



# AMERICAN ASSOCIATION OF WINE ECONOMISTS

AAWE WORKING PAPER  
No. 100  
*Business*

THE EXPERIENCE OF NEW ZEALAND  
IN THE EVOLVING MARKETS OF  
JAPAN AND SINGAPORE

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February 2012

[www.wine-economics.org](http://www.wine-economics.org)

## **The Experience of New Zealand in the Evolving Wine Markets of Japan and Singapore**

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### **Abstract**

In this paper, we explore the developing wine markets of Japan and Singapore for New Zealand wine. Apart from several reflections from the authors regarding their experiences looking specifically at the prevalence of New Zealand wine in these two Asian markets, this paper is largely a conceptual review of the literature along with descriptive statistics illustrating the current state of affairs regarding the topic of interest.

**Key words:** New Zealand; wine; Japan; Singapore

## **Introduction**

Wine is an important export commodity for New Zealand having reached the \$1 billion mark in 2010 (NZ Winegrowers Annual Report 2011) even though by international standards, it is only responsible for about 1% of global production (Beal and Rod, 2008). New Zealand is the only wine-producing country whose major market niche is in premium and super premium wines. There is no reason to believe that New Zealand will ever be more than a low-volume, middle premium, niche wine marketer. The size of the country and high costs preclude competing in volume markets but this is not a bad position in which to be since a recent study of the international wine industry by the Copenhagen Business School notes that global wine consumption has been growing at 1.3% annually and forecasts that producers who can't or won't upgrade to the premium category will need to compete for a dwindling number of low-priced consumers (Jenster et al, 2008). Those producers of premium brand wines who target the more modest price points are in a better position to gain a consistent and growing section of the market, whereas producers in the super-premium segment will continue to attract smaller numbers of consumers willing to pay increasingly high prices for the highest quality (Jenster et al., 2008).

The corollary of this is that since NZ wine is not sold on price it has to achieve success through market penetration in terms of brand, customer recognition and strong and efficient distribution networks. This in turn means that understanding the social and economic dynamics of markets is essential if success is to be sustained and developed against strong competition. The importance of wine extends beyond sales figures. Wine is an iconic product which signifies something about the country of origin and the consumer. NZ wine benefits from New Zealand's clean, green and environmentally friendly image and, in turn, contributes to it through sustainable, environmentally responsible practices (Scott et al. 2010; Sinha and Akoorie, 2010). Wine serves as a significant marker of societal, and market, change in societies which are not traditionally wine drinking (Beal and Rod, 2008). Wine drinking is an indicator of globalisation, of rising living standards, of a willingness to try foreign products, especially those with lifestyle connotations. The wine industry has had a high profile in New Zealand for a couple of decades but it has been difficult to ascertain its overall economic impact. However in April 2009 a report from the New Zealand Institute of Economic Research (NZIER) to the industry body, NZ Winegrowers, provided quantitative evidence (Ballinghall and Schilling, 2009). According to NZIER, the wine industry

contributes over \$1.5 billion to our GDP and supports over 16,500 full-time equivalent jobs. It generates over \$3.5 billion in direct and indirect sales. It is an export-oriented industry which has seen export growth approached 24% annually over the last two decades. This was four times that of the 5.9% growth rate for all merchandise exports over that period. In the past five years wine has contributed about 5% of New Zealand total merchandise export growth. Its share of NZ merchandise exports has soared twenty-two-fold between 1988 and 2008, from 0.1% to 2.18%. It would seem reasonable to assume that wine commands higher prices overseas than in the domestic market, and that the share of premium wines in exports is higher than the average. This is not to say, of course, that winemakers get more revenue from exports, because much of the final price is taken by transport, tariffs and middlemen (Kaye McAuley, personal communication).

As the NZIER report notes, the wine industry's overseas impact extend beyond the quantifiable trade data into the intangible by marketing and promoting the New Zealand national brand by presenting New Zealand's credentials on every bottle sold and by generating media exposure. This is interesting in light of research that shows that certain high quality NZ brands rely heavily on particular regional reputations (Schamel, 2009). As one indicator, media coverage of New Zealand wine in the UK in 2008-2009 was roughly estimated to have an advertising value of around \$650,000. The wine industry also adds to New Zealand's reputation as a clean, green, sustainable producer (Ballinghall and Schilling, 2009; Gabzdylova, Raffensperger and Castka, 2009).

