Firm innovation in the absence of effective regulation: Overcoming barriers to credibility in Chinese wine
by Cynthia Howson & Pierre Ly
Large producing country
Little to no wine reputation

Fieldwork 2013-2017:
8 wine regions

- Winemakers
- Winery owners/employees
- Experts
- Farmers
- Educators
- Government representatives
- Importers/Distributors
- Retailers
Medals, awards, praise from critics etc. but still an image problem.
“Made in China:” so much baggage... that government regulation fails to credibly guarantee authenticity and quality

➜ The idea of Chinese wine is tainted from the start

Previous research on regulation of many non-wine industries in China

• Why is regulation ineffective and enforcement inadequate?

• Effects of improved regulation?

Sure, regulation needs to get better. But what do businesses do in the meantime?
Our question:
How do wineries build credibility and signal authenticity when government regulation fails to do the job?

*Three types of private remedies*

1. Cut intermediaries, sell direct to consumer
2. Contracting up with trusted distributors
3. Create a personal connection with consumers
Why an image problem?
Is it real? The counterfeit wine problem

Famous Chinese wines are affected, too:
Is it safe? The food scandals problem

Banned dairy from China

Countries are banning and recalling Chinese dairy imports, fearing melamine-tainted milk has made its way to their markets.

- Countries that have banned or recalled Chinese dairy products
  - Bangladesh
  - Bhutan
  - Brunei
  - Burundi
  - Canada
  - Gabon
  - Ghana
  - Hong Kong
  - Indonesia
  - Ivory Coast
  - Japan
  - Malaysia
  - Myanmar
  - Philippines
  - Singapore
  - Taiwan
  - Tanzania
  - Yemen

What is melamine?
- Used as filler substance in tainted baby formula; when testing for nutritional value as a protein, product appears
- Not toxic, but causes kidney

Source: AP; Reuters

Graphic: Melina Yingle
“Made in China” image sticks to the wines


http://www.sino-us.com/12/00241368163.html
Private solution 1: Sell direct
Online shopping: very convenient
Your winery’s online shop at 淘宝网 Taobao.com
TMALL helps signal authenticity because:

• Barriers to entry: vetting of applicants, verification of brand ownership
• Investments in fraud detection
If you really want to do it all yourself:
Private solution 2: Contracting up
Deals with well known wine distributors/retailers help because:

• Mostly deal with premium imported wine
• Incentives to signal authenticity and invest in it
• Rub shoulders with (authentic) famous wines of the world
Private solution 3: 
Build a personal connection
Meet the winemaker, social media, tourism, open your doors
Build your brand with things other than wine: Angelina restaurant in Fuzhou
Off market wines: make it “their wine”
To build consumers’ trust, if government regulation falls short:

Just do it... yourself.
Hope: Regulation and the building of a collective brand for Helan Mountain appellation?
Thank you!
Grazie! 谢谢！