

China Wine Market Seminar

Opportunities and Challenges for Italian Wine



Speaker: Sophie Liu

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Promofirenze@ Florence

Sophie Liu 刘慧

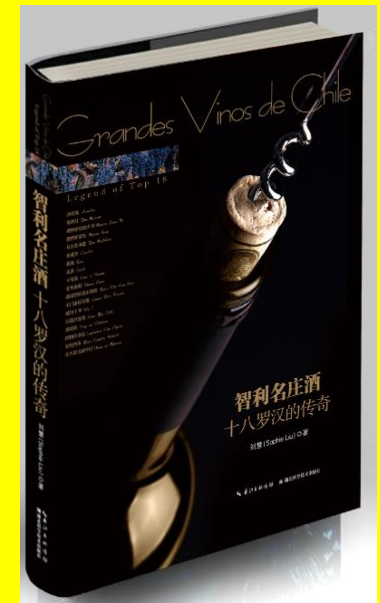
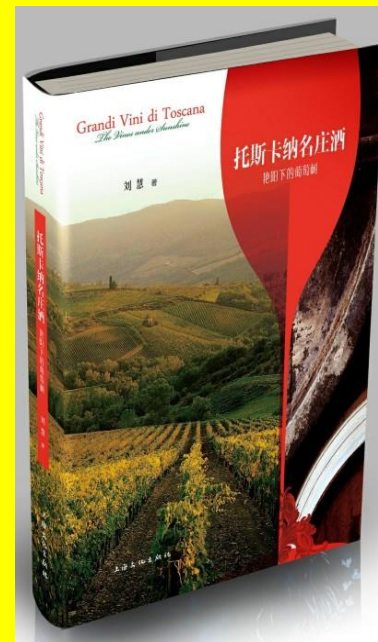
Leading wine critic & consultant, China
buyer team leader of Buy Wine

WSET Diploma level, accredited
Educator of Toscana Promozione,
Bourgogne Wine School (BIVB),
Bordeaux Wine School (CIVB),
German Wine Academy, Spanish Wine
Academy, Wine Australia & Wine of
New Zealand

Winner of Gourmand World Cookbook
International 2014 & 2016

Best Italian Wine Ambassador of 2014
by Gambero Rosso

Founder of Shanghai Vinosophie
Culture Communication Co. Ltd.



Sophie Liu

Leading wine educator in China



Sophie Liu

China buyer team leader for Buy Wine
2014/2015/2016/2017/2018



葡萄酒小菲老师



China: No. 1 biggest spirit market in the world
No. 5 biggest wine market in the world





Million of 9L Cases (Still & Sparkling Wines)

RANK	COUNTRIES	2015	2019	Evol 10/14	Evol 15/19
1	USA	339.5	346.5	+ 9.4 %	+ 2.1 %
2	FRANCE	292.2	288.1	- 3.8 %	- 1.4 %
3	ITALY	274.9	256.1	- 7.7 %	- 6.9 %
4	GERMANY	273.5	271.7	- 3.9 %	- 0.6 %
5	CHINA (+HONG KONG)	149.2	154.8	+ 21.4 %	+ 3.8 %
6	UK	135.7	138.1	- 5.6 %	+ 1.8 %
7	ARGENTINA	107.6	105.6	+ 1.0 %	- 1.8 %
8	RUSSIA	86.4	92.0	+ 0.5 %	+ 6.5 %
9	SPAIN	82.3	81.5	- 9.7 %	- 1.0 %
10	AUSTRALIA	56.6	57.5	+ 1.8 %	+ 1.5 %
	TOP 10	1 797.7	1 791.8	- 0.3 %	- 0.3 %
	GLOBAL	2 602.2	2 637.4	- 0.1 %	+ 1.4 %

THE GLOBAL WINE MARKET

TOP 10 MARKETS - IN VALUE



Billion USD (Still Wines)

RANK	COUNTRIES	2015	2019	Evol 10/14	Evol 15/19
1	USA	29.8	30.3	+ 20.2 %	+ 1.7 %
2	UK	17.3	17.4	+ 15.2 %	+ 0.6 %
3	FRANCE	17.2	16.8	- 3.4 %	- 2.2 %
4	CHINA (+HONG KONG)	13.6	14.1	+ 44.6 %	+ 3.6 %
5	ITALY	13.3	12.4	- 1.9 %	- 7.2 %
6	GERMANY	11.5	11.4	+ 4.0 %	- 1.4 %
7	CANADA	5.9	6.3	+ 9.1 %	+ 7.6 %
8	AUSTRALIA	5.1	5.2	+ 6.1 %	+ 1.7 %
9	JAPAN	4.2	4.7	+ 18.0 %	+ 12.8 %
10	RUSSIA	3.2	3.5	- 1.6 %	+ 6.4 %

THE GLOBAL WINE MARKET

TOP 10 RED WINE MARKETS - IN VOLUME



Million of 9L Cases (Still Wines)



RANK	COUNTRIES	2014	2019	Evol 09/13	Evol 19/14
1	USA	136.65	142.00	+ 13.3 %	+ 3.9 %
2	FRANCE	143.47	137.03	- 9.3 %	- 4.5 %
3	CHINA	139.10	135.41	+ 74.0 %	- 2.6 %
4	ITALY	132.82	114.49	- 6.6 %	- 13.8 %
5	GERMANY	109.00	106.90	- 7.9 %	- 1.9 %
6	ARGENTINA	68.81	65.68	- 4.7 %	- 4.6 %
7	UK	53.17	53.20	- 9.4 %	0 %
8	RUSSIA	45.84	45.62	+ 4.3 %	- 0.5 %
9	SPAIN	47.47	44.75	- 15.2 %	- 5.7 %
10	CANADA	26.75	29.45	+ 10.2 %	+ 10.1 %