One of the more interesting benefit crossovers, and one which came up in our interviews in respect of Japan, is wine tourism and its economic impact on the New Zealand economy. Ballinghall and Schilling (2009) estimate that 225,000 international wine tourists visited New Zealand in 2006 and in comparison to non wine tourists, they tend to stay longer in New Zealand (average length of stay of 25 days, compared to 20 days on average) and spend more per night (\$157 compared to \$140) and in total (\$4,030 compared to \$2,850). Based on these somewhat dated estimates, it can be extrapolated that international wine tourists spent around \$907 million in New Zealand in 2006. It is important to note that this does not mean that the wine industry creates tourism, but it *is* one of the reasons why foreign travellers want to visit New Zealand.

There were some tantalising peripheral benefits which slipped through NZIER's fingers. The export of expertise was one of them. It is known that winemakers travel the

world advising on wine making skills, Crafting a specific vintage, or spending time as winemaker in residence. The French winemaker LaCheteau whose trade marking of its Loire-produced sauvignon blanc as Kiwi Cuvee caused such annoyance in New Zealand in 2005 is an illustration of the global mobility of winemaking skills, and styles (Wood, 2009). LaCheteau's holding of the kiwi trademark prevented Kahurangi Estate from marketing its 'Kiwi White' in Europe (DaCruz, 2005). It is reported that Kiwi Cuvee is made by a New Zealand winemaker, Rhyan Wardmann. How many Wardmanns are there and how much revenue do they earn for New Zealand? Unfortunately New Zealand's services export data is very patchy, so it is difficult to quantify the size of this additional revenue (Ballinghall and Schilling, 2009). However, it should be noted that in addition to any direct economic benefits such export of expertise produces there is also the impact on New Zealand's reputation in the international wine industry, which then flows through to customers. Kiwi Cuvee may have obstructed Kahurangi Estate but it must also have enhanced the profile of New Zealand wine; to have ones' wine imitated by a mainstream French winemaker is no mean compliment.

A recent study by the Korea Trade-Investment Promotion Agency (KOTRA) has picked New Zealand as a model for 'national; branding' and has called on South Korean industry, and particularly the tourism sector, to learn from New Zealand's example. A national brand, or country image, is a composite of many things and if successful, as KOTRA argues New Zealand is, it creates synergies by which achievements in various sectors mutually reinforce each other. NZ's wine helps NZ's tourism, and NZ tourism, in turn, helps in various ways to stimulate knowledge of, and desire for, NZ wine. It is no accident that the major NZ wine award is run by Air New Zealand. Secondly, partly because of its iconic nature, wine serves as a significant marker of societal, and market, change in societies which are not traditionally wine drinking. In terms of grape wine this holds for all of Asia, although the growth of wine consumption varies considerably. Throughout Asia, wine consumption has increased through the globalisation of drinking practices and this globalisation is reflected in the fact that diverse and dissimilar consumers drink similar items, in increasingly similar ways e.g. the desire to embrace a new and foreign modernity (patterns of conformity) or, on the contrary, in dissimilar ways e.g. where it has the image of an elitist product (patterns of resistance) (Do, Patris, and Valentin, 2009). Lee (2009) suggests that the trend towards snobism is a key driver in wine consumption in emerging Asian countries and that these consumers attempt to follow the lifestyle of Western consumers in the belief that they will

experience Western culture and lifestyle by drinking wine. Lee (2009) further notes that significant growth in wine consumption in Asia is somewhat surprising because most Asian consumers have not traditionally drunk wine given traditional alcoholic beverages, such as “sake” in Japan and “sochu” in Korea.

Wine drinking, therefore, tells us something more than might appear at first sight. It is an indicator of globalisation, of rising living standards, of a willingness to try foreign products, especially those with lifestyle connotations (Beal and Rod, 2008). When we were visiting professors at Korea University in Seoul in 2003 we were struck by a newspaper story that said that Korea University, one of the country’s three leading universities, was trying to reposition itself as an innovative, world class and internationally-aware university by moving from its old image of rice-wine drinking to a ‘Beaujolais university’.

