China Wine Barometer – Wave 5

INTERIM REPORT to
WINE AUSTRALIA

Project Number: **USA-1202**

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Research Organisation: **Ehrenberg-Bass Institute for Marketing Science – UniSA**

Date: **02/05/2016**

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Executive summary (1/2)

Chinese wine consumption is growing but becoming less formal. Greater competition and a growing number of low knowledge consumers mean overall awareness is dropping and should be focused on by Australia and Australian producers.

Cabernet is retaining its lead as the top grape variety, so there is an opportunity to grow the region/grape variety nexus for Australia. White wines are gaining in awareness and offer an opportunity, especially with food matching in less formal restaurants.

Australia has managed to maintain its premium image and even slightly decrease its commercial one, but other countries are doing the same. There has been growth in the perception of Australia as an exciting wine producer of food friendly wines.

Executive summary (2/2)

There has been little change in choice drivers for on-premise consumption but growth in wine for taking when visiting friends and family members. Business occasions are still the highest spending occasions while prices paid for informal occasions have decreased.

The wine industry and individual producers need to maintain their marketing interventions and focus on premium, but informal positioning as more consumers enter the wine market. Australian wine regions are not among the top regions for awareness and must work harder to build consumer awareness in order to grow.

Research overview

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This research

This report presents the findings of the fifth wave of the Wine Australia funded **China Wine Barometer**.

Similarly to Wave 3 of the **CWB**, this wave focuses on Chinese wine consumers' awareness, attitudes and perceptions about wine and their specific attitudes and behaviours in the on-premise sector.

The data was collected in March-April 2015.

Who we surveyed (n=985)

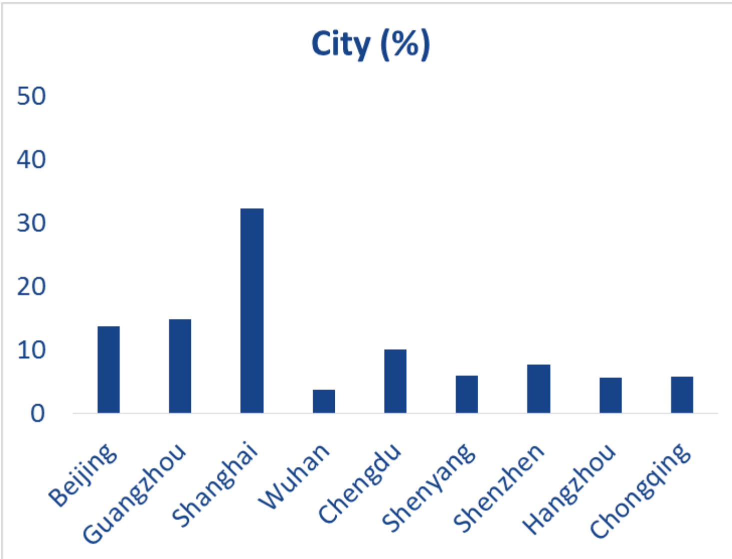
The sample obtained is socio-demographically representative in terms of age, gender and income of the upper-middle class urban population aged 18-49 living in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, Wuhan, Shenzhen, Hangzhou, and Chongqing who drink imported wine at least twice a year.

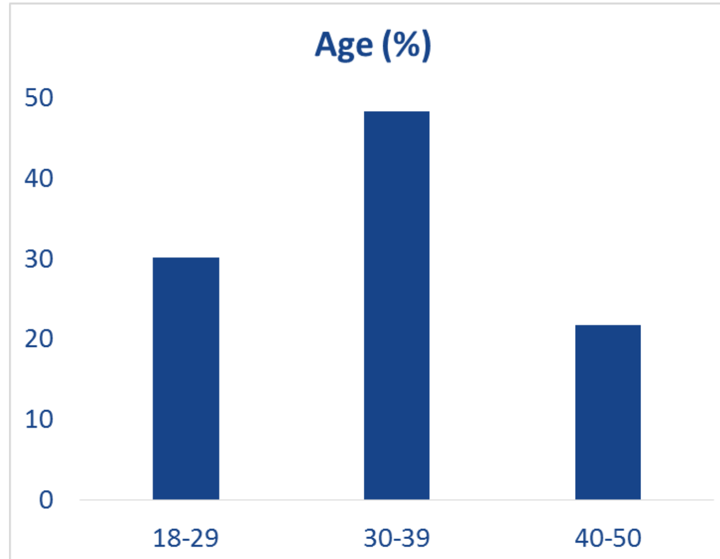
The respondents are characterised as follows:

