient techniques, such as best-worst (Finn and Louviere, 1992; Marley and Louviere, 2005), the *pick-any* method (Driesener and Romaniuk, 2006; Bogomolova and Romaniuk, 2010), or retrospective recall (Romaniuk and Dawes, 2005) These methods have been applied to wine (Cohen, 2009; Cohen et al., 2009; Mueller and Rungie, 2009; Lockshin and Cohen, 2011; Corsi et al., 2011). However, none of these methods have been applied as part of a time-series tracking study in the wine sector. These methods are currently used by the *Ehrenberg Bass Institute for Marketing Science* in tracking other categories in developing markets for major consumer packaged goods producers.

This report is organised as follows. After this background section, the project aims and performance targets are presented. This is followed by the explanation of the key techniques and methods adopted in the project. The key outcomes from each of the six waves of data collection are then summarised, followed by the project outcomes, recommendations and conclusions.

4. Project aims and performance targets

The objective of this research is to track the attitudes, perceptions and behaviour towards Australian wines in China over 2013–15 in order to generate knowledge about the grape varieties, regions, brands, price points and wine styles that the Chinese will consume in the next five years. It also provides similar insights about competitors.

This research has three sub-objectives:

- **Extrapolate longitudinal trends**: Understanding the evolution of consumer preferences will give the Australian wine industry the opportunity to adopt a proactive approach towards future export market strategies improving the efficiency of the export supply chain.
- **Test whether the marketing tools we currently have at our disposal are adequate to extract and measure consumer preferences in the wine sector**: The *Ehrenberg-Bass Institute for Marketing Science* has experience in the set up and management of tracking projects. Similar approaches have been developed for other clients in different product categories. However, a partnership with *Wine Intelligence* Vinitrac® system is developing, as this company has been conducting tracking surveys for a number of years in 18 markets around the world.
- **Validate methods and share research tools with different wine market research companies**: Current trackers, such as the *Wine Intelligence* Vinitrac® use mainly Likert-type, multiple-choice and open ended question measurements, which are effective in developed world markets, but may not always be appropriate for developing markets such as China. The objective of this study would be to test alternative and new questionnaire designs to establish an optimum set of research tools for the Chinese market.

5. Method

This research adopts some of the most common market research techniques (e.g. Likert scales, and multiple choice questions). However, along with these techniques, this research introduces more sophisticated marketing research techniques including *best-worst scaling*, the *pick-any* method, and *retrospective recall*.

5.1. 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 typical response bias and discrimination problems that plague traditional techniques. By this we mean a typical 1-7, or 1-5 Likert scale assumes that everyone will respond in the same way and that the interval between each number is the same, i.e., the difference between 2 and 3 is exactly the same as the difference between 4 and 5. These assumptions have been proven to be false, because different people use the numbers in different ways, often influenced by their culture. Some cultures avoid the negative ends of the scales and others the positive. The same happens at the individual level. This makes comparisons difficult.

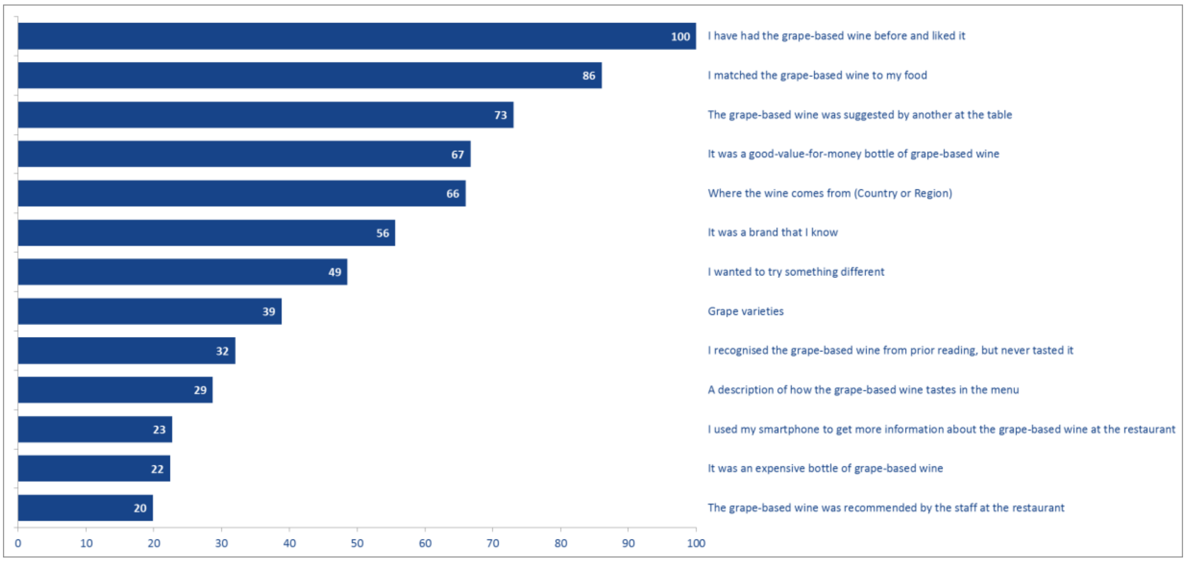
In Best Worst scaling, the respondent only has to choose which item is most important and which is least important from a set list of usually 4-6 items. This task is performed similarly across individuals and cultures, eliminating most biases. An experimental design is used to provide the selected items an equal number of times with every other item. The results then provide a ratio level (equal interval) of the relative importance of all items tested.

We used this method to measure the factors influencing the choice of wine in on-premise (wave 1, wave 3, and wave 5) and in retail (wave 2, and wave 4) sector. We also used this method to understand the reasons why Chinese consumers drink wine (wave 1).

For reporting, 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, compared with an item at 100. This method provides a more realistic overview of the trade-offs consumers make in a decision-making process.

Figure 1 provides an example of how best-worst scaling results can be presented. The data are relative to the factors influencing the choice of wine at an on-premise venue.

