

chinese wine market

Australian wines in China.

Wine with lemonade: is the myth a reality?



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Introduction

The Australian wine industry is currently characterised by an excess supply of grapes, international and domestic retail consolidation and relatively stagnant domestic wine consumption which has led to decreasing profitability for Australian wine businesses (Hobley & Batt 2005; Deloitte & WFA, 2006). A potential 'remedy' for this situation is finding new export markets, with China presenting itself as a possible destination for Australian wine. Indicative is the fact that the volume of Australian wine exported to China has increased approximately fourfold, with value having more than doubled, in the short period from February 2006 to October 2006, while at the same time value per litre has almost halved (as shown in Table 1). Therefore greater quantities of lower value wine are being exported to China with bulk wine representing approximately 78% of exports by volume at \$0.65 per litre in the year to October 2006 (AWBC 2006a).

Table 1. Volume, value and value per litre of Australian wine exported to China, MAT (Moving Annual Totals) February to October 2006.

Month	MAT Volume (litres)	MAT Value (AUD\$)	Value per litre (AUD\$)
February 2006	4,247,594	13,807,400	3.24
October 2006	16,771,737	28,134,492	1.68

(AWBC, 2006b,c)

To successfully increase both the quantity and quality of wine exported to China, Australian wine businesses require a better understanding of market entry strategies, supply chain management and other market characteristics such as consumer preferences. However, there is little primary research data available in the public domain regarding Chinese preferences and behavioural characteristics related to wine consumption. This exploratory study examined such characteristics of Chinese-born wine consumers residing in South Australia providing some insights into Chinese wine-related behaviour.

Anecdotal evidence points to the Chinese phenomenon of mixing wine and carbonated soft drinks, in particular the mixing of red wine and lemonade and a preference for sweet wines. This study aimed to substantiate whether there was a preference for these styles of wine and whether Chinese consumers prefer other styles of wine that are produced in Australia. The information provides an insight into the Chinese wine consumer to aid wine producers in adjusting their marketing strategies and in particular new product development for the Chinese market.

Literature review

The consumption of wine in China is miniscule compared with the consumption of beer and spirits. Wittwer & Rothfield (2006) note that Chinese people consumed 21 litres of beer, 3.1 litres of spirits but a meagre 0.2 litres of wine in 2003. Armitage (2006), China's Growing Thirst For Foreign Wine (2004) and Knott (2004) attribute the relatively low consumption of wine to low levels of wine knowledge among Chinese alcohol consumers and state that wine education is needed to boost consumption levels. However, an increasing level of wine consumption is being led by the positive health connotations of wine (Levin 2004, Vertume International 2004, Guinand 2005) and the influence of Western cultural practices (Wine in China 2000, Chinese wine sector attracts growing interest (2004).

In terms of wine preference, Regan (2000), Dewald (2003), Guinand (2006) and China's Growing Thirst For Foreign Wine (2004) note that Chinese wine consumers prefer fruity red wine styles with a degree of sweetness as opposed to dry, tannic wine styles or white wine styles. Chinese wine consumers partake in a number of wine consumption practices that are different to Western cultural norms. It is noted by Jun (2003) and Guinand (2005) that Chinese wine consumers prefer to "down" a glass of wine in one fell swoop and that they also have a preference for red wine and lemonade cocktails.

The phenomenon of mixing red wine with lemonade has been attributed to the former Chinese premier Li Peng who partook in the practice in the 1990s (Regan 2000). The reason for undertaking such a practice has been attributed to the wish to make red wine sweeter (Regan 2000; Guinand 2005) with China's Growing Thirst For Foreign Wine (2004) attributing the practice due to consumers' tastes and wine knowledge being in a developmental stage. Much of the literature regarding the wine/lemonade phenomenon is anecdotal in nature with commentators discussing incidences where Chinese wine consumers have partaken in this practice. Zhao (2003) discusses the story of bottles of Chateau Lafite-Rothschild being opened and poured into jugs and subsequently topped up with lemonade and Regan (2000) recounts the story of young, "trendy" Chinese men and women meeting in bars and sipping cocktails made of red wine and lemonade. However there is a scarcity of research-based information as to whether the red wine/lemonade style of wine is preferred by Chinese wine consumers. This study aimed to provide such information.

