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Australian Grape and Wine Authority

University of South Australia

Ehrenberg-Bass Institute for Marketing Science

China Wine Barometer – Wave 3

INTERIM REPORT to

AUSTRALIAN GRAPE AND WINE AUTHORITY

Project Number: **USA-1202**

Investigators: **Dr. Armando Maria Corsi, Dr. Justin Cohen, Prof. Larry Lockshin**

Research Organisation: **Ehrenberg-Bass Institute for Marketing Science – UniSA**

Date: **04/11/2014**

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Executive summary (1/2)

1. In terms of awareness, red wine continues to be dominant with marked growth by sparkling wine, slight improvement in white wine and rosé, a slight decline in Champagne.
2. The awareness for the largest category in China, red wine, is lead by France, followed by China and 3rd position is traded between Italy and Australia with Australia tending to outperform in Tier 2 cities.
3. Chengdu has markedly lower awareness for Australian category across the 9 cities surveyed.
4. The quintessential bottle of imported wine in the mind of Chinese consumers is a French, Bordeaux, Cabernet Sauvignon sold at less than $ 40 AUD.
5. France is dominant in mental availability having the broadest and highest magnitude of associations in Country Wine Perception (CWP) measurement.

Executive summary (2/2)

6. Wine style is the largest driver of perception followed by distinctiveness, except premiumness is 2nd for 'old world'.
7. France, Italy and Spain have premium perception with China viewed commercial, however perception is balanced for 'new world'.
8. Australia is recognised as fashionable, easy to drink and good tasting red wines coming in likable varieties; however, France is recognised for elegant red wines suitable for fine dining and gift giving coming in likable varieties.
9. Restaurant is leading format for wine consumption followed by pub/bar trade, bistro/café and at friend's house, suggesting there is more opportunity for home entertaining.
10. French and Chinese wines are most purchased wine countries with Australia securing higher than expected repurchase, suggesting satisfied drinkers.

Research overview

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This research

This report presents the findings of the third wave of the AGWA funded project "**The China Wine Barometer (CWB): A look into the future**".

Previous **CWBs** compared analyses with Wine Intelligence's **Vinitrac®** for China with methods used by the Ehrenberg-Bass Institute for Marketing Science to track wine preferences and attitudes. This phase of the project is complete.

This wave of the **CWB** reports only the **CWB** measures focusing on Chinese wine consumers' awareness, attitudes and perceptions about wine and their specific attitudes and behaviours in the on-premise sector.

The data was collected in March-April 2014.

Who we surveyed (n=1012)

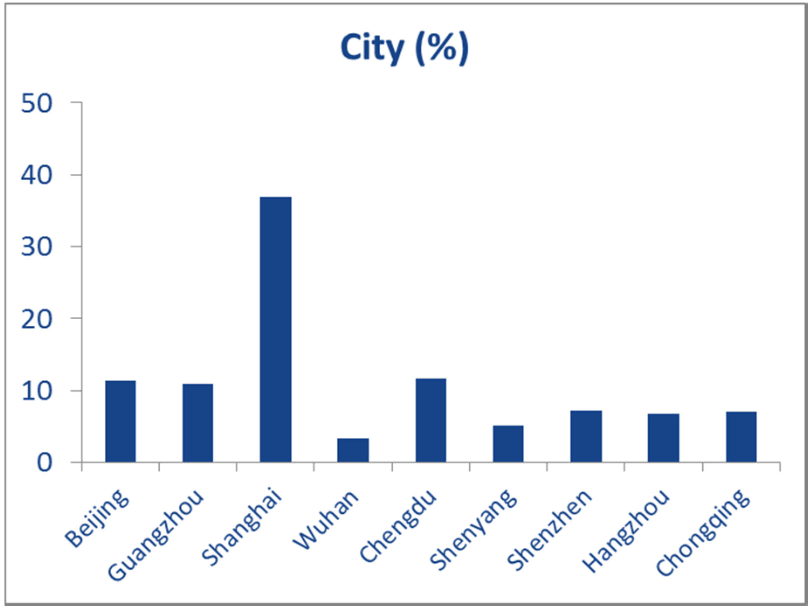
The sample obtained is socio-demographically representative in terms of age, gender and income of the upper-middle class urban population aged 18-49 living in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, Wuhan, Shenzhen, Hangzhou, and Chongqing who drink imported wine at least twice a year.

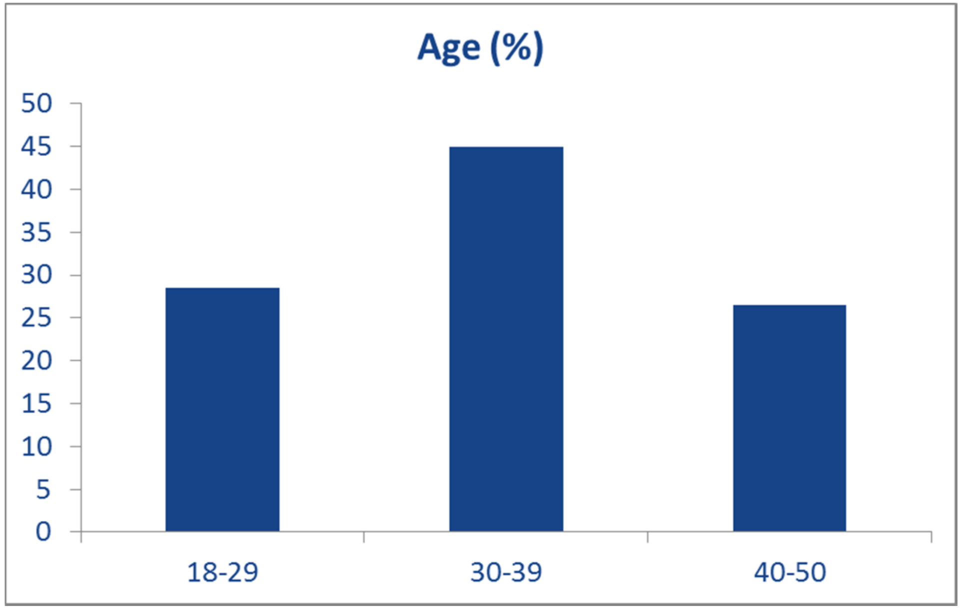
The respondents are characterised as follows:

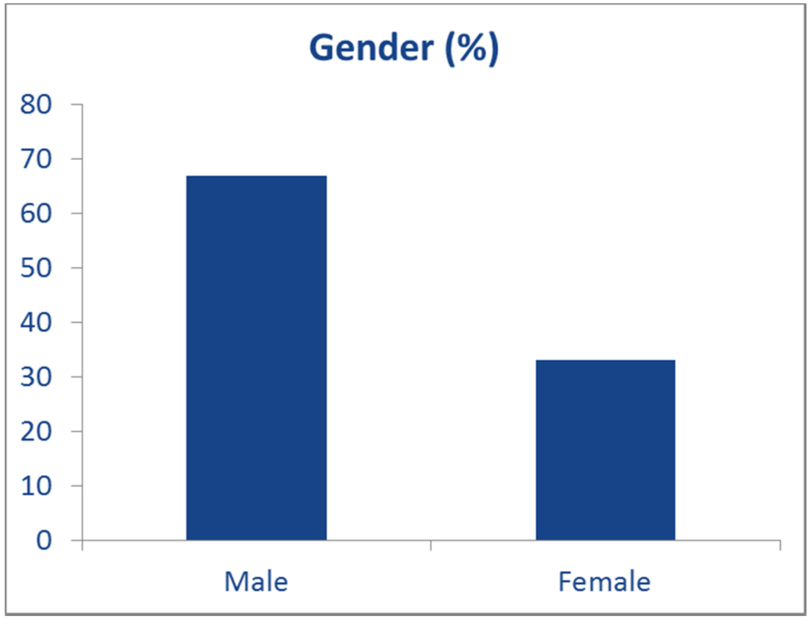
- **Cities**: 37% Shanghai, 12% Chengdu, 11% Beijing, 11% Guangzhou
- **Gender**: Male 67% – Female 33%
- **Age:** 45% are 30-39
- **Income**: 52% > RMB 10,000 (~ AUD 1800) a month; 80% > RMB 7,000 (~ AUD 1300) a month
- **Academic degree & English speaking:** ~ 80%

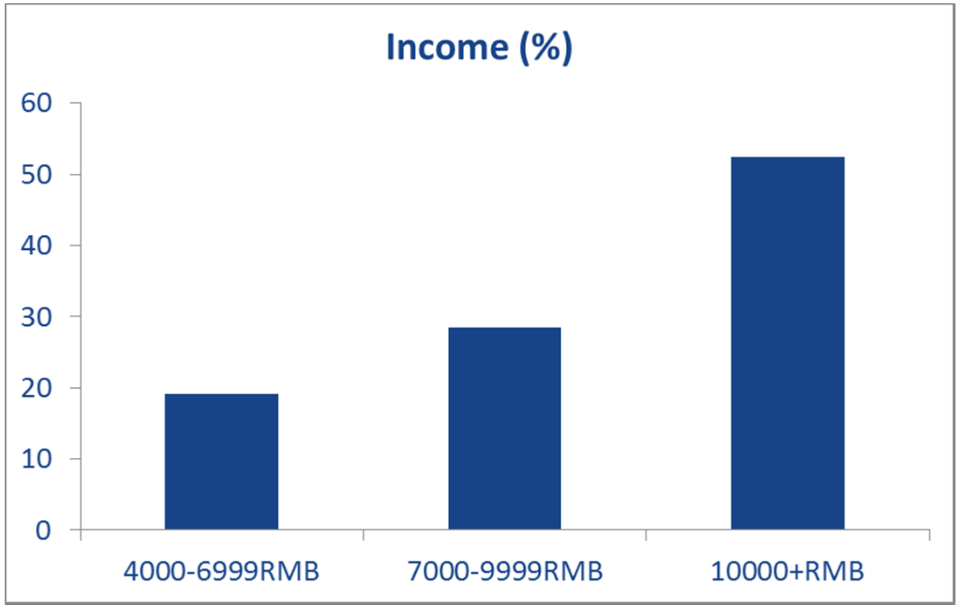
The data collection has been expanded to cover 3 more cities in order to capture with greater reach the evolution of wine consumption in China.

Snapshot of sample









Reporting approach

The first section of the results presents the wine awareness of Chinese consumers. This is followed by four sections that build in greater detail on the **Wine Country Perceptions (WCP)** of Chinese consumers. The structural composition of each wine country's mental availability as well as categorisation by commercial versus premium perceptions are provided. Finally the **Strengths and Weaknesses** of each country are presented. The final sections of the results present the **Choice Drivers** and **Consumption Behaviour** specific to the on-premise sector.

Reporting is based on conventional market research techniques. However, three methods, **Pick-Any, Best-Worst Scaling** and **Retrospective Recall**, that have the potential to add further insight and are part of the Ehrenberg-Bass Institute tool kit, are applied and described in further detail in the following slides.

Methods

Pick-Any method

A **Pick-Any** method measures the perceptions consumers have about different countries of origin in relation to selected attributes that are representative of the key dimensions countries are evaluated upon and can be interpreted and visualised in a number of formats in order to extract maximum insight from the data.

Respondents are required to assess the items within each attribute and indicate which, if any, country they would associate with each item. There is no restriction on the number of associations that can be held per item and can span across multiple countries.

Best-Worst Scaling

Best-Worst Scaling is a choice-based approach for measuring relative attribute importance. Respondents are asked to select the most-important (best) item and the least-important (worst) item from sets of three or more items.

The method is a break-through in market research because it uniquely produces a ratio-level scale of consumer preference as well as overcoming some of the response bias and discrimination problems that plague traditional techniques.

The most important element takes on a value of 100, and all less important attributes are a ratio relative to the most important attribute. This indexed display allows for ease of comparison, e.g. an item rated 75 is 75% as likely to be rated most important, compared with an item at 100. This method provides a more realistic overview of the tradeoffs consumers make in a decision-making process.

Repeat purchase analysis

This analysis provides measures of which product attributes (e.g., country of origin, region of origin, grape variety, price point, etc.) feature in the purchase decisions of consumers.

Two measures are calculated and presented:

- **Penetration**: % number of buyers of any given product attribute over the total number of shoppers. This measure is important, because increasing buyers is the key to brand growth.
- **Repeat purchase rate**: % of buyers of product attribute *i* conditional on being a previous buyer of the same attribute *i*. This is a suitable measure of loyalty suited for the data collected in this study.

