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Thirst for Wine – Inside China's Wine Industry

The Success Factors of Marketing Wine in China



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Abbreviations

AC	Ante Christum Natum (after Christ's birth)
AQSIQ	Administration of Quality Supervision, Inspection and Quarantine
BC	Before Christ
CADIA	China Alcoholic Drinks Industry Association
CEROILS	China National Cereals, Oils & Foodstuffs Import and Export Corporation
COO	Country of Origin
CTS	China Travel Service
EU	European Union
Fig.	Figure
GDP	Gross Domestic Product
POS	Point of Sale
WTO	World Trade Organization
€	Euro
US\$	US Dollar
¥	Chinese Yuan (Renminbi)

1 Introduction

China is turning into one of the world's largest, most lucrative food and beverage markets. With a growing middle class, the demand for premium lifestyle products is constantly increasing. A new generation of consumers, typically located in urban areas, is emerging, with more disposable income and a greater awareness and willingness to pay for high quality, often imported products – including wine. Wine has become “fashionable” as a symbol of social status and this trend is likely to continue. Further, the health benefits associated with red wine in particular, have convinced some consumers to switch from traditional Chinese alcoholic beverages to grape wine.

Although China traditionally is a rice-wine-consuming country and unlike in many Western countries, grape wine is considered a luxury product, the grape wine market¹ has grown rapidly since its emergence in the mid 1990s, with still wine being the most lucrative. According to a recent survey, in 2009 the Chinese wine market generated total revenues of US\$ 7,2 billion which constitutes a compound annual growth rate of 5,3% for the period from 2005 to 2009². As wine consumption in China is closely related to income, there is no end in sight to this positive trend.

However, the Chinese wine market is in its early stage. Not only is the annual per capita consumption of wine still low compared to other countries³, also the demand for information and education on wine is enormous: Many new wine schools are opening, courses on wine tasting take place in the whole country, wine tours to Chinese wineries are offered and countless wine exhibitions like the “WINEXPO Guangzhou”, “Wine and Spirits Shanghai” and “Best Wine China” attract more and more visitors every year.

The market's healthy value growth will further encourage newcomers,

¹ The wine market consists of champagne, sparkling and still wine, fortified wine.

² Datamonitor (2010) Industry Profile: Wine in China, p. 8. Online: www.datamonitor.com

³ Pan, Suwen et. al. (2006), Alcoholic Beverage Consumption in China: A Censored Demand System Approach. In: *Applied Economics Letters*, vol.13, p. 975