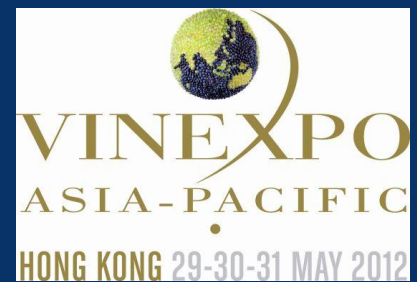




BUILDING WINNING WINE
BRANDS FOR THE CHINESE
MARKET
WINE INTELLIGENCE SEMINAR

29 MAY 2012



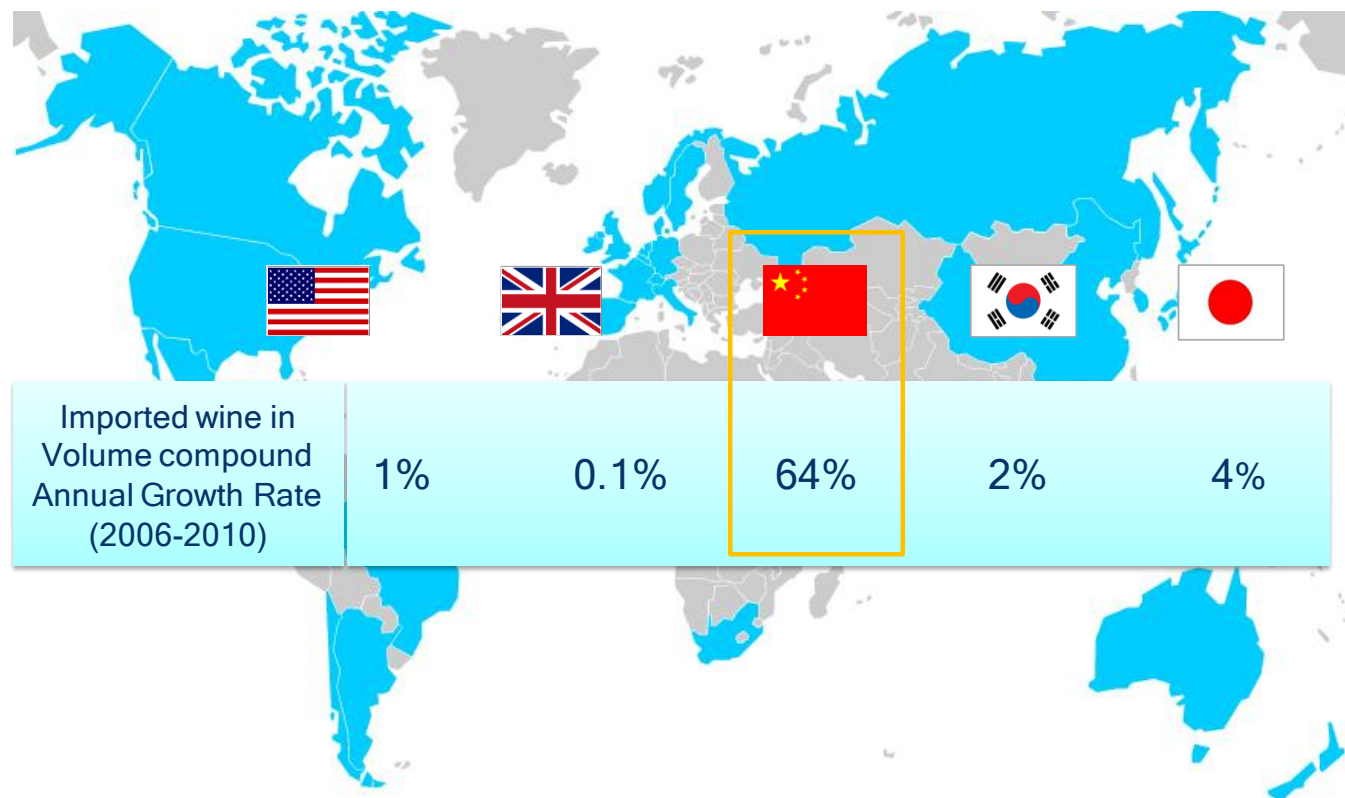
Wine Intelligence market classification

- Based on the Wine Intelligence market classification system: China is an **emerging wine market**
- Per capita consumption of wine in China is growing quickly from a low base