THE GLOBAL WINE MARKET

TOP 10 WHITE WINE MARKETS - IN VOLUME

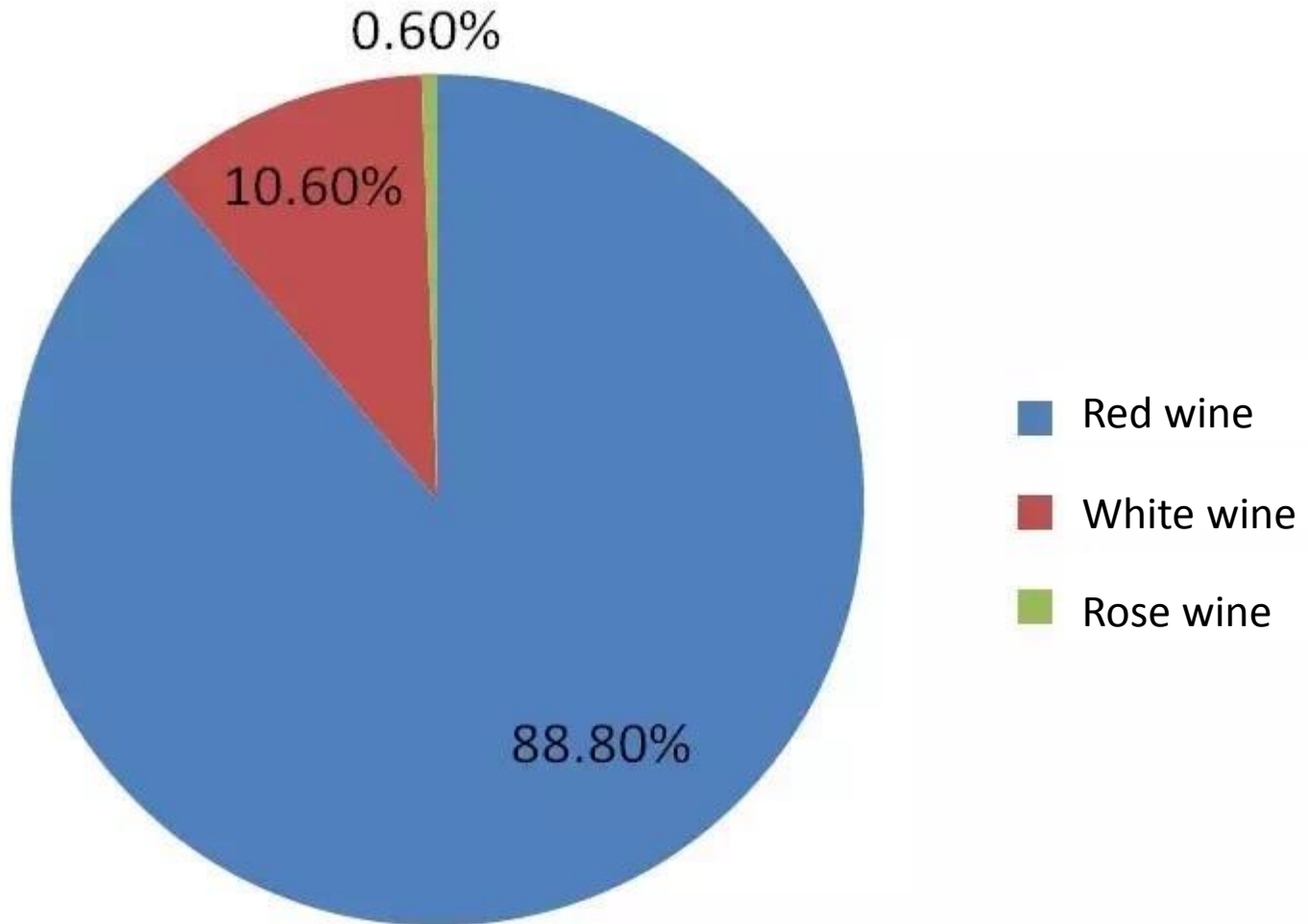


Million of 9L Cases (Still Wines)



RANK	COUNTRIES	2014	2019	Evol 09/13	Evol 14
1	USA	128.00	133.00	+ 12.6 %	+ 3.9
2	ITALY	137.49	128.75	- 3.5 %	- 6.4
3	GERMANY	95.70	95.52	+ 2.1 %	- 0.2
4	UK	55.27	55.45	- 9.6 %	+ 0.3
5	FRANCE	44.43	42.00	+ 1.2 %	- 5.5
6	SOUTH AFRICA	31.00	34.00	+ 3.1 %	+ 9.7
7	ARGENTINA	32.26	30.82	- 0.5 %	- 4.5
8	AUSTRALIA	30.12	30.57	+ 5.3 %	+ 1.5
9	ROMANIA	23.26	23.75	- 17.4 %	+ 2.1
10	GREECE	21.60	22.09	+ 5.3 %	+ 2.3

China: red wine dominates & why?



2016–2020 Wine Consumption per capita

排名	Country	2016年	2020年	涨幅
1	France	47.19	43.63	-7.54%
2	Portugal	47.04	49.79	5.84%
3	Italy	44.71	40.84	-8.66%
4	Swiss	42.33	41.27	-2.50%
5	Austria	40.46	40.55	0.22%
6	Germany	36.84	36.51	-0.90%
7	Denmark	35.71	34.93	-2.20%
8	Hungary	33.6	33.66	0.18%
9	Argentina	31.92	29.89	-6.36%
10	Greece	31.61	32.29	2.15%
11	China	1.34	1.53	14.18%
Unit: L /year				

Only 38 mln Chinese drink wine !



Million of 9L Cases (Still & Sparkling Wines)

RANK	COUNTRIES	2015	2019	Evol 10/14	Evol 15/19
1	GERMANY	128.3	129.0	- 3.5 %	+ 0.5 %
2	UK	122.2	122.8	- 8.2 %	+ 0.5 %
3	USA	78.2	77.3	+ 0.9 %	- 1.2 %
4	NETHERLANDS	37.7	38.7	- 2.4 %	+ 2.8 %
5	CHINA (+ HONG KONG)	36.6	42.5	+ 84.8 %	+ 16.1 %
6	CANADA	33.2	35.4	+ 11.2 %	+ 6.4 %
7	JAPAN	25.7	30.0	+ 48.4 %	+ 17.0 %
8	BELGIUM & LUXEMBOURG	23.9	22.9	- 12.0 %	- 4.1 %
9	RUSSIA	23.1	27.0	+ 13.4 %	+ 16.8 %
10	SWEDEN	20.4	20.7	+ 4.9 %	+ 1.9 %

Wine export: Asia Pacific is the key market

	2016 Consumption	2016-2020 Increase %
China	151.362	19.3%
Australia	51.635	-0.2%
Japan	37.585	6.4%
New Zealand	8.710	2.2%
Hong Kong	3.692	8.9%
Korea	3.584	12.0%
Taiwan	1.853	14.3%
Philippine	1.617	15.6%
India	1.665	49.2%
Vietnam	1.485	10.9%

Unit: mln case (12*75 cl)

2016–2020 Imported still wine (volume)

排名	国家	2016 年	2020 年	涨幅
1	China	52.7	94.5	79.30%
2	USA	81.9	85.8	4.80%
3	Russia	16.6	19.2	15.70%
4	Canada	33.7	36.2	7.40%
5	Japan	25.9	27.9	7.70%
6	Cot d'Ivoire	4.8	5.9	22.90%
7	Poland	11.7	12.6	7.70%
8	Mexico	5.4	6.2	14.81%
9	Namibia	2.1	2.5	19.05%
10	Nigeria	2.4	2.9	20.83%
	Other regions	492.3	494.2	0.40%
	Total	729.5	787.9	8%

Unit: mln cases (12*75cl)

2016–2020 Wine retail sales value

排名	Country	2016年	2020年	Increase %
1	USA	34,511	38,632	11.90%
2	UK	18,845	19,318	2.50%
3	France	16,332	16,023	1.90%
4	China	15,529	21,716	38.90%
5	Italy	12,669	12,434	1.80%
6	Germany	12,297	12,416	1.00%
7	Canada	5,462	5,925	8.50%
8	Japan	5,019	5,241	4.40%
9	Russia	4,616	5,024	8.80%
10		3,169	3,788	19.60%

Unit: mln USD

China: No 7 market of sparkling wine in 2020

Sparkling wine consumption in China has been increased by 191% during 2011-2015 period. Mostly people consume sparkling wine during celebrations. In the future 5 years, sparkling wine consumption is expected to be increased by another 50%.

China has become world's top 10 sparkling wine importing country in the world. In year 2020, China will surpass Austria, Holland and Swiss to become world's No 7 biggest market for imported sparkling wine.

Among all types of sparkling wine, Prosecco has been increased continuously and is expected to increase by an annual 13.6% in 2020.