It does indeed seem as if per-capita wine consumption is decreasing in traditional wine markets, but the real global shift is not confined to Northern Europe, nor is it any longer centred there. The big growth in wine demand over the next half century will come from Asia, and especially the giant economies of China and India. They will also become major producers, and exporters, in their own right. In other words, this brave new market will not be an unmixed blessing for New Zealand winemakers. However, given the size of anticipated demand and our limited production capability, it is not overly optimistic to see valuable and satisfying market opportunities in Asia, especially but not exclusively, in China and India. One of the reasons for looking at the Japan and Singapore markets of today is to get some feel for the Chinese and Indian markets of tomorrow. It would be foolish merely to extrapolate from present markets on the spurious assumption that Asian markets are the same, or follow the same paths, but there are lessons to be learnt.

This paper explores the wine markets of Japan and Singapore in a case study of the New Zealand experience. Wine is an iconic symbol of globalisation in both countries where grape wine competes with traditional indigenous alcohols, and its assimilated precursor, beer. The differences between the wine markets in the two countries are a valuable indicator of their state of globalisation. Whilst Asia is far too diverse for any market to be seen as ‘typical’ or for two markets to exhaust the range of possibilities, Japan and Singapore have good claim to be a focus of this study. Japan used to be NZ’s major market for wine in Asia, while Singapore is not large enough a market to appear on the standard wine export statistics. Japan is a large country, with its own domestic grape wine production, and a relatively long

history of wine drinking. Wine production dates from the early Meiji period and there were even plans to develop it as an export industry, before hopes were dashed when phylloxera reached Japan from Europe in 1884 (Holden, 1995). Japan is also a beer-intensive country that is becoming more wine-intensive (Aizenman and Brooks, 2008; Bernetti, Casini and Marinelli, 2006) with wine drinking increasing almost 70% between 1994 and 2000 (Lee, 2009) yet with the Japan's share of NZ wine exports dropping from 10.3% in 1988 to 0.8% by 2008 (<http://www.stats.govt.nz/infoshare/>). Singapore, by contrast, is small; roughly the same size as NZ, and has no domestic agricultural production. However, Singapore has a high proportion of expatriates and tourists who presumably have an effect not merely on wine consumption but on wine preference and despite there being 128 million people in Japan compared with 5 million in Singapore, NZ exports twice the amount of wine to Singapore than it does to Japan (Wilkinson, 2009) with its proportion of NZ wine exports increasing from 0.2% in 1988 to 1.3% by 2008 (<http://www.stats.govt.nz/infoshare/>) making it NZ's largest Asian market.

Generally speaking, newcomers to wine choose French and it is only when the market develops in sophistication that consumers become more discerning, which in practical terms usually means a turn to 'New World' wines, that is wines from the Americas, Australia, and New Zealand. The popularity of New World wines in Singapore has now reached the point that imports now outstrip those from the Old World wine producing countries. New Zealand wine imports into Singapore recorded the fastest growth of the top seven New World wine producers between 2001 and 2005, with a staggering 292% increase.

In Japan, NZ wines account for 1% of the market whereas in Singapore, NZ wines enjoy 3% market share. However, these figures are best estimates and there is thus a need to conduct appropriate secondary research to compile detailed statistics for these markets within the broader context of NZ wine exports to Asia, and the world. Furthermore, statistics provide only the starting point. They tell us what is happening, but not why. We need to explore the reasons for NZ's greater success in Singapore in an effort to provide insights into how NZ wine exports can grow in the Japanese market.

### **NZ in the Japan Wine Market**

New Zealand is a very small player in the Japan wine market. In 2011 our share by value was about 0.44% (just over US\$ 5.5 million) and we ranked 11<sup>th</sup>; just ahead of Canada and just behind South

Africa (Parker, 2011). France dominates the market followed, a long way behind, by Italy, then the US, Spain, Australia, and Chile. The reason for France's leading position, if not the commanding lead that it has, lies with country image: in Japan, as in other non-traditional wine markets, wine means France. As the United States Department of Agriculture Japan Wine Report puts it, "For many Japanese wine drinkers, France is synonymous with wine" (Aoki et al., 2009, pg. 9). The strong showing of Italy is probably explained by the popularity of Italian food. This however, means that Italian wine is heavily dependent on restaurant sales, and so has been particularly vulnerable to stricter enforcement of drink driving laws (Aoki et al., 2009).