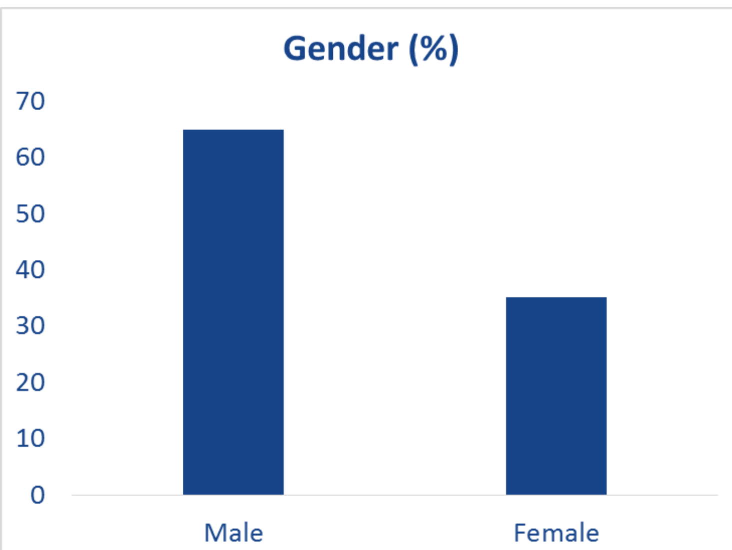
- **Cities**: 32% Shanghai, 15% Guangzhou, 14% Beijing
- **Gender**: Male 65% – Female 35%
- **Age:** 48% are 30-39
- **Income**: 66% > RMB 10,000 (~ AUD 1800) a month; 87% > RMB 7,000 (~ AUD 1300) a month
- **Academic degree** & **English speaking:** ~ 80%

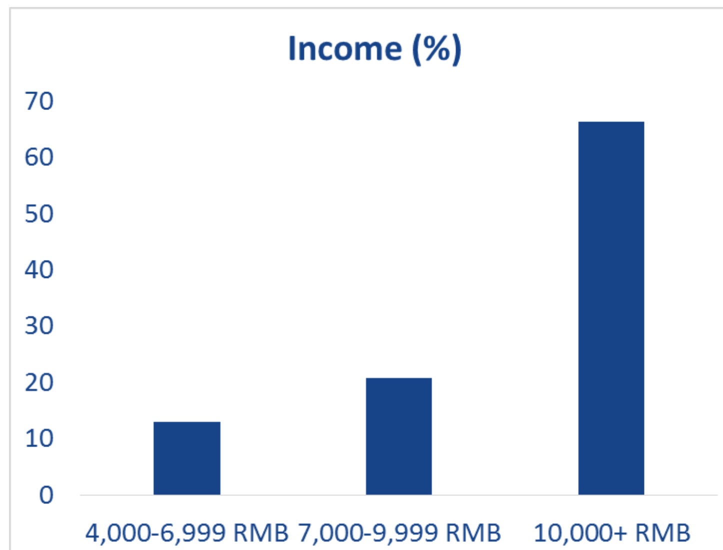
*As in Wave 3 & 4, the **CWB** now covers a total of 9 cities in China*

Snapshot of sample









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Reporting approach

The first section of the results presents the wine awareness of Chinese consumers. This is followed by four sections that build in greater detail on the **Wine Country Perceptions (WCP)** of Chinese consumers. The structural composition of each wine country's image as well as categorisation by commercial versus premium perceptions are provided. Then, the **Strengths and Weaknesses** of each country are presented. The final sections of the results present the **Choice Drivers** and **Consumption Behaviour** specific to the on-premise sector.

Reporting is based on conventional market research techniques. However, three methods, **Pick-Any, Best-Worst Scaling** and **Retrospective Recall**, that have the potential to add further insight and are part of the Ehrenberg-Bass Institute tool kit, are applied and described in further detail in the following slides.

Methods

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Pick-Any method

The **Pick-Any** method is use to measure the perceptions consumers have about different countries of origin in relation to selected attributes that are representative of the key dimensions countries are evaluated upon. This can be interpreted and visualised in a number of formats in order to extract maximum insight from the data.

Respondents are required to assess the items within each attribute and indicate which, if any, country they would associate with each item. There is no restriction on the number of associations that can be held per item and can span across multiple countries.

Best-Worst Scaling

Best-Worst Scaling is a choice-based approach for measuring relative attribute importance. Respondents are asked to select the most-important (best) item and the least-important (worst) item from sets of three or more items.

The method is a break-through in market research because it uniquely produces a ratio-level scale of consumer preference as well as overcoming some of the response bias and discrimination problems that plague traditional techniques.

The most important element takes on a value of 100, and all less important attributes are a ratio relative to the most important attribute. This indexed display allows for ease of comparison, e.g. an item rated 75 is 75% as likely to be rated most important, compared with an item at 100. This method provides a more realistic overview of the tradeoffs consumers make in a decision-making process.

Repeat purchase analysis

This analysis provides measures of which product attributes (e.g., country of origin, region of origin, grape variety, and price point) feature in the purchase decisions of consumers.

Two measures are calculated and presented:

- **Penetration**: % number of buyers of any given product attribute over the total number of shoppers. This measure is important, because increasing buyers is the key to brand growth.
- **Repeat purchase rate**: % of buyers of product attribute *i* conditional on being a previous buyer of the same attribute *i*. This is a suitable measure of loyalty for the data collected in this study.