Figure 1: Example of a Best-Worst scaling report



5.2. *Pick-any* method

The ***pick-any* method** measures the mental associations consumers have about different elements (countries of origin, regions of origin, retailers, and types of retailers in this research) using selected attributes that are key decision dimensions. The results can be interpreted and visualised in a number of formats in order to extract maximum insight from the data.

Respondents are required to pick the items and indicate which, if any, country, region, retailer, or type of retailer (depending on the context) they would associate with that item. There is no restriction on the number of associations that can be held per item and these can span multiple countries, regions, retailers, types of retailers, or other dimensions. The count of the number of items associated, for example, with each country-of-origin, is a measure of the richness of the mental associations wine buyers have for each particular country. The items/attributes can be organised in different ways. For example with country-of-origin, a set of items can be associated with mental associations related to producing either commercial or fine wine. A comparison of frequency counts can be interpreted as which countries are more associated with producing commercial wine and which fine wine.

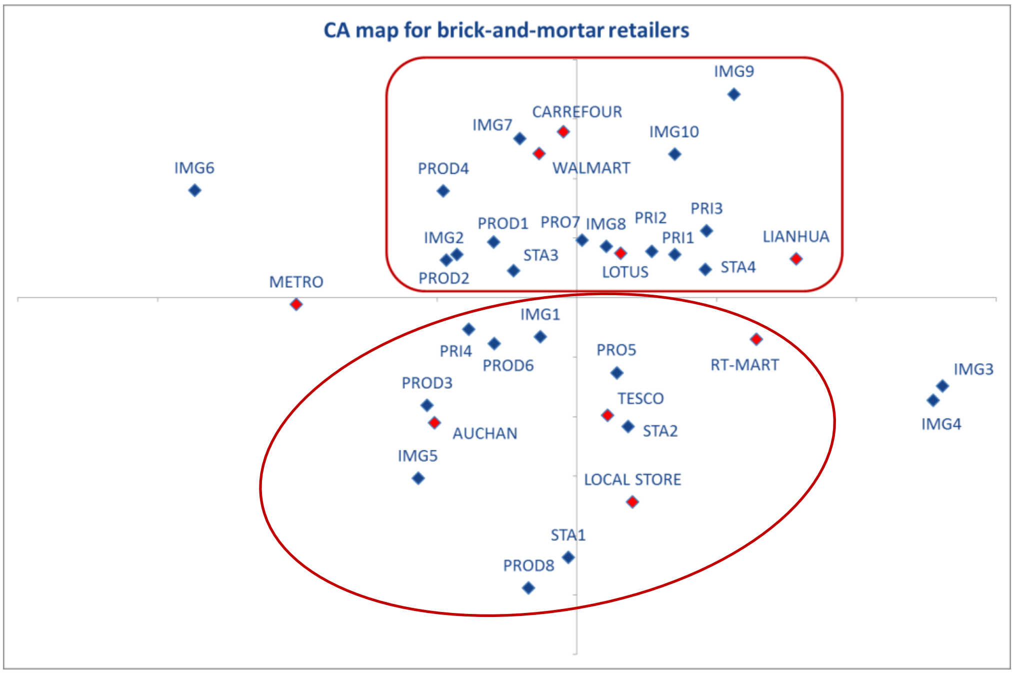
The list of items chosen to evaluate the perceptions towards countries-of-origin and regions-of-origin comes from Corsi et al. (2011). The list includes a total of 34 items divided in five main conceptual dimensions: consumption occasion, distinctiveness, packaging, premiumness, and style. The investigation about regions-of-origin perception was only conducted in wave 1, as after the analysis we conducted in that wave, and then combined with other results about regions-of origin awareness we observed in wave 1 and wave 2, we realised that the perception of regions-of-origin in China was not developed enough to provide meaningful insights to the Australian wine industry. Specifically, very few attributes were picked/associated with any region-of-origin.

The list of items chosen to evaluate the perception towards brick-and-mortar retail stores is adapted from the items developed by Lockshin and Kahrimanis (1998) and Burt and Carralero-Encinas (2000) to measure retail store image. From there, the list of items relative to online retailers was created, making sure the items used for the online stores matched as closely as possible with those developed for the physical retailers. Two exceptions need mentioning. First, instead of items measuring the perception of staff in online stores, we included items on the overall perception of the website. Secondly, instead of retail location items, we included items on the security of financial transactions and delivery options, as suggested by Van der Heijden and Verhagen (2004). The list of items for brick-and-mortar perception include 26 items divided in four dimensions: general image & location, price, product range, and staff. The list of items for online retailers perception include 29 items divided in five dimensions: financial transactions & delivery options, general image, price, product range, and website image.

Over the course of the waves, the data have been analysed and presented in various ways. We first presented the data using correspondence analysis (CA). This multivariate statistical technique is conceptually similar to principal component analysis (PCA) or as sometimes called multidimensional scaling, but instead of using continuous variables (e.g. 1-7 scales), it is applicable to categorical data.

As in PCA, the output of CA is a set of coordinates onto the *i* dimensions of a CA map for each of the items included in the analysis. This is basically a plot of the distance or similarity/ difference between the items measured. For ease of interpretation, the plot is often reduced to two dimensions. However, different to PCA, where each axis can be defined by the factor scores each original variable is loaded into, the axes in CA have no other meaning than a bi-dimensional representation of the associations between the items displayed in the map (Beh, 2004; Greenacre, 2007). Figure 2 provides an example of a CA map.

Figure 2: Example of CA map relative to brick-and-mortar retailers



Here, each point is either a store or one of the items measuring each dimension. Stores closer together are perceived more similarly than ones further apart; and the items closest to each store describe attributes more closely associated with that store.