Whilst New Zealand's share of the market is very small, the unit value - yen per litre - of imports from New Zealand is second only to that of France and considerably higher than other comparable countries (Aoki et al., 2009). The relatively high unit value of Portuguese imports, for instance, is probably explained by a predominance of fortified wines such as port and sherry, which scarcely show up in New Zealand wine exports. More relevant are Italy, whose unit value is 53% of New Zealand's, Australia (46%), Spain (42%), and the United States (36%). Chile, with whom we compete in wine as well as a number of other products, has a unit value a quarter of the New Zealand. The unit value is both a compliment to the quality of our wine, and the relative premium price it attracts, and our high costs. Both factors have to be taken into account when formulating marketing strategies for Japan.

Despite New Zealand wine's high unit value we have increased our share of Japan's wine imports considerably over the past decade, albeit from a small base. In 1998 we held 0.2% of Japan's wine imports but by 2008 this had more than doubled, to 0.5% (Statistics New Zealand via Infoshare). Ironically, this happened while Japan's share of NZ wine exports was continuing to decline; the decline was not as precipitate as the preceding decade, where the share had fallen from 10.3% in 1998 to 1.5% in 1993. The share rebounded a bit in the second half of the decade and in 1998 it was 3.8%. But it then resumed the decline falling to 0.8% in 2008 (Aoki et al., 2009). This, as has been stressed above, was not necessarily a bad thing and may well have been due to better opportunities elsewhere for New Zealand's burgeoning wine exports. However, given the high unit value in the Japan market it does require further exploration.

In any market and for any product, finding the right distributor and developing the relationship is crucial but nowhere is it more important than in the Japan wine market:

“Key to selling quality wine in Japan is finding the right distributors and offering them strong support as well as building a strong marketing story, say importers working in the market” (Roy, 2009).

‘Modest premium wines’, the centrepiece of NZ wine exports to Japan are bought based on perceived character and distinctiveness, as well as on any special stories that appeal. These stories must feed through the distribution channels to the end user and they must be consistent with the ‘NZ brand’; that perception of New Zealand as clean, green and environmentally sustainable.

The NZ brand is a very useful foundation boost for our wines in Japan though it is not, of course sufficient in itself; the wine must have its own brand value. This is borne out in research by Mowle and Merrilees (2005), who suggest that there is interdependence between the functional and symbolic properties of small and medium-sized Australian winery branding efforts. New Zealand’s branding efforts, especially the much-acclaimed 100% pure campaign, have been driven by the tourism sector but have sought to develop synergies across our export portfolio, especially with agricultural products. Simpson and Bretherton (2004) have shown that in a case study of the wine tourism industry in New Zealand, small NZ wineries may co-operate in establishing a regional image and branding, while remaining competitive in terms of their individual wines. With food safety issues a constant concern, 100% pure resonate well. Wine fits into this framework well, but with its own distinctive features and contributions. Wine tourism, and wine as one of the attractions of visiting New Zealand, is growing in importance in the wine industry. Having visited New Zealand, and enjoyed the experience – and perhaps being introduced to wine as a normal beverage, not confined to special events and celebrations, for the first time – leads some Japanese to seek out New Zealand wine on their return.

However, there is another twist, as it were, to this story. ‘Clean and Green’ only takes us so far and to make progress in exporting high-end goods and services we need to enhance that with notions of creativity, inventiveness and expertise. Wine is a consumer product where all those attributes can be displayed, but conveying that to customers can be challenging. First, there is expertise. If wine is associated with traditional experience and expertise in the minds of consumers then that is France, not clean, green New Zealand with all of its sheep. One Japanese-owned New Zealand winery, Ohsawa, is trying to capitalise on New Zealand’s reputation for sheep by marketing Flying Sheep pinot noir and Flying Mouton

sauvignon blanc, but whether that is successful remains to be seen (Sharpe, 2009). It would seem to be no more than a gimmick which will soon fade away. For the wine industry, as with tourism, the sheep image is a burden (Palmer, 2008). New Zealand's reputation for wine making expertise is probably quite well established in the trade, and is enhanced by wine awards and favourable media coverage, but it is still struggling to get a foothold in public opinion. Our wines may be good but this is not generally known by the general public in Japan (Tait, 2006).