Awareness

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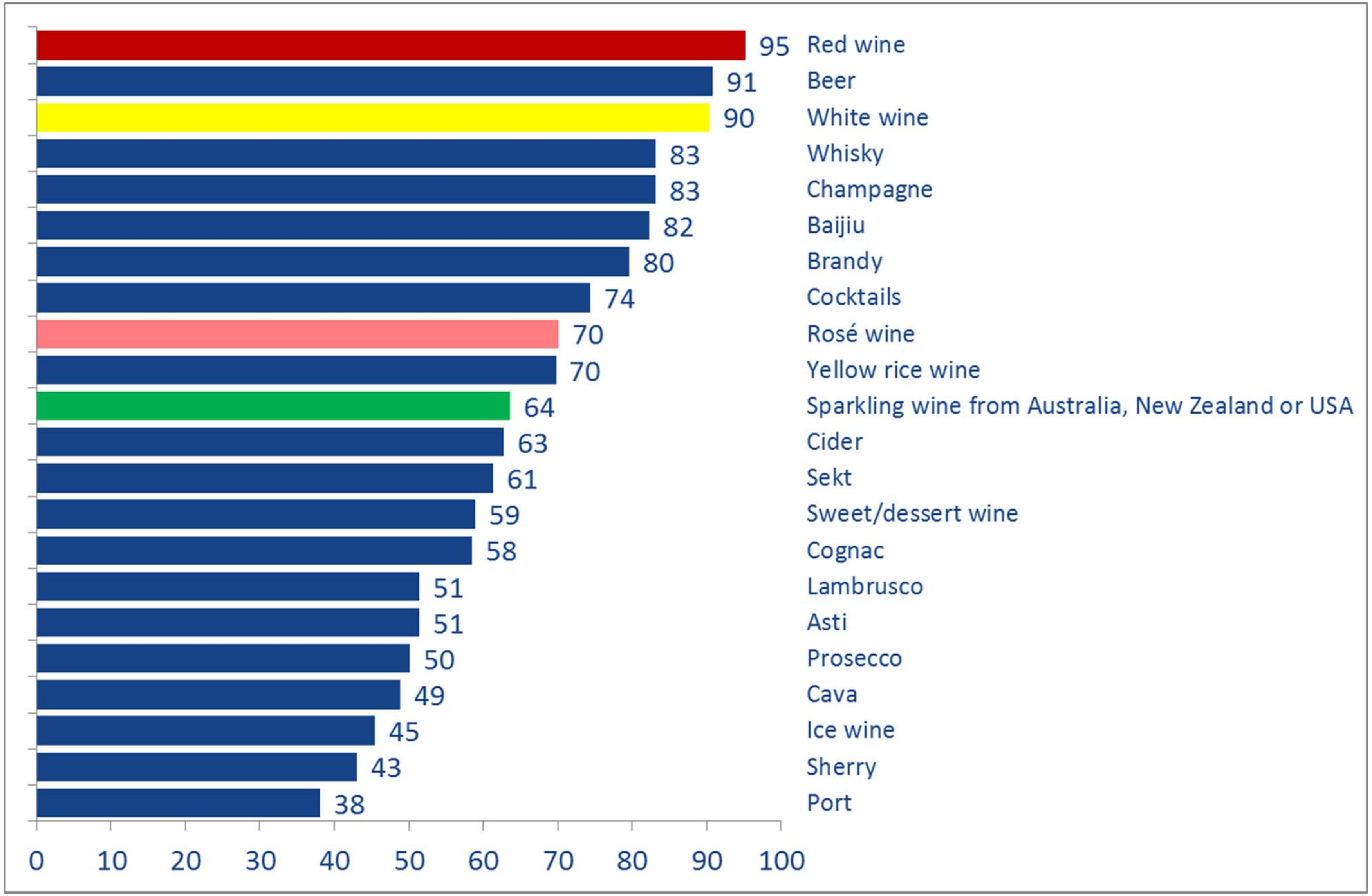
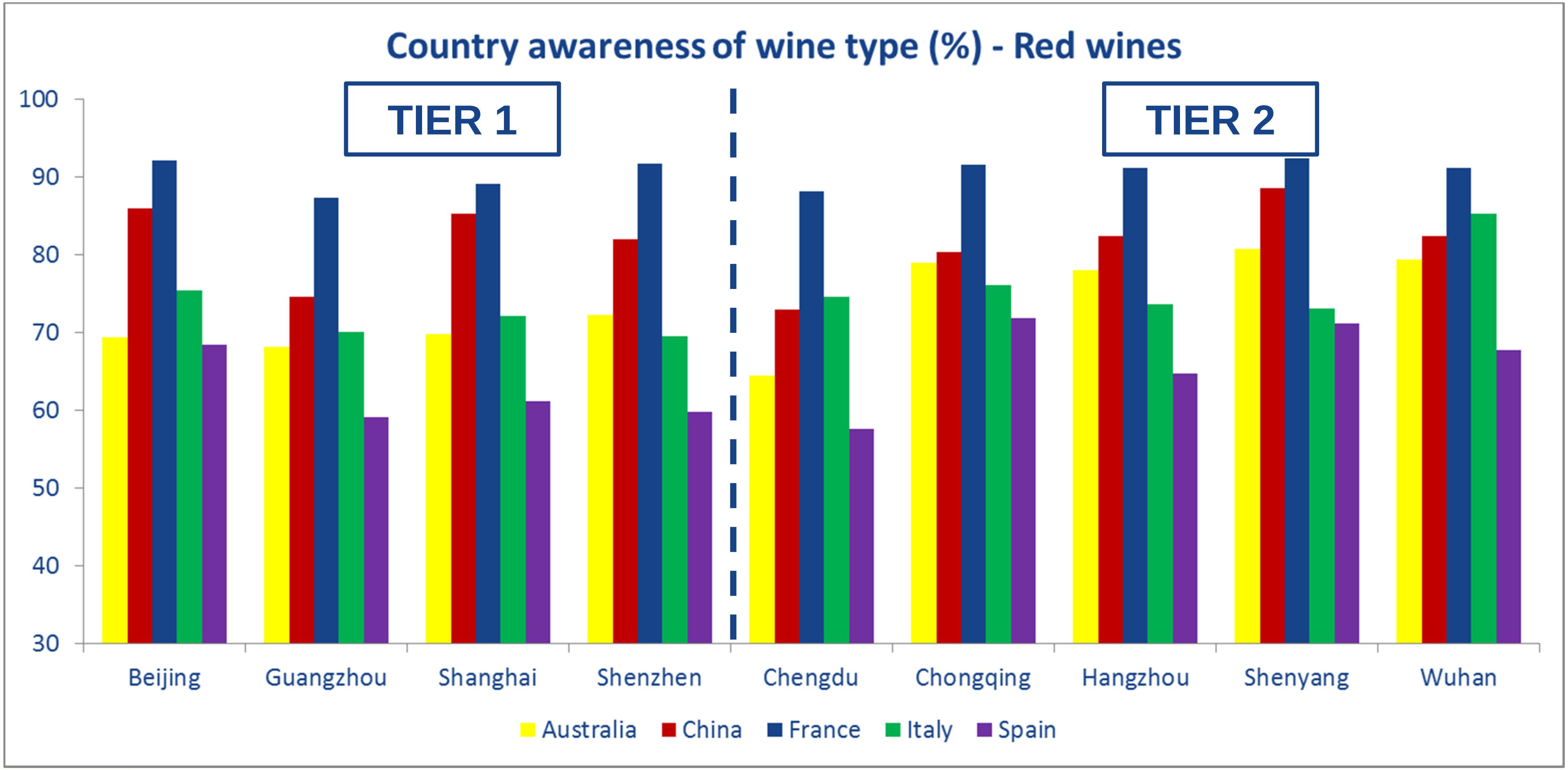
Red wine continues to be dominant with slight improvement by white wine and rosé, a slight decline by Champagne and marked growth by sparkling wine



Results have been interpreted in consideration of CWB Wave 2 results

Red awareness highest for France followed by China and Italy with Australia surpassing Italy in Shenzhen, Hangzhou and Shenyang and performing poorly in Chengdu



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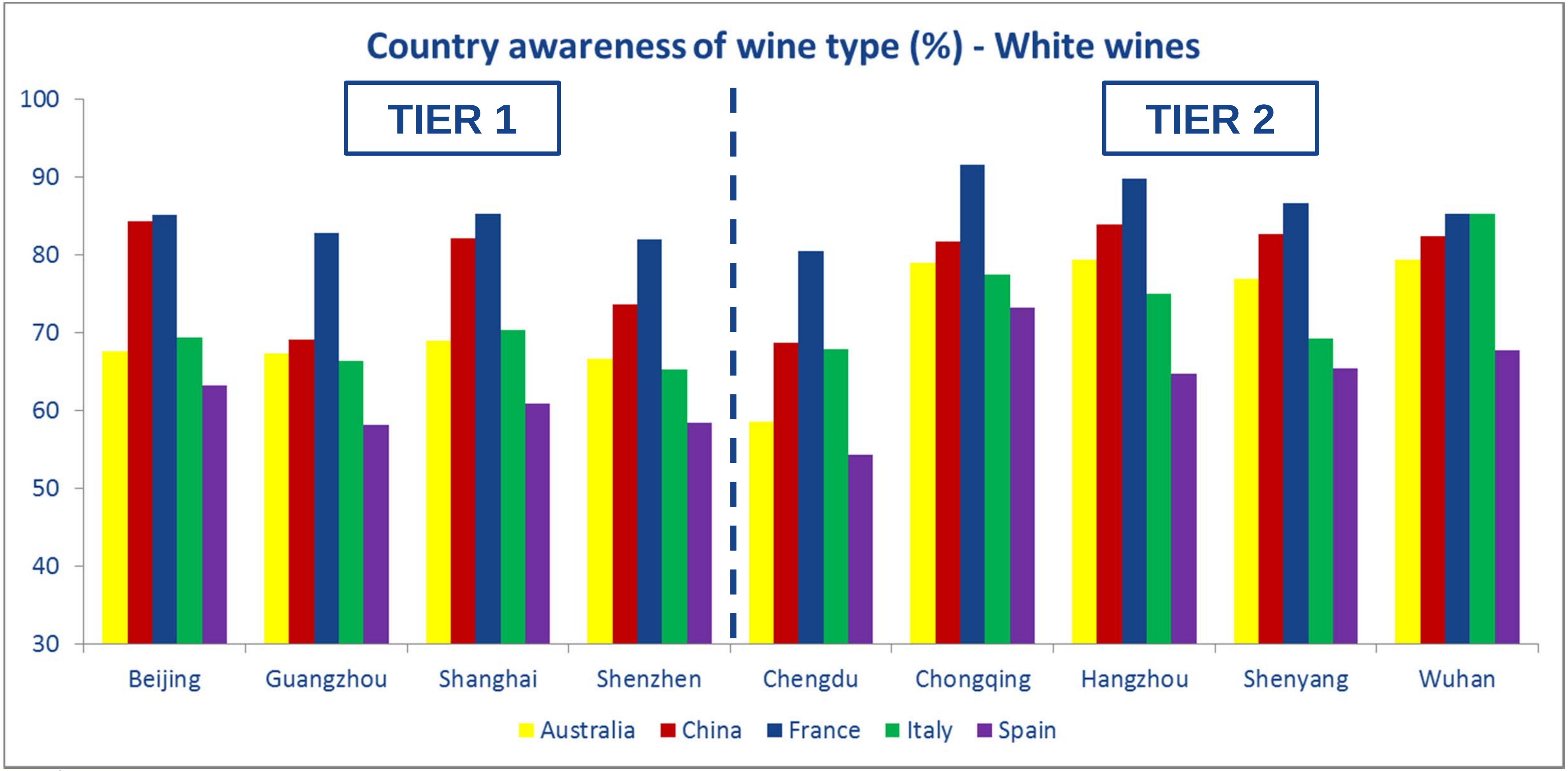
Awareness for white elevated in Tier 2 displaying slight French edge with Italy and Australia trading off 3rd across China and poorer Australian performance in Chengdu



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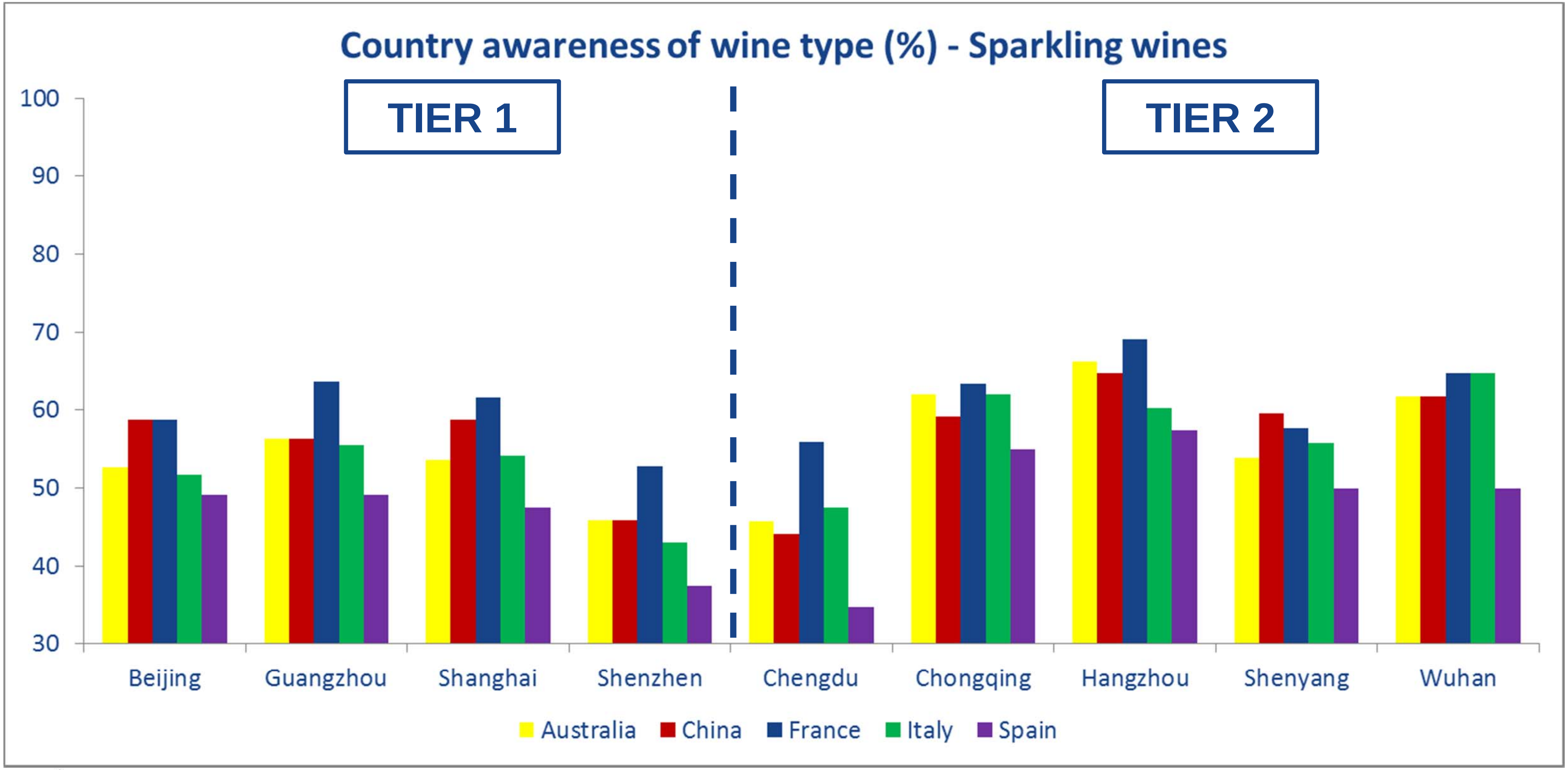
Overall awareness for sparkling category and Australian sparkling higher in Tier 2 except for Chengdu, French sparkling tends to outperform in Tier 1



