

## Padua 2017 Abstract Submission

### I want to submit an abstract for:

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### Keywords

e-commerce; China

### Research Question

The rise of China in the wine market raises very interesting research questions related to the development of the infrastructure to support market growth: What are the developments in ecommerce?

### Methods

Two separate studies have been performed in China. First it was a survey to 150 consumers. Second, in-depth semi-structured interviews with 10 wine companies.

### Results

The use of ecommerce is gaining acceptance in the wine industry in China in all aspects of the supply chain: customers and suppliers. There is still work to do.

### Abstract

According to OIV data, the wine consumption surged 67% in China between 2000 and 2012. The main reasons include increasing family's income and also changing people lifestyles (Bruwer and Wood, 2005). Along with the growth in the wine consumption in China, the amount of imported wine grew 20.9% on year-on-year in the first half of 2013. Wine is imported by many companies and distributed throughout China from the major cities like Beijing to small towns. Apart from importing wine in China, based on OIV, this country ranks as the largest and the fifth most significant wine producer in Asia and the world respectively. The wine production sector is owned by regional governments (northwest areas in particular). Three main channels are used by Chinese domestic wineries for distributing their wine. First channel is comprised by is restaurants, liquor stores and state-owned distributors which deliver nationally. Second channel includes supermarkets. Third channel is based on huge warehouses which sell wine directly to consumers and agents. About 54% of wine sales in China is through retailers (supermarkets, discounters, other) (Bouzdine-Chameeva and Zhang 2012).

The rise of China in the wine market raises very interesting research questions related to the development of the infrastructure to support market growth. This paper provides evidence from two separate studies performed in the Chinese wine market on a particular aspect of the infrastructure: the use of digital platforms. The first study looks particularly to the consumer side of the market evaluating how winery websites enhance wine consumption under O2O commerce platforms. The second study is a case study of ten companies in different stages in the wine supply chain and their use of e-commerce tools to achieve effectiveness in their supply chain operations.

O2O commerce model is a combination of Online and Offline business (Feng, 2014). This model provides an online platform for the offline trade so customers purchase online and collect on the store or receive their product at home. O2O provides traditional retailers an opportunity to promote product online which is supported by China mobile shopping development, over 20% growth rate from 2014 to 2015. Therefore, there are interesting opportunities for wine companies to focus on the O2O business strategies. The biggest challenge that winery companies are facing is how to improve customer experiences and enhance consumption from Chinese wine consumers using O2O. The first study reviews the challenges facing wine companies adopting O2O to deal with customers.

If wineries want to adopt O2O model, especially liquor stores and large warehouses, they need to look into what

kind of information customers need and how to apply the O2O business model. A survey to 150 consumers in China covering all the levels of involvement in wine consumption was performed. The survey revealed that customers would search for information based on their motivations and high or low involvement with wine. Customers just buy a bottle of wine because it tastes good or it has an adequate price; but sometimes they want to focus on the information about the wineries, wine culture and wine knowledge before buying a bottle of wine. Consumers have expressed positive views on exclusive personalized wine products to be chosen online before going to the store so wine companies can use O2O commerce models to allow them to participate in wine product design, production process and pricing.

In the second study, a survey on e-commerce tools and techniques employed by wine companies and their impact on supply chain coordination was performed. Ten companies participated in the study. About 40% of Chinese wine companies tend to outsource their supply chain management processes to other third-party company. Companies prefer to have many suppliers and keep safety stock (30%) rather than choosing few suppliers and receive products just-in-time (20%). The results indicate that e-commerce enhances supply chain coordination by improving the communication and relationship with suppliers. An outstanding issue is actually related to not using Social Media in Chinese wine industry since only 10% of the companies use social media as their communication tools because they do not believe in effectiveness of social media. To recap, there are some challenges in implementing supply chain coordination in Chinese wine industry such as lack of knowledge, skills and resources, especially with customers.

To summarize, the use of ecommerce is gaining acceptance in the wine industry in China in all aspects of the supply chain: customers and suppliers. However, there is still work in progress especially on the consumer side in terms of gaining trust and acceptance of the ecommerce methodologies as it happens in other Asian markets (Hwang and Kunc, 2015).

\* The research has been performed by Mengqi Yao and Peng Wu, master students from the University of Warwick supervised by the author.

Bouzdine-Chameeva, T. and W. Zhang (2012) Wine Distribution Channel Systems in Mature and Newly Growing Markets: Germany Versus China. Bordeaux: Bordeaux Management School.

Bruwer, J. and Wood, G. (2005). The Australian online wine-buying consumer: Motivational and behavioural perspectives. *Journal of Wine Research*, 16 (3), 193-211.

Feng, Lei. (2014). A brief analysis of O2O business model current situation. <http://202.119.108.161:93/modules/showContent.aspx?title=&Word=&DocGUID=1b9994c49f6d412698054306e9679b20> [Accessed online 28 March 2016] (In Chinese)

Hwang, J., Kunc, M. 2015. Business dynamics of on-premise wine trade: cases from South Korea. *International Journal of Wine Business Research*, 27(3).

Ma, H. (2013) A Letter By The Regional Editor For Asia: The Current Wine Production-Consumption In China'. *Wine Economics and Policy* 2, 55-56

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# E-commerce and Wine in China

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According to OIV data, the wine consumption surged 67% in China between 2000 and 2012. The main reasons include increasing family's income and also changing people lifestyles (Bruwer and Wood, 2005). Along with the growth in the wine consumption in China, the amount of imported wine grew 20.9% on year-on-year in the first half of 2013. Wine is imported by many companies and distributed throughout China from the major cities like Beijing to small towns. Apart from importing wine in China, based on OIV, this country ranks as the largest and the fifth most significant wine producer in Asia and the world respectively. The wine production sector is owned by regional governments (northwest areas in particular). Three main channels are used by Chinese domestic wineries for distributing their wine. First channel is comprised by restaurants, liquor stores and state-owned distributors which deliver nationally. Second channel includes supermarkets. Third channel is based on huge warehouses which sell wine directly to consumers and agents. About 54% of wine sales in China is through retailers (supermarkets, discounters, other) (Bouzdine-Chameeva and Zhang 2012).

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