

# A 'show system' approach for better marketing of Australian wine in China

By Justin Cohen, Armando Maria Corsi and Larry Lockshin

Ehrenberg-Bass Institute for Marketing Science, School of Marketing, University of South Australia

Growing grapes and making wine are a science. So is marketing. Yet, we are at times led astray by aggregate economic data provided without context, varied forms of online media blurring the lines of reporting and promotion and, increasingly, more often anecdotal information packaged as 'market intelligence' by 'local' pundits in our export markets. This article will discuss the 'head space' of Chinese wine drinkers using findings from Wave 4 of the China Wine Barometer.

The Australian Grape and Wine Authority (AGWA) continues to generously fund the Ehrenberg-Bass Institute for Marketing Science's China Wine Barometer, a bi-annual tracking program that measures the brand health of Australian wine against its major competitors across nine cities in China. Our slide decks continue to be readily available for download from <http://www.research.agwa.net.au>.

About one year ago, we published an article in this journal entitled, 'Forget special occasions, it is time to relax in China'. We

spoke about the opportunity in retail for promoting Australian wine for relaxing occasions, as our evidence indicated that this was the most common off-premise consumption occasion. We also spoke of the breadth of retail channels available to Chinese wine drinkers and the surprisingly high penetration of most of these channels. A year later, these findings still hold true and present a great opportunity for Australian wine brands entering the China market. Detailed explanations of the composition of these numerous channels and, in

What is more of a concern for an industry focussing on premium wine exports into China is that we see our most well-known wine regions... also dropping markedly in awareness.

particular, the cut through of both bricks and mortar and online retailers are available in our most recent Wave 4 China Wine Barometer report.

However, there is evidence that the global wine market has missed the mark. China has proved to be more complex than many anticipated. Most of the news has been about anti-corruption and its impact on high-end wine sales. This is not an issue for most Australian wine brands but, rather, an easy distraction to justify worse-than-expected outcomes. We should be fixing our attention on the performances and opportunities that Australian brands might have in the retail sector, for example, from Woolworths Liquor Group's acquisition of the fine wine distributor Summergate, or Alibaba's efforts to use its business-to-business platforms to directly put wine brands in contact with retailers. This will allow our wines to be put out for sale at a more attractive price point to the Chinese consumer.

There is a lot of buzz about 'route-to-market' and wine brands are increasingly reaching deeper into China beyond the Tier 1 cities in the east and also looking to grow penetration across the plethora of retail channels available, particularly the online space. This is promising news. Despite these efforts to increase the physical and virtual availability of imported wine in China, there is a dearth of information on if and where this wine is sold. This won't change in the foreseeable future.

Therefore, understanding the mental availability of wine in China is the best proxy we have for brand health at the moment. In retail, there is the phrase 'what is unseen is unsold'. Taking one step back, if our Australian wine brands, grape varieties, regions of origin and country of origin are not in the consideration set of our potential consumers, this leads shoppers to unconsciously screen out products.

Chinese consumers have a lot more choice available to them in wine, but also their world is getting bigger. They have more freedom to travel and the disposable income that makes numerous previously unattainable product categories from electronics to fashion to food available to them. They probably have less mental availability to think about wine due to increased competition from other growing categories. Table 1 shows this pattern.

Awareness for France is now stable, but was in decline. China is showing a slight downturn. There have been notable declines by New Zealand and Australia, but markedly worse performance by other wine exporting nations. We attribute this result, as mentioned above, to the increased choice, complexity and availability of general consumerism in China. At the same time, it

## All the information you need in one place

### PRINT & ONLINE

- 7,000 Industry listings
- 9,000 Personnel
- 3,000 Wineries
- 5,600 Wine brands
- 1,750 Grapegrowers
- 2,000 Buyers' guide listings
- 300 Distributors & retailers
- 200 Writers & media

**PLUS**

- + Statistics
- + 2014 Overview
- + Calendar of events
- + Wineshows
- + Courses
- + Organisations