Methods and materials

Sensory evaluation of wine was performed as part of this study. The sensory evaluation was run in conjunction with a focus group study with 36 Chinese-born participants now residing in Adelaide, South Australia, participating in sensory evaluation sessions. Chinese-born participants were used in this study as it was deemed a cost-effective method for examining Chinese wine preference (as opposed to costly research in China) and as most participants had resided in Australia for a considerable period of time (See Table 2) it was of interest to observe whether their ethnic behavioural traits had been retained.

Table 2. Study participants average years residing in Australia

Group	Years
Under 45 year-old males	3
Over 45 year-old males	30
Under 45 year-old females	8
Over 45 year-old females	13

As reflected in Table 2, study participants were segmented into 4 groups based on sex and age. The groups are listed below.

- Under 45 year-old males
- Over 45 year-old males
- Under 45 year-old females
- Over 45 year-old females

14 wines were presented to the participants in 4 brackets including still, sparkling and fortified wines and a bracket of red wine mixed with lemonade in varying concentrations (see Tables 3 and 4). All the wines were commercially available at the time of the study and were chosen because of their varying levels of residual sugar.

Participants were then asked to taste each wine and indicate their liking of the wine on a 9-point hedonic scale sheet as exhibited in Figure 1.

Table 3. Wine types/styles evaluated by study participants. R/S = residual sugar

R/S	Wine Type/Styles
< 3 g/l	Cabernet Sauvignon
< 3 g/l	Sangiovese
3 g/l	Riesling
10 g/l	Rosé
19 g/l	Riesling
30 g/l	Riesling
30 g/l	Rosé
117 g/l	Moscato
150 g/l	Muscat

Table 4. Red wine/lemonade mixed wines and sparkling red wine evaluated by study participants

Wine Style
100% Dry Red Wine
75% Dry Red Wine, 25% Lemonade
50% Dry Red Wine, 50% Lemonade
25% Dry Wine, 75% Lemonade
Sparkling Red Wine

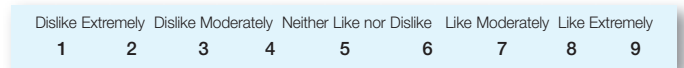


Fig. 1. Example of a 9-point hedonic scale

Results

This study revealed numerous observations of interest regarding Chinese wine consumer preferences. Of particular interest was the preference for sweet wine styles over dry styles.

Figure 2 exhibits a chart of wine preference versus the residual sugar content of the wines. Despite the small number of observations (n=36) the line of best fit (linear in Figure 2) illustrates that as the residual sugar level in the wines increased, preference increased.

Further statistical analysis in the form of regression analysis was performed to observe how the independent variable of sweetness influenced the dependent variable which was the wine ratings.

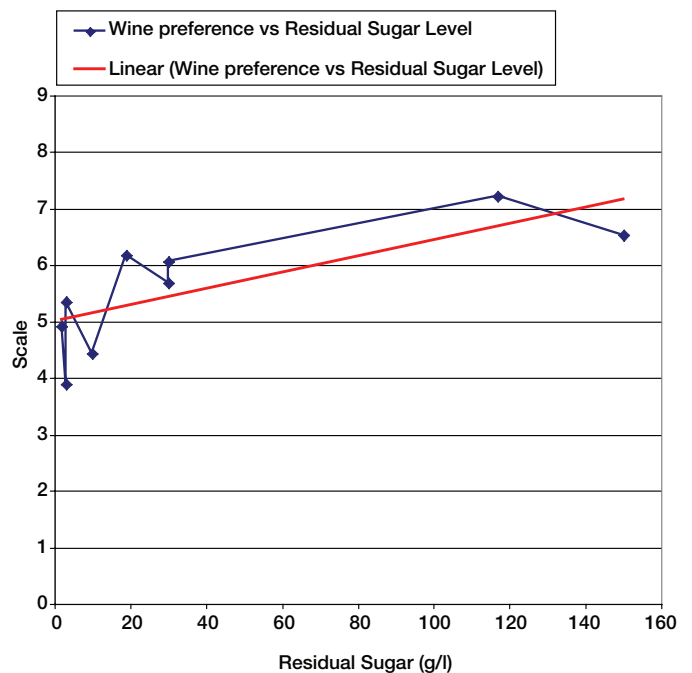


Fig. 2. Wine preference vs residual sugar levels

Table 5. Regression Analysis results on sensory evaluation data

Group	Sweet Beta Coefficient
Under 45 yr-old males	1.750**
Over 45 yr-old males	.538
Under 45 yr-old females	1.740**
Over 45 yr-old females	.850*

** p<.01 *p<.05

The results of the regression analysis are shown in Table 5.