But there is a further barrier to the acceptance of New Zealand wines as being of high quality and that is the screwcap. We know that the type of bottle closure has an impact on consumer purchase decisions and perceptions (Barber, Taylor and Dodd, 2009). As we discuss below, consumers, even ones familiar with, and well disposed towards New Zealand wines, equate a cork with quality, and see the screwcap as a sign of low quality wine. The debate over consumer attitudes in various markets is well rehearsed:

“Winemakers claim that they have done so to improve the quality of their wine, but in Asia they may have hurt their chances of success in the premium end of the wine market.”

“Asian consumers are notoriously sensitive to perceived status and, while they are not yet sophisticated wine consumers, they are prepared to spend extravagantly on wine that looks top class. Unfortunately for New Zealand's winemakers, prestige international wines do not have screwcaps.”

“If consumers want quality, they will see the closures as an indicator of what to buy. Corks mean quality,”

Te Mata Estate's Nicolas Buck does not think the situation is that simple.

“There are many Asias,” he says. “And different Asian markets respond differently to different closures.”...

“In Australia and New Zealand, you could sell everything in screwcaps but, in conservative markets in North America, Europe and northern Asia, they remain resistant to screwcaps. Cork is still king.”(Anonymous, 2009)

Although the screwcap seems to have been first used with South Australia's Clare Valley 2000 vintage it reached New Zealand the following year and has become much identified with our wines, so much so that a New Zealand Screwcap initiative, bring together

many leading wineries, was established to promote the new closure (anonymous, 2006). Screwcaps are consistent with creative and innovative thinking and it may well be that their widespread use by New Zealand wines helps shift our reputation in that desired direction. That was certainly the opinion of South Korea's trade promotion agency KOTRA:

Although the original campaign target for "100% Pure" was the tourism, farming and dairy industries, the government realized its shortcoming in marketing the local information technology and next generation industries, which gave birth to the follow-up slogan "New Thinking New Zealand" in 2003.

KOTRA's research showed that incoming visitors increased 53 percent since the '100% Pure' campaign kicked off and the 'New Thinking New Zealand' efforts, including the replacement of wine corks with screw caps, also substantially hiked exports. There may be a paradox here. In the short term screwcaps have a negative impact on the image of New Zealand wines, especially in Japan, while enhancing the reputation of New Zealand as a whole. In the long term screwcaps may win over traditional winemakers in Europe, and if that happens, the consumer resistance battle will be won. On the other hand, resistance in Japan may crumble faster than anticipated; sake, after all has no qualms about screwcaps.

Although the Japan wine market has its own special characteristics it is not isolated from world trends and the growing reputation of New Zealand wines in other markets such as the UK and the US, should spill over into Japan. It can work the other way. German whites were the staple of the British wine market in the 1950s but have now virtually disappeared and this falling out of fashion seems to have worked its way through to Japan (Griffiths et al., 2008). The Japan market is very competitive, but it is also affected by fads and fashions. Chile, for instance, has had a roller coaster ride. Articles about the health benefits of red wines greatly helped boost the sales of Chile's wines, which had the advantage of being cheaper but still of good quality (Joseph, 2008). Excessive imports led to over extended inventories and price slashing, which hurt Chile's wine image. Lately they have bounded back in anticipation of the Japan-Chile FTA (Aoki et al., 2009). Other countries, including New Zealand, have had a more staid experience. Although alcohol consumption in Japan has gone up nearly five-fold since 1960, Japan remains a very small consumer of wine in per capita terms. They consume 0.4 litres a year, a long way behind the world leaders, Portugal, where they drink, on average, 7.2 litres of wine a year (Aoki et al., 2009).

Part of the problem is that although the Japanese like alcohol, and are the 13th largest consumers per capita in the world; there is a lot of competition in the market from sake, shochu, beer and other drinks. The Japanese population has now started to shrink and younger people are consuming less alcohol than their elders. Sake is making a comeback, playing on its connection with traditional Japanese culture (anonymous, 2008). Beer, in its various forms, retains the largest share of the Japanese alcohol market. Alcohol consumption in Japan now is stable but wine consumption and it nearly doubled over the last decade or so and is still going up. However, much of the wine is domestically produced or bottled and the bottled wine imports, which is where New Zealand sits, have fallen slightly by volume in recent years. As a result we struggle very hard to get much profile in Japan outside those who have a personal interest in New Zealand; we met one wine buff who has been here nearly 30 times to watch rugby and got hooked on our wine in the process. Those in the know, sommeliers, food and beverage managers, specialist wine merchants, and enthusiasts, tend to have a high opinion of New Zealand wine, but it is difficult to get the attention of the ordinary wine consumer. One shop we visited in Tokyo had its wine arranged, as is common, by regions, with signs in Japanese, English and the national flag. From a distance we saw the words 'New Zealand', and the NZ flag but when we got closer we saw written in Japanese katakana *osutoraria*; Australia. And all the wines were Australian, with not a single one from New Zealand.