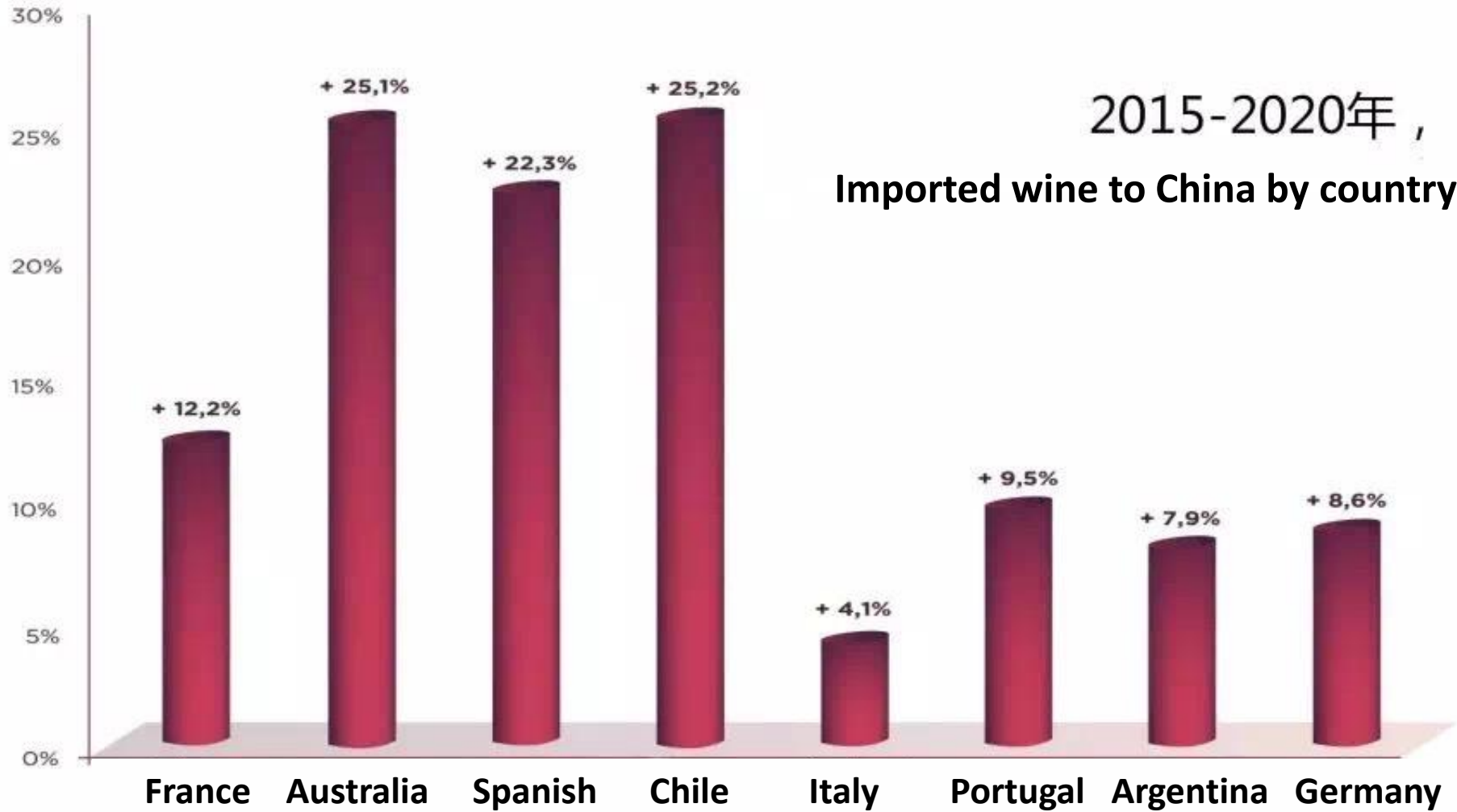


2016–2020 Top 10 suppliers of Chinese market

排名	Country	2016 年	2020 年	涨幅
1	France	22.2	32.85	47.97%
2	Australia	8.58	18.99	121.33%
3	Spain	7.75	16.7	115.48%
4	Chile	6.38	16.58	159.87%
5	Italy	2.62	3.05	16.41%
6	USA	1	1	0.00%
7	South Africa	0.86	0.98	13.95%
8	Portugal	0.82	0.99	20.73%
9	Argentina	0.62	0.8	29.03%
10	Germany	0.46	0.63	36.95%

Unit: mln cases (12*75cl)

Imported wine to China



Wine consumption: 6 tendencies in China

-by Vinexpo

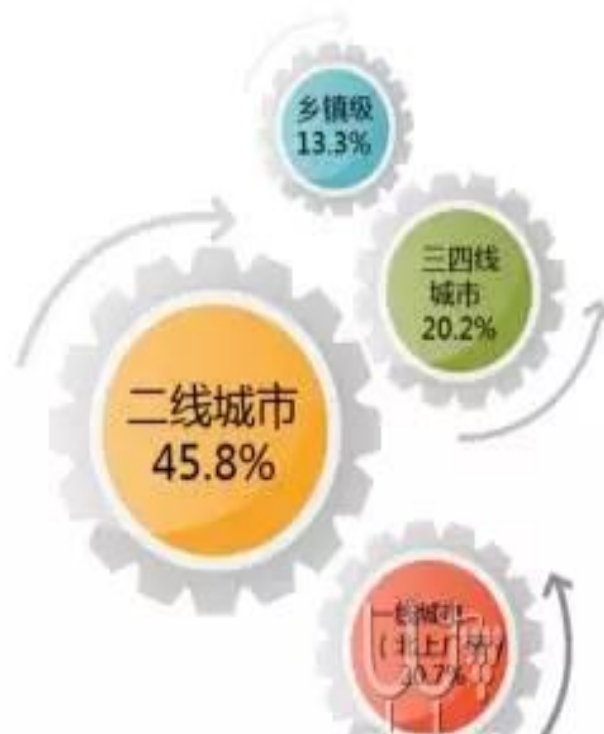
1. The raise of middle class
2. Wine become a fashion drink in China for young people.
3. Young people and women prefer soft elegant wine, not rustic strong wine.
4. Wine sales channel diversified: wholesalers, B2C online sales, on-trade, etc
5. Wine consumers are very sensitive to wine price.
6. Consumers are more keen on health. So low alcohol and organic wine will have good market in China.

China: Internet sales

52.6%



47.4%



China: biggest spirit market in the world

With 1.2 billion cases consumption per year

2016–2020 Spirits consumption

排名	Country	2016年	2020年	涨幅
1	China	1,234	1,270	3%
2	India	322	350	8.60%
3	USA	215	224	4.10%
4	Russia	240	221	-7.80%
5	Korea	142	138	-2.90%
6	Japan	120	115	-4.10%
7	Brazil	99	91	-8.40%
8	Thailand	72	70	-3.50%
9	Philippine	64	61	-4.70%
10	Germany	46	43	-5.10%
	Others	568	581	2.40%
	Total	3,122	3,164	1.40%
Unit: mln cases (12*75cl)				

Challenge and Opportunities in China Wine Market

1. Baijiu (local spirits) still dominates China market (90%:10% wine)



Before



Million of 9L Cases

RANK	CATEGORIES	2015	2019	Evol 10/14	Evol 15/19
1	BAIJU	1 199.3	1 255.8	+ 19.6 %	+ 4.7 %
2	VODKA	468.7	458.4	- 2.0 %	- 2.2 %
3	OTHER BRANDY	179.6	175.7	+ 16.4 %	- 2.2 %
4	RUM	139.7	137.2	- 2.8 %	- 1.8 %
5	SCOTCH WHISKY	87.6	93.3	+ 4.7 %	+ 6.5 %
6	LIQUEURS	78.9	77.3	- 6.4 %	- 2.1 %
7	GIN / GENEVER	48.2	47.7	- 8.0 %	- 1.0 %
8	BOURBON	39.4	46.9	+ 27.0 %	+ 19.0 %
9	TEQUILA	28.1	31.6	+ 15.1 %	+ 12.5 %
10	COGNAC / ARMAGNAC	10.9	11.8	+ 6.8 %	+ 8.2 %
11	OTHER SPIRITS	790.1	821.9	+ 10.3 %	+ 4.0 %

1. Baijiu (local spirits) still dominates China market (90%:10% wine)



Getting down since the policy of anti-extravagant in 2013

THE CHINESE SPIRITS MARKET

SPIRITS CONSUMPTION IN CHINA – BY CATEGORY



Million of 9L Cases

RANK	CATEGORIES	2015	2019	Evol 15/19
1	BAIJU	1 199.30	1 255.80	+ 4.7 %
2	COGNAC / ARMAGNAC	1.84	2.01	+ 9.2 %
3	WHISKY	1.26	1.38	+ 9.5 %
4	VODKA	0.38	0.50	+ 31.6 %
5	OTHER BRANDY	0.16	0.16	0 %
6	GIN / GENEVER	0.08	0.11	+ 37.5 %
7	TEQUILA	0.07	0.10	+ 42.9 %

Now



2. China local wine still dominates China market (70%: 30% imported wine)



World's 5th largest wine producing country with 500,000 ha vineyards



2. China local wine still dominates

In 2015, wine consumption in China reached 144 mln cases (9L), among which imported wine accounts for 36.6 mln cases (9L).

In 2017, China local wine VS imported wine: **70%: 30%**

Challenges for Italian Wine in China

1. Among imported wine, French wine still dominate (by 42%)
2. Compared to 2014, imported Italian wine only increased by 15% in 2015, compared to 60-120% increase by France, Chile and Australia
3. Italian wine's export breaks records in 2015 to reach EUR 5.4 billion. As world's 4th biggest imported wine market, China only accounts to less than 3% of Italian wine's export (Wine Monitor)

Reasons:

- 1). Chinese people's knowledge on Italian wine is very limited: **Lack of education**
- 3). Very few Italian wine marketing/promotion/roadshow/tasting events in China: **Not enough attention & Lack of consolidation (Wines of Italy?)**
- 4). Very few Italian wine importers and their high margin keeps price high in China: **so limited sales**
- 5). High acidity is a killer

Chinese Palate Survey

by Ease Scent Wine Education in 2015

- Cover 30 cities in China
- 3051 survey paper
- Interview to 248 consumers in 22 cities



Chinese Palate Survey

1. Over 73% consumers prefers rich fruity aromas
2. 89% consumers dislike high acidity of the wine
3. 86% consumers dislike high tannin
4. Over 64% consumers prefer full body wine

Interview Conclusion to Chinese palate:

Wine doesn't need to wait after opening the bottle. Rich and concentrated fruity aromas with medium rounded acidity. Smooth tannin and full body with layers, fruity and sweet finish.

