



# Luxury Lessons from Wine in China

Milano Fashion Global Summit  
13 December 2011

# Overview



# China

## Tianjin

Pop: 13m  
GDP per person: 62,403RMB  
51 minority nationalities, Home of Airbus A320 factory;

## Beijing

Pop: 22m  
GDP per person: 68,788RMB  
Capital city, Home of Forbidden City and Tianánmen

## Jiangsu

Pop: 76m  
GDP per person: 44,232RMB  
1st in China for paid-in foreign capital (more than 88k foreign companies)

## Shandong

Pop: 95m  
GDP per person: 35,893RMB  
Ethnically over 99% Han, center of wine production in China

## Zhejiang

Pop: 54m  
GDP per person: 44,335RMB  
RMB millionaires: 126,000  
Major international companies: Esso, Dow, Sumitomo, Samsung

## Shanghai

Pop: 19m  
GDP per person: 77,564RMB  
Busiest container port in the world, Home of 2010 Expo

## Fujian

Pop: 36m  
GDP per person: 33,051RMB  
Very ethnically and linguistically diverse province - also influence from Taiwan

## Guangdong

Pop: 104m  
GDP per person: 40,748RMB  
Most populated province, Home of Shenzhen

# China

## Xián

Pop: 8.4m  
GDP per person: 26,259RMB  
New luxury mall: Zhongda International

## Chengdu

Pop: 14m  
GDP per person: 35,215RMB  
Gateway to western regions, Financial and hi-tech center

## Chongqing

Pop: 31m  
GDP per person: 22,909RMB  
Industrial base, western China's largest inland port

## Wuhan

Pop: 9.7m  
GDP per person: 44,148RMB  
New top spot for luxury brands

## Shenyang

Pop: 8m  
GDP per person: 54,106RMB  
Logistics hub for NE Asia - strong in autos, aviation, energy

## Qingdao

Pop: 8.7m  
GDP per person: 52,895RMB  
Large South Korean community

## Nanjing

Pop: 8m  
GDP per person: 55,290RMB  
Modern economy - tech and industry, resurgent financial sector

## Hangzhou

Pop: 8.7m  
GDP per person: 74,924RMB  
Affluent and popular holiday destination

# China market profile



**Imported bottled wines**  
11.2% in year 2010  
(Year 2009: 8.5%)  
16.2 million 9-litre cases in  
year 2010

**Imported bulk wines**  
10.5% in year 2010  
(Year 2009: 7.5%)  
15.2 million 9-litre cases in  
Year 2010

**Domestic wines**  
78.3% in year 2010  
(Year 2009: 84%)  
112.3 million 9-litre cases in  
year 2010

# Key dates in China's Wine Import Market from 1980 onwards

1980

First Chinese-foreign joint venture  
Remy Martin & Tianjin  
government to form Dynasty

1997

First wine boom with wine imports  
to China reaching US\$10m

1997

Re-exports from Hong Kong to China  
reach a peak of US\$61m

2001

China joins WTO

2004

China's wine duty comes down from  
65% to 14% for bottled wine and  
20% for bulk wine

2005

Second wine boom with imported  
wines nearly doubling each year

2006

China surpasses Hong Kong for bottled  
wine imports

2008

China signs free trade agreements with  
Chile and New Zealand

2009

China becomes sixth largest wine  
producer & fifth largest consumer

2010

Castel announces China as its top export  
destination, overtaking UK

# Wine Import Trends

## Category trends

- Growing popularity of Burgundy red, very top wines from Italy and Spain, and cult wines from California and Australia
- Increase in demand for sparkling and rose wines

## Consumption trends

- Matching of wine styles and Asian meals still at nascent stage but growing
- Cities like Shanghai more adventurous for whites/non traditional wines

## Gifting trends

- Enormous growth for wine as a gift in China
- Creation of special packaging or cuvees to heighten brand visibility

## Italian wine trends

- Second biggest growth in China after France as 3rd most important country
- 7.7% of the market for imports (46% France; 27% Australia)