TRADITIONAL ESTABLISHED	MATURE ESTABLISHED	HIGH GROWTH ESTABLISHED	EMERGING	NEW EMERGING
Wine producing countries with high residual per capita consumption, but stable or declining	Markets with strong historical growth which is tailing off	Markets where wine is becoming a mainstream product and is experiencing above-trend growth	Markets where wine is experiencing rapid growth from a relatively low base	Markets where wine is still a relatively new an unknown beverage
Argentina Croatia France Georgia Germany Italy Portugal Spain	Australia Denmark Belgium Ireland Japan Netherlands Switzerland UK	Canada Finland New Zealand Norway Sweden USA	Angola China Brazil Hong Kong Mexico Poland Russia Singapore South Africa South Korea	India Malaysia Nigeria Taiwan Thailand UAE

The Chinese wine market is growing at an unprecedented pace

- In the past five years, consumption of imported wine has grown rapidly, albeit from a small base, in China
- The compound growth rate of imported wine is more than 60%



Source: ©IWSR 2011

*CAGR by volume '06-'10 of total still light wine of China, South Korea, Japan, UK and USA

**CAGR by volume '06-'10 of imported still light wine of China, South Korea, Japan, UK and USA

China's wine drinking population is still relatively small, weighted towards Tier 1 cities



The target wine drinking population is defined as follows:

- Urban dweller
- Aged between 18-49
- Earn 4000 RMB/month or more
- Drinks imported wine at least twice a year

Wine Intelligence runs regular surveys with wine drinkers in 6 cities: three Tier 1 cities (Beijing, Shanghai, Guangzhou) and three Tier 2 cities (Wuhan, Chengdu, Shenyang)

Tier 1 cities are still the most important internal markets in terms of total volume and wine consumption trends

However, Tier 2 cities are of increasing interest, in particular for volume growth potential

1.34 billion people in China¹

335 million aged 18-49¹ living in cities

TIER 1 CITIES

OTHER CITIES

40 million urban population aged 18-49 in **Beijing, Shanghai & Guangzhou**¹

295 million urban population aged 18-49 in other urban areas¹

↓ 45%²

↓ 10%²

18 million **upper-middle class**³ aged 18-49 in Beijing, Shanghai & Guangzhou

30 million **upper-middle class**³ aged 18-49 in other urban areas

↓ 65%²

↓ 70%²

12 million **wine drinkers** in Beijing, Shanghai & Guangzhou

21 million **wine drinkers** in other urban areas

↓ 68%²

↓ 52%²

8.2 million **imported wine drinkers who drink at least twice a year** in Beijing, Shanghai & Guangzhou

10.7 million **imported wine drinkers who drink at least twice a year** in other urban areas

19 million urban upper-middle class imported wine drinkers in China

Sources:

1. National Bureau of Statistics of China, 2011 China census

2. Wine Intelligence CATI calibration survey 2011, n=1,551 imported wine drinkers in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, Wuhan

3. Personal monthly income > 4,000 RMB

What motivates Chinese drinkers to consume wine?