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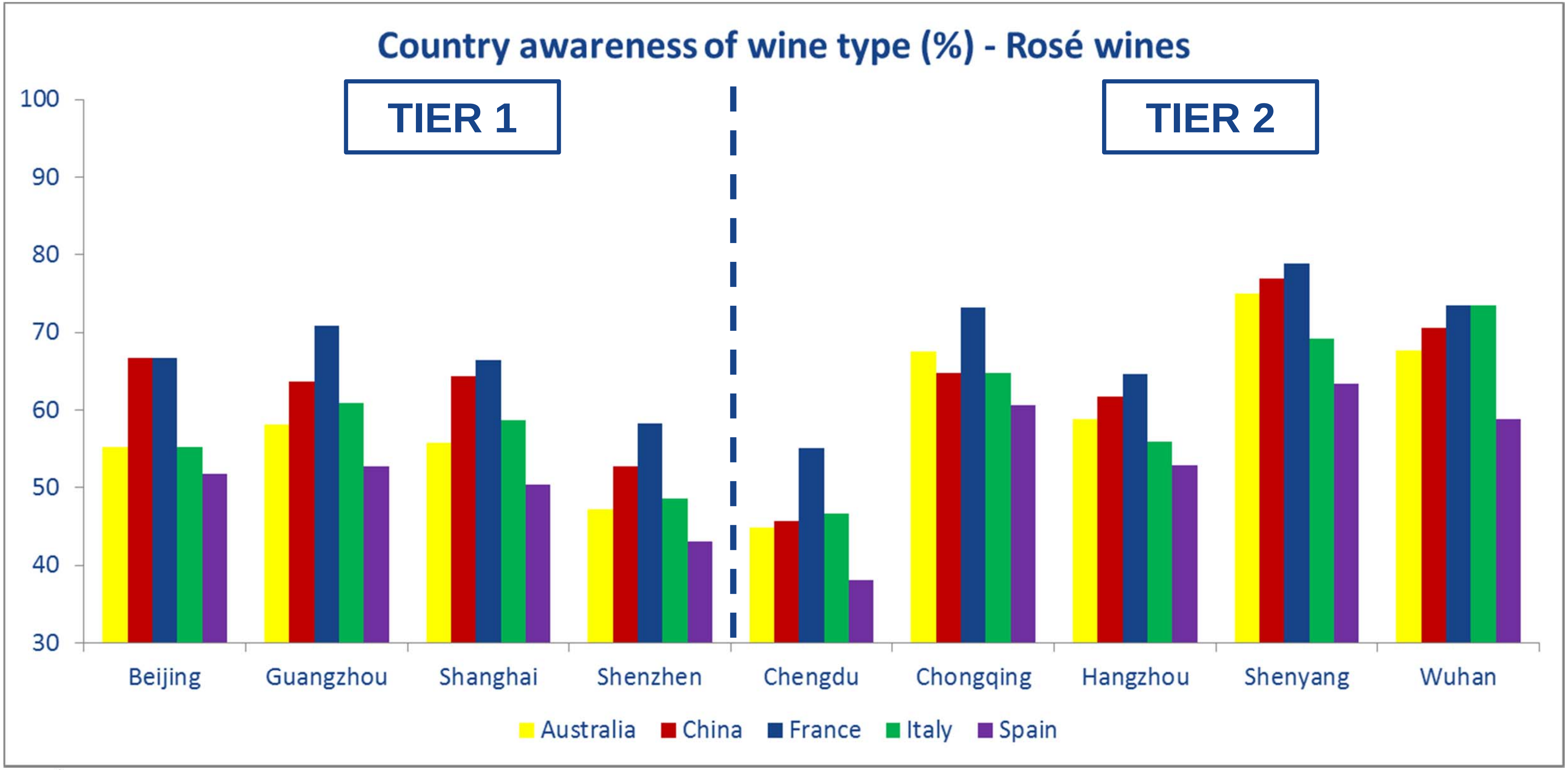
France leads in rosé with higher awareness for Australian in Tier 2, with poor category performance in Chengdu



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The quintessential bottle of imported wine continues to be a French Cabernet Sauvignon from Bordeaux priced below RMB 250 (based on % ‘aware’ or % spending on-premise)

France	**93**
China	85
Italy	75
Australia	74

Ningxia	**80**
Bordeaux	76
Burgundy	53
Barossa Valley	44

Cab Sauv	**74**
Riesling	56
Sauv Blanc	55
Shiraz	33

< RMB 250	**48**
RMB 250-699	36
≥ RMB 700	15

(on-premise)

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Ningxia has become the most known wine region for the 1st time

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China’s awareness constant, but a downturn for imported wine evident with Australia seeing modest decline compared to ‘old world’

Country awareness	March 2013 %	October 2013 %	March 2014 %	Difference March 2014/2013 %
France	97	98	93	- 4
China	84	86	85	1
Italy	83	81	75	- 7
Australia	76	77	74	- 3
Spain	74	72	65	-10
New Zealand	62	64	58	- 4
Chile	60	59	54	- 6
California	59	55	53	- 6

Sicily, Provence, Burgundy and Loire have seen marked growth with alarming decline for Barossa Valley, Bordeaux and Napa Valley

Region of origin awareness	March 2013 %	October 2013 %	March 2014 %	Difference March 2014/2013 %
Ningxia	na	80	80	na
Bordeaux	87	83	76	-11
Provence	59	65	64	5
Sicily	47	52	58	10
Burgundy	48	57	53	5
Côtes du Rhône	52	55	51	- 1
Médoc	41	48	47	6
Barossa Valley	54	46	44	- 9
Napa Valley	57	46	43	-14
Loire	34	39	42	7

Amongst Australian regions, Barossa the most known with McLaren Vale and Margaret River close behind

Australian regions awareness	March 2014 %
Barossa Valley	44
McLaren Vale	42
Margaret River	41
Yarra Valley	35
Hunter Valley	35

More Australian regions have been included in the CWB Wave 4. Trend analysis will be conducted in future reports

Wine Country Perception (WCP)

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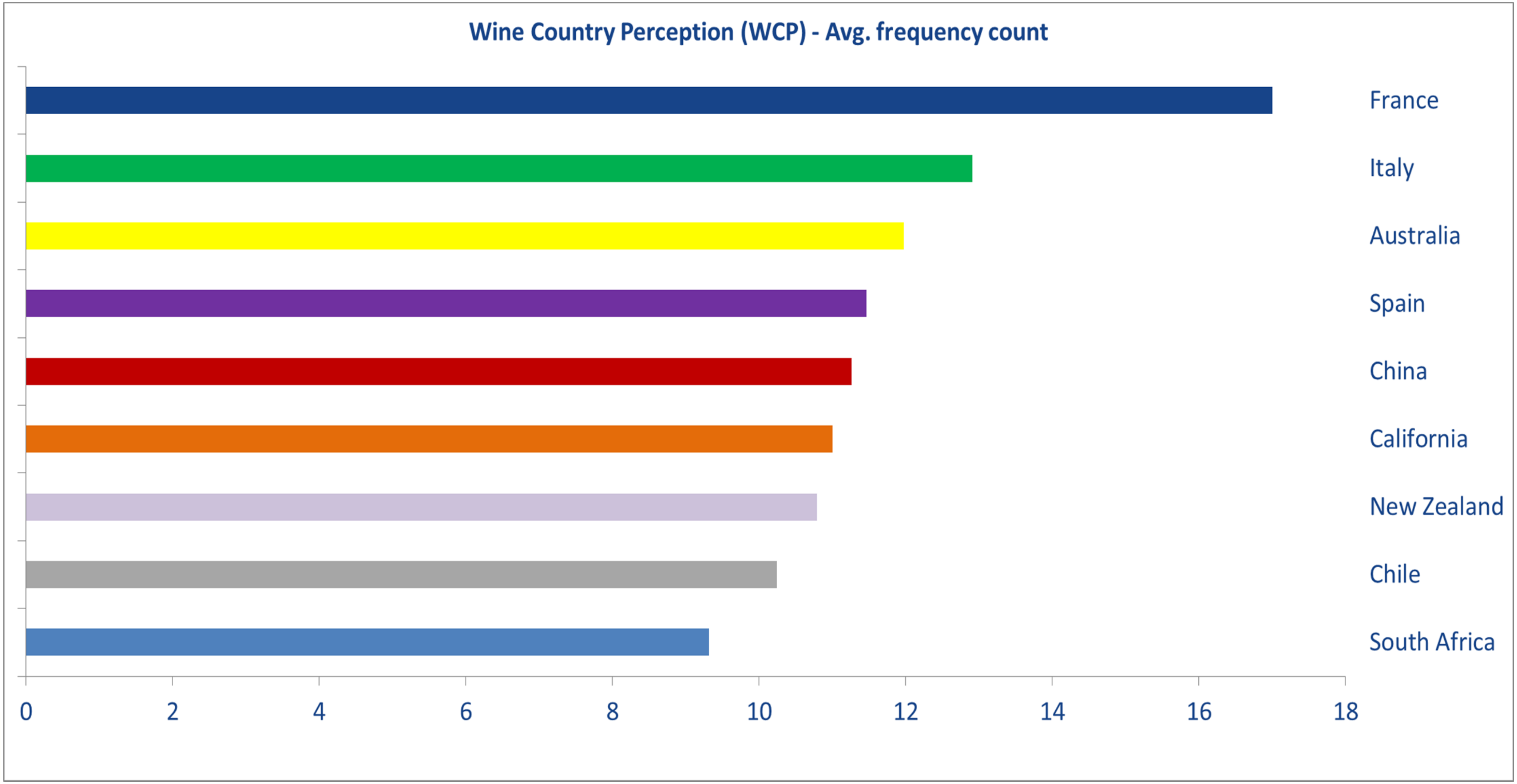
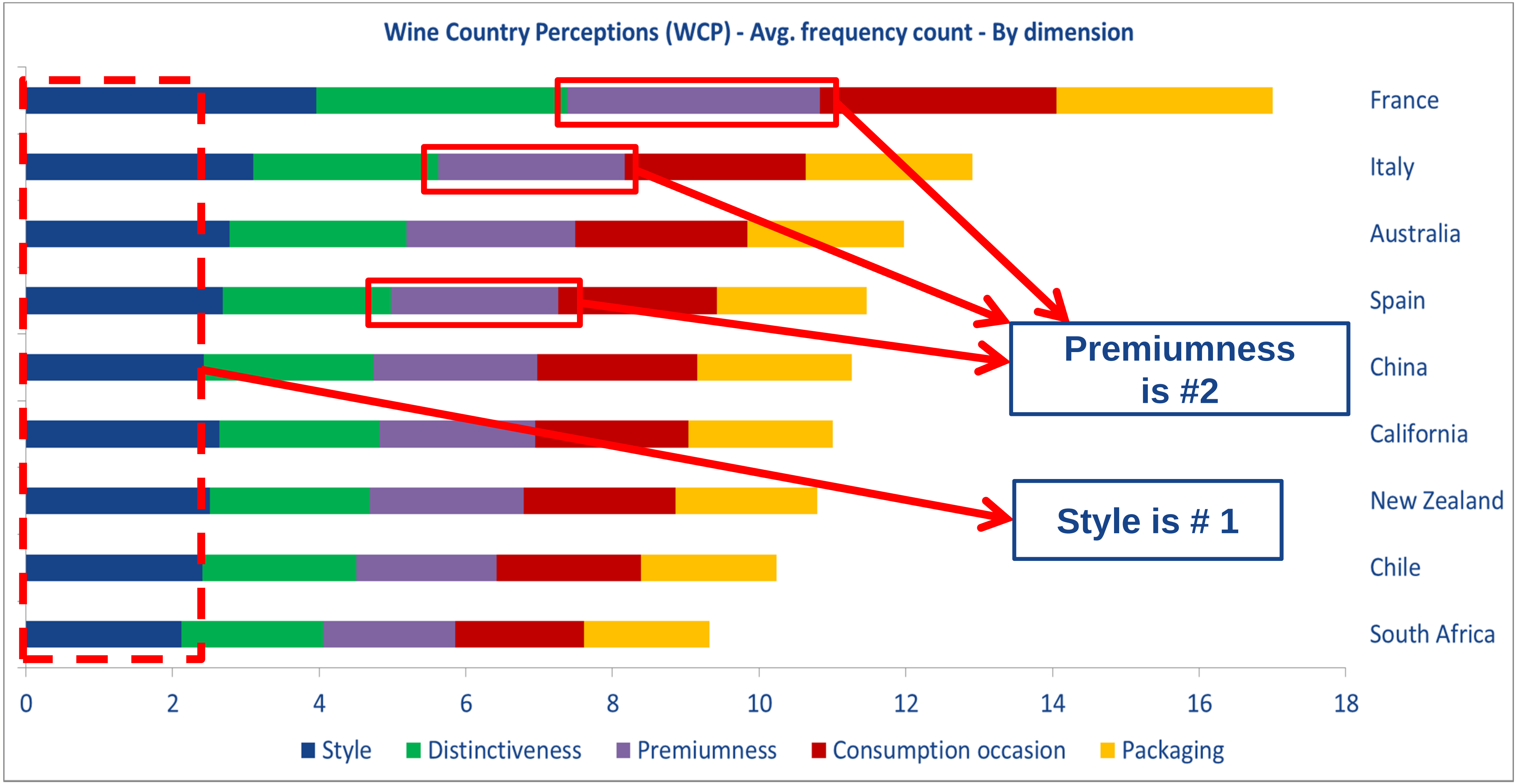
France dominates mental availability (Total associations across all attributes)