Wine Consumption Survey

by Ease Scent Wine Education in 2015

1. RMB 100-200 (EUR 13-27) retail price wine sells best in China
2. Buying from on-line and from friends are still the major purchasing channel
3. 39.4% consumers will select wine from its taste, not from its packaging
4. 28% consumers don't know about country/regional style of a wine

Good examples



Bindi Sergardi

Wine Consumption Survey

by Ease Scent Wine Education in 2015

5. Only 18.3% wine consumption are business oriented. Instead, consumers are more to personal consumption with friends or family



Opportunities in China

- 1. Local spirits getting down, wine consumption going up
- 2. Local wine losing more marketing share to imported wine
- 3. Among imported wine, French wine are losing more market share to its competitors (Australian/Chilean/Italian/Spanish wines)
- 4. Young people prefer drinking wine than traditional local spirits
- 5. More female drinkers
- 6. Consumers looking for more “value to money” wine. After anti-extravagant policy in 2013
- 7. Mainly on wine retail under RMB 100 (EUR 13)

Opportunities in China

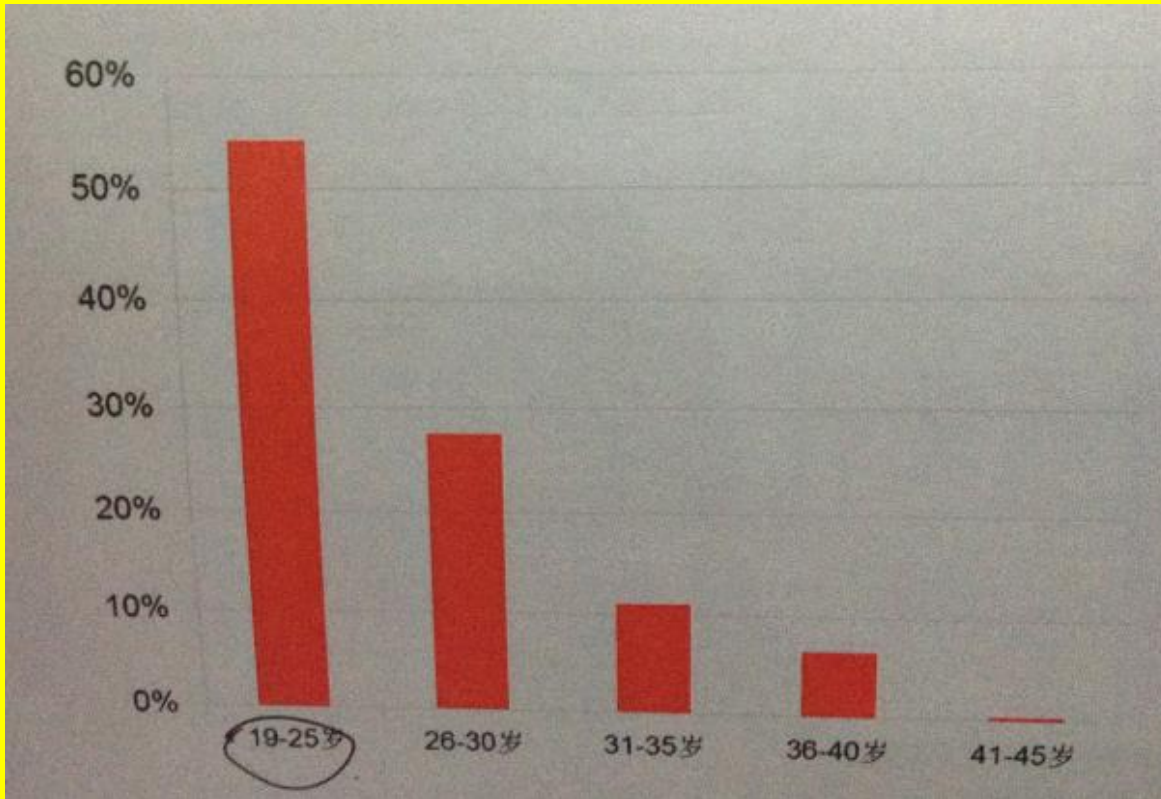
- 5. More female drinkers



Chinese Female Wine Consumers

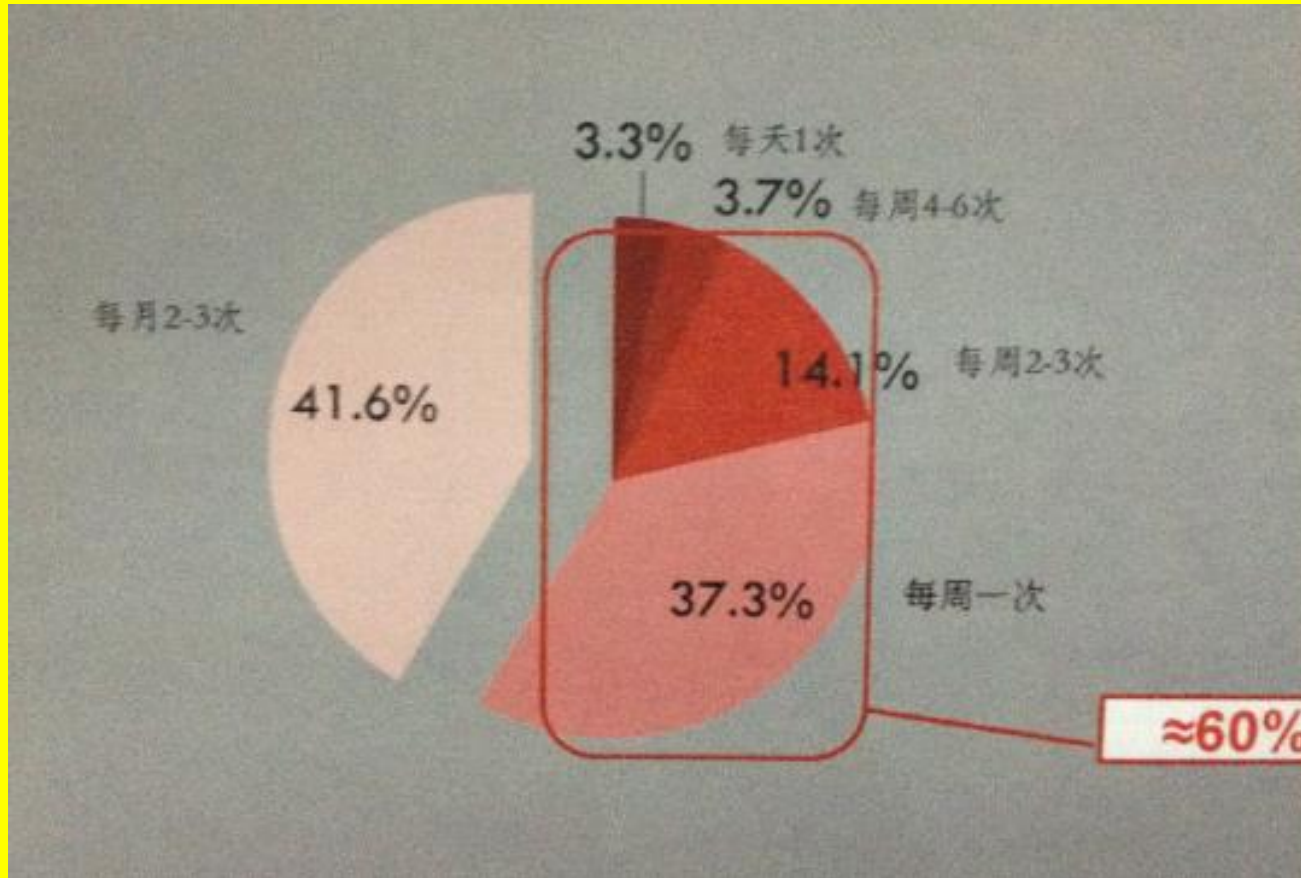
By CCTV Market Survey

- 512 Chinese women
- Age between 19 to 45 years old
- Decision maker of wine purchase