Who drinks wine and what do they drink? The statistics show that the biggest wine drinkers are those between 30 and 39, and women more than men which is also the case in the US where women purchase 80% of the wine sold (Atkin, Nowak and Garcia, 2007). It is reported that 40% of women drink wine once a month, compared with 31% for men. This was borne out by our observations. Not surprisingly, wine drinkers are concentrated in the cities while out in the countryside traditional alcohol holds sway (Aoki et al., 2009). The Japanese market is a place of crazes and fads. Some ten years back there was a plethora of articles extolling the health benefits of red wine. Sales shot up and then slowly subsided. Recently there has been a fad for sparkling, especially among women.

One of the more curious drivers of the sales of specific wines in Japan is the manga (comic book) *kami no shizuku.*, or the 'Drops of the Gods'. This has a readership of 500,000 each week and when a particular wine is mentioned, sales skyrocket - until the next issue at least. Ata Rangi Pinot Noir 2001 got a mention early in the series but it is mainly French

wines that feature. In Japan, as in many other countries, France is wine and wine is French. Nearly 60% of bottled imports come from France. Next in popularity is Italy, and the reason for that is pizza and pasta. Italian food is popular in Japan and people tend to think that Italian food, if it wants wine, demands Italian. We came across just a couple of NZ-themed restaurants in Tokyo and one of them, Aotea Rangi in Ebisu, serves NZ wine, NZ ingredients such as mussels – cooked in the Italian style! Sommeliers are one of the keys to the restaurant market at least, and everyone tries to catch their attention. And there are a lot of them. It is said that there are more sommeliers in Japan than in France. One reason for this is that the Japanese tend to take buying and consuming quite seriously. Most of the people who do sommelier courses in Japan don't actually work in the industry – they just want to know a lot about wine. Even those who don't have the energy to go to wine appreciation classes still want to know more about the wine than customers elsewhere. And one way to catch their attention is to tell them a story about the wine and to link it, if possible, to the wine maker. So the Japanese market presents challenges as well as opportunities for New Zealand wineries. In the long term prospects for growth are good, but it will not be easy. It is a crowded marketplace where we suffer price disadvantages. We will always be a niche player so the trick is to identify and exploit niches. One of the best ways to do that is to tell our story to Japanese wine lovers in general but particularly to Japanese tourists and students. We need to give personality to our wine. From the New Zealand winery perspective, there are also different stories that can be told and many wineries are trying to find ways to leverage sustainability-related competencies for competitive advantage in what is now a highly competitive industry by telling stories that involve sustainability; managing supply chain relationships around sustainability; and experimenting with sustainability initiatives (Flint and Golicic, 2009).

### **NZ in the Singapore Wine Market**

With a population roughly the size of New Zealand's, but with a per capita GDP considerably higher, Singapore presents an attractive market for NZ wine. Its population is young and hence more likely to embrace new tastes. Three quarters of its population are 'middle to upper income group of consumers, all of whom lead an urban lifestyle and represent the bulk of the market for imported food and beverages today (Borris, 2002).' In addition, Singapore is a major transport hub and much of the wine imported is then exported to other markets,

especially in Southeast Asia, but also to Japan: Close to 80% of all sparkling wines imported to Singapore are re-exported. The majority of re-exports (87%) comprise French champagne destined for Japan (Borris, 2002).

The USDA report does not mention it, but it would be interesting to know how important Singapore is as a wine distribution hub to China and to India, the big growth markets of the future. Re-exports to Japan are unlikely to be an important factor on NZ's wine trade with Singapore, although the higher than usual percentage of sparkling wines in our export portfolio may indicate a certain degree of following the French path to Japan. In general, some 16% of still wines are re-exported, but the amount of NZ still wine which is re-exported, and to where, is unknown.