Style largest driver of perception followed by distinctiveness, except premiumness is 2nd for 'old world'



Wine Country Perception (WCP)

Commercial vs Premium

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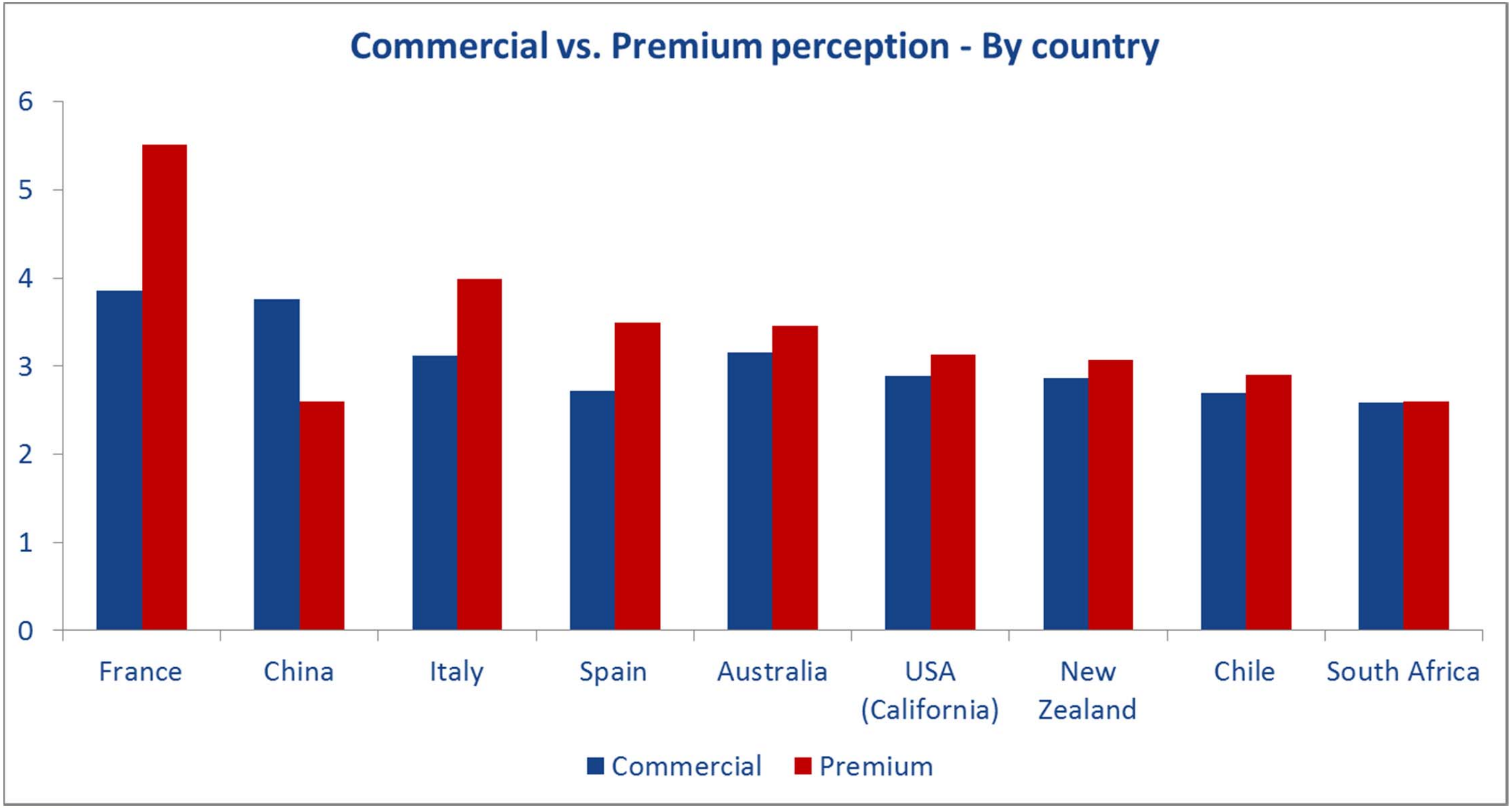
France, Italy and Spain have more premium perception with China viewed commercial, however perception is more balanced for ‘new world’



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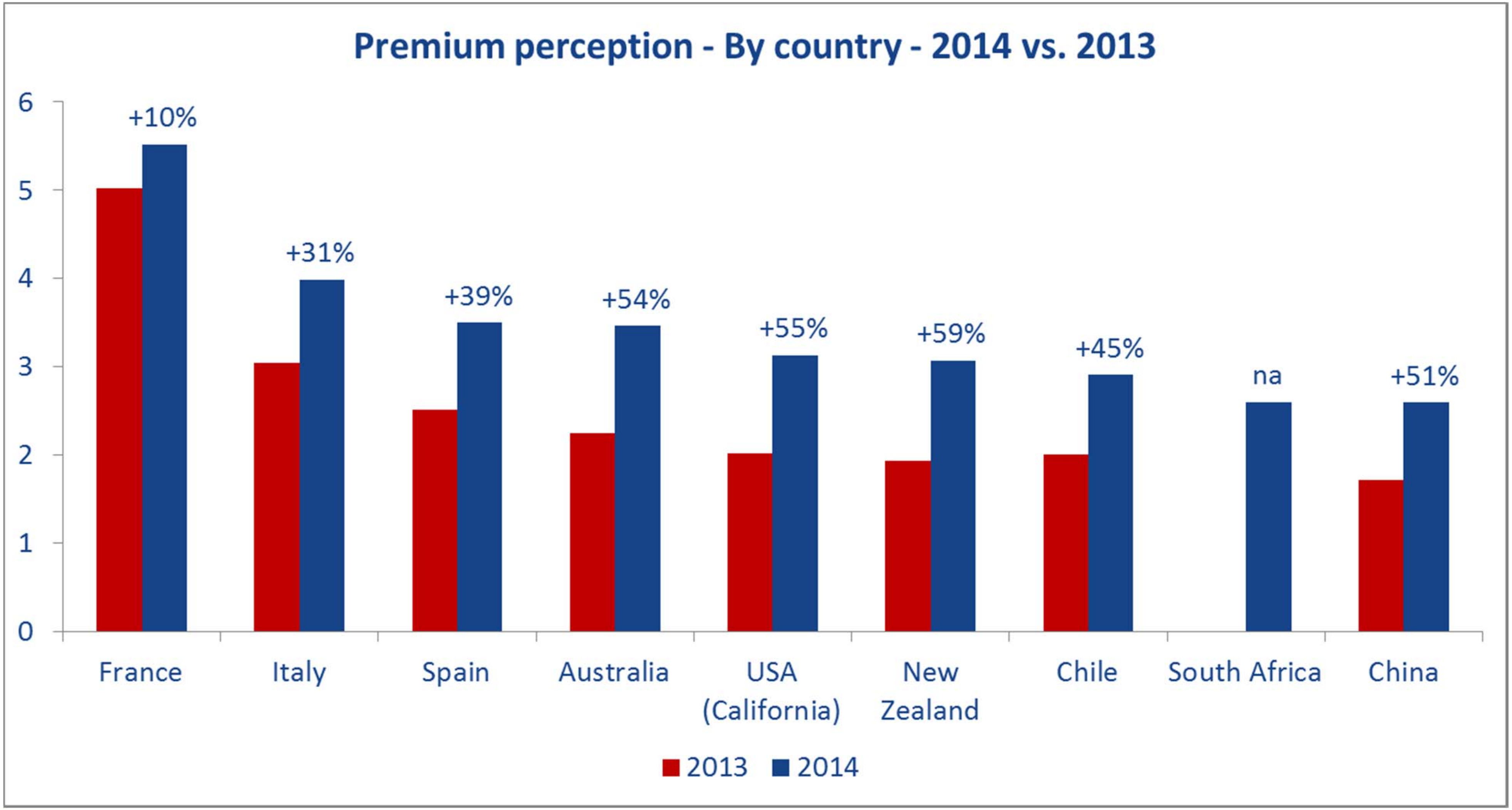
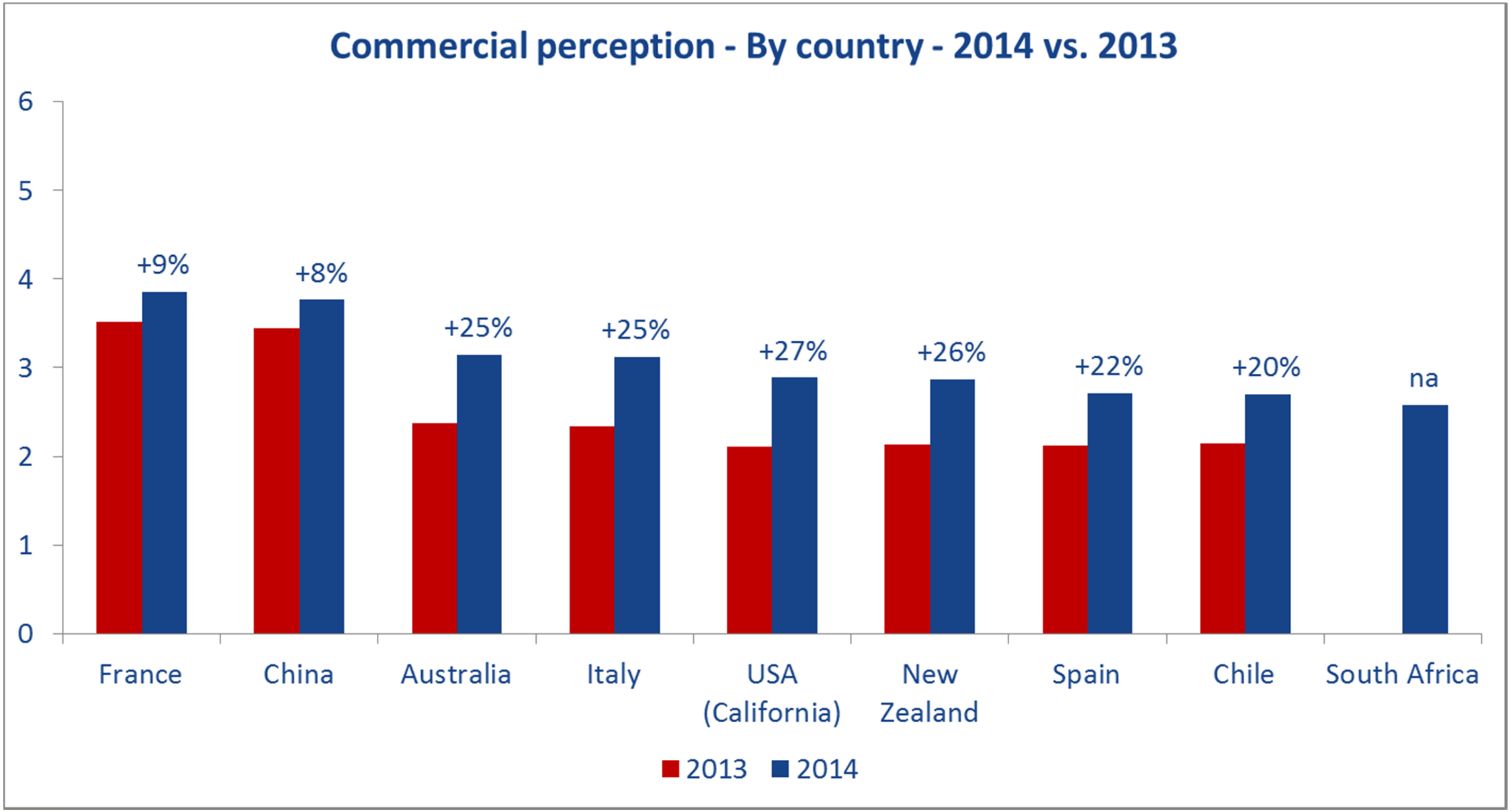
Premium perceptions rose significantly, suggesting efforts to increase value perceptions of wine are working