Unfortunately, it is hard to make CA maps understandable to our audience, hence we developed a new way to present the data from wave 3 onwards. We called the new approach *Wine Country Perception* (WCP) and *Wine Retailer Perception* (WRP), depending on the topic of investigation. This analysis presents the top 5 and bottom 5 WCP or WRP associations based on the percentage of wine drinkers who select the applicable statements that relate to each country-of-origin or retailer using the pick-any method.

The data presented makes 3 notable contributions:

- **Strengths**: The top 5 associations identify the most salient associations the sample has to either a country or wine retailer.
- **Weaknesses**: The bottom 5 associations identify the least salient associations the sample has with either a country or a retailer. Many of the bottom associations are perceptions a wine country or retailer would avoid. This is another quality performance measure. So having low/few associations can be seen sometimes as a good thing.
- **Magnitude**: The percentages of each association are listed for comparison across countries or retailers.

The reason why we haven't developed a *Wine Region Perception* measure is due to the fact that we stopped collecting perception measures about regions after wave 1, as explained above.

Figure 3 below provides an example of a WCP analysis and visualisation. The analysis and visualisation relative to brick-and-mortar and online retailers would be similar. The only elements changing from the example provided in Figure 3 are the object of investigation (i.e. retailers instead of countries), and the actual items used to characterise the retailers.

Figure 3: Example of WCP analysis relative to the perception of Australia as a wine producing country

5.3. Retrospective recall

Retrospective recall provides measures of which product attributes (e.g., country-of-origin, region-of-origin, grape variety, price point, etc.) feature in the purchase decisions of consumers. It asks respondents to recall the last two purchases in either a retail, or an on-premise venue (depending on the wave of data collection), in relation to certain product attributes (e.g., country-of-origin, region-of-origin, grape variety, price point, etc.). Retrospective recall is the best method to measure penetration (number of buyers), when actual panel data is not available (Nenycz-Thiel et al., 2013).

Two measures are calculated and presented:

- **Penetration**: % number of buyers of any given product attribute over the total number of shoppers. This measure is important, because increasing the number of buyers is the key to brand growth.
- **Repeat purchase rate**: % of buyers of product attribute *i* conditional on being a previous buyer of the same attribute *i*. This is a well-known measure of loyalty (repurchasing) and suited for the type of data collected in this study.

Table 1 below shows an example of retrospective recall results applied to regions-of-origin.

Table 1: Example of retrospective recall results

Region of origin	Penetration (%)	Repeat Purchase Rate (%)
Bordeaux	22	18
Ningxia	13	34
Burgundy	6	15
Provence	6	3
Barossa Valley	2	15
Clare Valley	1	0
Coonawarra	1	0
Margaret River	1	0
McLaren Vale	1	0
Langhorne Creek	1	0
Mornington Peninsula	1	0
Yarra Valley	1	0

6. Sample

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

In the first two waves of data collection, respondents were located in the cities of Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, and Wuhan. Since wave 3, the sample was extended to three more cities – Shenzhen, Hangzhou, and Chongqing – in order to capture the evolution of wine consumption in more cities across China.

The sample has been selected to make it comparable with *Wine Intelligence*'s Vinitrac® sample.

Table 2 below shows the main characteristics of the various samples collected through the six waves of the *China Wine Barometer*.

Table 2: Socio-demographic characteristics of the sample collected through the six waves of the *China Wine Barometer*

	Wave 1 **Mar '13** **(%)**	**Wave 2** **Oct '13** **(%)**	**Wave 3** **Mar '14** **(%)**	**Wave 4** **Oct '14** **(%)**	**Wave 5** **Mar '15** **(%)**	**Wave 6** **Oct '15** **(%)**
Sample size (n)	913	966	1012	895	985	1004
Cities*	Shanghai (43) Beijing (19) Guangzhou (19) Chengdu (10) Shenyang (5) Wuhan (4)	Shanghai (43) Guangzhou (19) Beijing (15) Chengdu (13) Shenyang (6) Wuhan (4)	Shanghai (37) Chengdu (12) Beijing (11) Guangzhou (11) Chongqing (7) Hangzhou (7) Shenzhen (7) Shenyang (5) Wuhan (3)	Shanghai (33) Guangzhou (14) Beijing (13) Shenzhen (10) Hangzhou (9) Chengdu (6) Chongqing (6) Shenyang (6) Wuhan (4)	Shanghai (32) Guangzhou (15) Beijing (14) Chengdu (10) Shenzhen (8) Chongqing (6) Hangzhou (6) Shenyang (6) Wuhan (4)	Shanghai (37) Guangzhou (15) Beijing (12) Chengdu (8) Chongqing (7) Shenzhen (7) Hangzhou (6) Shenyang (6) Wuhan (3)
Gender	Males (60) Females (40)	67 33	67 33	62 38	65 35	62 38

Age	18-29 years old (28) 30-39 years old (51) 40-50 years old (21)	30 43 27	29 45 26	30 46 24	30 48 22	33 44 23
Income	> RMB 10,000 (approx. AUD 1500) per month (45) > RMB 7,000 (approx. AUD 1000) per month (80)	50 85	52 80	57 82	66 87	63 87
Academic degree	80	80	80	80	80	80
English speaking	80	80	80	80	80	70

* In the case of cities, percentages may not add up to 100, due to rounding.

7. Results

Each wave of the *China Wine Barometer* resulted in a presentation deck, which are available at http://research.agwa.net.au/resource_categories/consumers/. We invite the interested reader to access these decks for a more detailed understanding of the results and recommendations presented in this final report.

All waves (1-6) have a common introductory section on Chinese wine consumers' awareness, attitudes and perceptions about wine. Then, while waves 1, 3 and 5 specifically focus on Chinese wine consumers' attitudes and behaviours in the on-premise sector, waves 2, 4, and 6 focus on the attitudes and behaviours in brick-and-mortar stores, direct sales from distributors and online sectors. For a better comparison of the results, we, therefore, report first the results of waves 1, 3, and 5, and then the results of waves 2, 4, and 6.

We summarise in this section of the report the main insights gathered from each wave of data collection, while the main recommendations will be reported in the following section.

