

# E-commerce and Wine in China

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Life in China...

# Background

- Wine consumption is growing rapidly due to many reasons including increasing income and changing people lifestyle.
- Consumption in China is massive. Every single province has on average more than 100 million inhabitants.
- Large cities have on average 24 million but most of the cities are on average 8 million.
- Eating in restaurants is a social activity practiced massively and by almost everybody. However, wine is not the typical drink.
- In few words, everything is, **and it can be**, massive in China
- The research question is:  
*Is it possible to sell wine using e-commerce in China?*

# Methodology

- This paper involves two different studies performed by Chinese master students (Mengqi Yao and Peng Wu).
- The focus is on a set of studies evaluating the use of digital platforms, e-commerce, in two areas:
  - Consumer side of the market: a survey to 143 respondents
  - Wine supply chain management: a set of 10 case studies developed through structured interviews.

# First study – The consumer side of e-commerce

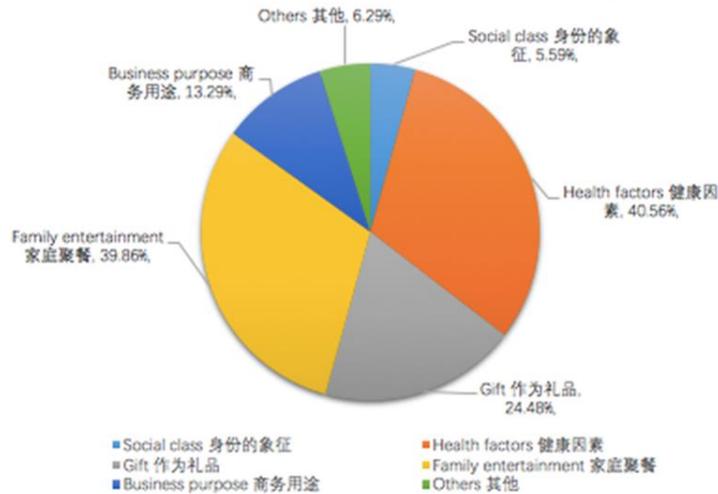
- Most of the domestic wineries, which are located in the northwest area, are owned by regional governments.
- However, the main consumption areas are in the centre and south of China.
- Three main channels are used by Chinese domestic wineries.
  - Restaurants, alcohol-selling stores, state-owned distributors
  - Supermarkets
  - Large warehouses that sell the wine directly to consumers.
- The focus is one specific type of e-commerce, O2O (Online to Offline), and how Chinese wineries can implement it.
  - O2O model provides an online platform for the offline trade, therefore customers could purchase online, which is convenient channel to filter products, for business, online retail channel has increased rapidly in recently year, it provides traditional retailer an opportunity to promote product online.

# First study – The consumer side of e-commerce

	Frequency	Percentage
<b><u>Gender</u></b>		
Female	72	50
Male	71	50
<b><u>Age</u></b>		
18-25	13	9
26-35	55	38
36-45	36	25
46-55	27	19
56-64	7	5
65 or older	5	4
<b><u>Education</u></b>		
Junior school	5	4
High school	17	12
Junior college	46	32
Undergraduate	59	41
Postgraduate or above	16	11
<b><u>Employment</u></b>		
Student	7	5
Office worker	68	48
Public official	20	14
Business manager	26	18
Private entrepreneur	12	8
Others	10	7