The profile of Singapore's wine imports has similarities with that of Japan, but with important and intriguing differences (International Enterprise Singapore via World Trade Atlas). As in Japan, France is the dominant supplier to the market; in fact its share of Singapore's wine imports (72.3%) is even higher than its share in Japan (62.8%). New Zealand has again a very small part of the Singapore market but its share there is substantially higher than in Japan; it has 1.7% in Singapore compared with 0.5% in Japan. Australia is a much bigger player in the Singapore market than in Japan, and Italy, the United States and especially Chile and Spain, are smaller.

New Zealand has increased its share of Singapore wine imports from 0.6% in 1999 to 1.7% in 2008. Over the same period, Singapore's share of New Zealand wine exports has also increased, although at a lesser rate, and achieving a smaller share. In 1999 the Singapore share was 0.7% and by 2008 it had risen to 1.3%. So the mutual relationship was not of major importance to either side, but it has grown considerably over the decade. In contrast to Japan, the mutual shares grew in harmony for most of the period, and since 2001 they have both increased, albeit at different rates. One of the curiosities of the Singapore market is the anomalous position of the United Kingdom, which is shown as supplying 3.0% of the market by value and 0.4% by volume. In other words, wine imports from the UK are much more costly than average. The unit value of imports from the UK is anomalously high and suggests they are preponderantly 'fine wines'. This suggests a lingering colonial relationship of old-established British wine merchants supplying to high end hotels and elite outlets, both in Singapore itself and onwards to other parts of Southeast Asia. Whereas in Japan the unit

value of New Zealand wine was second only to that of France, in Singapore it is also below that of Germany, Italy, and Portugal.

Even though the unit value obtained by New Zealand wines in the Singapore market is relatively low, in comparison with major competitors, compared with its position in the Japan market (6th as against 2nd) this does not mean that Singapore is an unrewarding market in which to be. On the contrary, unit values in Singapore, when expressed in NZ\$ dollars are some 50% above average and over the last decade have been, on average, higher than in Japan. The average unit value for NZ wine in Singapore 1999-2008 was \$14.7/litre, the highest of all major markets and considerably ahead of that in Japan (\$12.8/l), which came 2nd. The average unit value for wine to all markets was \$9.3/l.

### **Conclusions and Recommendations**

Having gone through the secondary data and subsequently having supplemented this with our recollections of our interviews and focus groups with wine consumers as well as wine importers, retailers, journalists, sommeliers, food and beverage managers and restaurateurs in Japan and Singapore, we were struck by a few key issues.

The first issue is in regards to the marked differences between Japanese and Singaporean consumers. Japanese consumers appear to have an insatiable thirst for knowledge regarding wine. When they become interested in wine, they demonstrate this interest by taking wine appreciation and wine knowledge courses and in many cases, courses designed to allow them to achieve some sort of wine qualification. This was not evident in Singapore.

The other marked difference (from a consumer perspective) was that for the Japanese consumer, there is great attraction and interest in the winemaker having a compelling and interesting story to tell.....about the winemaker, about the wine, about the story behind the label etc. Again, this did not come up to any great extent in our Singapore meetings. Singaporeans are perhaps more confident about appraising a wine on its merits.

The Japanese consumer who becomes interested and first experiments with wine tends to only know of French wine and possibly Italian. There is increasing awareness of other wines, but with very limited exposure to the Japanese consumer, New Zealand wine is not top of mind. Interesting discussions about screw caps versus corks led to our conclusion that there is still a preference for corks on the part of the Japanese consumer – especially for

those who do not consider themselves ‘Otaku’ or wine enthusiasts, with a perception that screw caps represent wines of a lower quality. However, for the Otaku, or for those in the industry, screw caps were not viewed negatively. This did not even appear to be an issue in Singapore, presumably because of the large proportion of wine consumption being attributable to expatriates with more knowledge of the advantages to screw caps and less need for the ‘ceremonial’ aspect of opening a bottle that has a cork. Singapore is a much more cosmopolitan society, open to foreign ideas and products, than Japan where, for reasons of size and history, these are filtered and made Japanese. In Japan, wine has moved from just being something connected with celebrations to becoming much more a normal drink, to be consumed in ordinary situations. Yet despite this, Japan is not a normal wine market in the sense that Britain, Australia, and Singapore can be considered to be. Japan takes an extra effort and with other, faster growing, markets it is not surprising that New Zealand wine exporters have tended to look elsewhere.

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