General + On-premise

7.1. Wave 1 – March '13

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 has good awareness in Tier 2 cities.
6. Whilst Chinese consumers have a defined set of associations for French and Chinese wine, they have not yet developed strong associations for Australian wines or the Barossa Valley, Australia's most salient region as measured by the *Country Wine Perception* (CWP) pick-any items.
7. France and Italy stand out as fine wine producers with China perceived as predominantly a commercial producer. There is not a clear perception how to categorise Australian or the other major producers in this context as either fine or commercial wine producers.
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.

7.2. Wave 3 – March ‘14

1. In terms of awareness, red wine continues to be dominant with marked growth in awareness of sparkling wine, slight improvement in white wine and rosé, and a slight decline in Champagne.
2. The awareness for the largest category in China, red wine, is lead by France, followed by China and 3rd position is traded between Italy and Australia with Australia tending to outperform in Tier 2 cities.
3. Chengdu has markedly lower awareness for the Australian category across the 9 cities surveyed.
4. The quintessential bottle of imported wine in the mind of Chinese consumers is still a French, Bordeaux, Cabernet Sauvignon sold at less than 40 AUD.
5. France is dominant in mental availability having the broadest (across more types of associations) and highest magnitude of associations in *Country Wine Perception* (CWP) measurement.
6. Wine style is the largest driver of perception followed by distinctiveness, except premiumness is 2nd for ‘old world’.
7. France, Italy and Spain have a premium perception with China viewed as commercial, however perception is balanced as both premium and commercial for ‘new world’ wine producing countries.
8. Australia is recognised as producing fashionable, easy to drink and good tasting red wines coming in likable varieties; however, France is recognised for elegant red wines suitable for fine dining and gift giving coming in likable varieties.
9. Restaurant is the leading format for wine consumption followed by pub/bar trade, bistro/café and at friend’s house, suggesting there is more opportunity for home entertaining.
10. French and Chinese wines are the most purchased wine countries with Australia securing higher than expected repurchase rates, suggesting satisfied drinkers.

7.3. Wave 5 – March ‘15

1. Chinese wine consumption is growing but becoming less formal with more informal consumption occasions being registered.
2. Greater competition and a growing number of low knowledge consumers mean overall awareness of each wine producing country is dropping and this should be focused on by Australia and Australian producers to grow awareness and sales.

3. Cabernet is retaining its lead as the top grape variety, so there is an opportunity to grow the region/grape variety nexus for Australia.
4. White wines are gaining in awareness and offer an opportunity, especially with food matching in less formal restaurants.
5. Australia has managed to maintain its premium image and even slightly decrease its commercial one, but other countries are doing the same.
6. There has been growth in the perception of Australia as an exciting wine producer of food friendly wines.
7. There has been little change in choice drivers for on-premise consumption but growth in taking wine along when visiting friends and family members.
8. Business occasions are still the highest spending occasions while prices paid for informal occasions have decreased.
9. The wine industry and individual producers need to maintain their marketing interventions and focus on premium, but informal positioning as more consumers enter the wine market.
10. Australian wine regions are not among the top regions for awareness and must work harder to build consumer awareness in order to grow.

General + brick-and-mortar, direct sales from distributors and online

7.4. Wave 2 – October ‘13

1. In terms of awareness, red wine is dominant followed by beer, whisky, white wine and Champagne.
2. The quintessential bottle of wine in the mind of a Chinese consumer is a French cabernet sauvignon from Bordeaux priced below ~ 45 AUD in retail.
3. Weekly consumption of wine by Chinese is most prevalent for relaxing and informal occasions with the frequency dropping for hosting guests and celebrations.
4. Relaxing and informal consumption occasions trend towards lower-priced wine with bottle spend rising when hosting guests and celebrations.
5. Main retail purchase drivers are quality indicators and grape variety with vintage, country-of-origin, and recommendations also playing an important role in the decision process.
6. Leading wine retail channels are hypermarkets, specialty wine stores and online wine retailers, however penetration is above 50% for all channels, except TV sales.
7. Similar awareness levels among brick-and-mortar retailers, but higher visitation and penetration for hypermarkets (i.e. *Walmart* and *Carrefour*).
8. Chinese giant Alibaba’s *Tmall* and *Taobao* along with US venture-capital-backed *Yesmywine* lead the online sector with higher awareness and conversion.

9. Brick-and-mortar stores can be classified into two distinct store experiences, however staff interaction is the key differentiator for local store appreciation.
10. Online retailers can be classified into two distinct virtual shopping experiences with *Tmall* and *M1ntcellars* standing out with recognition for online security and brand image.

7.5. Wave 4 – October '14

1. In terms of awareness, red continues dominance; white dipping back to 2013 levels; rosé and sparkling showing pronounced decline from trend analysis.
2. The quintessential bottle of imported wine continues to be a French Cabernet Sauvignon from Bordeaux priced below AUD 40.
3. Awareness for France has recently stabilised within a long term trend of decline; there is notable decline for awareness of Australia and NZ wines. This is due to more new consumers entering the market and more imported wines fighting for sales.
4. The Australian regions with the highest awareness scores in wave 3 have the sharpest declines with McLaren Vale suffering the most.
5. Chinese wine drinkers spend less, but buy more frequently for informal/casual occasions, with the inverse happening for celebrations/formal occasions.
6. French and Chinese wines continue to be the most purchased with 'Old World' securing higher repurchase rates suggesting satisfaction across channels.
7. 3/4 of wine purchasing in China is planned with considerable time spent searching for product information prior to, and during, the purchase occasion.
8. Retail channel does not impact 'purchase drivers', but consumption occasion does shift the relative importance consumers have in their decision rules. Beyond having a wine in a previous occasion and liking it, a range of other factors, such as recommendations from family/friends, the grape variety, vintage, and the brand, become more important when purchasing wines for special occasions, than what they do for informal occasions. Interestingly enough, though, the order of importance of the various factors, particularly for the five most important factors, does not change between consumption occasions.
9. Leading wine retail channels continue to be hypermarkets, specialty wine retailers and online wine retailers with 80% of retail channels having penetration levels above 60%.
10. Brick-and-mortar conversion continues to be highest for large format retailers with *Walmart* and *Carrefour* leading. Online platforms – *Tmall*, *Taobao* and *Jiuxian* - have grown rapidly in 2014 with *Yesmywine* holding their ground with overall growth evident in the online sector.

