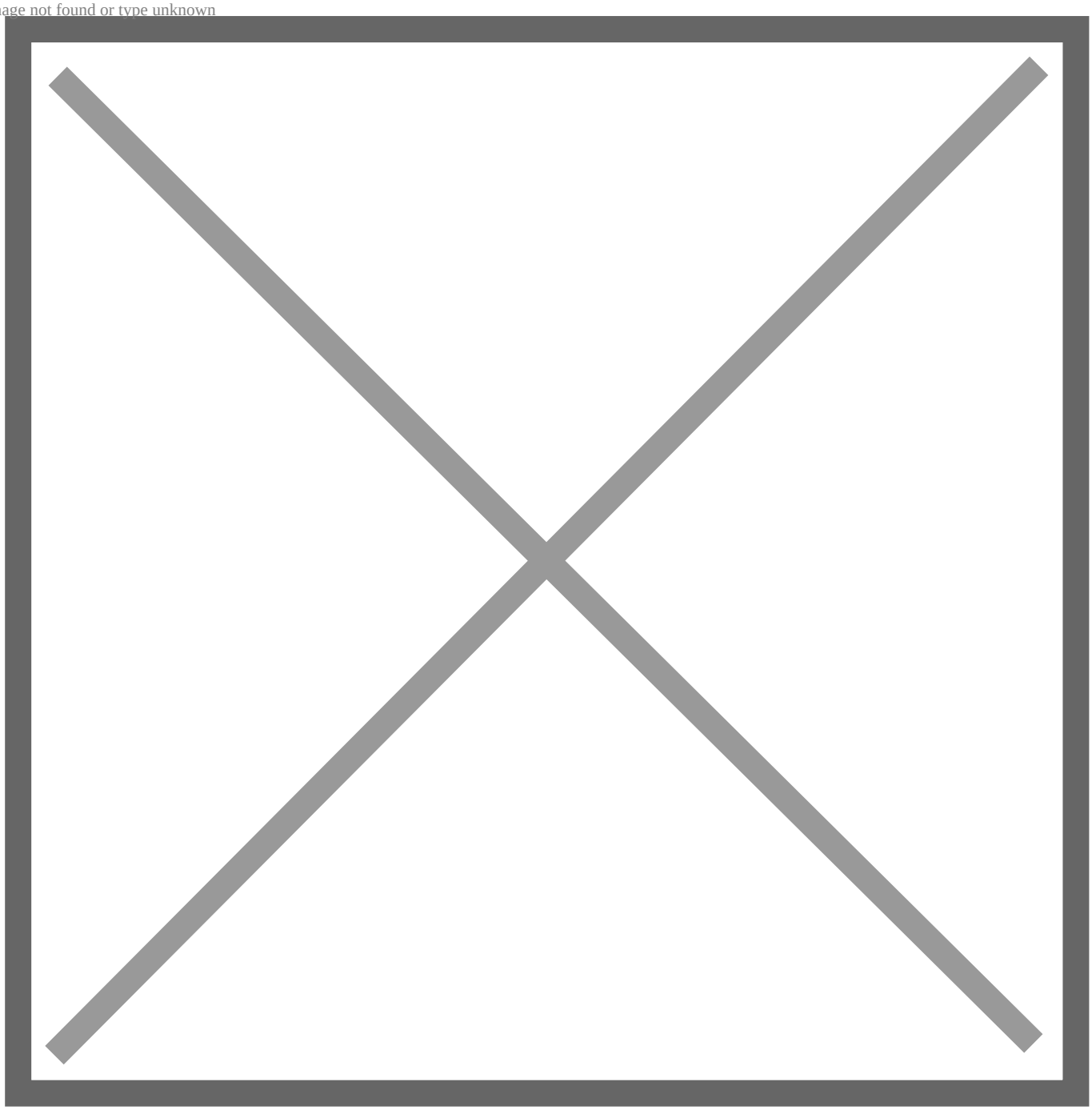
# Knowing Your Competitors: Who Are Leading Wine Exports to China

TAGS Food & Beverage Wine Alcohol

ARTICLES | 24 August 2017

Image not found or type unknown



# Understanding Chinese Consumers

With its huge potential and raising spending power, **China** is expected to become **the second biggest wine market** in the next four years. The rapid growth of the Chinese market attracts wine exporters from all over the world and, the **European Union** is the most competitive player for its leading position in wine production.

However, it is important not to underestimate Chinese consumers' perception of wine and attention to prices. Although wine is becoming more and more popular in the Middle Kingdom, the average consumers still prefer beer for its cheaper price and its availability. In fact, when it comes to discovering this foreign product, wines with a **high quality/price ratio** have better opportunities of being noticed.