Awareness

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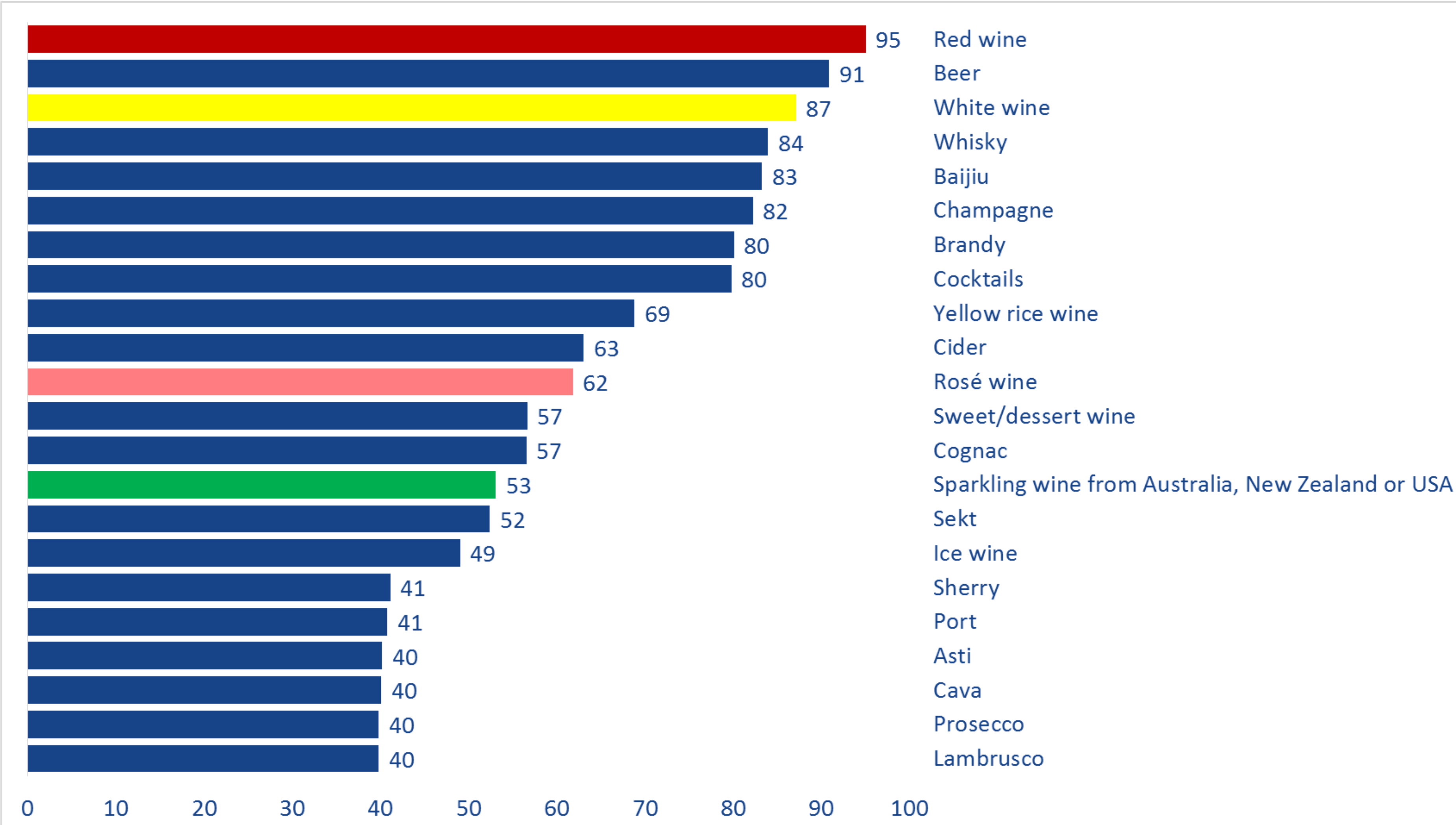
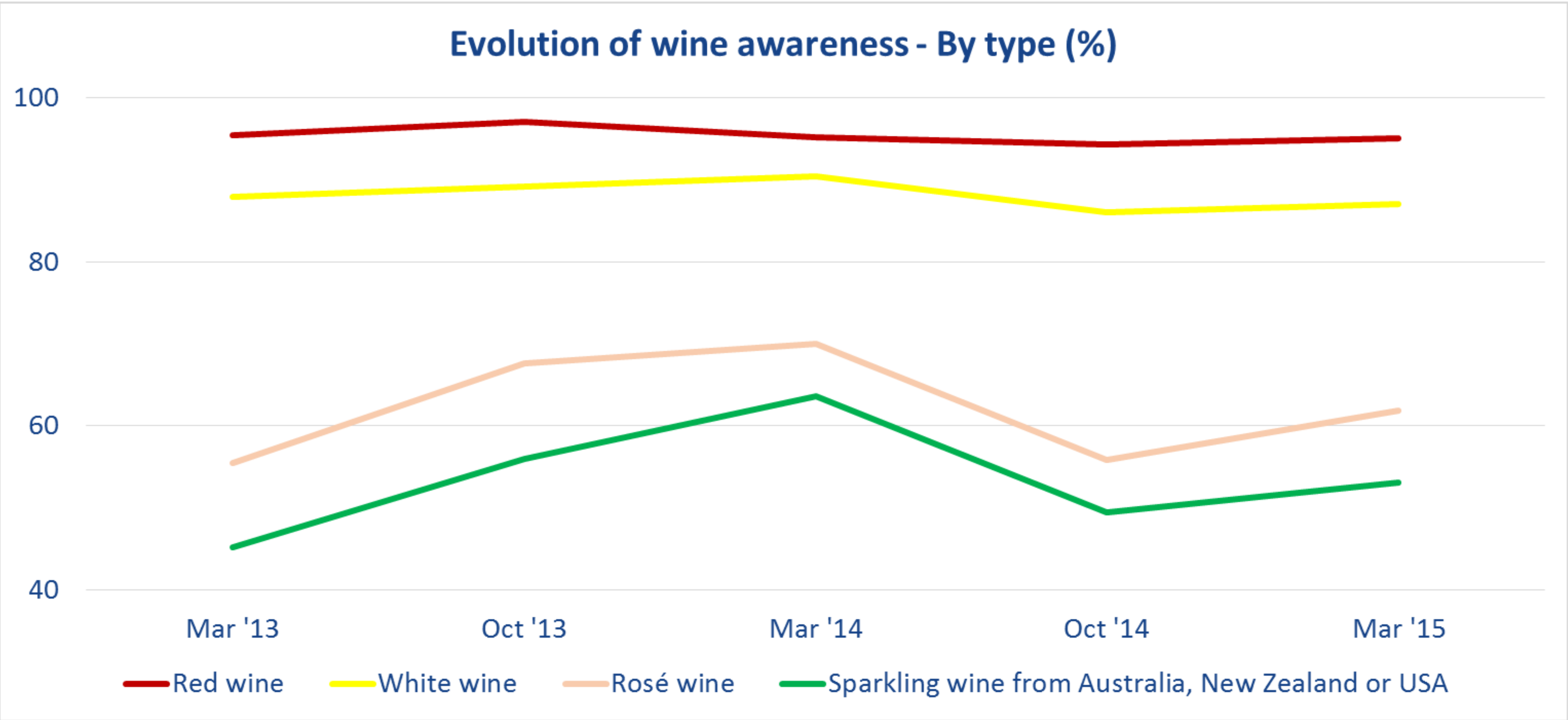
Awareness levels remain static except notable positive growth for rosé and ‘new world’ sparkling wines.