**NEW 2015! - WINE BLOGGERS**

**[w] winetitles media**  
WINE INDUSTRY SOLUTIONS

To order your copy: Ph: +618 8369 9509  
E: [orders@winetitles.com.au](mailto:orders@winetitles.com.au)  
Visit: [www.winetitles.com.au](http://www.winetitles.com.au)

**Table 1. Country of origin awareness over time.**

Country awareness	March 2013 (%)	October 2013 (%)	March 2014 (%)	October 2014 (%)	Difference Oct. '14/Mar '13 (%)
France	97	98	93	93	-4
China	84	86	85	81	-3
Italy	83	81	75	72	-11
Australia	76	77	74	66	-10
Spain	74	72	65	59	-15
New Zealand	62	64	58	55	-7
Chile	60	59	54	46	-14
California	59	55	53	40	-19

is clear that whilst we are still fairing better than many, perhaps our collective marketing efforts could be more strategically intertwined to have a greater impact. What is more of a concern for an industry focussing on premium wine exports into China is that we see our most well-known wine regions, the Barossa Valley, McLaren Vale, Margaret River and the Hunter Valley, also dropping markedly in awareness.

So, what can we do about this? Table 2 shows the repurchase rates of wine by country of origin based upon retrospective recall measurement.

French and Chinese wines continue to be the most purchased with the Old World securing higher repurchase rates. Relative to its penetration, Australian wine should have a higher repeat purchase rate. This means that we are perceived more as a 'change of pace' alternative and perhaps not satisfying our buyers.

We produce great wines in Australia. It will always be harder for us than the French and Italians because they got there first. In the mind of the Chinese consumer, the Old World currently has more neuro-richness and stronger connections in their minds. We can do a lot to overcome this problem. We can achieve success through smarter marketing. Australia has a lot going for it. As an industry it funds consumer insights research in key export markets. It also has people on the ground in those markets to support market development activities. However, our biggest competitive advantage has, and always will be, the sweat off the backs of our own wine brands doing phenomenal engagement in China.

Last year one of us was struck by a beautiful display of camaraderie by our wine industry. On the way home from the Hong Kong Wine Fair, a large group of Australian winemakers were sitting together enjoying a cleansing ale in the Qantas Club. In between calling their families to say goodnight to their children, they were discussing their business outcomes from their whirlwind showcase in Hong Kong and discussing what the next few days would be like working at Prowine, in Shanghai.

**Table 2. Penetration and repeat purchase rate by country of origin.**

Country of origin	Penetration (%)	Repeat purchase rate (%)
France	48	36
China	30	55
Italy	4	28
Australia	4	16
Chile	3	17
Portugal	2	21
Spain	2	0
California	2	18
Germany	1	13
New Zealand	1	0
South Africa	1	0

Quite often we talk about what made Australian wine successful in the early days. Often this is attributed to the 'show system'. Regions came together, tasted their wines and discussed what worked and what did not. This helped rapidly improve the quality of our wine. Could this display of 'mateship' in an airport lounge in Hong Kong be the organic makings of a marketing 'show system' for China?

Sharing what works and what does not will help Australian wine brands compete in our key export markets. Growing the knowledge-sharing in our great Australian wine community will have exponential returns to our performance. Our premium brands, our commodity branded wines and our industry's market development programs need to work together to raise the mental availability of our wines. In the case of China, there is a readily available product, the China Wine Barometer, that provides an evidence-based overview of the China market that can augment further discussions in our evolving marketing 'show system'. **WVJ**

# Who are you looking for?

THE AUSTRALIAN AND NEW ZEALAND  
WINE INDUSTRY  
DIRECTORY  
ONLINE

- Searchable
- Easy to use
- Wine industry personnel

**ONLINE PHONEBOOK**

VISIT  
[www.winetitles.com.au/widonline/phonebook\\*](http://www.winetitles.com.au/widonline/phonebook*)

\*Available only to those who have purchased/subscribed to the Wine Industry Directory

**winetitles media**  
WINE INDUSTRY SOLUTIONS

ORDER TODAY  
Phone: +618 8369 9509  
Email: [orders@winetitles.com.au](mailto:orders@winetitles.com.au)  
Visit: [www.winetitles.com.au](http://www.winetitles.com.au)