For the purpose of regression analysis a dummy variable of “sweet” was assigned to all of the wines that had a perceptible level of residual sugar. The results in Table 5 show that there was generally a statistically significant increase in preference when participants evaluated sweet wines. For example, when male participants under the age of 45 years evaluated sweet wines, an average increase of 1.75 in the hedonic scale was awarded. ▶

However, there was no statistically significant increase ($p > .05$) in preference for sweet wines by the over 45 year male group.

The results also illustrate that participants under 45 years of age awarded higher preference for sweet wines than over 45 year-old participants. The lower preference for sweet wine by the older participants may be due in part to the effect of ageing whereby perceptions of sweetness diminish with age as noted by Cunningham & Brookbank (1998), Whyche (2004) and Katz (2005). The results may also be due to the effect of acculturation whereby the older participants prefer a more dry, Western style of wine as they have resided in Australia for a longer period of time than the younger participants as shown in Table 2. This rationale may account for the over 45 year males' regression results that showed no statistically significant increase ($p > .05$) in preference for sweet wines, with this group having resided in Australian for an average of 30 years (see Table 2).

The study also involved the evaluation of a bracket of dry red wine/ lemonade mixed wines. The results of this bracket's preferences are shown in Figure 3.

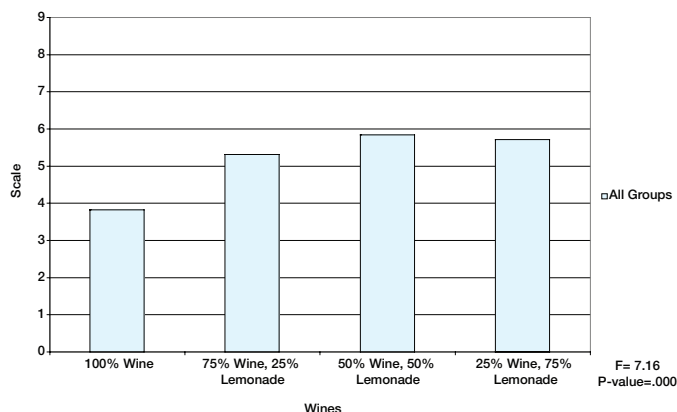


Fig. 3. All Groups preference for red wine/ lemonade mixed wines

The results revealed that the study participants preferred the higher concentration lemonade wines over the lower concentration wines and the mixed wine/lemonade style over the straight dry red wine styles ($p < .01$). A trained sensory panel was used to gauge the effect that lemonade additions had on dry red wine sensory characteristics. The panel concluded that the addition of lemonade reduced bitterness, astringency and

increased sweetness. Included in this study's sensory evaluation was an Australian sparkling red wine and fortified wine style. Participants awarded a preference score of 5.7 and 6.5 (out of a possible 9) for the sparkling red wine style and fortified wine style respectively indicating a liking for these two wine styles.

Conclusion

Sensory evaluation data from this study exhibited a number of clear wine style preferences for people of Chinese ethnicity. Of major interest was an overwhelming preference for sweet wine styles over dry wine styles. Preference for sweeter styles was found to diminish with age, eg. younger study participants awarded higher preference scores for sweet wine styles than older participants, showing an aging effect confounded with an acculturation effect, as older participants in our sample also had resided in Australia for a longer period of time. This added some weight to the theory that people residing in China would prefer sweet wine styles. A preference for sparkling red and fortified wine styles was observed in addition to a preference for higher concentration lemonade mixed wines thus uncovered that consuming wine with lemonade is therefore not a myth for persons of Chinese ethnicity. Fortified wine styles were preferred, in consistence with the finding that Chinese consumers are accustomed to higher alcohol products exhibited in their high level of spirit consumption (Australian spirit consumption 2004: 1.2 litre per capita, China spirit consumption 2004: 3.1 litre per capita, (Wittwer and Rothfield 2006)).