7.6. Wave 6 – October '15

1. China continues to mature as a wine market with more competition between countries, regions, and grape varieties evident in decreasing awareness scores, and repeat purchase rates across all participants.
2. Australia does well as a country, but Australian wine regions and prominent Australian grape varieties still have low awareness.
3. A relaxing drink at home is still the prevalent occasion to consume wine off-premise, and home consumption is growing both for formal and informal occasions, while average price points have stabilised.
4. Wine from Australia and our leading varietal Shiraz have maintained penetration and repeat buying in retail over the past 3 years despite some volatility.
5. While French wine and Cabernet have increased penetration in China, buyers' loyalty to these styles is waning as their buying repertoires grow.
6. Hypermarkets, specialised and online wine retailers have dominant penetration, but a further 10 channels have penetrations above 60% showing that there are many effective opportunities to reach buyers.
7. A decline in buying from hypermarkets and other large format retailers is evident, but growth apparent in more specialised, high-end retailers.
8. The majority of wine drinkers buy from the same channels; those who have changed channel preferences favour the most common channels and have reduced buying from small format retailers.
9. Number of people buying from online is quite similar across sites, but a massive decline in buying from Alibaba's platforms is now evident.
10. Wine specialty stores and international hypermarkets/supermarkets have a more distinctive image than other types of retailers.

8. Project outcome and conclusions

This project fulfilled the required objectives:

1. The project has provided a time-series analysis of the attitudes, perceptions and behaviours Chinese consumers have towards wine, thus equipping the Australian wine industry with the necessary insights to adopt a proactive approach towards future export market strategies into China;

   In terms of forecasting, our results show relatively low levels of change in awareness of countries, regions, and grape varieties. Mainly we found that as more new wine drinkers enter the population of buying and consuming imported wines, overall awareness and repurchase rates have decreased, in a sense diluted by all the new wine drinkers.

   A look at the trends in the Wave 6 report confirms that overall stability or slight increases will be expected over time in most areas, except decreasing awareness for Australian wine regions in the face of increasing competition:

   Slide 16: stable awareness of red wine and slightly increasing awareness of white and sparkling.

   Slide 18: decreases in country-of-origin awareness are likely stabilise over the next few years, but could decline as more new wine drinkers enter the market.

   Slide 19: increases in region-of-origin awareness for Old World wine regions; more Old World regions, e.g Rioja, are likely to increase. Decreasing to stable awareness for New World wine regions.

   Slide 20: Stable or even decreasing awareness for Australian wine regions is likely to continue in the absence of renewed regional promotion; the growth in awareness for Old World wine regions hampers the awareness of other competing regions.

   Slide 21: Stable awareness for most grape varieties, with Cabernet losing some ground as other grape varieties become more popular; white grape varieties will continue to increase in awareness and purchase.

   Over 3 years we have seen increases in informal wine drinking occasions and decreases in formal drinking occasions. This is likely to continue with more consumers entering the market at younger ages. Wine consumption will continue to increase in homes; this means growing purchases in retail stores relative to on-premise, though both will increase as more people drink wine.

   Related to the trend to informal and at-home consumption are the patterns of retail purchasing. Large format stores (hypermarkets, supermarkets) and specialty stores are growing and will continue to grow in importance. Awareness and visitation levels are equalising among the larger brands of stores (Slide 36).

   The same trend is evident online. China continues to lead the world in percentage of retail sales made through online stores and wine is part of this trend. The same as with brick-and-mortar stores, there continues to be a trend of equal awareness of all major online retail venues. As wine consumption grows, we forecast that online retail sales will grow and will be spread relatively evenly among the major retailers as detailed in Slide 38 in the final report.

2. The inclusion of new techniques, such as best-worst scaling, the *pick-any* method, and retrospective recall have been able to provide *Wine Australia* and its levy payers with a level of insights on the Chinese wine market that no other country currently has. The feedback we received from the press, the presentations we held for levy payers, the awards we received from the academic community, and the statistics we read about the performance of Australian wines in the Chinese market suggest that a tracker like the *China Wine Barometer* represents an invaluable tool that *Wine Australia* should consider to maintain, perhaps annually, in the future, and extend it to any other domestic or international market where Australian wines are currently sold, or could potentially be sold to;
3. On each wave of data collection, *Wine Intelligence* and the *Ehrenberg-Bass Institute for Marketing Science* shared the questionnaire and the datasets. The *China Wine Barometer* adopts some of the most common market research techniques (e.g. Likert scales, and multiple choice questions), which are also used by *Wine Intelligence*. The results obtained with these techniques are in line with Vinitrac®. However, the *China Wine Barometer* also introduced several new techniques – *best-worst scaling*, the *pick-any* method, and *retrospective recall*. Our preference for the use of the *best-worst scaling* is that this technique produces a more accurate weighting of the importance of attributes (reasons) compared to ranking or Likert rating scales. The *pick-any* method and *retrospective recall* provides additional information compared to Vinitrac®, because, to the best of our knowledge, Vinitrac® did not use these techniques at the time when the two projects ran in parallel.

8.1. Project performance against planned output

The following tables list performance targets as outlined in the project contract.