- The perceived health benefit is the most important motivation for drinking wine for Chinese consumers. When asked “why do you drink grape-based wine?”, 94% of respondents quoted “grape-based wine is good for my health”, 93% chose “It helps to create a relaxed and friendly atmosphere” and 81% believes that drinking wine makes people modern and sophisticated

- While health and fashion have been important in driving consumption in the past decade, long-term growth will need to rely on wine becoming an integral part of social interactions



Healthy

94%
Good for my
health



Fashionable

81%
Fashionable &
modern drink



Social

93%
Helps to create a
warm atmosphere

Brands help Chinese consumers to choose wine

- When it comes to wine in China, brands are one of the most important cues influencing the wine buying decision
- Consumers look for brands both in the off-trade and on-trade

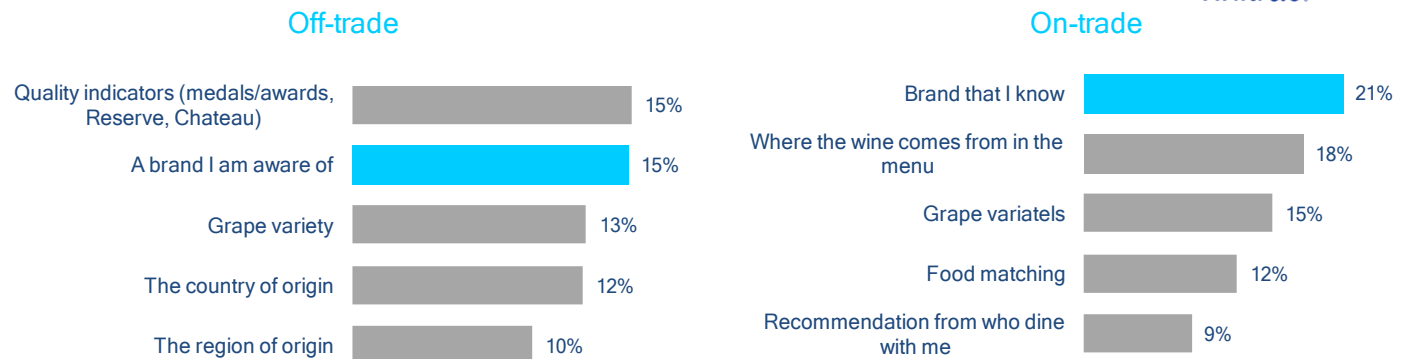
Like it or not, I think China is very much a 'brand market' – be it wines, or Rolex, or Nike, or Audi – so the Chinese customers very much follow brands. They like to find a brand and feel comfortable and confident with it.

National importer-distributor-retailer, North China and Beijing

Top 5 important choice cues

% who selected the following element the most important choice cues when buying wine

Base: All Chinese imported wine drinkers (n=1,002)



How would you choose your perfect Japanese sake?

- Imagine that you are in a Japanese restaurant and trying to order a sake. How would you choose the sake based on the menu shown here?
- For people who know little Japanese, when there is no frame of reference, it is close to impossible to choose a Japanese sake of one's liking based on a menu listing

焼酎

- よかいち
- よかいちボトル
- 知心剣
- 知心剣ボトル
- 薩摩寶山
- 薩摩寶山ボトル
- 紅一刻
- 紅一刻ボトル

地酒

- 玉乃光 酒魂 純米吟醸（京都）
- 久保田 千壽（新潟）
- 吳春（大阪）

日本酒

- 冷酒【松竹梅】

ビール

- 生ビール（小）
- 生ビール（中）
- キリン ラガー（中）
- キリン フリー

チューハイ

- シモン
- ライム
- 柚子

カクテル

- かシスソーダ
- かシスオレンジ
- 福の舞ボール

How would you choose your perfect French wine?



- Imagine that you looking at a French wine list (as shown on the right), trying to order a bottle of French wine. How would you choose your perfect French wine?

- For many people, e.g. mainstream Chinese wine drinkers who speak little French, it could be difficult to choose which wine to buy

- The difference between this list and the list of sakes is that this list shows prices - how does that influence the decision?

- The decision to pick a French wine could possibly become easier if the price is shown, giving some indication of expected quality

Blanc

- L'âme du terroir pinot Blanc 75cl \$5.99
Région: Alsace
- Blason de Bourgogne 2009 \$8.99
Région: Chablis
- Domaine De Moor Réversibilité A.O.C. Bourgogne Aligoté \$15.00
Région: Bourgogne

Rouge

- La Vieille Ferme 2010 Côtes du Ventoux \$5.59
Région: Rhône
- Les Canonnières 2010 \$10.99
Région: Languedoc-Roussillon
- Château Crusquet de Lagarcie 2007 \$13.00
Région: Bordeaux

How would you choose your perfect French wine?