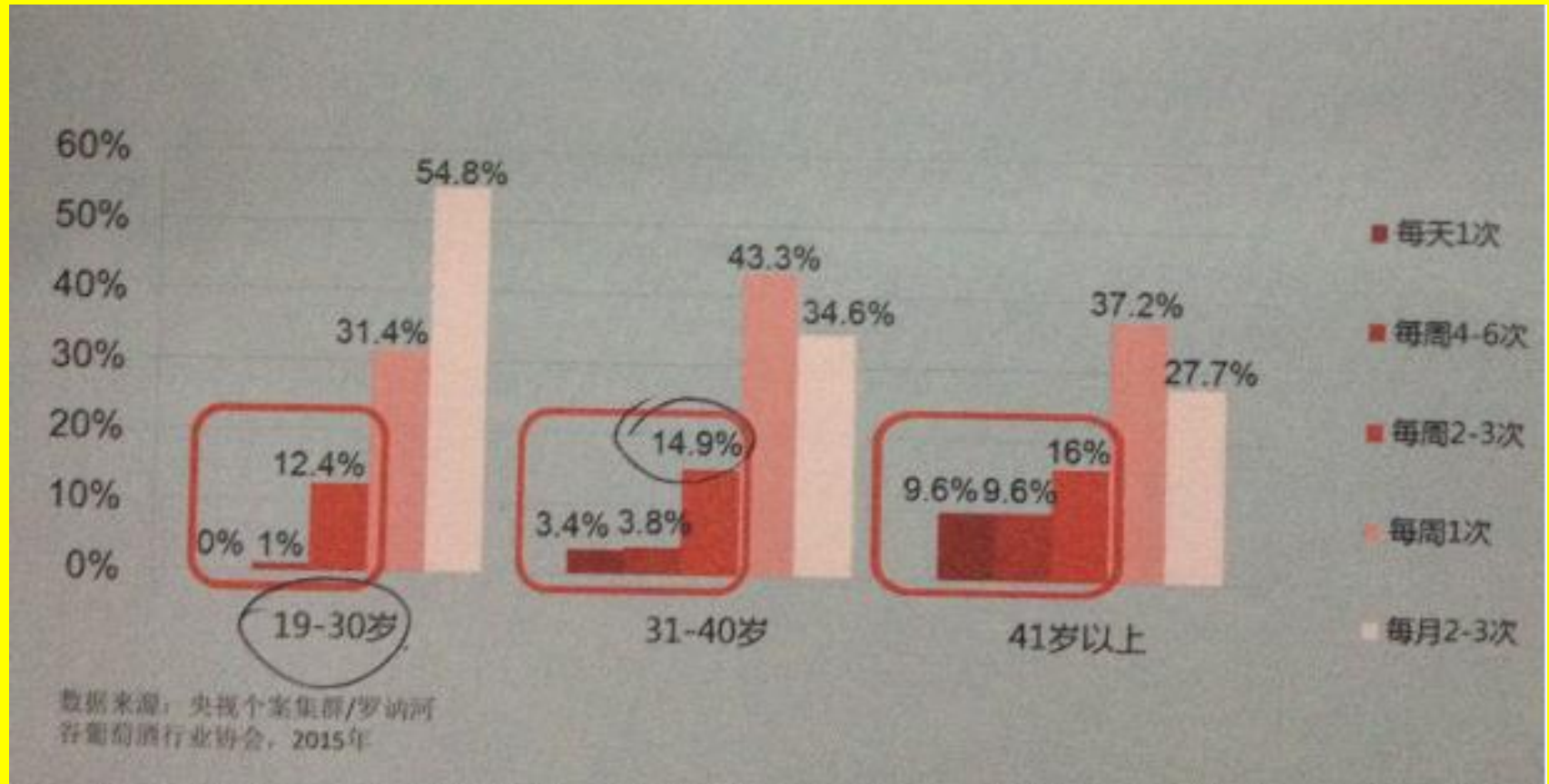
More than half started to drink wine at 19-25 years old

Chinese Female Wine Consumers



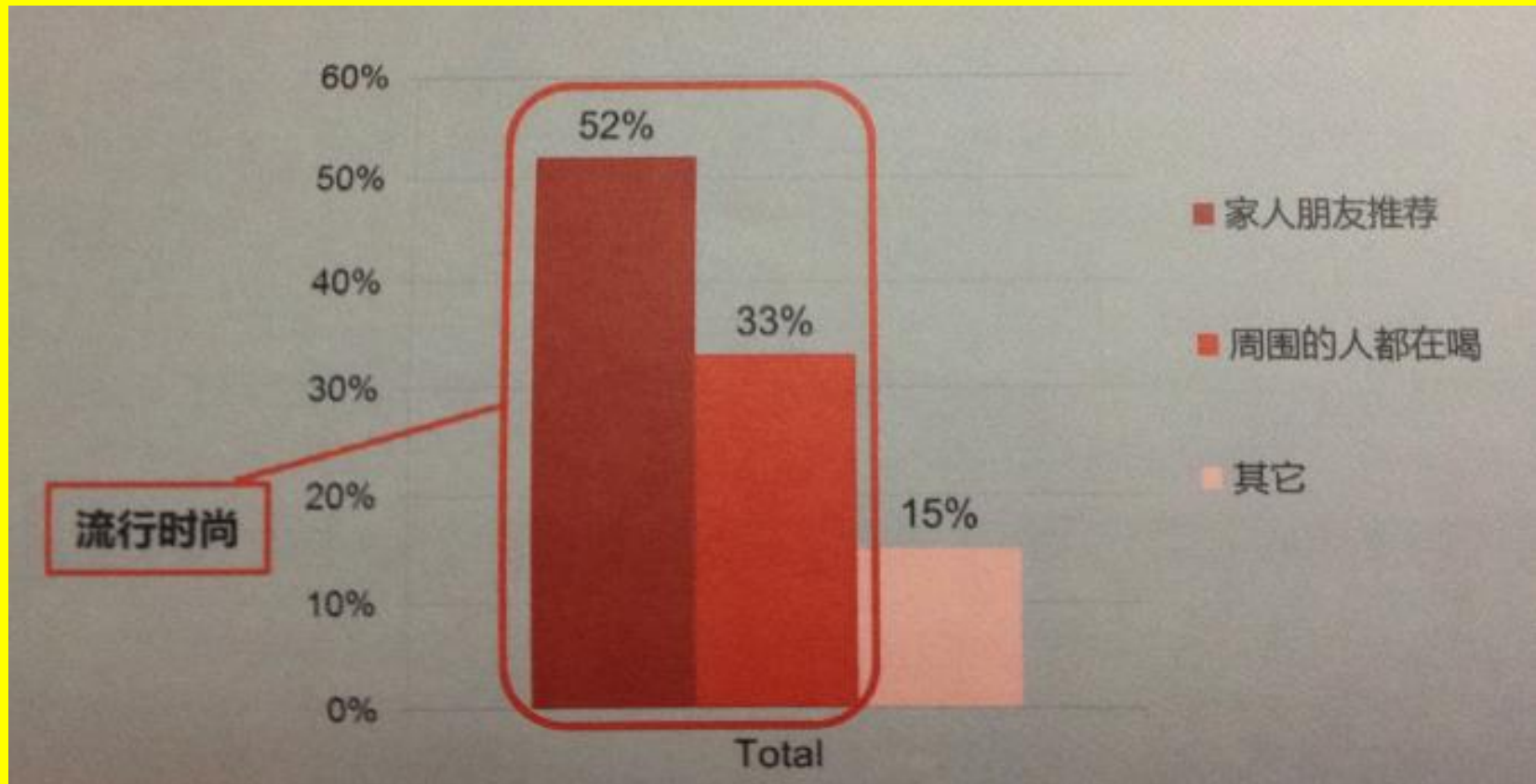
Around 60% drink wine at least once every week

Chinese Female Wine Consumers



Less than 15% women under 30-years-old drink wine several times per week, while more than 35% for women over 40 years old.

Chinese Female Wine Consumers



Why to drink wine?