Commercial perceptions have risen, possibly explained by rising wine knowledge in China



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Wine Country Perception (WCP)

Strengths and Weaknesses

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Strengths and weaknesses analysis

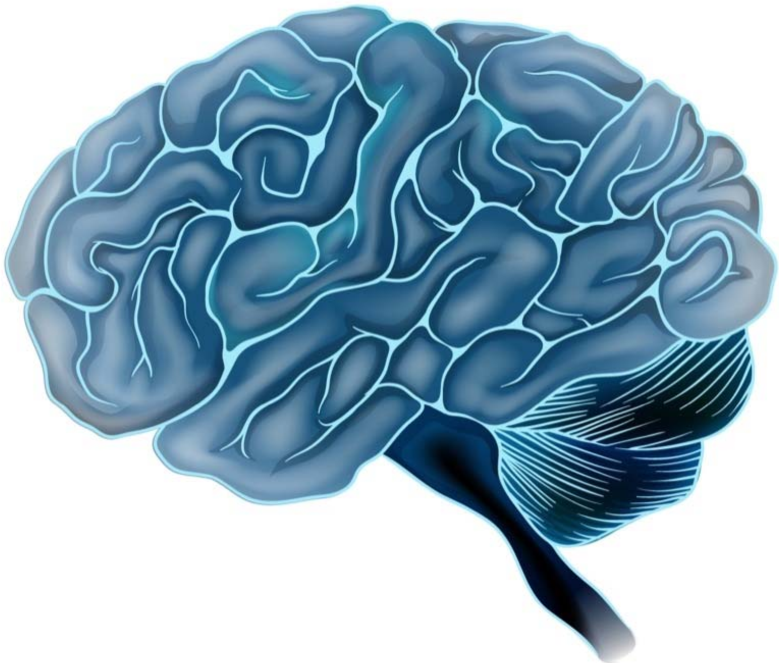
This analysis presents the top 5 and bottom 5 **Wine Country Perception (WCP)** associations based on the percentage of wine drinkers who select the applicable statements that relate to each country of origin using the **Pick-Any** method.

The data presented makes 3 notable contributions:

- **Strengths**: The top 5 associations identify the most salient aspects of a ***WCP***.
- **Weaknesses**: The bottom 5 associations identify the least salient aspects of a *WCP*. Many of the bottom associations are perceptions a wine country would avoid. This is another quality performance measure.
- **Magnitude**: The percentages of each association are listed for comparison across countries.

Australia recognised as fashionable, easy to drink and good tasting red wines available in likable varieties

BOTTOM 5
are boring (9%)
all taste pretty much the same and are boring (15%)
have labels that are difficult to understand (15%)
are too high in alcohol (18%)
are expensive (19%)



TOP 5
red wines (46%)
taste good (45%)
are easy to drink (44%)
are made in grape varieties I like (44%)
are fashionable (43%)

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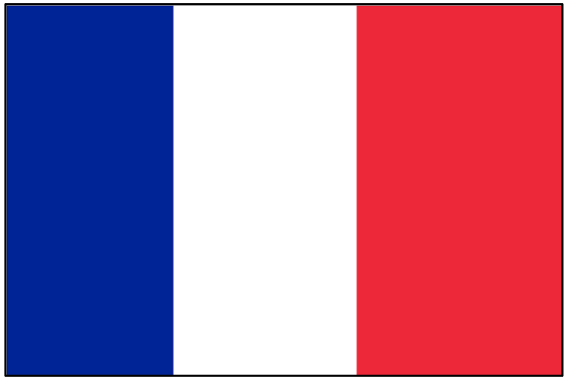
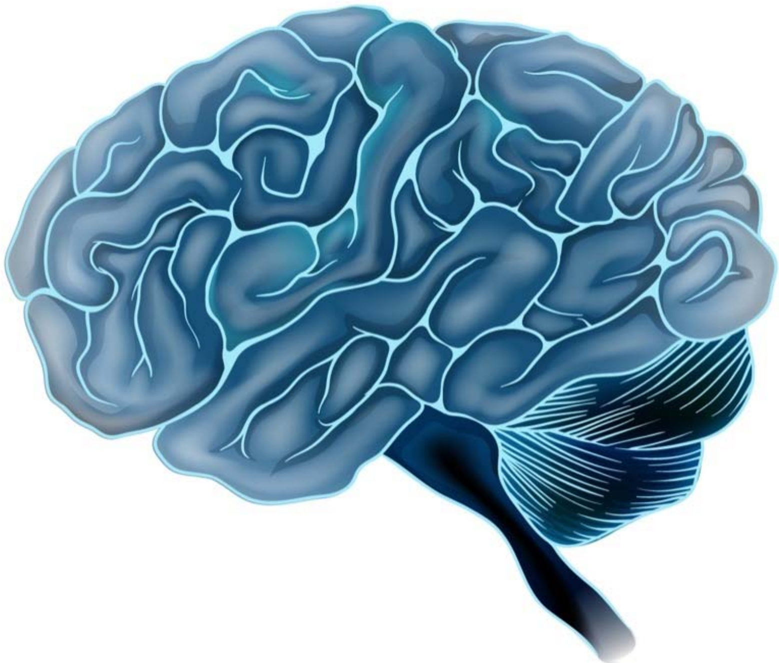
France recognised for elegant red wines suitable for fine dining and gift giving available in likable varieties

BOTTOM 5
are boring (9%)
all taste pretty much the same and are boring (15%)
have labels that are difficult to understand (18%)
are too high in alcohol (18%)
are suitable for casual dining out (33%)



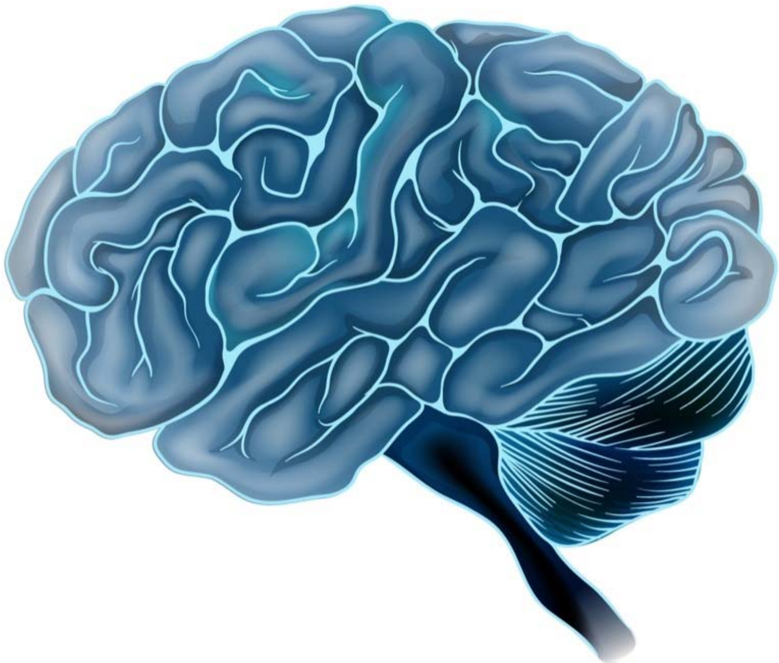


TOP 5
red wines (74%)
are elegant (68%)
are suitable to drink at fine dining restaurants (67%)
are made in grape varieties I like (65%)
are good to give as a gift (64%)

China recognised for easy to drink, traditional red wines with understandable labels suitable for home consumption

BOTTOM 5

- are expensive (11%)
- have labels that are difficult to understand (15%)
- sparkling wines (19%)
- rosé wines (24%)
- are complex (24%)



TOP 5

- red wines (64%)
- are good to drink at home (54%)
- have easy to understand labels (47%)
- are easy to drink (42%)
- are traditional (42%)

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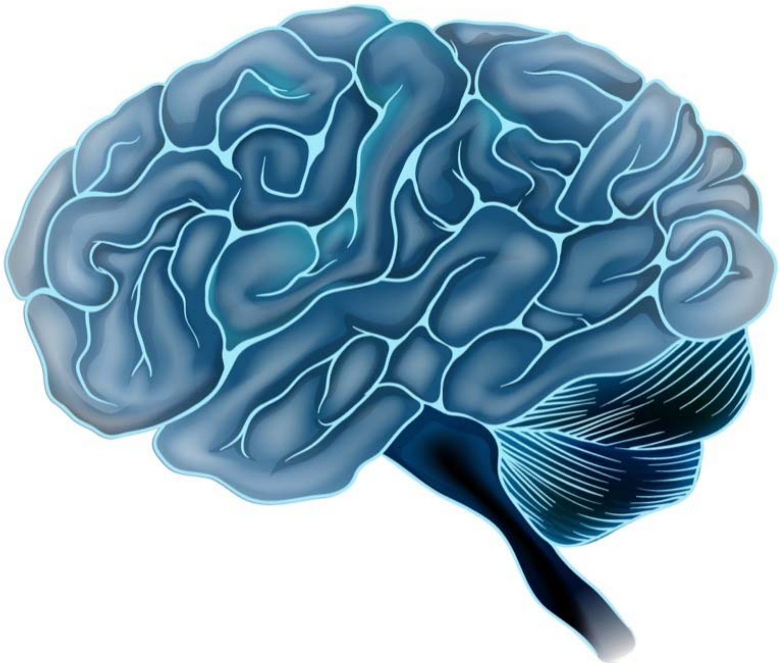
Italy recognised for good tasting sparkling and red wines that are elegant and suitable for fine dining

BOTTOM 5

- are boring (10%)
- all taste pretty much the same and are boring (15%)
- have labels that are difficult to understand (17%)
- are too high in alcohol (18%)
- have traditional packaging (27%)

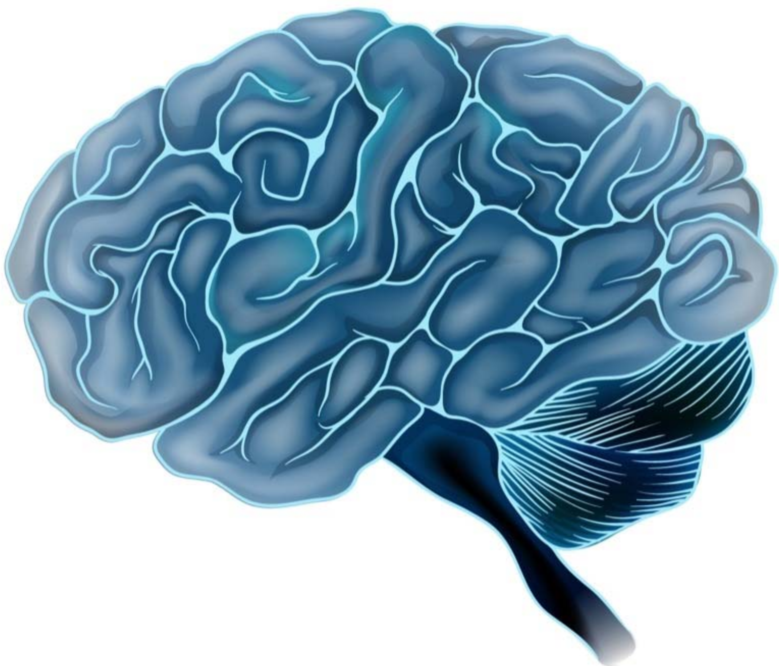


TOP 5

- sparkling wines (51%)
- are elegant (49%)
- red wines (49%)
- taste good (47%)
- are suitable to drink at fine dining restaurants (47%)

Spain recognised for exciting and elegant red and white good tasting wines

BOTTOM 5
are boring (9%)
all taste pretty much the same and are boring (12%)
have labels that are difficult to understand (20%)
are too high in alcohol (21%)
are expensive (22%)

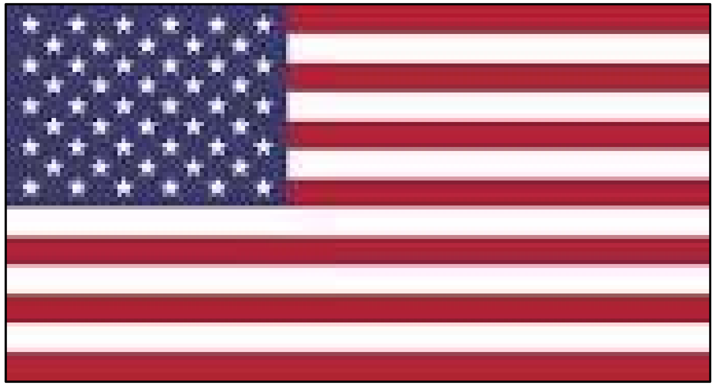


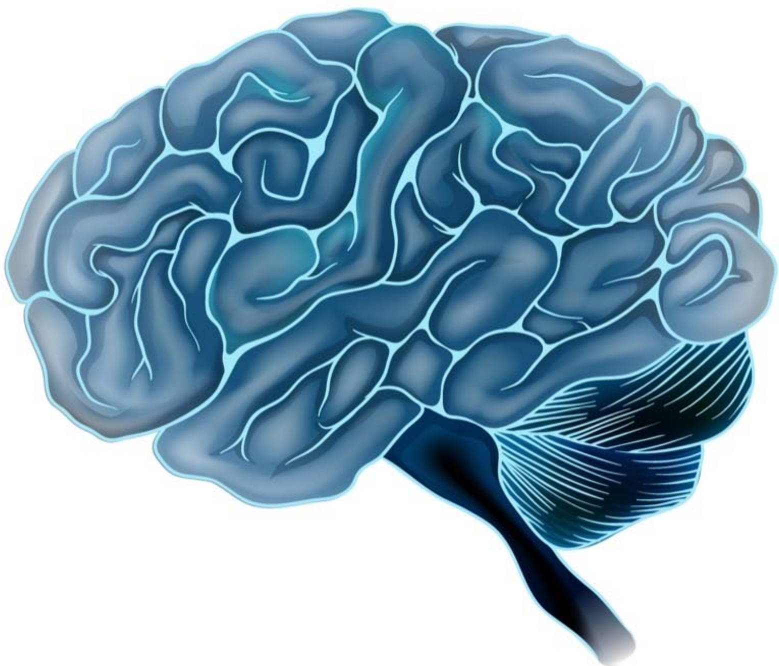
TOP 5
are exciting (44%)
red wines (43%)
taste good (42%)
are elegant (42%)
white wines (41%)