## Wine style trends

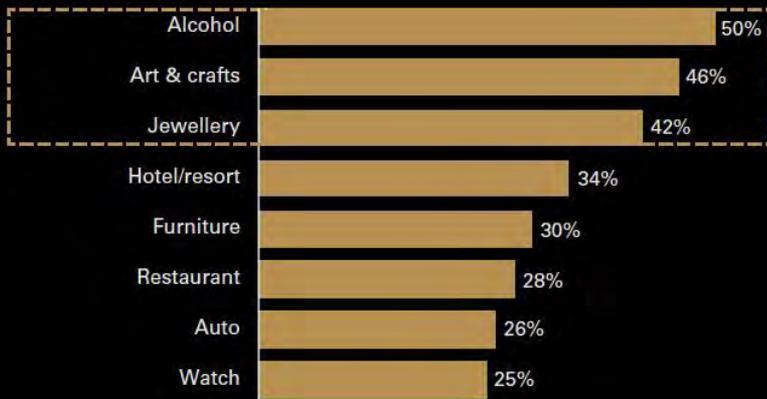
- Reds still dominate but this is changing in affluent coastal cities
- Cabernet Sauvignon continues to be the most popular variety planted in China

## Wine pricing trends

- Premium wines are the fastest growing category
- All domestic producers now offer premium wines over RMB 1,000

# Wine Key to Luxury Lifestyle

KPMG Luxury experiences in China 2011: Categories where consumers believe local luxury brands will take off (Excerpt)



HURUN Best of the Best Awards 2011: A survey of 401 Mainland Chinese millionaires - Wines and liquors list

Best Luxury Drinks Brand	Louis XIII
Best Luxury Whisky Brand	Royal Salute
Best Ultra Luxury Cognac	Louis XIII
Best X.O Cognac	Rémy Martin X.O
Best Premium Chinese Spirits	Swellfun
Best Chinese Spirits	Moutai
Best Premium Champagne Brand	Dom Pérignon



# The cultural dimension

## Social values



Individual's identities intertwined with others;  
hierarchical society



Obligation towards giving 'face', respect, honouring special  
guests, VIPs



Luxury items are as often for others as for self



Meals in a business context function to 'give face' and  
'honour' guests



Gift-giving is very important

# The cultural dimension

## Lifestyle



City living means  
tiny living spaces  
across all the  
major cities in  
Asia

Eating out is  
just as  
common as  
eating at home

Luxury items play an  
even more  
important role with  
a 'going out' vs  
staying home  
lifestyle



# The cultural dimension

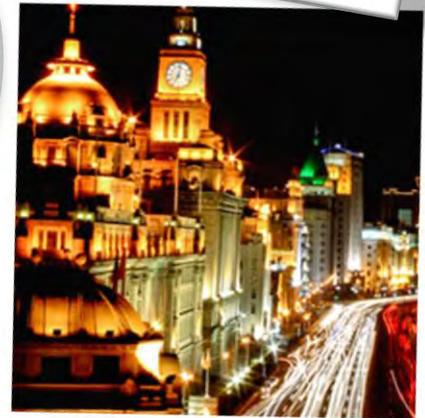


Youth of new  
Chinese  
consumers “Little  
Emperors”