**Knowing Your Competitors: Who Are Leading Wine Exports to China**

Following an anti-corruption campaign launched in 2013, wine imports had drastically decreased but are on the rise again as the latest statistics released by the General Administration of China's Customs state.

**France, Spain** and **Italy** from the Old World are among the top five countries exporting wine to China in 2017. Australia and Chile have the leadership of New World wines. Eastern European wines, from countries such as Georgia, Moldova, and Ukraine, are also raising sales quickly.

| China Wine Imports 2017 | Country | Value US$ |
|---|---|---|
| | France | 1,103,713,142 |
| | Australia | 727,719,244 |
| | Chile | 328,748,510 |
| | Spain | 193,816,802 |
| | Italy | 161,752,666 |
| | United States | 81,782,554 |
| | South Africa | 29,538,440 |
| | New Zealand | 29,392,107 |
| | Portugal | 23,532,546 |
| | Argentina | 22,267,983 |
| | Germany | 21,094,604 |
| | Georgia | 17,881,944 |
| | Canada | 14,671,403 |
| | Moldova | 10,829,255 |
| | Bulgaria | 5,543,292 |
| | Hungary | 4,934,439 |
| | Romania | 2,815,413 |
| | Montenegro | 2,280,979 |
| | Russia | 2,242,233 |
| China Customs | Austria | 2,029,281 |

**Table 1** Wine Imports by Country, Including Bulk Wines.

Source China Customs

**Market Segments: Bulk Wines and Bottled Wines**

Fragmenting the Chinese market, two main streams can be noticed: bulk wines and bottled wines.

With a CIF (Cost, Insurance and Fright) price around EUR 0.6 per liter, **bulk wine** is the most competitive sub-segment of the market. Led by Chile, Spain and Australia, the three countries together account for more than 82% of the market share for bulk imports. Two are the regions mainly interested in this stream: Wineries in Yantai area, Shangdong province, and wineries by Shacheng, in Hebei province.

On the other hand, **bottled wine**, with an average CIF price of EUR 2.6 in the first half of 2017 is the most challenging sub-segment for its price range differences. For most Chinese consumer, such a price might be beyond what their disposable income allows.

**Increasing Opportunities in China's Regional Cities**

China is not a nation of wine drinkers, though a growing base of wine drinkers is taking an important role in the vigorous growth of wine imports. Beijing and Shanghai are not the only two cities to focus on. **Third and fourth-tier cities** have more than one million residents who are

interested in wine and are learning its vast diversity thus, boosting imports.

Even if it is to be developed, China is a true market and a few aspects should be considered when placing China in the strategy plan: pricing, taxes, duties, shipping, Chinese regulations and so on.

**Advice for European Wine Businesses**

Be well prepared for China by checking the full report on "How to Start Exporting Wine to China", which encapsulates the essentials that will help set up your business in the Chinese Market:

**1. Developing a Long-term Strategy for the Chinese Market and Getting Prepared**

- Think of the Chinese market as a long-term solution, not as a quick fix for the fall of sales in the domestic market;
- Understand Market Access requirements, knowing how to compete is the essential starting point;
- Carry out Due Diligence, unsolicited calls from unknown contacts must be carefully pondered, especially when requests of sending money are involved;
- Register your trademark in China, chances are that your wine and its brand are already known.

**2. Setting a Proper Price for Your Targeted Segment**

- Bear in mind that imported wine is expensive in China and that middle class cannot afford to drink wine every day at an average price of 120 Yuan on the shelf or online;
- A growing class of Chinese consumer is learning wine vast diversity, cushioning the fall of imports;
- Set a proper price for the product and get a closer look at the importer portfolio to individuate gaps to take advantage of;
- Select the right location: success stories prove that third and fourth-tier cities will be rewarded.

**3. Getting to Know Taxes and Customs Duties**

- Keep in mind currency fluctuations and inflation. In the past years, prices were stable in Europe whereas in China they were subjected to a raise, due to the ongoing inflations prices;
- If considering Hong Kong or Macau as ports of entry for your wines, be aware that the administrative system differs from mainland China as they are Special Administrative Regions (SARs).

**4. Exploring Different Channels and Establishing Your Network**

- Know which is the most appropriate Wine Fair or Wine Exhibition in China and prepare it in advance;
- Keep in contact with clients: selling and forget does not work in China. Sales are needed regular monitoring and reporting;
- Recognise that promotion events in China are likely to be different than those in Europe: make sure that events match your marketing strategy but listen also to the importer's advice;

- E-commerce cannot be ignored: fully understand it and reach agreements with potential partners for sales through online channels.

**5. Following Up and Keeping an Eye on the Market**

- Follow-up all the contacts and sort them according to your perception of opportunities;
- Monitor Business and Market by communicating to your Chinese partner the measurements and metrics for monitoring the performance.