USA recognised for easy to drink, good tasting, fashionable red wines likely to be bought in the future

BOTTOM 5

- are boring (14%)
- all taste pretty much the same and are boring (16%)
- have labels that are difficult to understand (17%)
- are expensive (20%)
- have traditional packaging (21%)



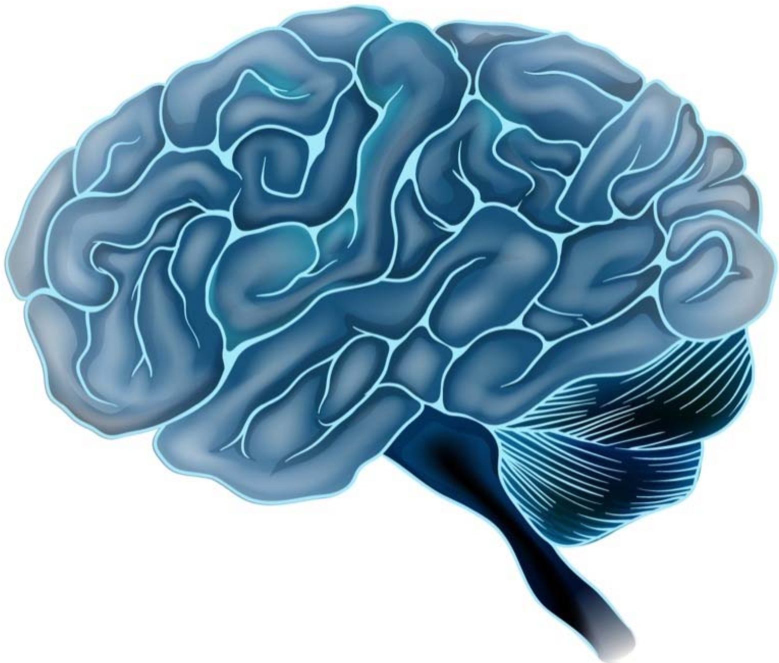


TOP 5

- red wines (46%)
- taste good (42%)
- are easy to drink (40%)
- are wines I am likely to buy in the future (40%)
- are fashionable (40%)

NZ recognised for easy to drink, good tasting red and white wines likely to be bought in the future

BOTTOM 5
are boring (10%)
have labels that are difficult to understand (16%)
are expensive (16%)
are too high in alcohol (16%)
all taste pretty much the same and are boring (18%)



TOP 5
red wines (41%)
taste good (40%)
are wines I am likely to buy in the future (39%)
are easy to drink (39%)
white wines (39%)

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Chile recognised for good tasting red, white and sparkling wines likely to be bought in the future

BOTTOM 5

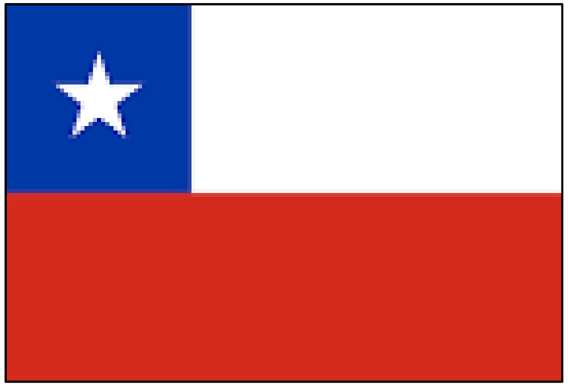
are boring (14%)

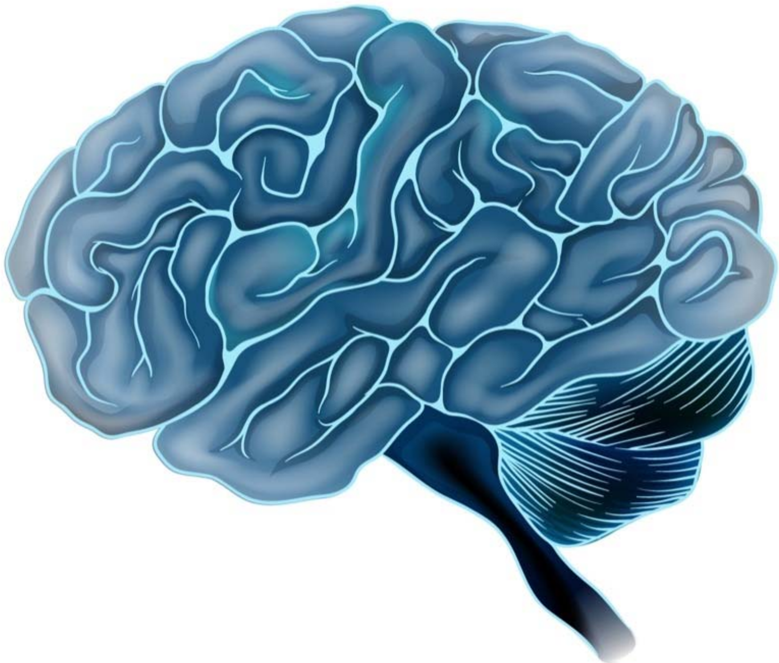
all taste pretty much the same and are boring (17%)

are expensive (17%)

have labels that are difficult to understand (21%)

are too high in alcohol (22%)





TOP 5

red wines (41%)

taste good (39%)

are wines I am likely to buy in the future (38%)

white wines (35%)

sparkling wines (35%)

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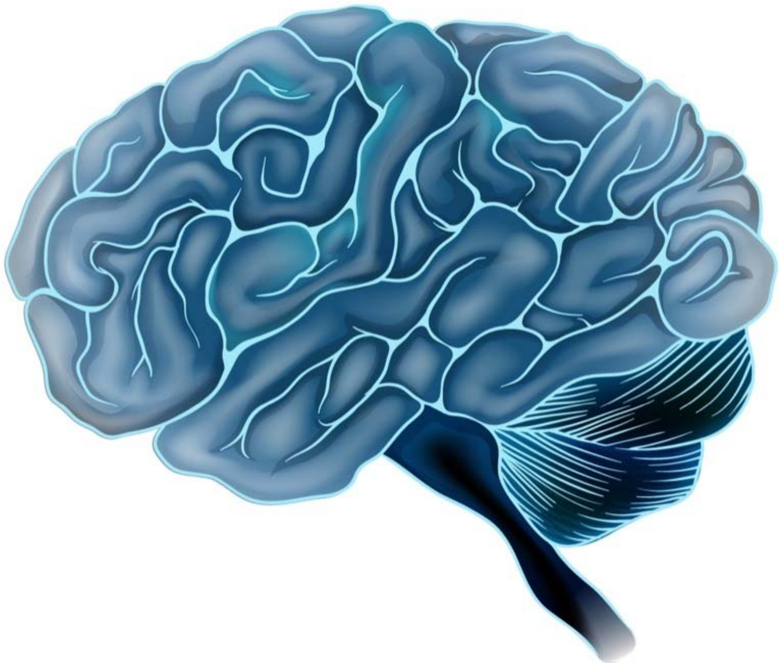
South Africa recognised for truly different red and rosé wines likely to be bought in the future and suitable for casual dining out

BOTTOM 5

- are expensive (17%)
- are boring (21%)
- all taste pretty much the same and are boring (22%)
- have traditional packaging (22%)
- are too high in alcohol (22%)



TOP 5

- red wines (37%)
- are truly different from wines from other countries (33%)
- are wines I am likely to buy in the future (33%)
- are suitable for casual dining out (31%)
- rosé wines (31%)

Summary of Relative Country Positioning

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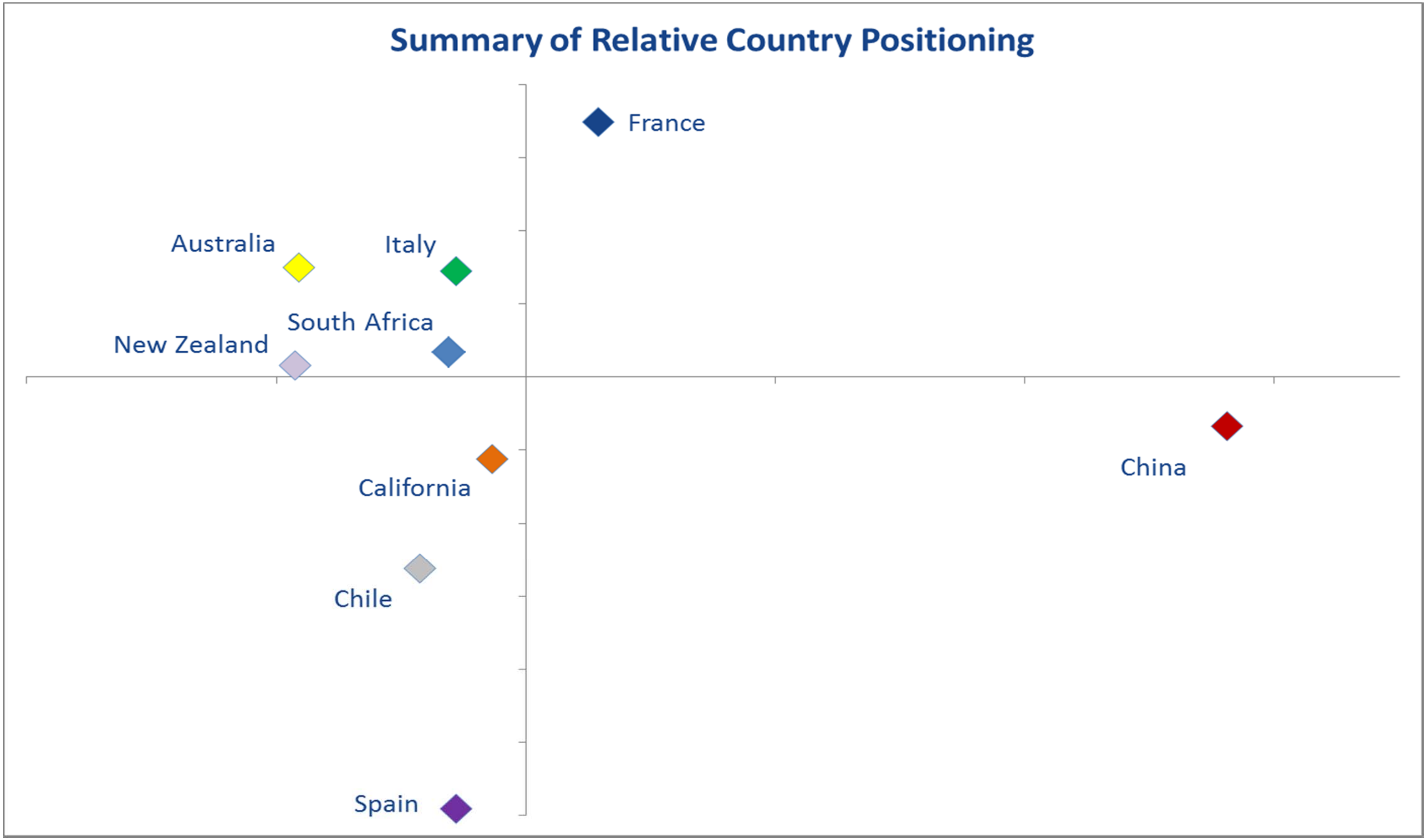
All pick-any items are combined into a positioning map; France stands out, with Australia, Italy, South Africa and NZ sharing similarities; China and Spain perceived as different