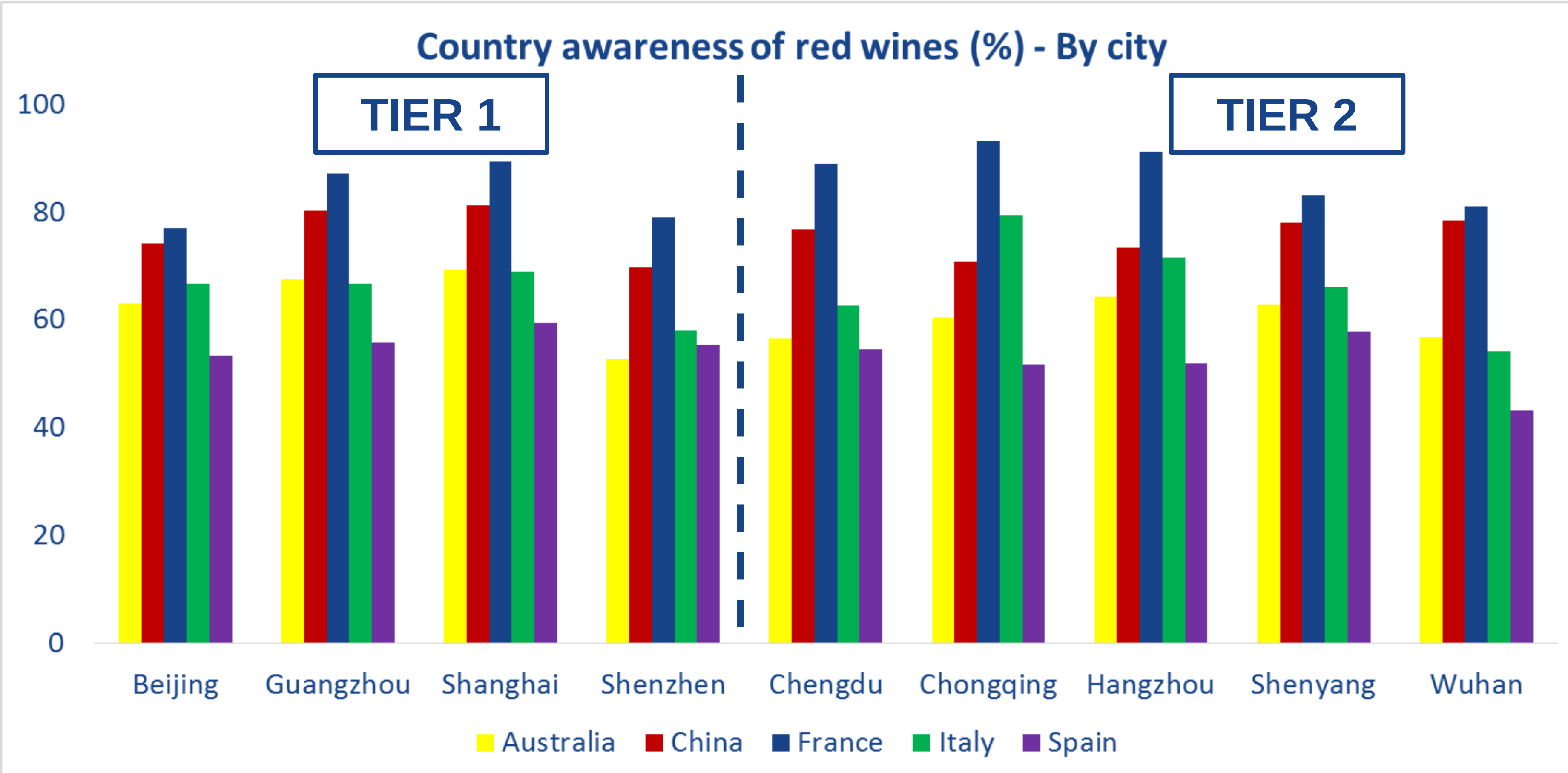


Results have been interpreted in consideration of CWB Wave 4 results

Awareness levels for red and white have changed little over 2.5 years; Rosé and sparkling decreased after change in guidelines for celebrations in China.



Awareness of Australia as a red wine producer (among those who pick