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Title

A typology of the Chinese wine consumers

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Conference Presentation

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Keywords

segmentation, consumer, wine, China, cluster analysis, market

Research Question

How improve segmentation of the Chinese wine consumers by using cluster analysis while the wine market in China continues to evolve strongly?

Methods

A cluster analysis using K-means method has been conducted on a quota sample composed of 1260 Chinese wine consumers (on gender, age and incomes) and interviewed via an online questionnaire.

Results

Analysis leads to identify 6 clusters (indifferent occasionals, wine lovers, relaxed amateurs, social networkers, conservative connoisseurs, infrequent money-minded) and offers to the winemakers a better understanding of Chinese wine consumers.

Abstract

Everyone is agreed about the high potential market of China for many products including wine (Lee et al., 2009; Liu et al., 2014). Indeed, with its huge population of 1.37 billion and its middle class people growing, China is perceived as very attractive for winemakers (Jenster and Cheng, 2008; Liu et al., 2014)). Particularly from the European wineries who hope to compensate the decrease of the domestic wine consumption by exports to China (Bouzdine-Chameeva et al., 2014). Although the wine consumption per person still remains low in China (around 1.3/1.4 litres in 2013, versus a world average of 3.47 litres (Wine Institute, 2013; IWSR, 2015)), it increases strongly and regularly (about 25% per year during the last decade (IWSR, 2014)). China is now the fifth wine...
American Association of Wine Economists

consuming country and the first for the red wine (IWSR, 2014). Thus China accounts for a marketable potential segment of 167 million consumers (Bouzdine-Chameeva et al., 2014). This growth should continue as it is forecasted an increase of Chinese wine consumption by 33.8% between 2013 and 2017, versus a decrease of European wine consumption by 0.14% (IWSR, 2014). However consumers of a product category are rarely homogeneous and it is necessary to make a market segmentation in order to correctly adapt the product to the consumer groups presenting similar needs and wants. Especially in a competitive environment more and more tough as China, due to the production and quality increase of Chinese wines and to the growth of imports foreign wines (Bouzdine-Chameeva et al., 2014; IWSR, 2014; Liu et al., 2014). According to Bouzdine-Chameeva et al. (2014), satisfying the specific consumer preferences by a truly localized strategy is imperative in China today. Moreover Liu et al. (2014) notice that studies about the segmentation of the Chinese wine market are scarce in the academic literature. Therefore, the purpose of the present work is to fill this lack by contributing to the study of the Chinese wine consumers and by complementing the research on this topic. Indeed according to Johnson (2002), from a developmental point of view, each new segmentation attempt provides a different perspective to the marketers. Hence, this study aims to propose key market segments in China in order to help winemakers to better know who the Chinese wine consumers are, regarding their demographic characteristics, buying motivations, choice attributes for wine, preferences and stores frequented. This should allow them to elaborate the good marketing strategies with suitable offerings in terms of product making, pricing, distribution and promotion.

For that, 1260 questionnaires, about attitude towards and relationship with wine, were conducted. A quota sample method was used with three variables sex, age and revenues. 59% of the samples was men and 41% were women. The age range of the sample was from 18 to 55 years old; 28% from 18 to 29, 51% from 30 to 39 and 22% from 40 to 55 years old. The revenues from 4 500 Chinese yuan renminbi (RMB) to more than 10 000 RMB were divided up 26% from 4 500 RMB to 6 999 RMB, 34 % from 7 000 to 9 999 RMB and 40 % from 10 000 and more RMB.

To complete the classification of the wine consumers, we used SPSS and a cluster analysis (Anderberg, 1973). It divides collections of data into several unspecified groups (clusters) so that data into each cluster were the most similar and data from different cluster were the least similar. We had a source of data relatively large, that is the reason why the K-means method has been used (Hopke and Kaufman, 1990) taking into consideration the level of wine knowledge, interest in wine, wine preferences, and purchasing and consumer behaviour about the wine. These variables were introduced simultaneous in the analysis in order to obtain 6 major clusters (Milligan and Cooper, 1985) using K-means cluster method. The composition of the 6 clusters is 10% of respondents are placed in the indifferent occasional (cluster 1), 16% in the wine lovers (cluster 2), 17% in the relaxed amateurs (cluster 3), 16%, 23 % and 18% in the social networkers (cluster 4), the conservative connoisseurs (cluster 5) and the infrequent money-minded (cluster 6) respectively. As a result of the analyses performed (internal homogeneity of obtained clusters and the distance between clusters) and considering practical factors as the segment size, we concluded that the number of groups was the correct one.

