LARRY LOCKSHIN

Inside the head of a CHINESE CONSUMER

Our research group (Armando Corsi, Johan Bruwer, Justin Cohen and myself) has recently received funding from the GWRDC to conduct research on Chinese wine buying behaviour. We have several projects, two in China and two in Australia, looking at Chinese tourists.

I am going to report on some of the results from what we call the Australian Wine Export Tracker, which is a three-year long, twice-yearly survey of 1,000 imported wine consumers in China, conducted along with Wine Intelligence. The purpose of the project is to track the behaviour and beliefs of imported wine consumers in China towards regions, varieties and countries for Australia and its main competitors. Each version has a standard set of questions plus a section aimed at a specific area. In the first survey we focused on on-premise consumption. The next versions will focus on retail purchasing and then online purchasing.

Behaviour is measured by asking respondents to recall the last purchase occasion. We measured behaviour for the last purchase in a restaurant, bar or other on-premise outlet. Beliefs are measures of mental awareness. We do not use Likert (agree-disagree) scale questions, but instead provide lists of beliefs, associations, behaviours and merely ask respondents to 'tick' any they have. We do this for Australia and competing wine countries and regions. We get a picture of the mental network consumers have for our competitors and us. The more 'ticks' the stronger the mental associations and the more likely that country/region/variety will be chosen in the next purchase occasion. Also, by comparing the strength of mental networks between competing countries, we can see areas where Australia needs to improve. The project will last for three years and in that time we will be able to measure changes in associations of Chinese imported wine consumers.

Our sample is based on about 1,000 Chinese who bought imported wine at least twice in the last year. Respondents were 60% male, from a range of cities (Shanghai 40%, Beijing 20%, Guangzhou 20%), 65% aged between 30-44 years old, 80% with an income above 6,000 rmb per month, 80% speak English and have a university degree).

France, Bordeaux and Cabernet Sauvignon have the highest awareness by far. For France, 97% of respondents were aware they produce wine; for Australia 77%. Cabernet Sauvignon is recognised as a grape wine variety by 83% of our sample; Shiraz by less than 40%. Eighty-seven percent recognise Bordeaux, but only 54% Barossa Valley. This sets the standard that Australia, our regions and our grape varieties must work to achieve. As a country, we have quite high recognition, but follow Italy, even though we sell more wine in China. Our regions and our most common variety, Shiraz, rank quite low and need more promotion and communication.

Commercial vs Fine wine associations – By country
Figure 1

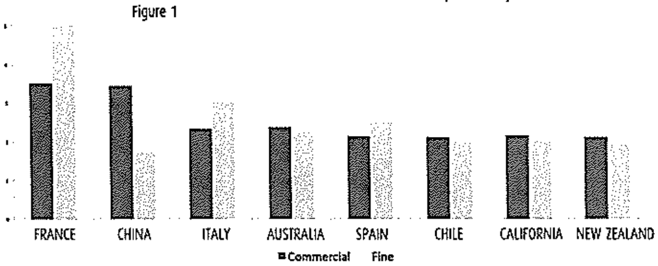


Figure 1 shows a more worrying trend for Australia. We showed respondents over 30 different associations for each country. They ticked those that came to mind for each country. We then divided the associations into those most related to fine wines (e.g., would give as a gift) and those related to commercial wines (e.g., value for money). We can see that again France dominates the fine wine as well as the commercial wine perceptions. China, as expected, is viewed much more as a commercial wine producer. Italy has a greater set of associations for fine wine, but Australia has slightly more associations towards commercial wine. I see this as similar to our entry in the US market, where initially importers asked for specific wines and mostly higher end ones. Over time, more companies started targeting the US market and aimed at the faster-moving segments. After about 10-15 years of growth, Australia lost its image as a fine wine producing country, and is now working hard to regain it. We are in danger of repeating this in China.

We can delve a bit deeper into the findings by comparing the number of respondents stating they have heard of (aware) each of the grape varieties to respondents' recall of the last on-premise purchase, Cabernet is by far the most recalled at over 40% with all the others less than 5%. This illustrates how consumers' brains work. They recognise a wide range of varieties (and countries and regions), but it is obvious that Cabernet Sauvignon has a very strong set of associations and when asked to list one variety purchased last, most default to the strongest association. This is good for Cabernet producers, but shows we need a lot more work on our signature variety, Shiraz.

Figure 2

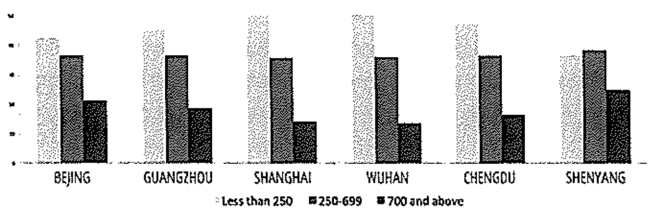
We found the same trend for country and region. Australia did well in awareness, but much more poorly in last purchase recall. Figure 2 illustrates the recall for last on-premise purchase by country. France dominates, with China visible and the rest, including Australia, almost non-existent. Few recall purchasing Australian wine, even though we know the market share is higher than the recall. This is a signal of a weak brand.

We also found that awareness of making wine is different between major cities. France dominates across all cities with close to 80% awareness, except in Shenyang. France is followed by China, Italy and then Australia. We do very well in Wuhan, but not as well elsewhere. This illustrates our presence is not monolithic in China, but different cities have different levels of awareness. We are lower relatively in the three biggest markets of Shanghai, Beijing and Guangzhou.

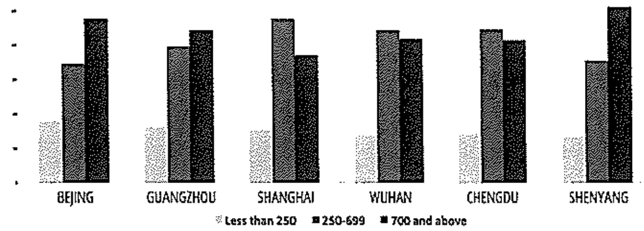
An interesting comparison is where we measure awareness of making sparkling wine. We did not mention Champagne, only sparkling wine. Australia does relatively better here compared to our showing for red, white and rosé. We are almost on par with France and Italy. There are differences by city and also differences in our relative strength compared to France and Italy. There seems to be an opportunity here, though sparkling wine is not a large part of the current Chinese market.

We have data for the prevalence of different places for consumption, which show restaurants are the most frequented (80% visited at least once per month and purchased wine), but less formal venues, such as pubs, wine bars and bistros (50% bought wine at least once a month) and even at someone's home (50% drank wine there at least once a month) are important potential occasions. Finally, we have some data on how much consumers spend on-premise and how much for a formal occasion across six different cities (Figures 3 and 4). The different amounts spent in different cities gives an idea of the price points Australian producers might want to aim for. The formal meal or celebration is one of the most important wine consumption occasions, yet contrary to some opinions, is not only for the highest-priced wines. In most cities the cheapest price points in our survey (less than 250 rmb) were still the most popular for formal occasions. This illustrates how narrow the opportunity is at the top price point, but how much larger and more attainable it is at mid-price points (which are still expensive in Chinese terms). This graph also shows wine being consumed across a greater range of occasions, which bodes well for continued market growth.

Average price spent on wine on-premise (%) - By city
Figure 3



How much Chinese consumers spend on wine by city: formal meal or celebration Figure 4



• This is a first report on the most basic outcomes. We are preparing a large set of slides for the GWRDC and will then release these results to Australian ratepayers. ■

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