Australia as a wine producer) varies lightly by city and trails awareness of France, China and Italy.



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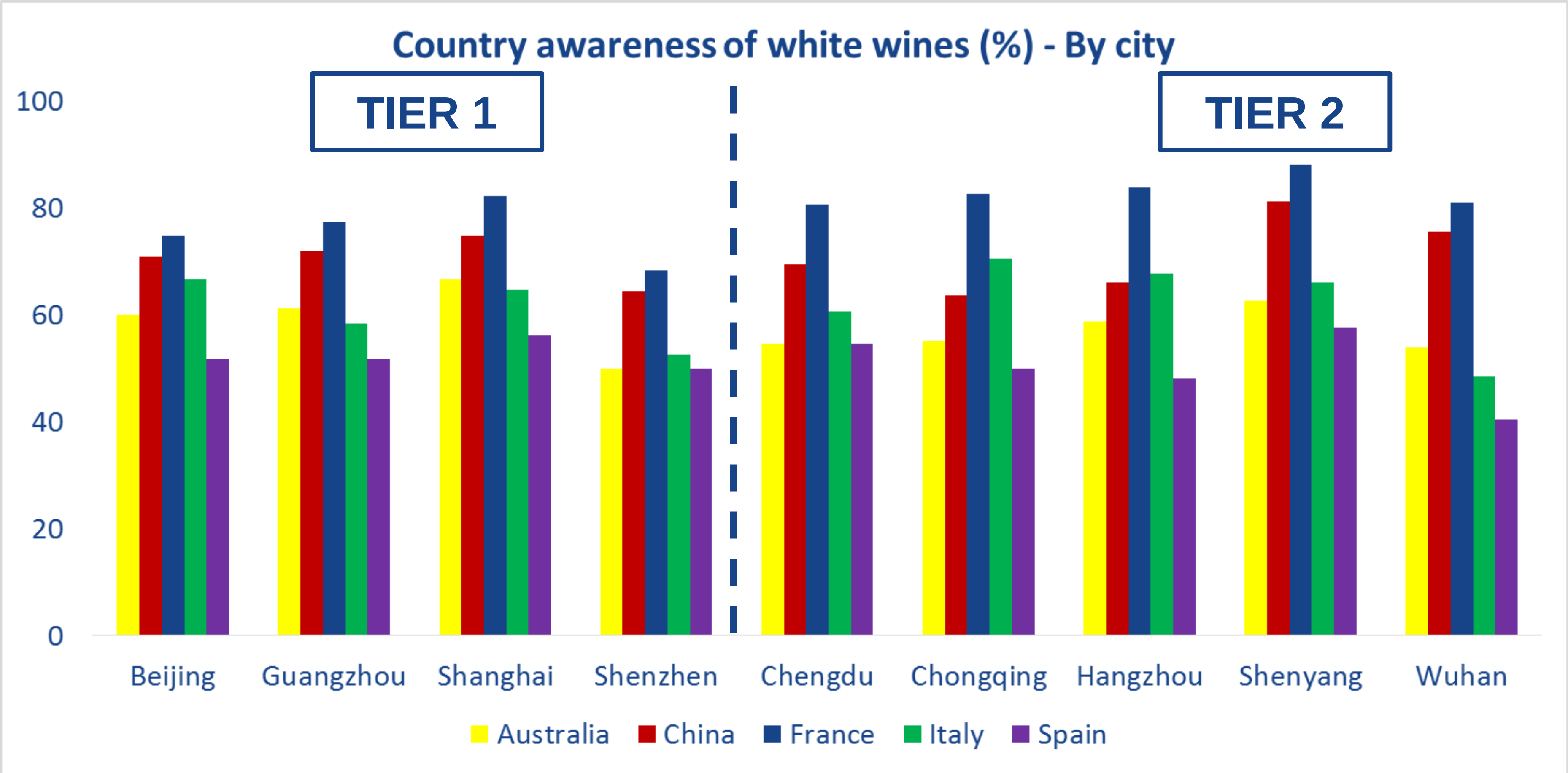
Awareness of red wine by country across Chinese cities between March 2013 and May 2015 decreases over time as more countries expand in the market.