# First study – The consumer side of e-commerce

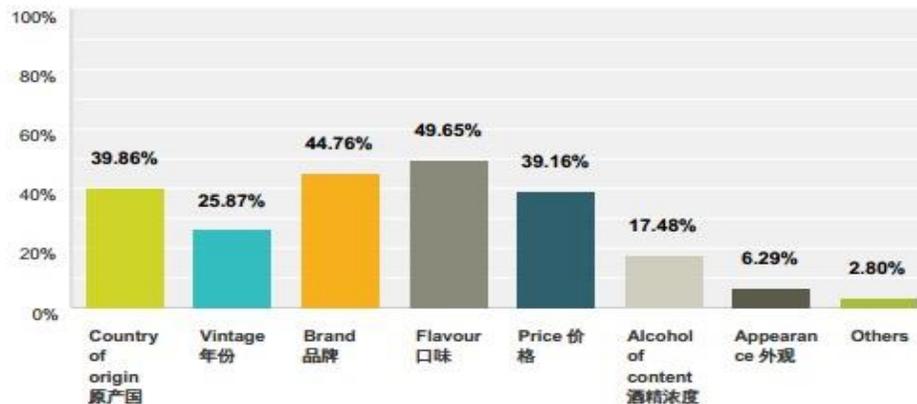
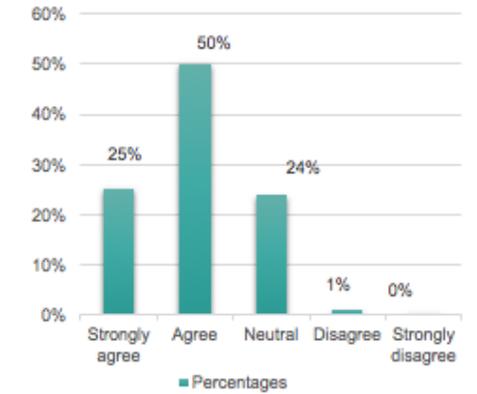
q11 which of the following reasons do you purchase wine? 您购买葡萄酒的理由是什么?



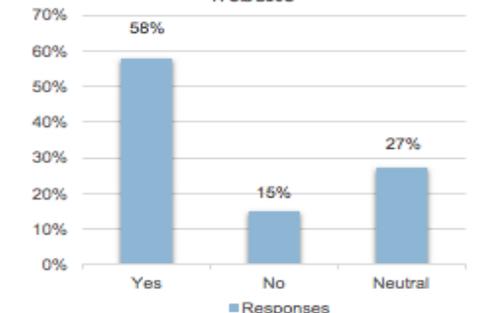
What choice you would be made if you decided to buy a bottle of wine? 当您想要购买一瓶葡萄酒时, 您会做以下哪些决定?



Q15 If wineries decided to apply O2O business model to their website, to what extent do you agree with this decision?



Chinese consumer support on whether O2O model could improve the wine consumption of winery website