Outputs and Activities 2012–13

	Output	Activities	Performance
a	Questionnaire field ready for data collection wave 1	Questionnaire design, preparation and testing	Completed
b	Wave 1 data reported to Australian wine sector	Collect, collate and analyse results from data collection wave 1. Prepare and submit report. Present results to the Australian wine sector (method to be determined).	Data collection and analysis completed. Report submitted and published on the Wine Australia website Results presented through various presentations and trade publications

Outputs and Activities 2013–14

	Output	Activities	Performance
a	Questionnaire field ready for data collection wave 2	Questionnaire design, preparation and testing	Completed
b	Wave 2 data reported to Australian wine sector	Collect, collate and analyse results from data collection wave 2 Prepare and submit report. Present results to the Australian wine sector (method to be determined).	Data collection and analysis completed. Report submitted and published on the Wine Australia website Results presented through various presentations and trade publications
c	Questionnaire field ready for data collection wave 3	Questionnaire design, preparation and testing	Completed
d	Wave 3 data reported to Australian wine sector	Collect, collate and analyse results from data collection wave 3. Prepare and submit report. Present results to the Australian wine sector (method to be determined).	Data collection and analysis completed. Report submitted and published on the Wine Australia website Results presented through various presentations and trade publications
e	Disseminate knowledge on project results through at least two industry extension mechanisms	Produce one conference paper and one academic article (target: A level journal), subject to Wine Australia approval.	Conference paper presented at the 8th Academy of Wine Business Research Conference. The paper was the recipient of the *Best Paper Award*. An academic article has been accepted in the book "The wine value chain in China: Global dynamics, marketing and communication in the contemporary Chinese wine market" in early 2017.

Outputs and Activities 2014–15

	Output	Activities	Performance
a	Questionnaire field ready for data collection wave 4	Questionnaire design, preparation and testing	Completed
b	Wave 4 data reported to Australian wine sector	Collect, collate and analyse results from data collection wave 4. Prepare and submit report. Present results to the Australian wine sector (method to be determined).	Data collection and analysis completed. Report submitted and published on the Wine Australia website Results presented through various presentations and trade publications
c	Disseminate knowledge on project results through at least two industry extension mechanisms	Produce one conference paper and one academic article (target: A level journal), subject to Wine Australia approval.	A conference paper has been presented at the 11th Pangborn Sensory Science Symposium An academic article has been accepted into *Food Quality & Preference*

d	Questionnaire field ready for data collection wave 5	Questionnaire design, preparation and testing	Completed
e	Wave 5 data reported to Australian wine sector	Collect, collate and analyse results from data collection wave 5. Prepare and submit report. Present results to the Australian wine sector (method to be determined).	Data collection and analysis completed. Report submitted and published on the Wine Australia website Results presented through various presentations and trade publications

Outputs and Activities 2015–16

	Output	Activities	Performance
a	Questionnaire field ready for data collection wave 6	Questionnaire design, preparation and testing	Completed
b	Wave 6 data reported to Australian wine sector	Collect, collate and analyse results from data collection wave 6. Prepare and submit report. Present results to the Australian wine sector (method to be determined).	Data collection and analysis completed. Report submitted to Wine Australia Results presented through various presentations and trade publications
c	Disseminate knowledge on project results through at least two industry extension mechanisms	Produce one conference paper and one academic article (target: A level journal), subject to Wine Australia approval.	A conference paper has been presented at the 2016 meeting of the *American Association of Wine Economists* The researchers are currently working on an academic publication targeting an A level journal.

8.2. Benefits from the project

8.2.1. Economic benefits

This project enables Australian wineries to understand the elements of their image in China in regard to Australia, Australian wine regions, Australian grape varieties, and consumption situations in comparison to that of our main competitors. This knowledge provides the basis for effective communication programs in Chinese markets. It sets the baseline image and therefore the specific goals for future marketing and communication. The economic value is the efficient and effective communication strategies developed by *Wine Australia*, wine regions, and individual wineries based on clear knowledge of the preferences and mental associations of Chinese wine consumers.

8.2.2. Environmental benefits

There is no direct environmental impact of this project. The benefits are based on reducing wasted effort and communication spending to achieve unrealistic or the wrong goals for positioning Australian wines. So, the environmental impact will be indirectly lowered due to reduced wastage in effort as well as marketing supplies.

8.2.3. Social benefits

This research is not intended to have social impacts, except indirectly. It is aimed at improving the objectives of various marketing and communication efforts. Indirectly, the project will provide clearer goals for communicating with our key export market, China, and by doing so will reduce any current issues in internal marketing within *Wine Australia* and between *Wine Australia* and various organisations in the Australian wine sector.

9. Recommendations

Similar to the way in which we reported the results of each wave of the *China Wine Barometer*, we report here the main recommendations provided at the end of each deck.

9.1. Wave 1 – March ‘13

Industry-level actions

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

Producer-level 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 defendable 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 Ho.Re.Ca. (Hotel, Restaurant, Café) staff training.
- Wines can be priced for on-trade consumption.

9.2. Wave 2 – October ‘13

Industry level actions:

- Continued marketing activity is required to compete with the dominant salience of French wines and also position Australian wine better in the context of our adjacent competition in China and Italy.
- Understanding that the frequency of consumption increases for relaxed or informal settings could dictate strategy, however these occasions trend to lower cost wines.
- Low loyalty (repeat purchase rate) for Australian wine dictates a need for a growth strategy based on increasing market penetration.
- Quality indicators and grape variety must be integral to communications strategy as these are key choice factors in retail.
- Understanding penetration of retail channels should help *Wine Australia* prioritise actions.

Producer level actions:

- Understanding penetration and loyalty (repeat purchase rate) levels for grape varieties and price tiers should help dictate product allocation for the China market.
- Knowing penetration and purchase frequency of retail channels in China will help producers develop action plans for channel engagement.
- Understanding awareness and conversion rates among Chinese wine drinkers for brick-and-mortar, direct sales (from distributors) and e-retailers will drive business development strategy.
- Interpreting the classification of brick-and-mortar and e-retailers by type of experience will assist in alignment of wine brands with seller image.