	Australia						France						Spain				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	67	69	63	-6	-4	Beijing	91	92	77	-15	-14	Beijing	70	68	53	-15	-16
Guangzhou	81	68	67	-1	-13	Guangzhou	93	87	87	0	-6	Guangzhou	73	59	56	-3	-17
Shanghai	74	70	69	-1	-5	Shanghai	94	89	89	0	-4	Shanghai	72	61	59	-2	-12
Shenzhen	na	72	53	-20	na	Shenzhen	na	92	79	-13	na	Shenzhen	na	60	55	-4	Na
Chengdu	74	64	57	-8	-17	Chengdu	98	88	89	1	-9	Chengdu	74	58	55	-3	-19
Chongqing	na	79	60	-19	na	Chongqing	na	92	93	2	na	Chongqing	na	72	52	-20	na
Hangzhou	na	78	64	-14	na	Hangzhou	na	91	91	0	na	Hangzhou	na	65	52	-13	na
Shenyang	62	81	63	-18	0	Shenyang	91	92	83	-9	-8	Shenyang	67	71	58	-14	-9
Wuhan	81	79	57	-23	-24	Wuhan	97	91	81	-10	-16	Wuhan	78	68	43	-24	-35

	China						Italy				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	81	86	74	-12	-7	Beijing	74	75	67	-9	-8
Guangzhou	81	75	80	6	0	Guangzhou	84	70	67	-3	-17
Shanghai	80	85	81	-4	2	Shanghai	79	72	69	-3	-10
Shenzhen	na	82	70	-12	na	Shenzhen	na	69	58	-12	na
Chengdu	83	73	77	4	-6	Chengdu	84	75	63	-12	-21
Chongqing	na	80	71	-10	na	Chongqing	na	76	79	3	na
Hangzhou	na	82	73	-9	na	Hangzhou	na	74	71	-2	na
Shenyang	69	88	78	-10	9	Shenyang	71	73	66	-7	-5
Wuhan	89	82	78	-4	-11	Wuhan	92	85	54	-31	-38

Awareness of Australia as a white wine producer (among those who pick Australia as a wine producer) varies slightly by city and trails awareness of France, China and Italy (in some cities).