# First study – The consumer side of e-commerce

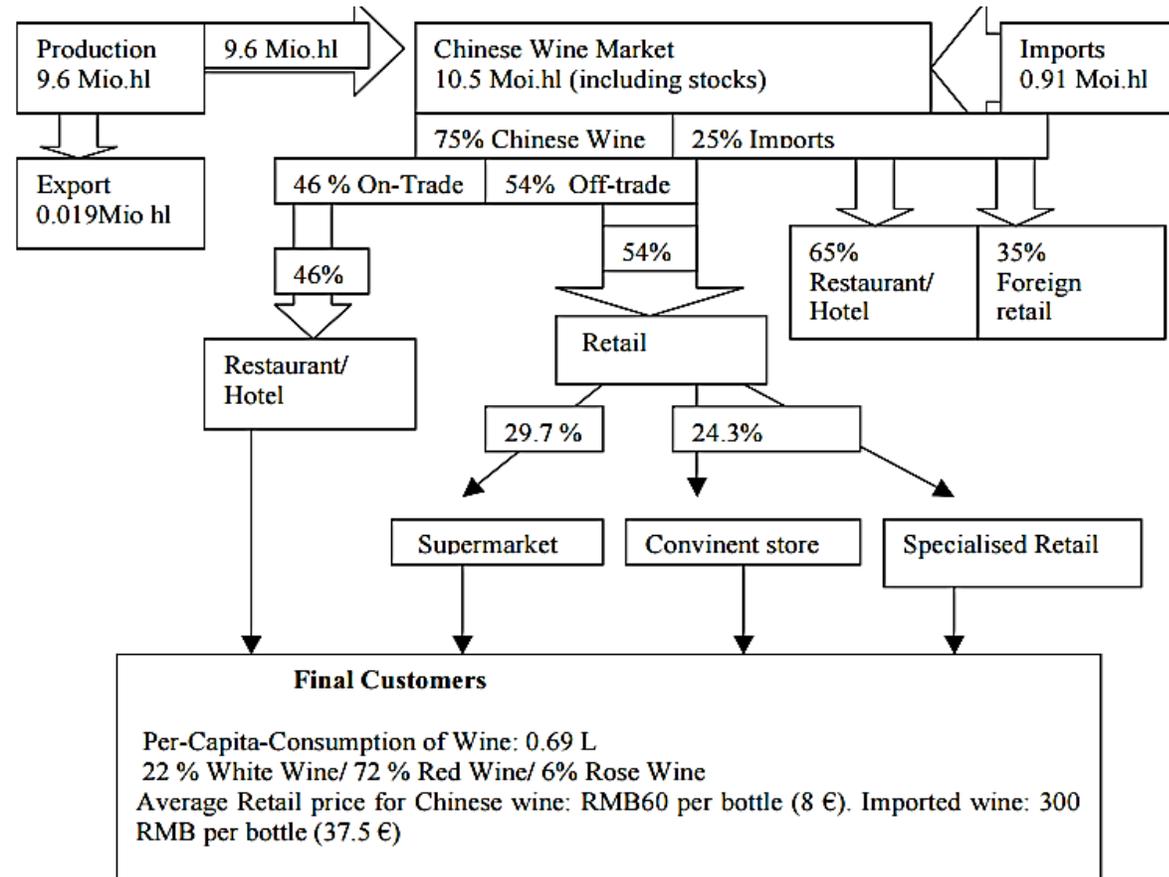
- Customers are looking for information to buy the right wine depending on two factors:
  - Motivations: occasions with family, knowledge opportunity, health factors, (gift and business occasions are lowest motivations)
  - Levels of involvement with wine: low and high leading to search for information about tastes, brand, price and country of origin
- Potential suggestions for wineries from the findings are:
  - Personalise wine products through options for design, process and pricing
  - Information about product
- Wine companies need to use their wine websites with O2O model efficiently so they build up relationship with customers and expand company scales by combination of physical store and online e-store in China.

# Second study – The Wine supply chain management

- The focus is on the use of e-commerce to coordinate the wine supply chain.
- The study involved 10 companies in different stages in the wine supply chain.
- The objective of the study was to evaluate how they are using e-commerce tools and their impact on the effectiveness of their supply chain operations.