9.3. Wave 3 – March '14

Industry level actions:

- Australia is continuing to improve its premium image, but so are other countries. There is a need to improve premium promotion activities.
- Australia's country perceptions continue to be for good tasting wines that are easy to drink and not too expensive. Again, more promotion of higher priced and more complex wines is needed to improve our country image.
- Education-based (not price-based) promotions should focus on a range of dining outlets and not just on fine dining, however, wines should be premium and higher-priced.
- Australian wine regions should also individually sponsor more promotions to counter the decline in awareness and build mental awareness for fine wine.

Producer level actions:

- Very important to promote and communicate premiumness of your wine.
- Stay away from price-based promotions.
- Make sure you are strongly promoting Australia and your own region.
- Focus sales efforts beyond fine dining restaurants.
- Better to focus on a few cities rather than all of China; Tier 2 cities have higher Australian awareness.

9.4. Wave 4 – October '14

Industry-level actions:

- Australia as a country and its constituting wine regions must continue to be promoted widely to invert the decline in awareness and increase their top-of-mind awareness among Chinese consumers.
- The move to more in-home usage of wine means Australia must continue to develop retail channels and portray informal and at-home occasions as part of its promotional strategy. Positive referrals by previous wine users are key for wine selection.

Producer level actions:

- Australian producers must continue to promote their wines and educate the trade. Consumers like the taste of Australian wines, so use this in promotion.
- Australian producers must emphasise their regional origins both on the package and in communication and education. The grape variety-region association is weakening and should be strengthened.

- There is growth in both online channels and purchasing for in-home consumption. Wine producers need to be online and communicate quality, history, clean and green messages. China is moving towards less formal wine consumption and Australian producers can be the touchstone.

9.5. Wave 5 – March '15

Industry level actions:

- Australia needs to keep pushing recognition of wine regions; take advantage of the awareness of Cabernet and connect it to key producing regions
- Focus tastings and promotion at price points at or above the median AUD 60 +
- Keep building premium perceptions
- Improve promotions in second tier cities to grow awareness
- White grape varieties are growing and as more Chinese consider wines for food matching, there is growth potential for Riesling, Chardonnay and Sauvignon Blanc.

Producer level actions:

- Margaret River and Coonawarra producers should focus on promoting their Cabernet wines
- Focus on building distribution in restaurants with price points congruent to concept
- Premium, but informal on-premise positioning
- Opportunities in second tier cities after gaining distribution in the top tier

9.6. Wave 6 – October '15

Industry level actions:

- The evidence of declining awareness for country-of-origin across all countries is indicative of the increasing complexity and competition for Chinese consumers' discretionary income in China. Declining repeat buying for leading countries, regions and varieties suggests consumers are trying more wine styles. This is an artefact of increased availability of wine styles across retail channels and rationalised ranges.
- Current marketing activity directed at heavy buyers does not seem to be having an impact.
- Communications, promotion and engagement activities must be directed at light and potential wine buyers in order to increase Australia's propensity to be in a customer's consideration set and gain a competitive advantage on our competition.

Producer level actions:

- Amongst the sample of wine buyers in this research (regular drinkers of imported grape-based wine), the majority buy from the same repertoire of channels. The penetration across channels is slowly growing, suggesting that wine for those investigated in this research is mass-market. In previous years, there were dominant brick-and-mortar and online retailers. This has changed. Buyers' repertoires of retail outlets have expanded and there are no longer clear retail brand winners.
- Australian brands needs to work with their partners in China to select channels that allow their brands to be present, relevant and buyable.
- Brands also need to build strategies that educate and remind consumers of all the various occasions where they could be consumed. Consumption at home is rising.

- Helping Chinese wine drinkers associate Australian wine as an accompaniment to a meal or a relaxing drink at home will increase the propensity that our Australian brands will be bought. Prestige wines are important, but are not the solution for growth in China.

9.7. Overall project recommendations

In conclusion, we can distill the various recommendations provided in the last three years in three key take-away messages:

- **Australia needs to keep investing on growing visibility in China:** China is a vast market, which every wine producing country wants to enter and most are already there. Our data show decreasing awareness of Australian wine regions due to the growth of competitors in the market. This means more opportunities, but also more competition. Australia needs to keep pushing to build awareness for Australian wines in the minds of Chinese consumers, and make these wines available where consumers buy them.
- **It is paramount to use the elements, which make Australia distinctive as part of the marketing/communication strategy:** the results of this project showed what Australia stands for in the mind of Chinese consumers. Given that when it comes to wine consumers have clearer/stronger perceptions about countries and regions than what they have for brands, it is recommended that a plan for a successful marketing/communication strategy when promoting brands in China leverages on these elements.
- **Make Australian wines the *wines-of-choice* for an everyday luxury consumption:** from a quality standpoint, Australia is comparable to countries like Italy or France. However, it is critical to resist the temptation to favour volume over value, unless volume is sold at a satisfactory price. In the last three years the average price Chinese consumers are willing to spend both off-premise and on-premise increased. At the same time, informal meals and night outs are growing in popularity, together with awareness for white grape varieties. Every time a Chinese consumer thinks to buy a wine between AUD 40 and AUD 50 for an informal meal, or casual night out, Australian wines should be the first option he/she should think about.

Appendix 1 – Communication

The following table lists all project related communications ordered by time.