85% think it “fashionable” to drink wine

- 52% because of advice from family member or friends
- 33% because people around drink wine

Chinese Female Wine Consumers

% Totle number / Beijing / Shanghai / Guangzhou

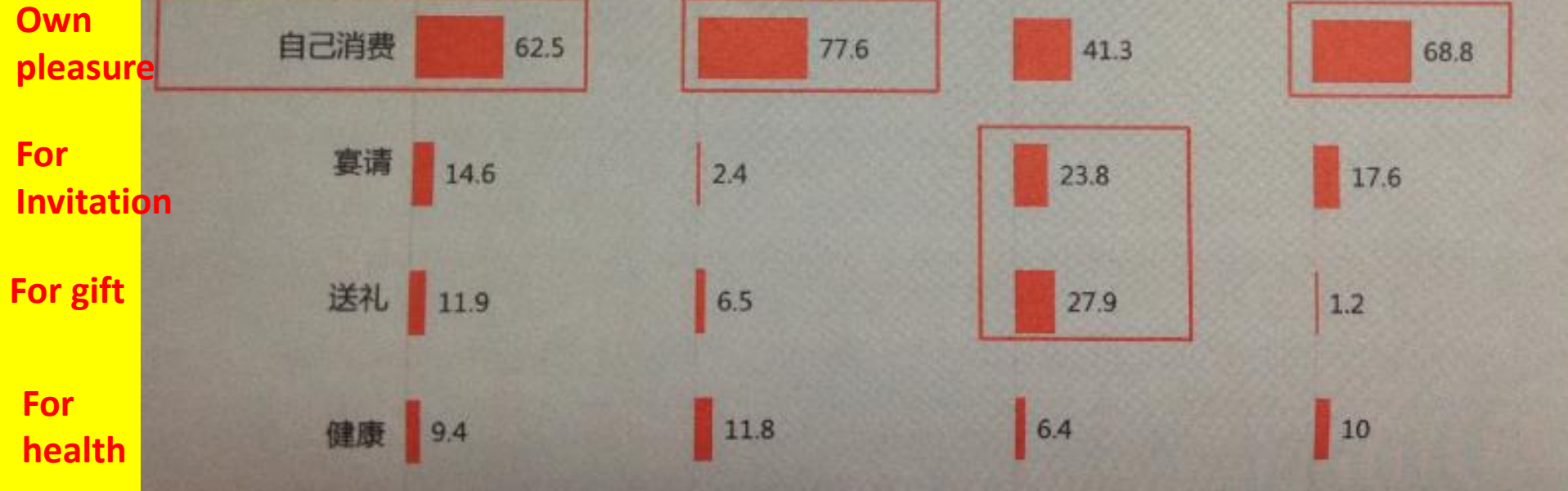


With whom to drink wine ?

Chinese Female Wine Consumers

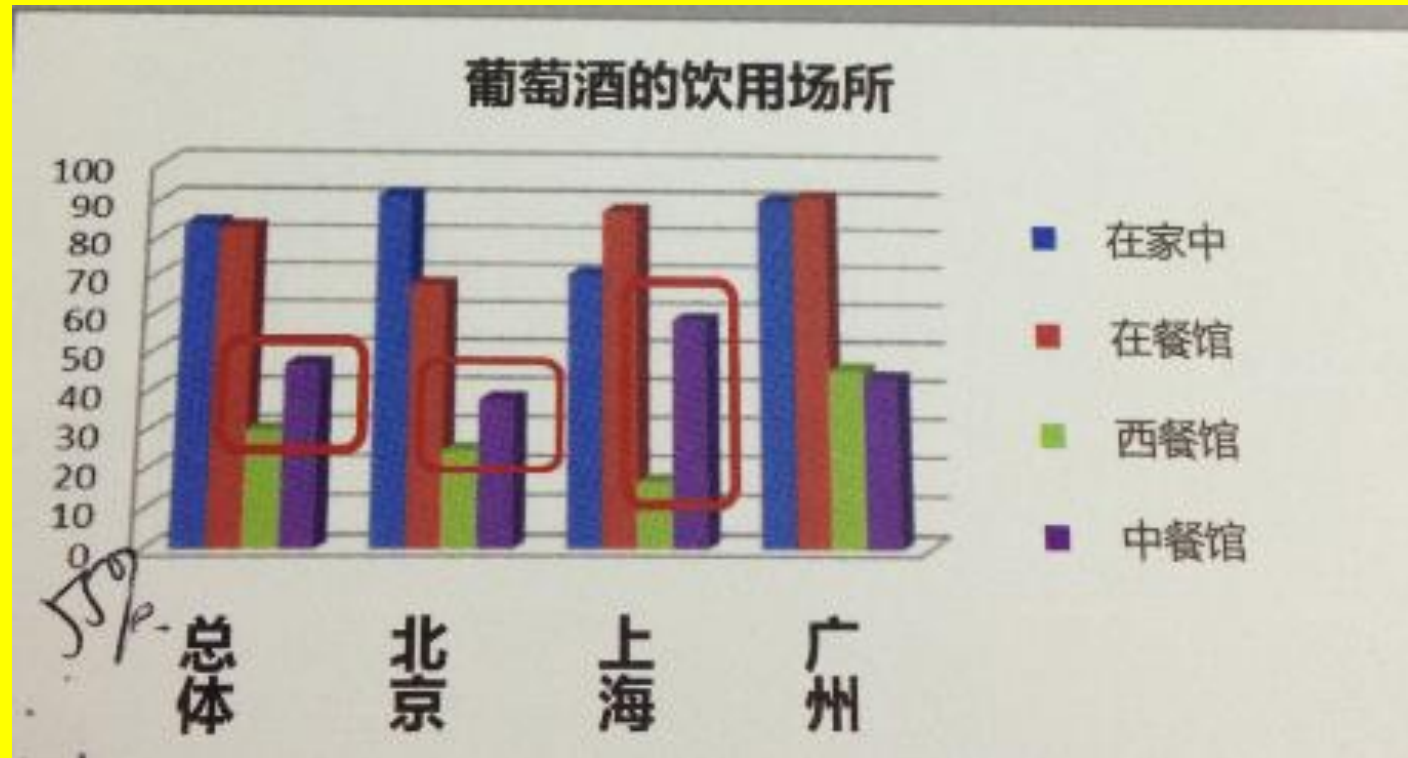
% Totele number / Beijing / Shanghai / Guangzhou

(%)	总数	北京	上海	广州
样本量	521	170	172	170



Different from men, most women buy wine for their own sake (62.5%). But Shanghai is different from Beijing & Guangzhou. Health reason plays a main role in purchase