On-premise Choice Drivers

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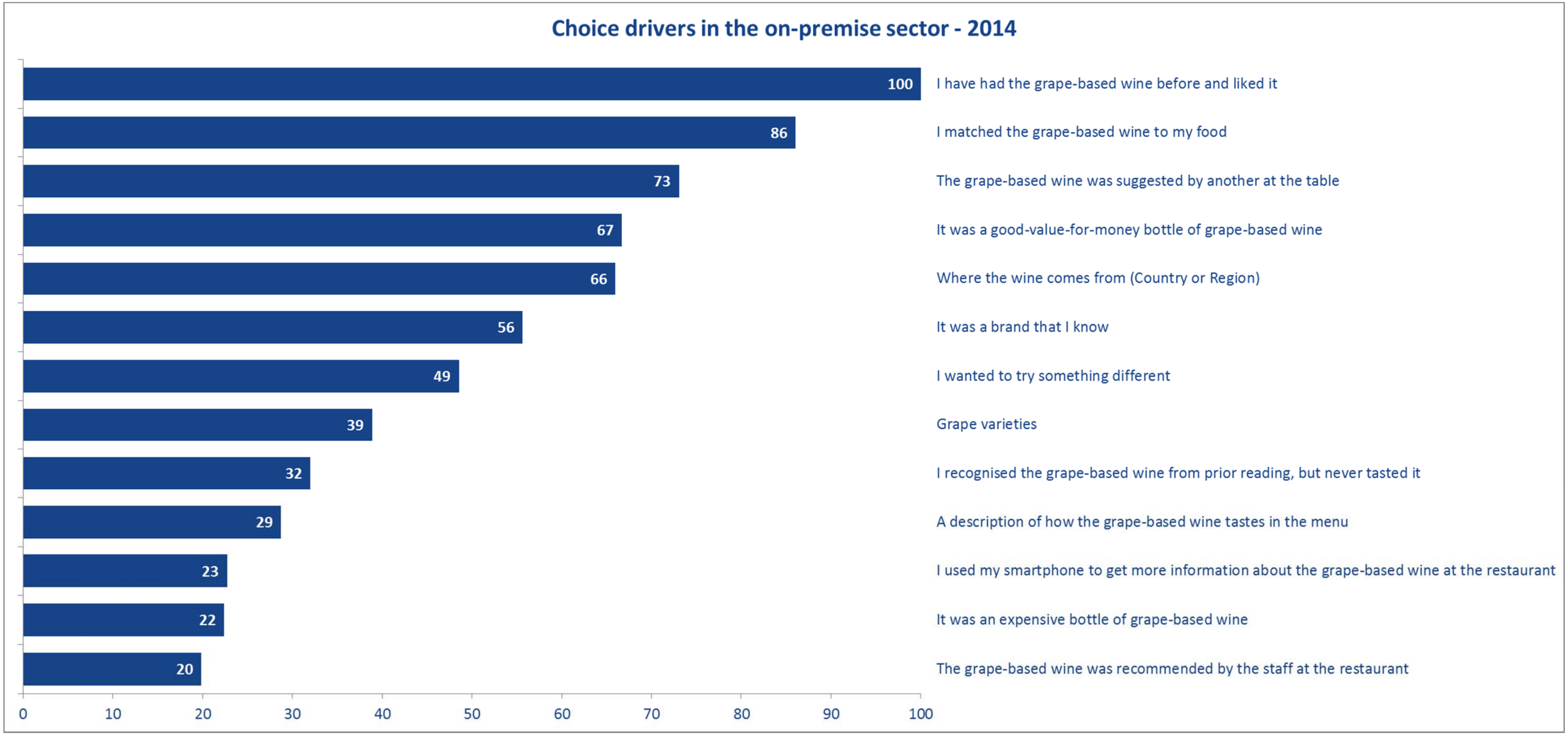
Having tried a wine previously is most important element driving the choice of wine on-premise followed by food-matching and recommendation by a dining companion



On-premise Consumption Behaviour

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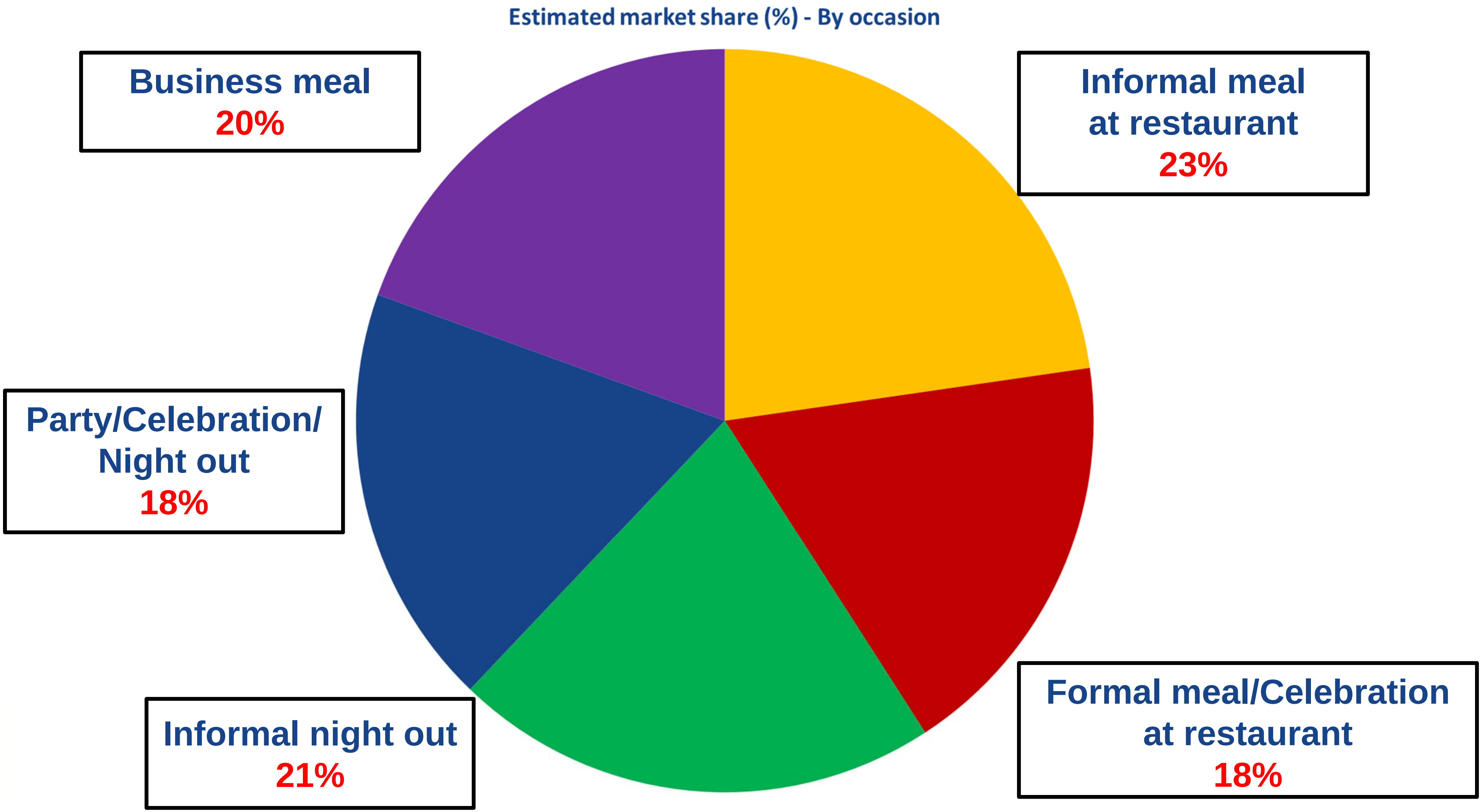
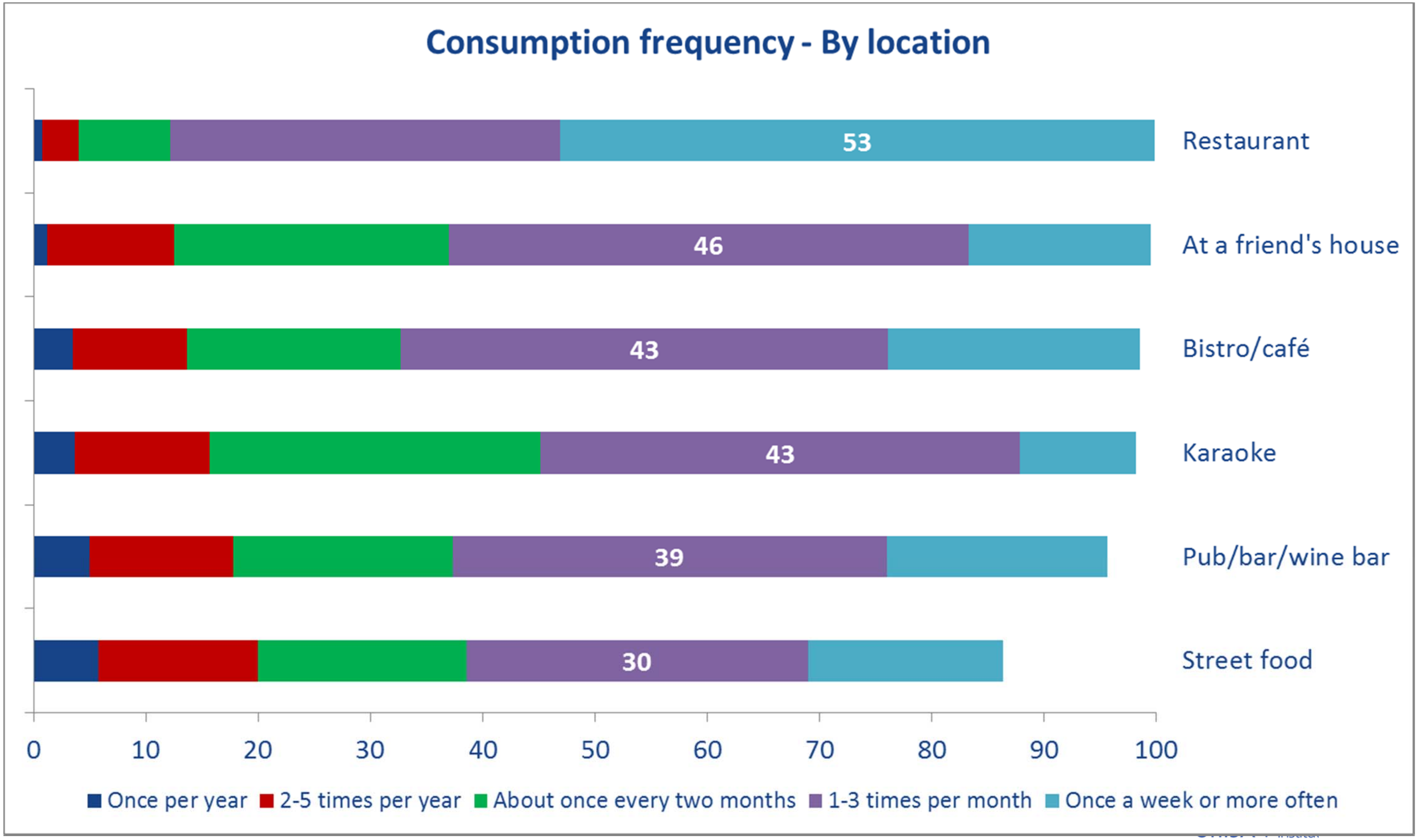
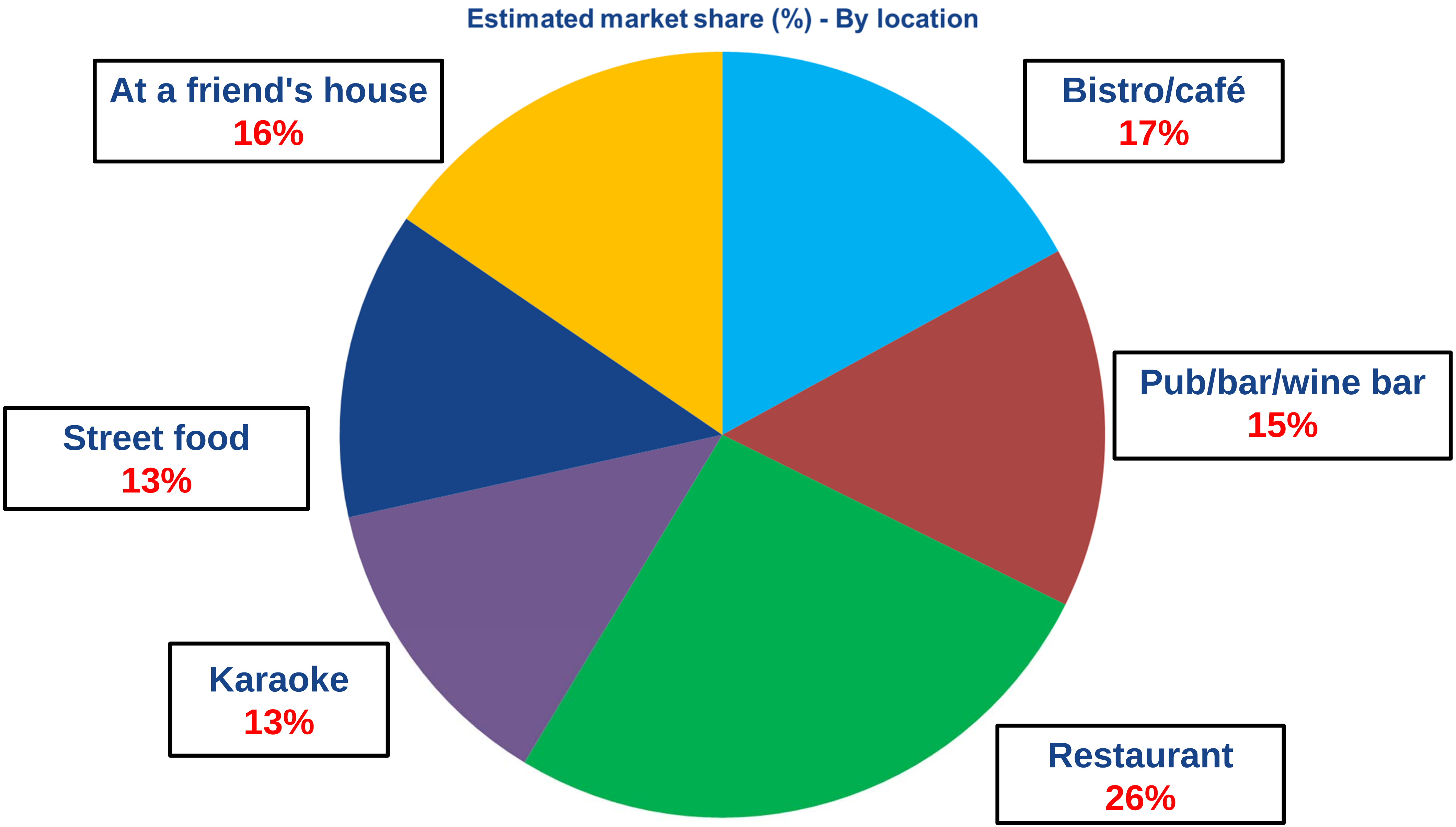
There is not a dominant dining occasion in China