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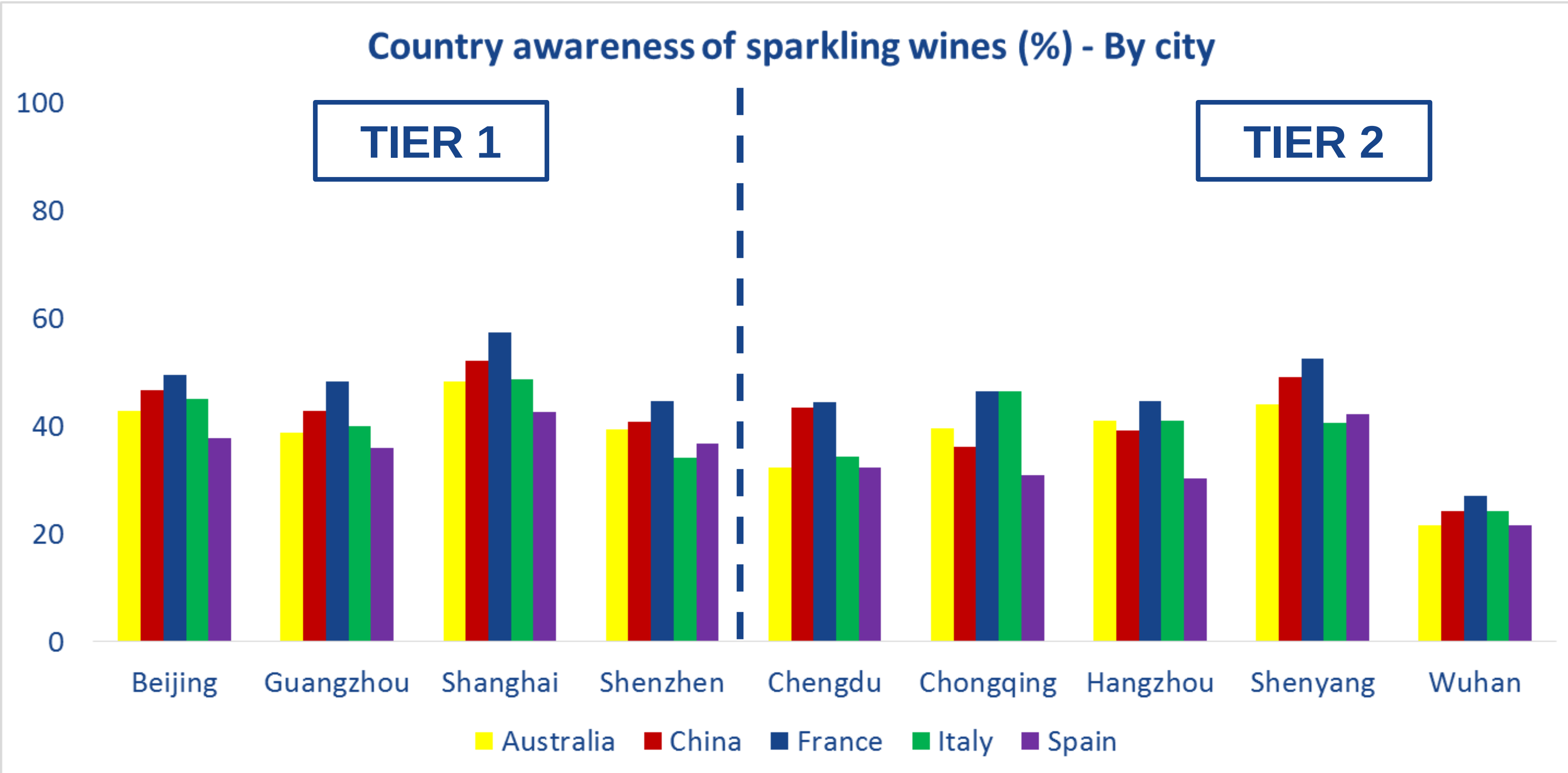
Awareness of white wine production by country across Chinese cities between March 2013 and May 2015 decreases slightly over time as more countries enter the market.

	Australia						France						Spain				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	62	68	60	-8	-2	Beijing	81	85	75	-10	-7	Beijing	65	63	52	-11	-13
Guangzhou	72	67	61	-6	-10	Guangzhou	83	83	78	-5	-5	Guangzhou	63	58	52	-6	-11
Shanghai	72	69	67	-2	-6	Shanghai	89	85	82	-3	-7	Shanghai	71	61	56	-5	-14
Shenzhen	na	67	50	-17	na	Shenzhen	na	82	68	-14	na	Shenzhen	na	58	50	-8	na
Chengdu	68	58	55	-4	-14	Chengdu	90	81	81	0	-9	Chengdu	70	54	55	0	-15
Chongqing	na	79	55	-24	na	Chongqing	na	92	83	-9	na	Chongqing	na	73	50	-23	na
Hangzhou	na	79	59	-20	na	Hangzhou	na	90	84	-6	na	Hangzhou	na	65	48	-16	na
Shenyang	53	77	63	-14	9	Shenyang	80	87	88	2	8	Shenyang	58	65	58	-8	0
Wuhan	78	79	54	-25	-24	Wuhan	92	85	81	-4	-11	Wuhan	75	68	41	-27	-34

	China						Italy				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	76	84	71	-13	-5	Beijing	68	69	67	-3	-1
Guangzhou	74	69	72	3	-2	Guangzhou	75	66	59	-8	-16
Shanghai	76	82	75	-7	-1	Shanghai	76	70	65	-5	-11
Shenzhen	na	74	64	-9	na	Shenzhen	na	65	53	-13	na
Chengdu	76	69	70	1	-6	Chengdu	77	68	61	-7	-17
Chongqing	na	82	64	-18	na	Chongqing	na	77	71	-7	na
Hangzhou	na	84	66	-18	na	Hangzhou	na	75	68	-7	na
Shenyang	60	83	81	-1	21	Shenyang	64	69	66	-3	2
Wuhan	83	82	76	-7	-8	Wuhan	86	85	49	-37	-37

Awareness of Australia as a sparkling wine producer (among those who pick Australia as a wine producer) varies slightly by city and trails awareness of France and China.