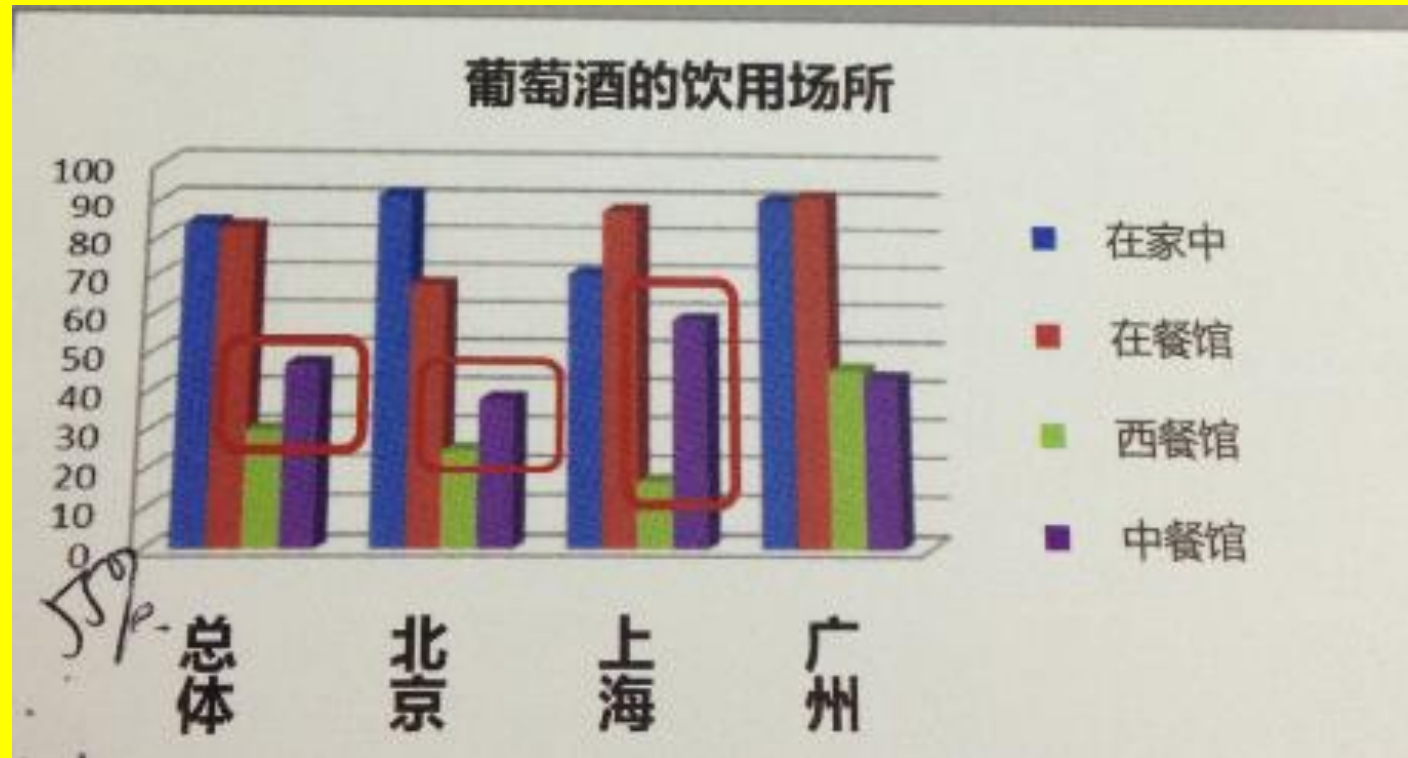
Chinese Female Wine Consumers



Total / Beijing / Shanghai / Guangzhou

Home and restaurants are 2 main wine consuming place for most women (over 80%); In Beijing, 90% at home and less than 70% at restaurant, different from Shanghai.

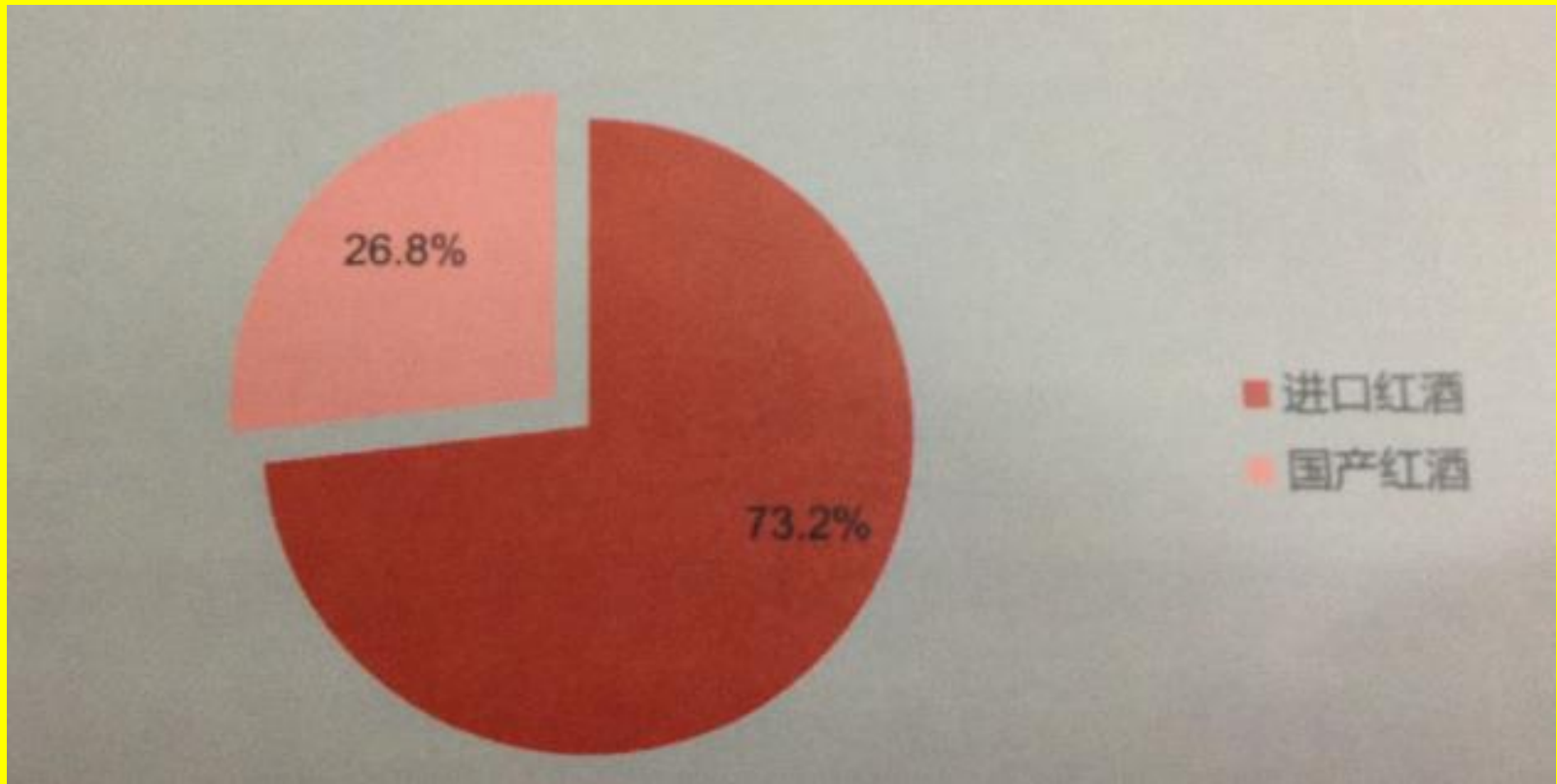
Chinese Female Wine Consumers



Total / Beijing / Shanghai / Guangzhou

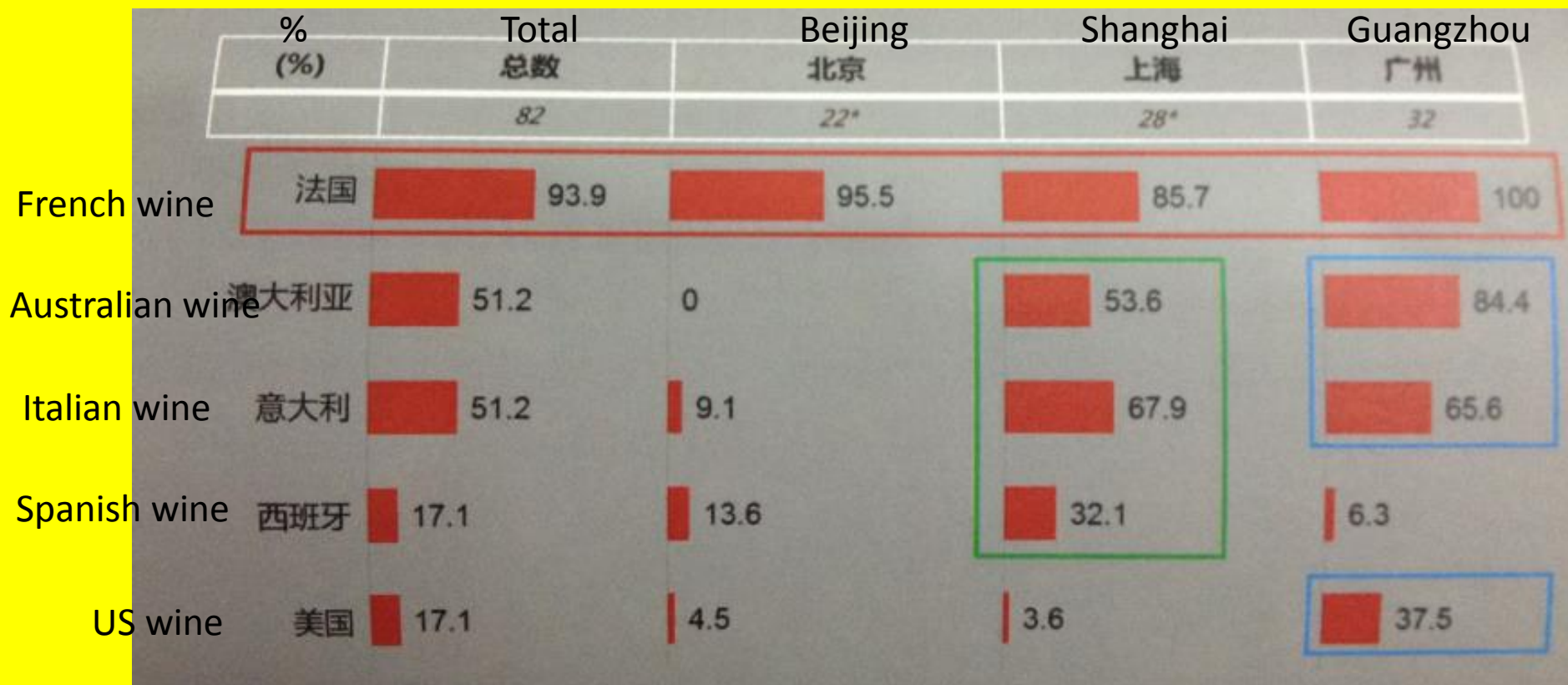
Medium to high level Chinese restaurants are most popular place for consuming wine. Shanghai: 60% prefer drink wine in Chinese restaurants, less than 20% prefer Western restaurants.

