The good, the bad and the ugly

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I spent a week in China last month learning about the Chinese wine sector at a workshop in Beijing. I was the guest of the China Agricultural University and the China Alcoholic Drinks Industry Association. Workshop participants included academics from China studying the industry (mainly oenologists and viticulturists), reps from some of the larger wine companies, a few key wine retailers, wine writers and educators, and a few academics from the west.

The weather was not ideal and I pity the Olympic athletes who will compete in the hot and humid conditions next year at the same time. We spent one day visiting the Great Wall Winery and the Chinese-French demonstration winery about two hours north-west of Beijing. It was less humid but hotter (nearly 38°C) than Beijing. The winters are very cold and the vines must be buried each winter to survive and sprayed often during the warm summers. The vines are trained to a very low head system to allow replacement canes each year for burying. China Agricultural University oenologist and head winemaker, Domei Li, for the Chinese-French project with Pinot Noir vines, showed us some fruit which was ripening too early for quality wine. We did taste some Merlot and Cabernet Gernischt (a Chinese Cabernet clone) that had excellent potential in the area.

We tasted almost all of the estate grown wines at Great Wall Winery in the same region. The season is quite short and even with the warm climate many of the wines tasted unripe. The best were a Chardonnay and a late harvest Gewürztraminer. The reds showed lots of unripe characters. Certainly Cabernet is not the variety of choice for this region, but like in a lot of developing wine countries it is planted more for its worldwide popularity than for its quality.

Later, at the end of the workshop, we tasted a range of wines from different regions in China. Generally the wines were of acceptable quality with few faults (though a few were high in Brett). The commercial wines selling in supermarkets for $3-$5 were light but drinkable and any minor faults well hidden by the sugar levels of 10-20 g/L. There were a few quite good estate wines, mainly Cabernet and Chardonnay, that would be acceptable to wine drinkers around the world. However, the prices of these wines were quite high with most over $50 a bottle. Why is this?

First, a bit on what wine represents and how it is consumed. For most westerners, wine is an adjunct to food, like a spice or condiment. Much of our consumption revolves around food occasions. Chinese food is generally well balanced across a meal and most people do not look for an accompaniment or an added flavour. Chinese people see wine as an alcohol and therefore it competes with other alcohols to be drunk before or after an important meal or by itself in a bar. When eating in a western restaurant, wine may be consumed with food and usually this will be a high value, high-'face' wine. The Chinese drink alcohol quickly and don't typically pause to taste. Even at a lunch with the top management at Great Wall Winery, our glasses were continually topped with a good Cabernet and we were encouraged to 'gumbei', toast and swallow the whole glass.

Yes, there are wine connoisseurs in China (I met several), but they are a small minority and along with westerners, they are the focal point for imported wines and the top Chinese estate wineries. These wines are mainly sold in good western restaurants and in small specialty wine stores. Consumption is about 80% on-premise and 20% off-premise across the country. Red wine is consumed about 9:1 to white wine and is also considered a medicine, and for that, taste is secondary (see Table 1). Bone dry whites are not very acceptable. The lack of knowledge among the majority of wine drinkers means that they do not realise some wines are faulty and assume this is how it tastes. Sweeter wines appeal to new or infrequent drinkers and are the biggest sellers in the supermarkets. More experienced drinkers tend to favour elegant wines of lower alcohol levels. Most of the Chinese wines I tasted were 12-12.5%. People who taste regularly become used to tannins and can enjoy them as long as they are soft, but overall the Chinese don't like the bitter flavours of some wines. Due to the way wine is drunk, the finish is the least important characteristic, because wine is drunk quickly, like any alcohol.