Further research

The results of this study have shown that participants preferred sweet wine styles. However further studies with larger sample sizes should investigate the optimal preferred level of residual sugar in terms of wine preference. A preference for red wine mixed with lemonade was observed. Examination of the optimal lemonade concentration in mixed red wine/ lemonade wine styles should be performed in further research. Any change in colour and carbonation in the resulting wines and subsequent changes in preference should be noted. Confirmatory research regarding the preference for sparkling red wine styles and fortified wine styles could be performed in China with particular emphasis on the effect that tannin and astringency of sparkling red wine and alcohol content of fortified wine have on preference.

Managerial implications

Of significant interest to Australian wine producers is the preference for the sparkling red and fortified wine styles found in our sample. These two wine styles are not overly popular amongst Australian wine consumers (in 2005-06, fortified wine and sparkling wine consumption account for 4% and 9% of total wine sales respectively in Australia (AWBC 2006d)) therefore an opportunity may exist in the Chinese export market for these wine styles. Also as a preference for sweeter wine styles rather than dry styles was observed, Australian wine producers wishing to export their products to the Chinese market may need to adjust their product strategies to satisfy these consumer preferences. An example of such a product strategy is a red wine/lemonade mixed wine, packaged in an aluminium can for the Chinese ready to drink (RTD) market.

Sweetness in wine is related to grape ripeness, and Australia is climatically well placed to produce grapes with high sugar



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content, therefore it is economically and environmentally unproblematic to achieve the production of these styles of wine in Australia and hence satisfying Chinese demand.

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Wine, women and profit

Frank Smith

“The women’s market is not an add-on; it is your biggest potential market,” Steven Howard, of Howard Marketing, told the MasterCard Wine Food and Travel Summit at Margaret River last November. “Consumer spending is two-thirds of the economy. Women make 85% of consumer buying decisions; in addition most business buyers are women,” he said. “Women buy 75 percent of the wine and consume 60 percent of it. This presents a real market opportunity.”

“The baby boomer generations (1946-64) will see the largest transfer of wealth in history. The average female baby boomer will be widowed at 67 and live for a further 15 – 18 years. In the US, 30 percent of women earn more than their husbands. Women earn 57 percent of college degrees; 40 percent of MBAs and 50 percent of law graduates are female.”

He said female baby boomers spend much of their wealth on travel, family and entertainment. Unlike previous generations they are not concerned in passing on wealth to the next generation.

While the US leads, Asia is not far behind. East Asia has the highest ratio of female to male workers (87:100) found anywhere in the world. “In Singapore parents often live in the same apartment building, providing a built-in free baby-sitting service. Therefore they can travel. Women account for 40 percent of travellers in Asia making 64 million individual trips annually.”

“Asset- rich baby boomers are outliving men. Rising living standard in Asia has enabled a shift from necessities to discretionary expenditure. Asian women have \$US385 billion discretionary buying power, which will growth to \$US518 by 2014.” MasterCard lifestyle survey showed three-quarters of women consider travel an important aspect of their lifestyle and 37% took an overseas holiday last year.

“Asian women are dedicated shoppers. It is their first preferred destination activity. Marketing to women is the most significant

and profitable opportunity in marketing today,” he said. “But to be successful you must understand the difference between men and women.

“These differences are real and particularly impact on the way you communicate to them. Men get closer by doing things together, women by talking and providing information for each other. Women want information from personal sources, men from impersonal sources. Men are competitive, only a man could have dreamed up Robert Parker’s 100 point system for wine.”

Research has shown that for women a glass of wine at the end of the day is a reward, not a stress relief after a manic day. Packaging for women should reflect the real woman. Howard also warned against dumbing down, saying that women’s role models have more brains than glitz.

“Don’t go pink,” said Howard. “Girly packaging won’t help sell your product. The girlfriend factor is important. Don’t show women on their own in adverts – show a group of women enjoying themselves together with your product. The depth and meaning of a woman’s friendships are among the most treasured in her life, so emphasis sharing.”

Women’s experience of the cellar door is poor, but women are more likely than men to purchase the same brand of wine later. “Winery websites aimed at women should provide information, information, information.” Howard said cellar doors should consider having a ‘Girls Night Out’ bin.

Other ideas Howard expressed include, wine and food matching suggestions, tips for cooking with wine, E-coupons and gift vouchers, and suggestions for gifts.

“The women’s market is not a niche market; it offers vast potential to marketers who understand that gender differences are important.” Pursuing this market can lead to greater customer loyalty, lots of referrals and higher profit margins as a result.