- Imagine that you are standing in front of a wine shelf with wines and price tags shown (as shown on the right), how would you choose your perfect French wine? How difficult do you find it to choose which wine to buy?



How would you choose your perfect olive oil?

- Let us jump out of the wine category. Imagine that we are going to choose a bottle of olive oil. With the description and price given on the list (as shown on the right), how would you make your purchase decision?
- Since typically mainstream Chinese consumers do not speak Spanish and are relatively less involved in the olive oil category, it is still very difficult for them to choose a perfect olive oil, even with the price and description given



Menu de Aceites de Oliva *Precio botella 37* *País de origen "España"* *cl (€)*

Arbequina

18 €

Elegante y vibrante, aceite de tonos verdosos dorados que equilibra a la perfección los matices frutales del zumo de la aceituna y es ideal para aliñar tu ensalada o prueba a tomarlo solo sobre una rebanada de pan

Picual

16 €

Directamente zumo de aceituna, ideal para aliñar ensaladas o sobre pasta

Cornicabra

12 €

Color oro brillante, delicado y un punto picante con una acidez baja de 0,2 °.

Arbequina Hojiblanca

14 €

. Tonos amargos y picantes sutiles, en crudo y ensaladas alcanza la perfección

*** Todos los aceite incluidos son virgen extra*

How would you choose your perfect olive oil?

- Let us make the question easier: Now, the bottles and price tags are shown, how would you choose your perfect olive oil? How difficult is it for you to make the decision? What would help you to choose?
- Because of the difficulties for the consumer in making purchase decisions, it is important for retailers and distributors to understand consumer behaviours and focus on branding strategies



3

Steps to get
branding right
for wine in China

Step 1 - Optimising naming in Chinese



- A wide variety of translations are currently in use in the Chinese market. For instance, there are at least five different Chinese translations of *Pinot Noir*
- Western brand names can be translated into Chinese in a variety of ways: literal, phonetic, or a combination of both. Each translation has a wide range of possibilities, which can cause confusion among consumers
- When translating Western brand names, it is important to note how well the connotation conveyed by the original brand name matches the connotation conveyed by the translation
- Translation also causes problems for some sparkling wine types like *Prosecco* and *Lambrusco*, which are easily pronounced in English / Italian but very difficult to pronounce in Chinese
- Another important aspect that is usually overlooked is the legality of the Chinese brand name. It is crucial to legally register the Chinese brand name through the Chinese trademark authority

Pinot Noir

Chinese translations:

灰皮诺 灰品诺
皮诺瓦 黑皮诺
黑品诺

Chateau Haut-Brion

Chinese translations:

红颜容 奥比昂
侯伯王

Côtes du Rhône

Chinese translations:

隆河谷地 罗纳河谷

Prosecco

Chinese translation:

普洛赛克意大利起泡葡萄酒

Lambrusco

Chinese translation:

来布鲁斯科意大利起泡葡萄酒

Step 2 - Identifying the impact of label design on Chinese wine consumers

- 40 Chinese drinkers of imported wine were interviewed in March and April of 2012 in Beijing and Shanghai and they were asked to classify and categorise 38 wine labels, based on style of label design
- Consumers typically identified 8 distinct label categories. Using these results, we teamed up with wine label design agency Amphora, who designed 8 labels that best represent each of these label style categories
- In order to avoid the impact of name, grape variety and vintage all bespoke label designs used consistent wine and brand information

