What do 'luxury', 'premium' and 'fine' wine mean in China?

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Interviews with representatives of the wine trade in China has given some insight into whether use of the terms 'luxury', 'premium' and 'fine' wine can help build the perception of Australian wine.

In the last issue of the *Wine & Viticulture Journal*, we summarised the scope of the work we have conducted to date with a call to action to extend our industry's ability to market wine in China. The Australian wine industry needs to optimise its actions, push the correct levers and further build demand for the great wines produced in Australia. As an industry, we need to build on, rather than rely on our perceived strong performance in a few key cities. We must develop strategies that are both cost and resource effective to build awareness and positive perceptions for the Australian category in new cities, regions and under-indexed channels to help us build market share against competing countries of origin. Certainly, more nuanced strategies are required for specific brands' architecture and size, but that is for a future discussion.

The research program we are implementing now, generously supported by Wine Australia, has multiple stages to help us achieve the overarching goal of increasing demand through a better understanding of physical and mental availability in China (Sharp 2010, Romaniuk and Sharp 2016). However, before moving to primary data collection, we conducted 15 expert interviews in order to better understand the market situation from the perspective of thought leaders based in China. Those interviewed came from a diverse commercial background representing small to large format and specialised wine, to grocery brick and mortar retailers, digital and e-commerce experts, distributors, Australian wine brands with China-based managers, governmental promotional bodies and market research and branding agencies in China.

Many topics were covered in the interviews and we will share insights in future articles. At this point, however, it is useful to share the perspectives on positioning of those interviewed relating to increasing the demand for our quality wines in China. Some of our largest Australian brands like Penfolds and Jacob's Creek are becoming well-known, but most of our small and medium-sized producers lack awareness in China among 'normal' wine consumers.

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There is a hypothesis that if, as an industry, we can build the perception that Australian wine is special that this could in turn drive up the price paid for our wines. The question becomes what wording or theme would best be suited to build this reputation in the China market? In Australia, words like 'luxury', 'premium', and 'fine' are considered, but little is known how the Chinese would perceive the positioning of our wines in this regard. The situation is further complicated by some of our biggest brands changing their distribution models and landing their quality wines in retail for significantly lower price points than previously. There is confusion within our industry what to do. To that point, we now share some preliminary viewpoints.

A critical aspect is that experts in the industry struggle to define what 'luxury', 'premium' and 'fine' mean in the context of the wine industry in China. There was a general consensus that consumers, even if they don't have a lot of category knowledge, are sophisticated shoppers and dubious of superficial labels, tags and classifications. This supports findings from other Ehrenberg-Bass Institute research into the media and advertising landscape in China. One branding consultant interviewed said, "Luxury, premium and fine have been abused in the China market. There is a healthy cynicism around the terms in China."

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Specifically discussing wine, it was said that general consumers with low involvement might still give some credence to positioning around 'luxury', 'premium' and 'fine', but these terms are in danger of being abused too much and lack meaning due to the heavy usage by imported brands. Many of those interviewed questioned the viability of this strategy in the brick and mortar and online retail space. However, they felt using language around 'luxury', 'premium' and 'fine' are still acceptable in on-premise.

Delving deeper, we wanted to understand how consumers in China compare these terms. It was suggested that consumers in China develop a hierarchy based upon pricing with

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'luxury' being at the top of the quality pyramid, followed by 'premium' and then moving onto 'fine'. A digital expert said, "A 'luxury' tag translates to Chinese consumers as expensive. A 'premium' product is considered to be smaller in quantity and lower in cost. Describing an item as 'fine' is very vague and in Chinese, basically means good."

It was suggested that there is a risk that these terms become merely qualifiers that have little meaning to involved wine buyers. We will continue to explore what these terms mean to Chinese consumers in a quantitative study in later stages of this research. However, we will also work towards identifying the category entry points (CEPs) for the wine category in China and determine how best to use these to build the mental availability for Australian wine. By understanding the who, what, when, where, how and why, we will help quality Australian wine develop more meaningful messaging to build mental market share among Chinese consumers, which will give Australian wine a competitive edge.

When discussing how to classify wine in China, the majority of those interviewed found it is easier to break this down by price tiers. Those with more specific knowledge of brick and mortar, online and on-premise channels were even able to suggest which price tiers favoured particular channels and countries of origin. They also suggested that consumers often would buy wine at particular price-points for particular reasons, confirming the results of the China Wine Barometer (Corsi *et al.* 2016).

Having some guidelines as to how wine is classified by price tier is useful for the next stage of the research. We are conducting retail audits in Shanghai, Beijing and Guangzhou in order to develop a snapshot of the market structure across a range of channels – from traditional grocery stores to hypermarkets, from convenience stores to specialised wine and spirits shops – where Australian wine could be sold. We are cataloguing a number of variables for analysis including price points and country-of-origin and we will be able to compare our audit data with the perspectives of thought leaders as well as against reported secondary data. This will allow us to draw conclusions where Australian wine is over/under-indexed and help us design more relevant surveys to test demand and determine what messaging is most effective for Australian wine among different consumer groups in later stages of this research. We look forward to reporting further findings in this journal.

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