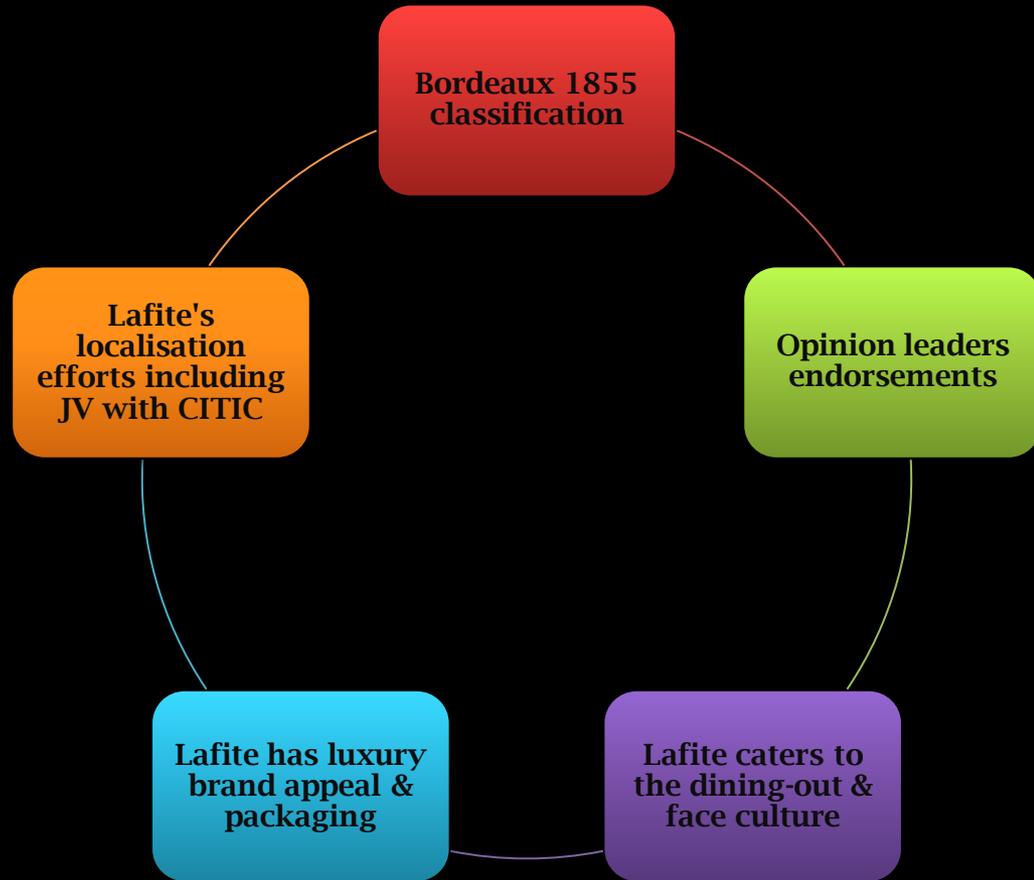
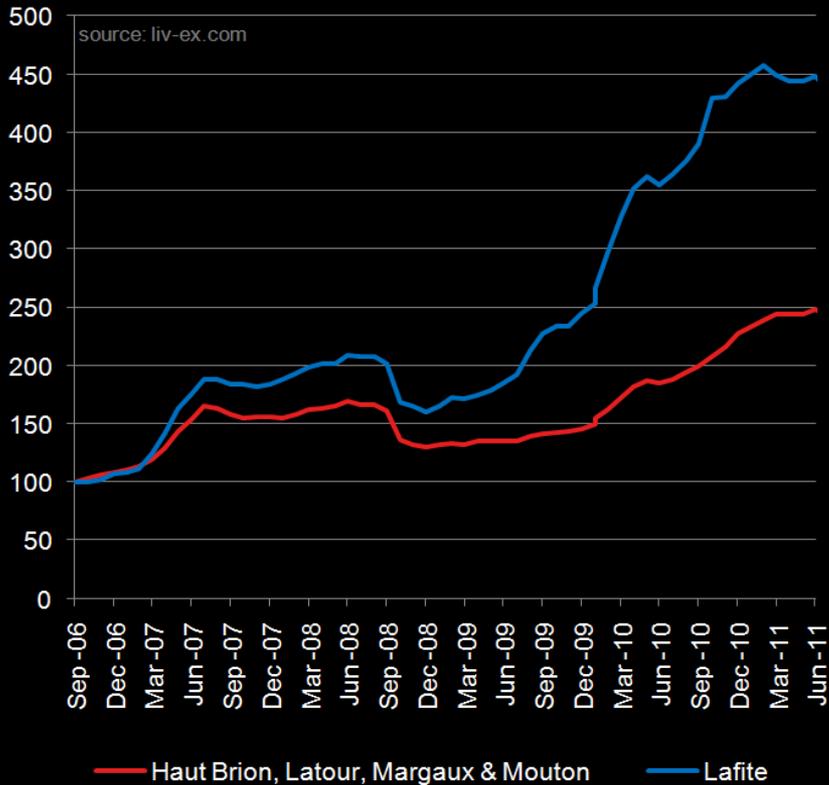
Love of foreign  
brands mixed  
with pride in  
Chinese goods  
& services

Urbanization of  
population  
plus flight from  
Tier 1 cities



# The Lafite phenomenon

One market effectively pushed up the price of one brand...