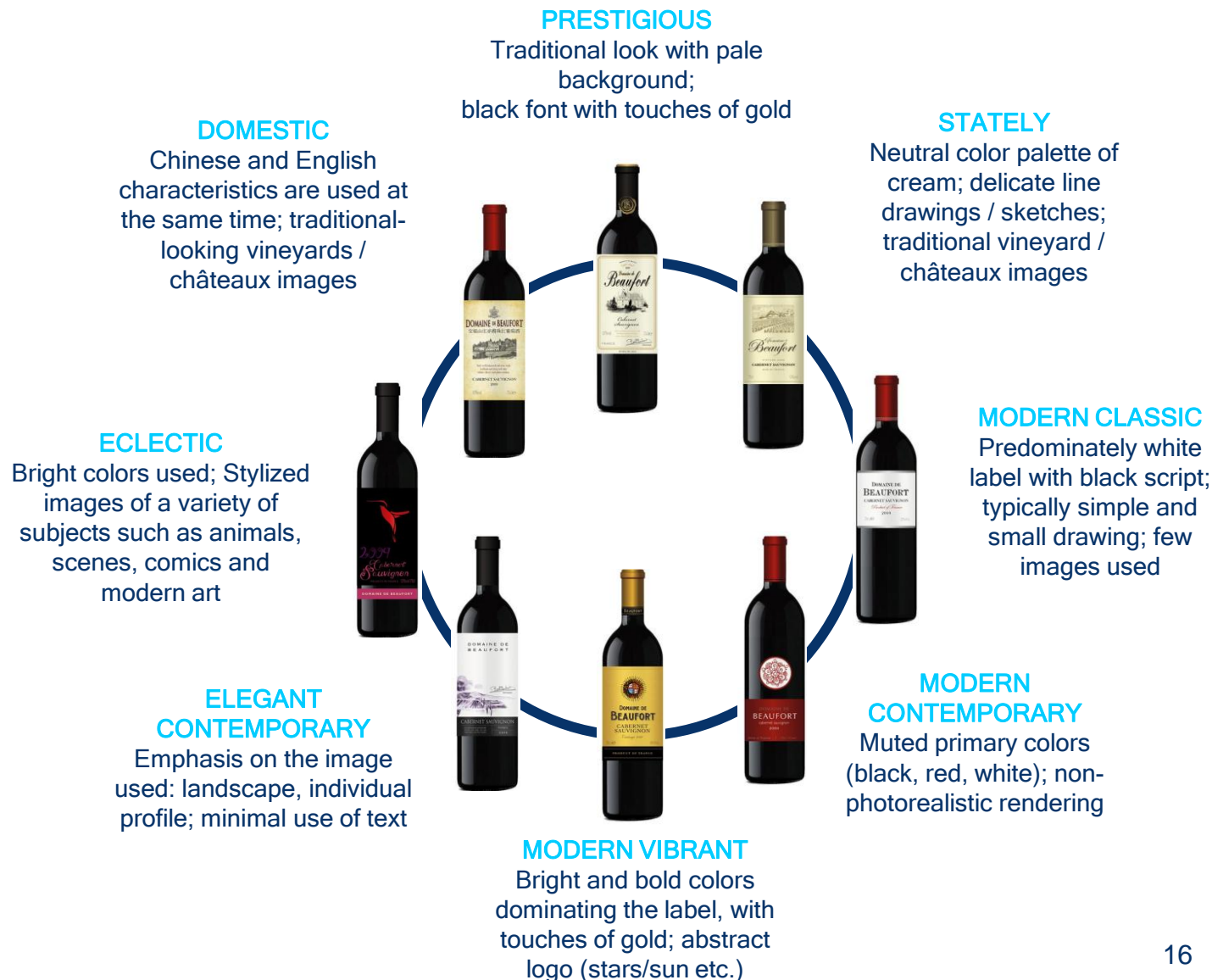


Examples of wine labels used in research



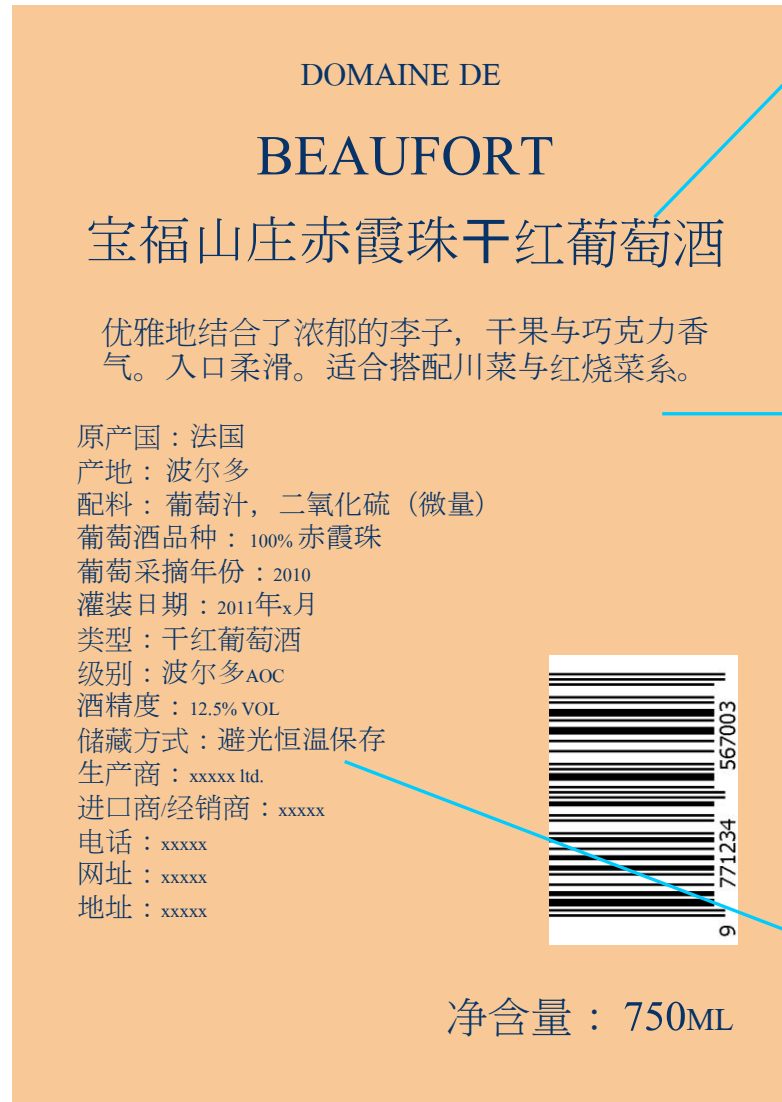
Step 2 - Identifying the impact of label design on Chinese wine consumers

- For mainstream consumers, the key differentiator between labels is whether a label feels “traditional” or “modern”
- Traditional labels are associated with a guarantee of quality and seen as appropriate for more formal occasions, as well as for gifting to family members or business associates
- The “modern” design categories are strongly associated with New World wines
- Elegant contemporary* is well-received by Chinese consumers, with a high likelihood to be purchased
- Eclectic* labels are polarising and tend to attract younger wine drinkers who are looking for wines as gifts for friends or to consume with friends



Step 3 - Tailoring back label descriptions to local needs and flavour repertoire

- Back labels for imported wines sold in China typically include three key elements:
 - The Chinese brand name
 - Wine description
 - Mandatory, basic production information
- Local food and flavour repertoires need to be considered carefully when translating back label information, as some flavours and foods are not as common to Chinese consumers as they are to consumers in other markets, e.g. gooseberry, asparagus, cherry, cheese etc.
- A good translation should provide relevant flavours, aromas, and food pairing suggestions.



The Chinese brand name

Wine description

- Original back label description
*"This fine wine displays a deep **cherry** and nutty aroma, with smoky and chocolate flavour. Medium bodied, smooth tannin and well structured. Served best with a cheese and **red meat dish**."*
- New Chinese oriented back label translation
*This fine wine displays deep **plum**,, nutty and chocolate flavours. Easy to drink. Best served with **spicy Sichuan cuisine and braised meat dishes**."*

Mandatory, basic product information



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