Establishing benchmarks of awareness, perceptions and shopper behavior in the China wine market

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Conference Presentation

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Keywords
China, Awareness, Perceptions, Shopper behaviour, Tracking Program

Research Question
1. What do Chinese wine drinkers know about wine?
2. How do Chinese wine drinkers perceive imported wine?
3. Where and how do Chinese wine drinkers buy wine?

Methods
An online tracking program was developed and utilised a range of techniques such as prompted awareness, check-all-that-apply and retrospective recall.

Results
The outcomes of this research allows for a profile of the awareness and perceptions of wine along with an analysis of Chinese wine buying behaviour and channel and retailer patronage.

Abstract
Background

China is a market that globally raises excitement for the inexperienced and trepidation for those who have
worked in market. It has a rapidly emerging middle class with a hunger for western goods and services. Wine is one such product category that the media would suggest has taken hold in China.

China consumes a lot of alcohol, but a lot if it is baiju and beer. Wine is certainly growing in popularity, but many are unaware that China has a substantial domestic wine industry where it is reported that 4 out of 5 bottles of wine consumed in China are in fact Chinese produced.

Many wine producing nations see China as their savior. However, most wine brands don’t have any understanding of the route-to-market beyond Chinese customs. Most strategy is formed from anecdotal reports or general market trend data. Very little has been done to engage consumers and build a rigorous profile of wine buying behavior.

Method

A survey instrument was designed to help a major wine exporting nation better infiltrate the China wine market by understanding the awareness, perceptions, and behaviour of regular consumers of imported wines in China. The sample is socio-demographically representative of the upper middle class urban population aged 18-49 living across China in nine tier-one and tier-two cities: Beijing, Chengdu, Chongqing, Guangzhou, Hangzhou, Shanghai, Shenyang, Shenzhen and Wuhan. Since 2013, a bi-annual survey of approximately a thousand drinkers of imported wine has been conducted. Over the past 3 years we have surveyed over 6000 Chinese wine drinkers.

The surveys have focused on establishing the awareness of country of origin, region of origin and grape varieties using a prompted awareness technique. Perceptions of country of origin have been established using a Check-All-That-Apply (CATA) technique. Batteries of questions on shopper behavior and channel usage were also collected using retrospective recall measures. There were additional components to these surveys, but they are beyond the scope of this abstract.

The data are cross-sectional, but the samples are demographically comparable. Data from each wave of the Barometer were analysed individually, but then comparisons made between waves to establish how behavior and preferences have changed.

Results & Discussion

Our initial findings were expected: France, Bordeaux and Cabernet Sauvignon were at the top of the frequency counts for country, region, and grape variety. What was surprising was that over the first two years of the study, each of these attributes was decreasing in awareness, but so were the frequency counts for many of the top competitors. It is possible that this is an artifact of the impact of the austerity measures instituted by the government of Xi Jiping. However, based on research with brands in other contexts, we speculate that increasing competition in the market increases competition in memory, so fewer attributes (in this case countries, regions, and grape varieties) are individually salient.

Deeper analyses of the CATA scores for each country revealed some useful information. Along with the awareness of each country, we provided 34 possible attributes the respondents could check for each country, such as; ‘[wines from this wine producing country] are good for a gift’, ‘[…] are easy to drink wines’, ‘[…] have easy to understand labels’. The first finding is that France clearly dominates the mind of a Chinese wine drinker. They have a markedly higher number of associations compared to other wine producing nations. Concomitant with other research in branding, it is known that large brands tend to have more memory structures.

A subset of the 34 items was classed into those associated with fine/premium wines and those associated with commercial/beverage wines. The results show that France and Italy clearly communicates a premium image, while China possesses a strong commercial positioning. Australia and other new world producers are currently at
a watershed. The premium and commercial positions are roughly equivalent. This use of CATA data goes beyond frequency counts to characterise the mental positioning each country has among the respondents and this can be used to help each country’s brands modify their communications if the positioning is not what they are aiming for.

Data were also collected to understand where, how and why the Chinese buy wine. For the purpose of this paper, the focus will solely be on retail, but the data shows that on-premise and direct sales from distributors are also large channels.

Retail in China is a very broad term. It is much more complex than simply saying brick and mortar and online. Penetrations of 15 retail sub-channels where wine can be bought in China were tested. We found that hypermarkets, specialty wine retailers and online wine retailers were dominant having penetration levels above 85%. More telling however is that a further 9 sub-channels have penetrations above 60% suggesting a highly fragmented market.

Visitation and conversion to purchase were also measured at approximately 30 brick & mortar retail brands and 15 online retailers with a national footprint. Data shows that the law of ‘double jeopardy’ holds. The larger retailers physically or virtually had more customers who had a higher propensity to buy from them. This information is very valuable for wine brands considering what retailers to work with directly if they have the scale to do so or through their distributor or agent.

Conclusion

In China, there needs to be a greater focus on growing the wine category and acquiring more users. All too often, the marketing levers executed in China are focused on the highly involved, heavy buyers of the category. This is a poor management of resources. More needs to be done to reach normal consumers and find ways to engage with them in a Chinese-centric manner.

It is imperative to have an understanding and a benchmark of the mental and physical availability of wine among Chinese wine drinkers. This descriptive analysis is not only useful to industry, but also academic researchers looking to test theories and investigate constructs in the context of the China wine market. This research can provide an evidence-based summary of the state-of-play of the wine market.

This research is not without limitations. The sample due to the request of the government sponsor was to only explore current category users. Future research must expand to explore alcohol category users more broadly so it is possible to understand how to grow the penetration of wine in China, which will be the key to success in this emerging market.