In order to evaluate the quality of cluster cohesion for each cluster (Tsiptsis and Chorianopoulos, 2009), we analyzed the maximum (Euclidean) distance compared to the core values (centroids) of the clusters. For that, we calculated the Average Sum of Squares Error indicator. The resulted value is 0.5346, which shows a high cohesion level. The greatest distance between clusters is for clusters 2 and 3 and the smallest is for clusters 5 and 6.

A Kruskal-Wallis non-parametric test was employed to compare the differences between cluster means (or medians) for each variable. It is was used because the assumptions of ANOVA (normality assumption) were not met (Kruskal and Wallis, 1952; Lix et al., 1996; Lehmann and Abrera, 2006).

Looking at clusters’ characteristics, we can find the following results.

The individuals in the indifferent occasional (cluster 1) represent the most small of imported wine drinkers. They consume wine only to celebrate a special occasion, mainly in a friendly atmosphere, with an average of expenditure of 305 RMB in occasions at home and 290 RMB out of home. They don’t pay attention to the presence of medals/awards for buying a wine. They buy wine in hypermarkets.

In the wine lovers (cluster 2), we found consumers who drink more frequently than other, both for informal and
more formal occasions at home and out home. They love tasting different type of grapes with a high level of wine involvement. For them wine is a pleasure and they enjoy spending time and money on wine (not price-sensitive at all), with an average of expenditure of 711 RMB in occasions at home and 701 RMB out of home. Consumers of the relaxed amateurs (cluster 3) drink wine only at home or in informal opportunities. For this group, wine is way to create a relaxed and friendly atmosphere. They don’t have a lot of knowledge about wine but try to buy to what they like. They are a quite price-sensitive. And they are on the average of different grape variety, country and region of origin.

The social networkers (cluster 4) upset cluster 3 drinks wine only in formal opportunities and in a business lunch/dinner. They do not consume frequently wine but they spend more than the average when do it. Cluster 4 have a limited knowledge about wine and they are not interested in trying new grape variety, countries or regions of production.

People from the conservative connoisseurs (cluster 5) are very interested by the type of grape, they have a kind of conservative tastes with a narrow number of type of grapes, countries and regions of production but with a high involvement in wine. Mainly, they drink at home and they are not price-sensitive at all.

Infrequent drinkers were found in the infrequent money-minded (cluster 6) with a huge price-sensitive. They consume wine in rare occasions, they have the lowest average spend in wine. Not interested in wine neither in expanding their knowledge. Their consumption motives are that wine is better for health. They buy wine in hypermarkets.

Our study comes to enrich the literature focused on the wine market segmentation (Johnson et al., 1991; Hall, 1999; Bruwer et al., 2002; Johnson and Bruwer, 2003; Thomas and Pickering, 2003; Hall et al., 2004; Bruwer and Li, 2007; Geraghty and Torres, 2009; Mueller and Rungie, 2009; Brunner and Siegrist, 2011; Lockshin and Cohen, 2011; Belvaux and Guibert, 2012; Bruwer and Buller, 2012; Thach, 2012; Pickering, 2013; Gergely and Dieter, 2014; Tang et al., 2015) and shows that some of the recurrent wine consumer clusters can be retrieved in China as the connoisseurs or the enjoyment-oriented, social wine drinkers. It shows also a growing heterogeneity of the wine consumption patterns in China and confirms the profiles diversity of the Chinese wine consumers as found by Wine Intelligence (2015), giving a quite good reliability to our findings. Indeed, while it has been shown that product symbolism could dominate taste considerations (Pettigrew and Charters, 2010), drinking imported premium red wine, for demonstrating economic success and giving a "good face" (mianzi in Mandarin) (Anderson and He, 1998; Li et al., 2006; Hu et al., 2008; Somogyi et al., 2011), is no longer the main consumption behaviour (corresponding rather here to the conservative connoisseurs cluster and representing only 23% of our sample). For instance, the white wine consumption has grown by 38% between 2009 and 2013 and should increase by 27% between 2014 and 2018 (IWSR, 2015). Also the majority of wine buyers choose the low-price range (between 50 and 300 RMB) and good taste is the second most important wine attribute among fourteen (Liu et al., 2014).