	Type	Topic	Audience	Location	Date
	Book chapter	Store image perception of retail outlets for wine in China	Research scholars	Chapter in the book “The wine value chain in China: Global dynamics, marketing and communication in the contemporary Chinese wine market”.	15/01/2017
	Presentation	Where are the opportunities for Australia in China?	Business & Trade	16th Australian Wine Technical Conference, Adelaide, Australia	24/07/2016
	Conference	Establishing benchmarks of awareness, perceptions and shopper behavior in the China wine market	Research Scholars	2016 meeting of the American Association of Wine Economists, Bordeaux, France.	22/06/2016
	Webinar	Understanding the Chinese consumer	Wine Australia, Business & Trade	On-line	17/05/2016
	Presentation	What are the opportunities for Australia in China?	Business & Trade	Austrade SIAL Exporters Conference: Shanghai	04/05/2016
	Presentation	How wine brands can grow in China	Business & Trade	Confucious Institute Wine In China Conference: University of California at Davis	13/04/2016
	Presentation	State of play' of the China wine market	Business & Trade	UniSA Alumni Event: Shanghai	24/03/2016
	Presentation	State of play' of the China wine market	Business & Trade	UniSA Alumni Event: Hong Kong	17/03/2016
	Presentation	State of Play' in China	Business & Trade	Australian Wine Industry Conference: University of South Australia	16/02/2016

	Type	Topic	Audience	Location	Date
	Trade magazine article	Off-premise driving Australian wine sales in China	Business & Trade	thedrinksbusiness.com	03/02/2016
	Trade magazine article	Chinese wine drinkers drive Australian export growth	Business & Trade	theleadsouthaustralia.com.au	01/02/2016
	Journal paper	West versus East: Measuring the development of Chinese wine preferences	Research scholars	Food Quality and Preference (in-press)	01/02/2016
	Presentation	The Chinese wine retail market demystified	Business & Trade	Meiburg Wine in China Conference: Shanghai	10/11/2015
	Presentation	Opening the door to the Chinese mainland wine market	Business & Trade	Hong Kong Wine Fair	03/11/2015
	Presentation	The Chinese wine drinker	Business & Trade	Meiburg Wine in China Conference: Hong Kong	31/10/2015
	Presentation	West versus East: The development of sensory and non-sensory preferences in Chinese wine consumers	Research scholars	11th Pangborn Sensory Science Symposium	23/08/2015
	Trade magazine paper	A ‘show system’ approach for better marketing of Australian wine in China	Wine Australia, Business & Trade	Wine & Viticulture Journal, Vol. 30 No. 4, pp. 62-63.	01/07/2015
	Presentation	The China Wine Barometer: a look into the future (…a tale from 2013 onwards…)	Business & Trade	Consumer & Market Insights Symposium, Melbourne, Australia	18/05/2015

	Type	Topic	Audience	Location	Date
	Trade magazine paper	Wine choice drivers for Chinese wine drinkers: is it a matter of where or what for?	Wine Australia, Business & Trade	Wine Business Monthly, May, pp. 24-25.	01/05/2015
	Press release	Wine awareness growing in China	Wine Australia, Business & Trade	On-line	04/02/2015
	Trade magazine paper	What every wine brand needs to know about on-premise in China	Wine Australia, Business & Trade	Wine & Viticulture Journal, Vol. 30 No. 1, pp. 67-68.	01/01/2015
	Presentation	The 'state of play' of the China wine market	Business & Trade	Hong Kong Wine Fair	07/11/2014
	Trade magazine paper	Forget special occasions, it is time to relax in China	Wine Australia, Business & Trade	Wine & Viticulture Journal, Vol. 29 No. 4, pp. 66-67.	01/07/2014
	Conference paper & presentation	Store image perception of retail outlets for wine in China	Research scholars	8th International Conference of the Academy of Wine Business Research, Geisenheim, Germany.	29/06/2014
	Presentation	China insights	Business & Trade	Mornington Peninsula, Australia	16/05/2014
	Presentation	China insights	Business & Trade	McLaren Vale, Australia	30/04/2014
	Presentation	China Insights	Business & Trade	Barossa Valley, Australia	16/04/2014
	Press release	Research and workshops help give Australian wine a competitive edge in China	Wine Australia, Business & Trade	On-line	11/04/2014

	Type	Topic	Audience	Location	Date
	Webinar	Consumer Perceptions: What's new from China?	Wine Australia, Business & Trade	On-line	01/04/2014
	Presentation	The Chinese wine drinker	Business & Trade	China Food and Drinks Fair: Chengdu	22/03/2014
	Presentation	China insights	Business & Trade	Coonawarra, Australia	25/02/2014
	Trade magazine paper	Are Australian wines well known in China?	Wine Australia, Business & Trade	Wine & Viticulture Journal, Vol. 29 No. 1, pp. 62-63.	01/01/2014
	Webinar	Consumer Perceptions: New China insights	Wine Australia, Business & Trade	On-line	12/11/2013
	Trade magazine article	Chinese drink wine for health benefits, not flavour	Business & Trade	thedrinksbusiness.com	11/11/2013
	Presentation	Chinese wine drinkers: Consumer behaviour, purchase drivers & preferences	Business & Trade	Hong Kong Wine Fair	08/11/2013
	Presentation	China insights	Business & Trade	Margaret River, Australia	30/05/2013
	Presentation	China insights	Business & Trade	Yarra Valley, Australia	28/05/2013
	Presentation	China insights	Business & Trade	Hunter Valley, Australia	27/05/2013
	Presentation	China insights	Business & Trade	Barossa Valley, Australia	24/05/2013
	Presentation	China insights	Business & Trade	McLaren Vale, Australia	23/05/2013

Copy of published communications

Articles

Corsi, A. M., Cohen, J., and Lockshin, L. (Forthcoming), Store image perception of retail outlets for wine in China', in Charters, S., and Menival, D. (Eds.), *The wine value chain in China: Global dynamics, marketing and communication in the contemporary Chinese wine market*.

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Appendix 2 – IP statement

There is no specific intellectual property developed from this research project.

All the methods developed were based on publicly available research in economics and marketing. The combinations used in this research were new, but all methods are provided in published articles.

Appendix 3 – References

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Appendix 4 – Staff List

The following people were involved in the project:

Ehrenberg-Bass Institute for Marketing Science – University of South Australia

- Dr. Armando Maria Corsi
- Dr. Justin Cohen
- Prof. Larry Lockshin

Wine Intelligence

- Ms. Natasha Rastegar

Appendix 5 – Budget reconciliation

End of project financial statement completed online on CIMS.