# Second study – The Wine supply chain management

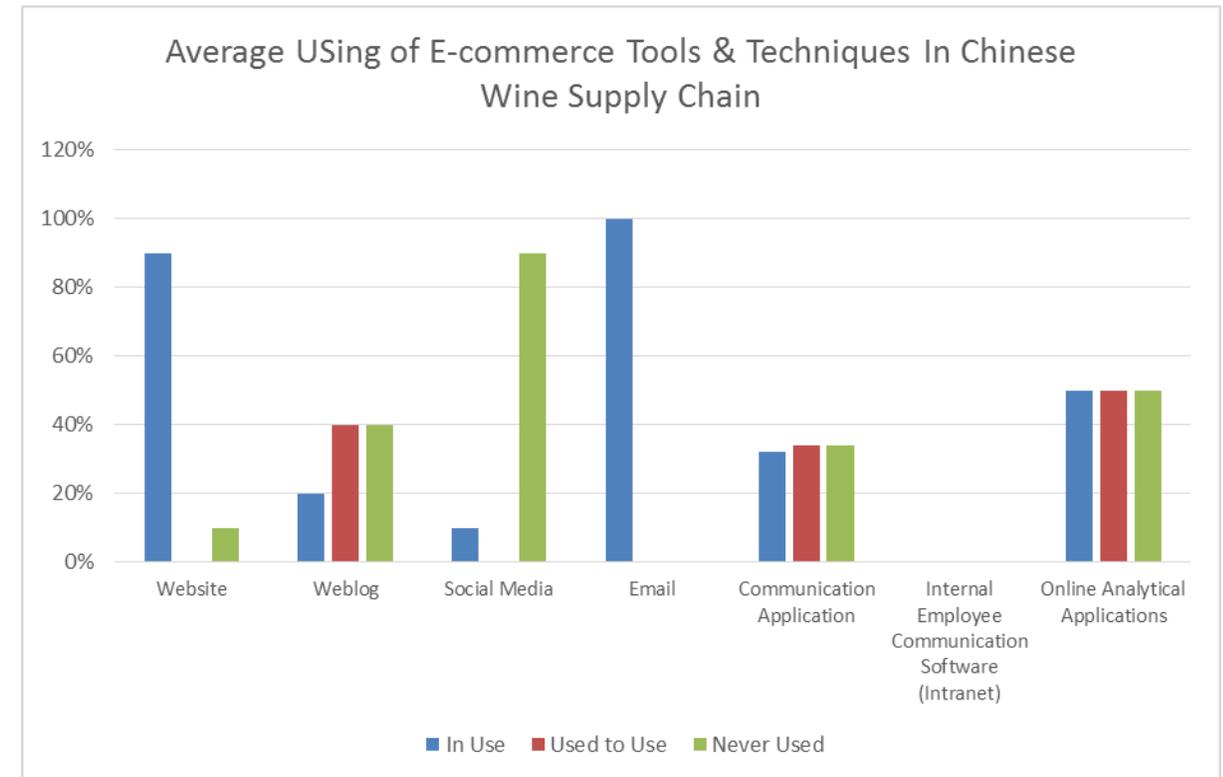
- The case studies were performed using a predefined questionnaire about e-commerce tools and techniques applied in the wine supply chain



Chinese wine distribution channel system (Bouzdine-Chameeva and Zhang 2012:8)

# Second study – The Wine supply chain management

Row	Supply Chain Management Method	Improved	Start Implementing	Satisfied Already	Not Appropriate	No Plan Yet
1	Close partnership with suppliers	44%	12%	33%	0%	11%
2	Close partnership with customers	20%	40%	20%	20%	0%
3	Just-in-time (JIT) supply	17%	17%	34%	16%	16%
4	E-procurement	50%	0%	17%	17%	16%
6	Outsourcing	0%	25%	25%	25%	25%
7	Subcontracting	0%	67%	0%	0%	33%
8	Plan strategically	0%	50%	0%	0%	50%
9	Vertical Integration	34%	0%	0%	33%	33%
12	Holding safety stock	0%	0%	0%	100%	0%
13	Use of external consultant	0%	0%	0%	50%	50%
14	Supply chain benchmarking	0%	0%	50%	50%	0%



# Second study – The Wine supply chain management

- The results indicate that:
  - 40% of Chinese wine companies outsource their supply chain management to other companies.
  - Most companies prefer to manage multiple suppliers rather than having arrangements with one supplier.
  - E-commerce is mostly employed to improve coordination through seamless communications.
  - There is still limited knowledge, skills and resources to fully implemented e-commerce to coordinate the supply chain.

# Conclusion

- The studies found promising avenues for more integration of wineries and the wine supply chain with customers using e-commerce.
- The rapid adoption of e-commerce, e.g. Alibaba and all the variations, can be a key vehicle for wineries to penetrate further into the usual consumption occasions.
- However, there are still limited knowledge, skills and resources to tap into the rapid adoption of e-commerce as a way to gain more market in China.

# Thank you and Questions

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