The per capita consumption of wine in

Table 1: Frequency of wine consumption by colour

	Red	White	Rose
Almost everyday	6%	>1%	0
Once or twice a week	11%	6%	>1%
Once or twice a month	23%	10%	9%
A few times a year	50%	44%	42%

Table 2: Percentage of 300 consumers buying wine at each price for an occasion*

Price (RMB)**	Daily Drinking	Business Dinner	Friend Gathering	Gift
30 - 80	76%	7%	18%	5%
80 - 150	20%	26%	36%	11%
150 – 300	3%	31%	34%	31%
>300	1%	28%	7%	51%

* Not all columns add to 100 due to incomplete data ** About 6.3 RMB to an Australian dollar

Table 3: Percentage of 300 consumers choosing wine from each country for each occasion

Daily Drinking		Business Dinner		Friend Gathering		Gift	
China	63%	France	44%	China	34%	France	53%
Do not care	14%	China	20%	France	30%	China	22%
France	11%	Do not care	8%	Do not care	13%	Do not care	10%
Italy	5%	Italy	8%	Italy	10%	Italy	9%
Australia	4%	US	5%	Spain	3%	Australia	4%
Chile	2%	Australia	4%	NZ	2%	US	2%
US	1%	Spain	3%	Australia	1%	NZ	1%

China is only 0.35 litres, but it is growing among the middle class due to westernisation and government pressure to drink less spirits. Even among those who drink wine, it is not the typical alcoholic drink. I helped China Agricultural University develop a short survey of wine consumption. They interviewed 300 people shopping in the wine sections of large supermarkets in Beijing earlier this year. The three tables in this article come from that survey. Table 1 shows how few people even looking at wine in a supermarket drink wine regularly.

What about wine marketing? The big wineries, which control 80% of the market, are heavy advertisers on television, billboards, print and point of sale. They have large amounts of shelf space in the supermarkets as well as the smaller convenience stores and many mid-level restaurants. This local presence creates a sizeable barrier to entry for competitors, especially since the current price for wines sold in these outlets is very low and the amount sold at higher prices is quite small. For example, I saw a promotion for Wyndham Estate in a small specialty wine store. The promotional price was 149 RMB (about $24). This level of pricing makes most imported wines unavailable to the vast majority of Chinese drinkers. A bottle of Penfolds Bin 28 was about twice the price of the same size bottle of Johnnie Walker Black.

Table 2 demonstrates the average low price paid for wine for regular consumption. It does show the increase in price paid for other occasions. Business dinners and gifts call for expensive wines and even drinking with one's friends raises the price to a point where Australian wines are competitive.

However, Table 3 illustrates the relatively low awareness of Australian wine. Between 60% and 80% of the wine drinking occasions call for wine from either China (low face situations) or France (higher face situations). Australia is not thought of as an option by the vast majority of the consumers shopping for wine in a supermarket.

I saw mainly Pernod Ricard wines at the lower prices, due to their strong distribution of spirits in China, and a few of the better distributed and higher priced other brands at specialty stores, e.g. Penfolds and Wolf Blass. I didn't eat at any western-style restaurants, so I didn't get a chance to look over wine lists. We are early in the process of entering the Chinese wine market compared to our major export markets. At the lower end we have to use the same techniques that have made Australia successful in our key markets. The only problem is that it will take years for these promotional activities to pay back with enough sales to pay the costs of promotion, since current prices are so low. The Chinese have been trained on Chinese wines at these lower prices and don't consider other wines unless the price is similar.

At the higher end, Australia is lacking in options priced high enough to compete in reputation with France. Buyers in top restaurants and shops are usually looking to spend $500 or more. Also, most of the frequent wine drinkers have learned about wine by tasting French wines and do not think of Australia as an option. There are more wines at $25-$100 in the growing number of wine bars and mid-priced western restaurants. Here our mid-priced wines will be ideal as the market develops. I agree with Francis Wong of Top 8 Wines, that those exporters who are willing to work hard with a knowledgeable Chinese rep will gain some traction in the market. But it will take time. Australia is just establishing its category in China. We need some more wines to build our reputation, but the work won't be easy. You will find friendly and hard working Chinese to represent you, if you choose carefully and you will eat lots of good food. Gumbei!

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