# Fine Wine trends



Lafite's dominance has been reduced over the past 6 months but it is still the world's most powerful fine wine brand



China (mostly in modernised coastal cities) and Hong Kong tastes have broadened over the past few years beyond Bordeaux



For most international fine wine brokers and auction houses, Asia now makes up more than 65% of their revenue



Italian wines are becoming more popular mainly through Italian restaurants which enjoy faster expansion rate than French

# Takeaways



Premium wines like Lafite cater to the 'going out' lifestyle and offer affordable luxury

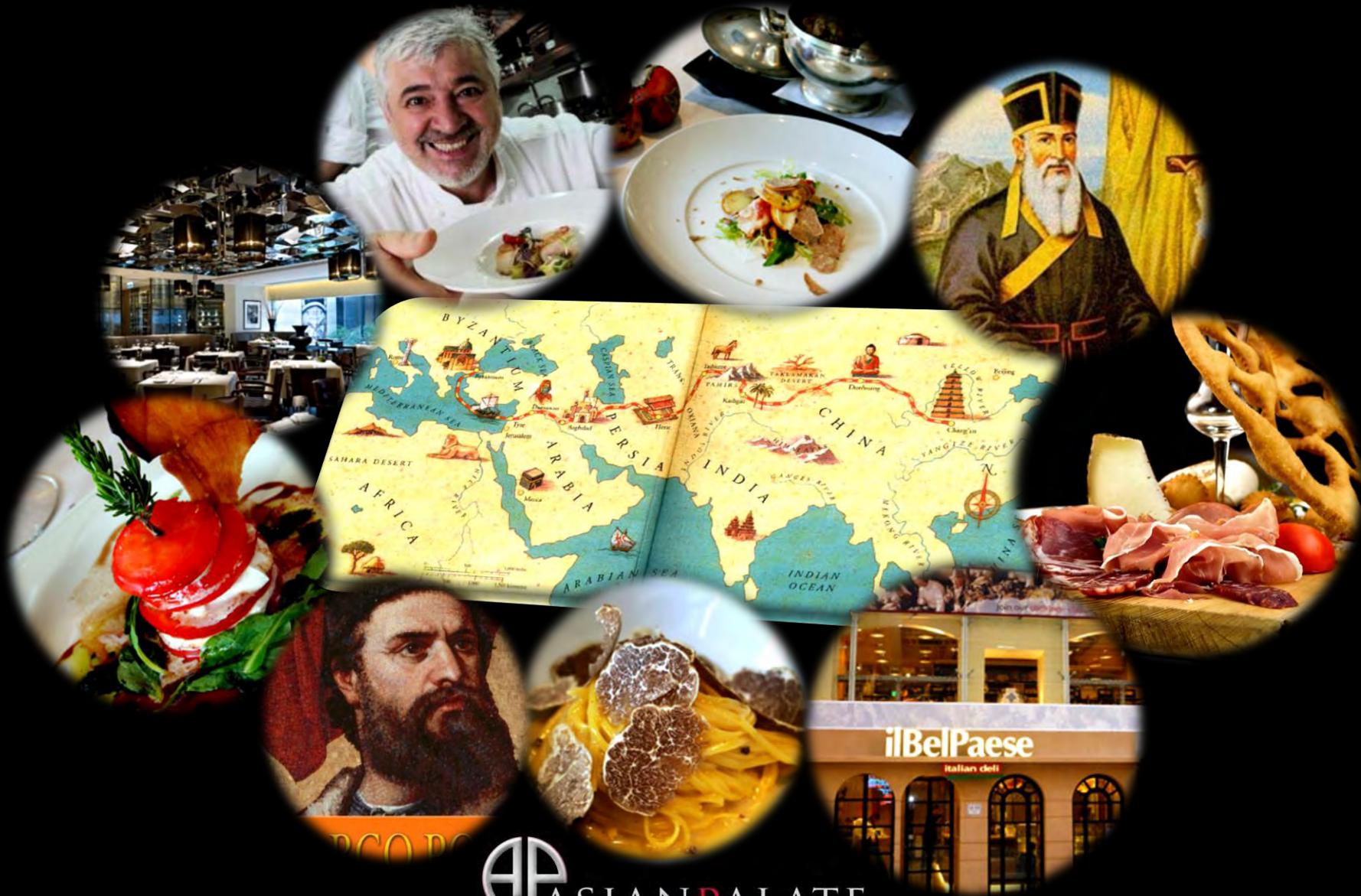
Successful companies form important social bonds with the local market with thoughtful packaging and visiting the market frequently

Top wine companies understand the influence and power of opinion leaders, image makers and the elite while selling products that are accessible for upper middle class.

Localising is crucial by establishing joint ventures, making vineyard investments or owning distribution companies



# Potential for Italian Wines in China





**Grazie mille!**

谢谢！

**Thank you!**