Chinese Female Wine Consumers



75% women prefer red wine

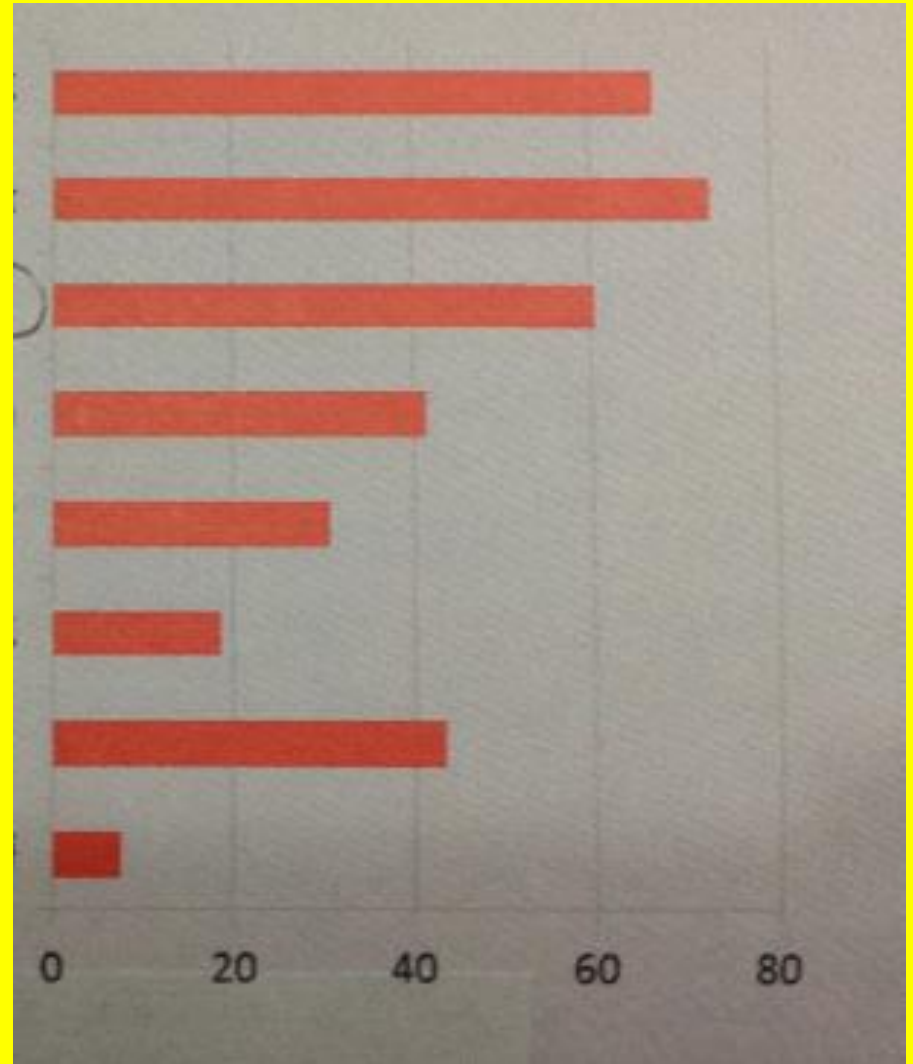
Chinese Female Wine Consumers



French wine are the most popular imported wine by Chinese women. In Beijing, it is more evident while in Shanghai and Guangzhou, Australian and Italian wine are competing with French wine.

Chinese Female Wine Consumers

Friends, family or colleagues
With friends or family discussion
Wine shop sellers
TV wine program
Advertisement
Lifestyle/cooking/wine magazines
On-line wine specialist/ APP
Wine guide/book



How to select wine?

Chinese Female Wine Consumers

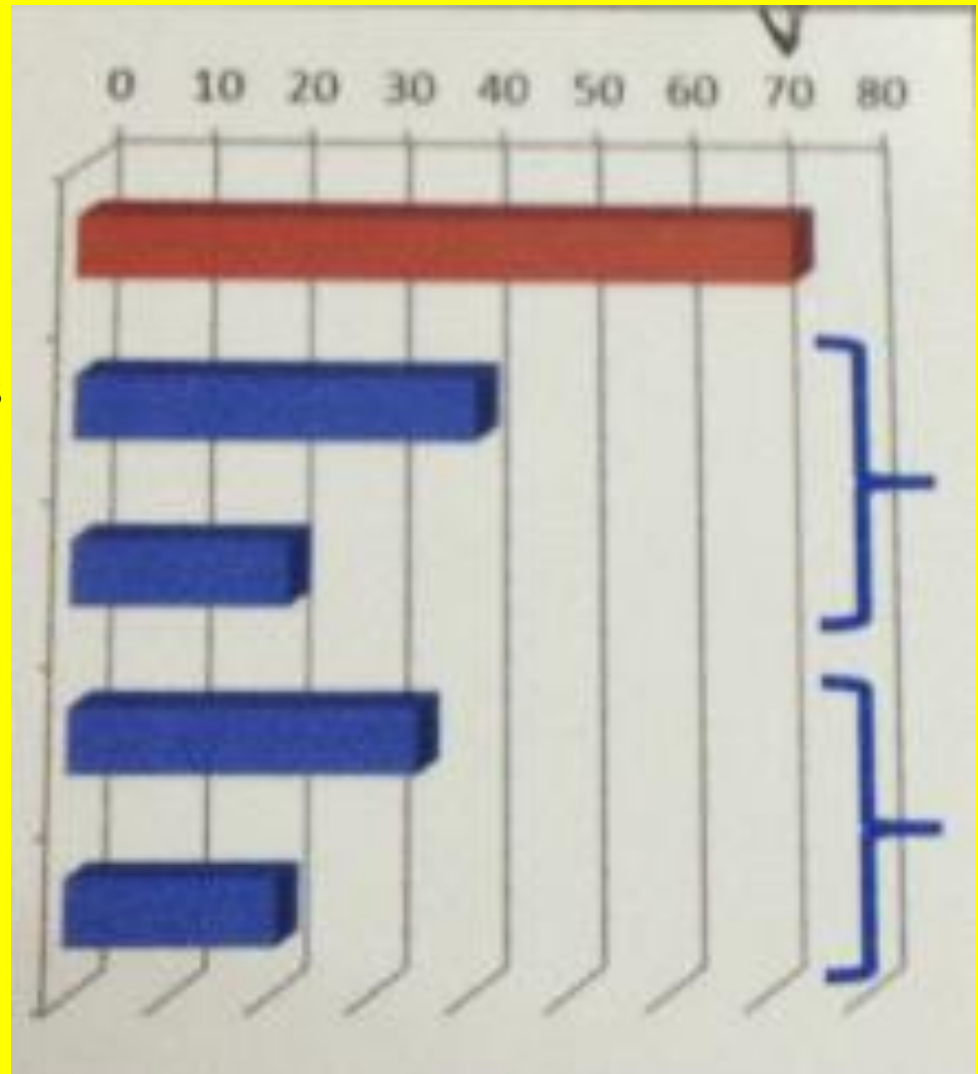
Will not choose wine by the glass

Want to share bottle with her guests

Worry to offend guests

Worry about the wine storage condition

Worry not to self satisfaction



No to “wine by the glass”

How to improve in China?

- 1. Italian wine education
- 2. Consolidation of producers/Consorzio/national promotional body
- 3. Roadshow/trade fair in China
- 4. Promote Italian wine & food lifestyle
- 5. Targeted to young people & middle class Chinese
- 6. Media exposure
- 7. etc...

Buy Wine Experience

1. Chinese buyers' recognition on Tuscan wine brands is very limited – hard to decide online appointment
2. Chinese buyers pay much attention to wine label & packaging
3. Chinese buyers don't like arrange appointment in advance if they don't know the producers
4. Chinese buyers look for “China palate” wine
5. Chinese buyers don't speak Italian!

Sophie's Contacts

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- I'm based in Shanghai, China but frequently travel to Italy!