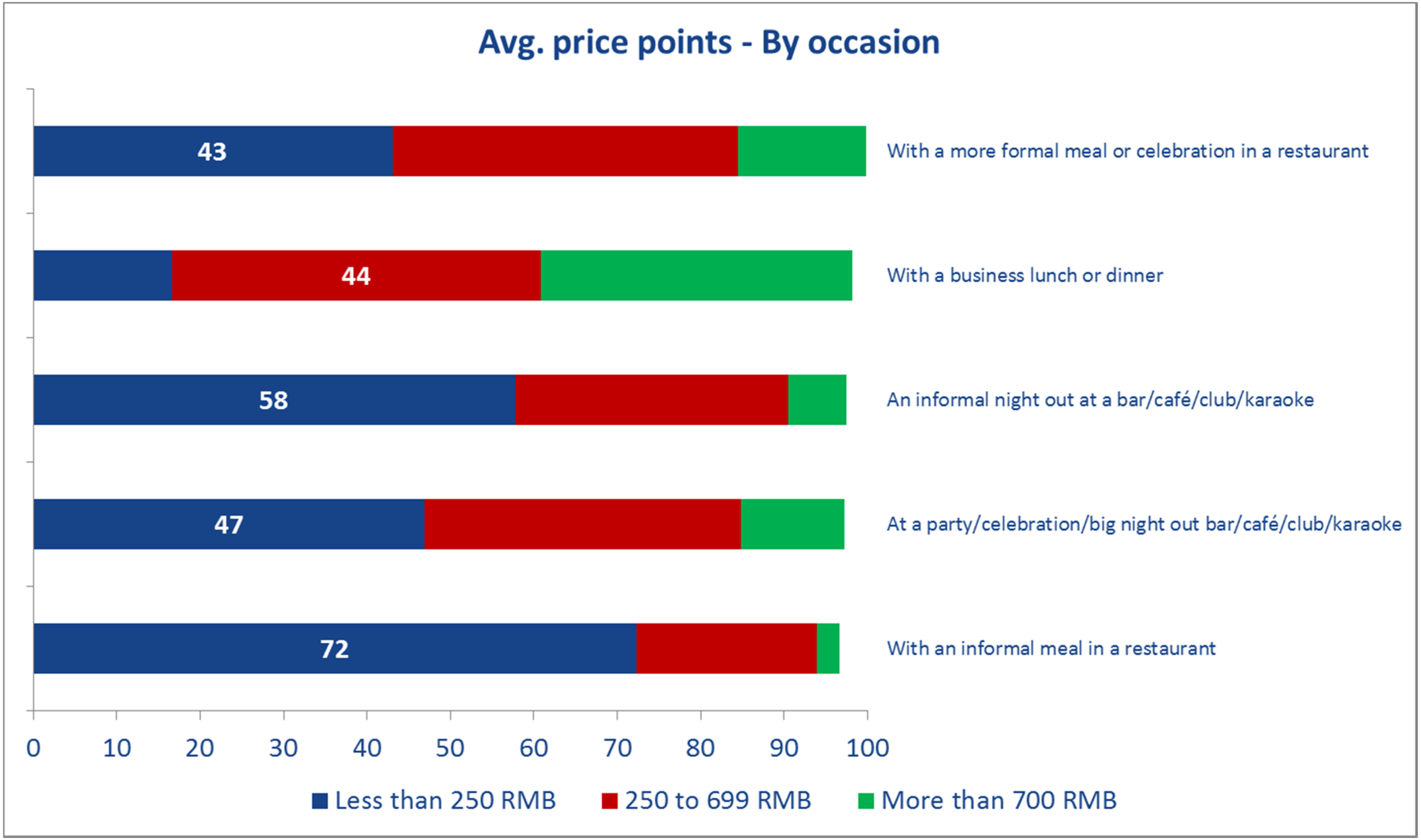
Frequency of wine consumption highest (weekly or more) at restaurant with regular consumption (1-3 times per month) occurring at other locations for almost half of wine drinkers



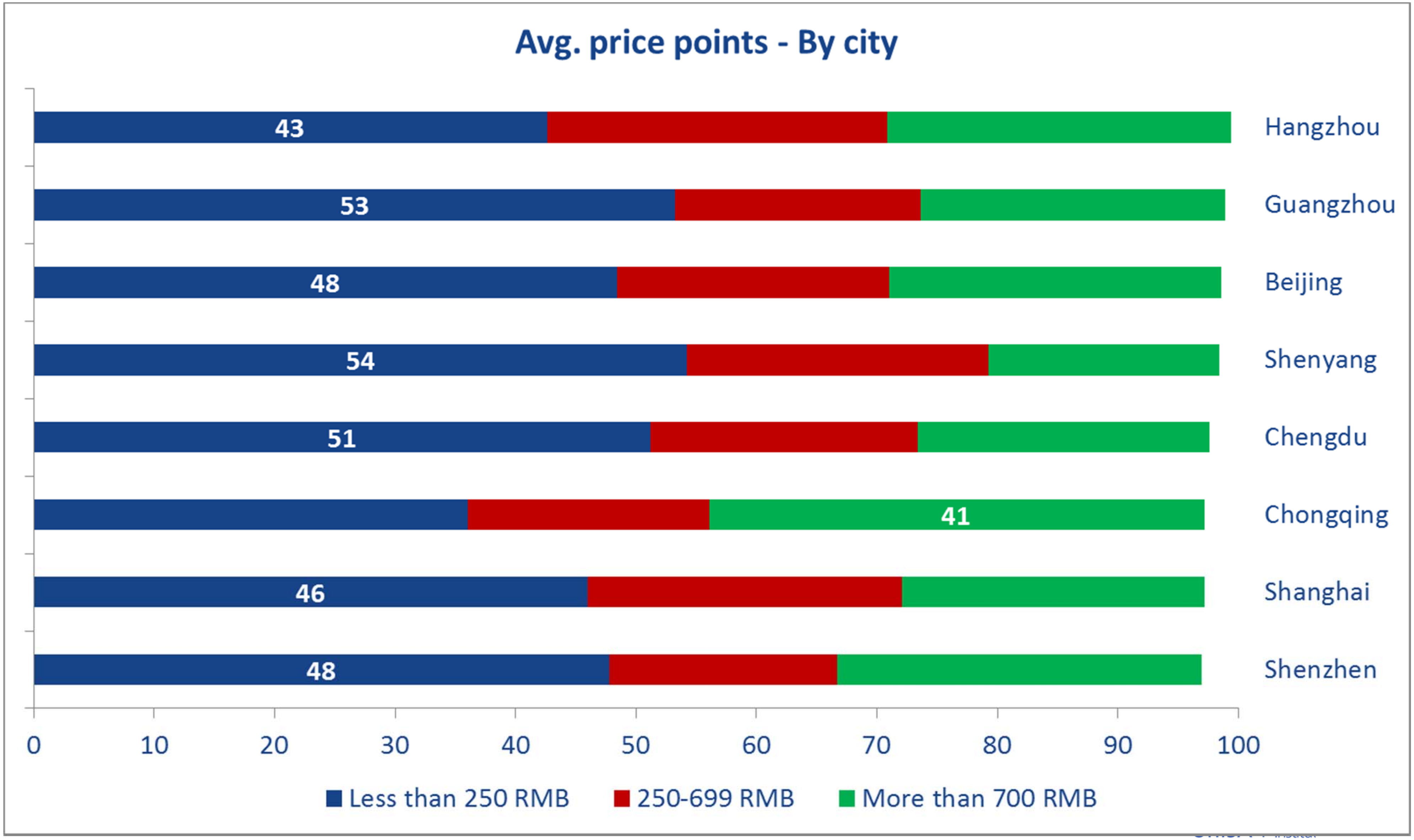
Restaurant is leading format for wine consumption with pub/bar trade just beneath bistro/café and at friend’s house suggesting there is more opportunity for home entertaining



High-priced wine (700RMB+) most likely to be purchased for business occasions with low-priced wine (<250RMB) dominant for informal occasions



Low-priced wine (<250RMB) on-premise leads across cities except for Chongqing which favours high-priced wine (700RMB+)



On-premise Repeat Purchase Patterns

(based upon retrospective recall)

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French and Chinese wines are most purchased wine countries with Australia securing higher than expected repurchase suggesting satisfied drinkers

Country of origin	Penetration (%)	Repeat Purchase Rate (%)
France	46	29
China	32	32
Australia	6	15
Italy	5	7
California	3	6
Spain	2	4
New Zealand	2	4
Chile	1	8
South Africa	1	0

Slightly high repeat purchase rate for Chile is an artefact of its low penetration and should not be interpreted as a strength

Ningxia and Bordeaux are the most purchased wine regions with expected repeat purchase rate, with Burgundy having higher than expected repurchase rate

Region of origin	Penetration (%)	Repeat Purchase Rate (%)
Ningxia	27	24
Bordeaux	26	19
Provence	6	5
Burgundy	5	9
Sicily	3	3
Hunter Valley	2	0
Barossa Valley	1	0
Margaret River	1	21
McLaren Vale	0	0
Yarra Valley	0	0

Margaret River is the only Australian region with a repeat purchase and this is extremely elevated. Despite concerns needing to be noted due to it low penetration, a 21% RR rate suggests that this region is outperforming and pleasing its drinkers

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Cabernet Sauvignon is dominant variety, with higher than expected repeat purchase for Merlot and Cabernet Franc, which could be the ‘Bordeaux blend’ phenomenon

Grape variety	Penetration (%)	Repeat Purchase Rate (%)
Cabernet Sauvignon	37	32
Sauvignon Blanc	6	9
Chardonnay	4	2
Riesling	4	5
Merlot	4	11
Pinot Noir	3	3
Cabernet Franc	2	5
Grenache	2	0
Shiraz / Syrah	2	0
Pinot Grigio/Pinot Gris	1	8
Tempranillo	0	0
Semillon	0	0
Viognier	0	0

Pinot Grigio/Gris has a high repurchase rate but this could be an artefact of its low penetration

Most typical price ranges from RMB 150 to 700, but consumers tend to stick to the same price range with niching* behaviour at both ends of the scale

Price (retail)	Penetration (%)	Repeat Purchase Rate (%)
Less than 100 RMB	3	35
100 to 149 RMB	8	31
150 to 199 RMB	13	14
200 to 299 RMB	23	30
300 to 499 RMB	21	21
500 to 699 RMB	16	24
700 to 999 RMB	8	28
1000 RMB or more	7	37

** Niche behaviour is when there is a high repurchase rate (loyalty) for a low penetration attribute; few people buy, but they buy regularly.*

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Majority of wine choice is individual, followed by group decision-making; Waiter / sommelier have no impact in the process

Who chose the wine?	Penetration (%)	Repeat Rate (%)
Yourself	55	63
It was a group decision	33	34
Someone else at the table	10	29
Waiter/sommelier	2	14

It is important to note that the sample of this data are regular imported wine drinkers and the high propensity for choosing without consultation could be due to their higher wine knowledge than their guests.

Recommendations

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The opportunity for Australia

Industry level actions:

- Australia is continuing to improve its premium image, but so are other countries. There is a need to improve premium promotion activities.
- Australia's country perceptions continue to be for good tasting wines that are easy to drink and not too expensive. Again, more promotion of higher priced and more complex wines is needed to improve our country image.
- Education-based (not price-based) promotions should focus on a range of dining outlets and not just on fine dining, however, wines should be premium and higher-priced.
- Australian wine regions should also individually sponsor more promotions to counter the decline in awareness and build mental awareness for fine wine.

The opportunity for Australia (cont.)

Producer level actions:

- Very important to promote and communicate premiumness of your wine.
- Stay away from price-based promotions.
- Make sure you are strongly promoting Australia and your own region.
- Focus sales efforts beyond fine dining restaurants.
- Better to focus on a few cities rather than all of China; Tier 2 cities have higher Australian awareness.

Contact details

For further information

Dr. Armando Maria Corsi Armando.Corsi@marketingcience.info

Dr. Justin Cohen Justin.Cohen@marketingscience.info

Prof. Larry Lockshin Larry.Lockshin@marketingscience.info

Ehrenberg-Bass Institute for Marketing Science

70 North Terrace, 5000 Adelaide (SA), Australia

Australian Government

Australian Grape and Wine Authority

UniSA Ehrenberg-Bass Institute for Marketing Science