

## **ABSTRACT**

# **Competition in the Wine Industry and the Future of China: What will it mean?**

*By Darryl Mitry, Ph.D., David Smith, DBA, and Per V. Jenster, Ph.D.*

Modern strategic marketing is relatively a new concept in the wine industry. The 1990s saw a transition from traditional supply-driven production to business models of market-orientated consumer demand. The suppliers who were first to recognize these changes have enjoyed tremendous growth and have often become the high volume producers, and have developed systematic marketing strategies. Such suppliers have created extensive portfolios of brands and can more readily adapt to changes in consumer demand. These companies continue to build strength in new business sectors because of their far-reaching distribution networks in the world markets. Significant investments are made in advertising campaigns to further entrench portfolio branding, and worldwide sales.

Moreover, in the segmented and complex wine industry, there are numerous wine producers that are simultaneously competing in other ways. These companies are using innovative strategies to focus on specific target markets. The companies are market-oriented competitors and creative in the products they offer. Innovation extends to packaging, branding and advertising, and new entrants to the industry intensify the competitive strategies. In this paper we are particularly interested in the Chinese market and suppliers and the role of China in global competitive strategies. The phenomenal growth of the Chinese economy over the past decade has encouraged international suppliers to export wines to China. Understandably, China is the most populated country in the world and the economy has been growing at over twice the rate of the world average, and thus appears to be one of the largest future markets for many imported products. Indeed international suppliers lust after the idea of a huge potential market in a country of over one-billion-three-hundred-million people. Moreover, living standards have improved dramatically since China's adoption of market oriented economy. A sizable middleclass has developed. No wonder marketers have been competing vigorously for China's potential markets. As expected, wine sales have increase substantially in China for the past 5 years. The French particularly have been doing well with exports to China and they dream of a huge future market among the emerging middle class inside the world's fastest growing economy. Simultaneously, there has also been a significant growth of production and marketing of wines by Chinese owned wineries.

Therefore, a very interesting question arises as to how much of a growing market will be claimed by imported wines and how much will be captured by competitive Chinese owned wine companies. Likewise, there is a related question concerning how much of the entire global wine market will eventually be captured by the Chinese through their increasing production and exporting strategies. If the recent history of China's export oriented producers is any indication, the current export suppliers to China may have ultimately awakened a giant competitor who will eventually overtake and reap most of the profits sought by other major wine exporters. We examine the likelihood of this future scenario.