

Vienna 2019 Abstract Submission

Title

Wine Distribution in China: a comparison study of Domestic wine and Imported wine

I want to submit an abstract for:

Conference Poster Session

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Keywords

Wine Distribution; Domestic Wine; Imported Wine; Chinese wine market

Research Question

What is the major difference of domestic and imported wine distribution in China?

What are the factors influencing the distribution?

What are the characteristics of wine consumption with different COO?

Methods

Using a systematic literature review; Analyse academic databases and some wine business journals both in Chinese and English language; Performed key words in ISI Web of Knowledge, Scopus, Baidu Scholar

Results

Imported wine is expected to distribute more in Eastern, Southern region of China. Government policy, price, and the wine brand identify could affect the distribution.

Abstract

After joining the WTO, China wine industry has been fully integrated into the global competitive environment since then. The big potential of China's wine market has attracted the attention of wine producers from all over the world. In the new era of global economic integration, consumption is becoming much more diverse and the global market also becomes more competitive. The continuous growth of the market capacity has led China domestic liquor giants to join the wine market which indicates the market structure is undergoing changes. Currently, there are more than 500 wineries in China, the top three most popular brands are Changyu, Dynasty Wine and the Great Wall. Well-known wine brands from both abroad and domestic are expected to expand their market shares and many other emerging companies cooperated with Chinese domestic brand as joint-venture has made the domestic grape wines market face unprecedented challenges. Using a systematic literature review, this paper wants to highlight some of questions that academics or marketers may face when they approach the wine distribution in China. As the market is not uniform, there are some regional difference regarding the consumption and distribution. Eastern and Southern region of China are the main region for imported wine, in 2017, shanghai enjoyed a 27.95% share of China's total wine imports, followed by Guangdong 24.58%, and Fujian 10.17%, while North and Northeast region consumed more domestic wine. Overall, the major wine trading areas is more concentrated in the first-tier cities, which mostly are Shanghai, Beijing, Guangzhou, and followed by Shandong. Shanghai consumed sparkling wine the most, Shangdong Province consumed the most bulk wine, and most bottled wine are consumed in Guangdong. Government policy and regulation, price, and the wine brand identify could

affect the way of distribution. The first national standard for wine was just implemented on January 2008, aims to regulate Chinese wine production quality, so the domestic wine management is still expected to be improved. The implementation of the new national standard requires much more inputs and enterprise cooperation such as technical support, government supervision, and consumer awareness, which is considered a long way to meet the general international standards. The market is basically divided into three markets levels, the primary market is usually economically developed, wine consumption habits have been better formed, so brand awareness is stronger. The second and third tier market usually have much smaller sales scales and less developed economy. When a less-famous brand plans to distribute in the primary market would requires much more resources including relationship marketing and advertising budget. Therefore, these brands usually avoid the primary market and switch to the second and third-tier markets. Nevertheless, the distribution of domestic wine and imported wine are sharing some similarities especially on-trade sales, but major difference happens in off-trade sales. The major sales channel is including establish a direct wine winery, build up exclusive business club, government group purchase, relationship marketing and E-commerce, in 2017, online sales in terms of volume, domestic wine accounts for 72.33%, and imported wine occupied 27.67%, the top three online sales platform including T-mall (41.03%), Jingdong (35.48%), Taobao (23.44%). The major off-trade sales channel for wine in china includes retails and ready-to-drink channels, the former mostly are supermarkets, specialty stores, and the latter mostly hotels and entertainment consumption. The sales flow is usually from branch office to agent, and next to the point-of-sale and to consumers in the end. As wine for household consumption is not part of the food culture yet, so domestic produced wine mainly distributed in the way of ready-to-drink. Some domestic wine companies have also taken the initiative in implementing sub-channel operations, by using different agents in specific channels. For example, Dynasty wine launched the dynasty 2000 for entertainment purpose, so this type of wine is not sold in the supermarket channel but only for some specific entertainment sector. In addition, there is a distinct difference regarding the price feature of the market, most of the domestic wines are below 30 RMB (Chinese Yuan), mainly for low-end markets with advertising strategy, hundreds of millions of advertising expenses to attract consumers attentions to purchases. Whereas the price for most imported wine is between 100-300 RMB, aimed for quality wine with much less advertisement inputs, most large wine merchants join the market directly through shareholding winery abroad. In 2017, imported wine reached 749,000 liters, an increase of 17.35%, while domestic wine production accounts for -11.95%. The major importing countries are still France, Spain, Australia and Chile, makes up more than 60% market share, in October 2017, imported wine from other countries like Malaysia, South Korea, and the United Kingdom have reached to the top ten which is driving the market much more diverse. At the same year, the total sales value of wine comprises of Lafite 9.88%, The Great wall 6.21%, Changyu 5.35%, Altoona Hills 5.19%, Justin Wine 4.72%. These top five accounts for 31.35% of the market. There are certain limitations of this study because insufficient literature has investigated this specific topic about wine distribution in China, or the publication is not updated, most information source are from business blogs or wine dealer website, so there could be bias, and therefore, future study is required to provide more insights.

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