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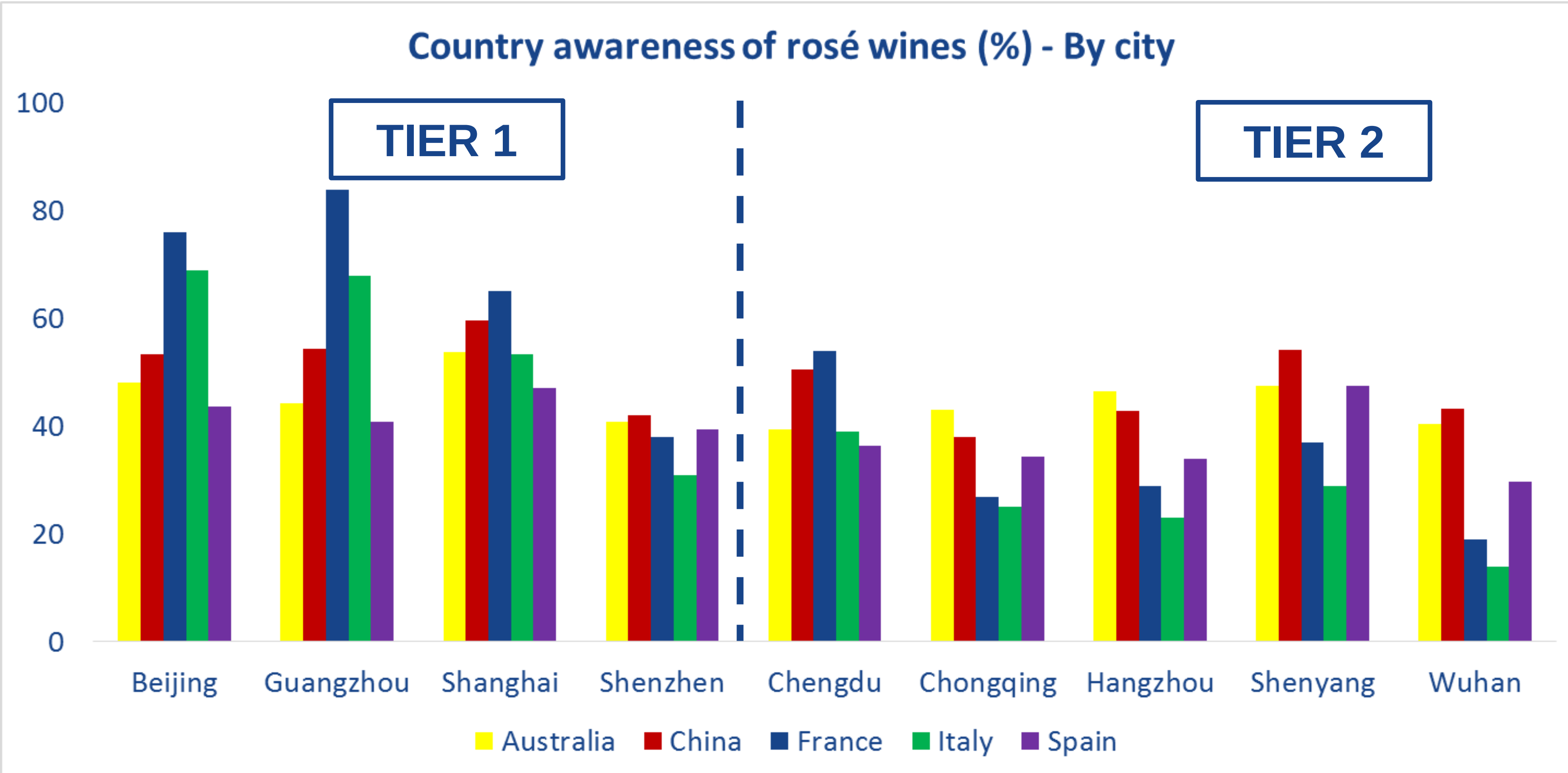
Awareness of sparkling wine production by country across Chinese cities between March 2013 and May 2015 decreases slightly over time as more countries enter the market.

	Australia						France						Spain				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	35	53	43	-10	8	Beijing	38	59	50	-9	11	Beijing	34	49	38	-11	4
Guangzhou	47	56	39	-18	-8	Guangzhou	49	64	48	-15	-1	Guangzhou	40	49	36	-13	-4
Shanghai	39	54	48	-5	10	Shanghai	43	62	58	-4	14	Shanghai	38	47	43	-5	5
Shenzhen	na	46	39	-6	na	Shenzhen	na	53	45	-8	na	Shenzhen	na	38	37	-1	na
Chengdu	43	46	32	-13	-11	Chengdu	48	56	44	-11	-3	Chengdu	40	35	32	-2	-8
Chongqing	na	62	40	-22	na	Chongqing	na	63	47	-17	na	Chongqing	na	55	31	-24	na
Hangzhou	na	66	41	-25	na	Hangzhou	na	69	45	-24	na	Hangzhou	na	57	30	-27	na
Shenyang	33	54	44	-10	11	Shenyang	49	58	53	-5	4	Shenyang	36	50	42	-8	7
Wuhan	53	62	22	-40	-31	Wuhan	53	65	27	-38	-26	Wuhan	47	50	22	-28	-26

	China						Italy				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13		Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	34	59	47	-12	12	Beijing	35	52	45	-7	10
Guangzhou	46	56	43	-14	-3	Guangzhou	47	55	40	-15	-6
Shanghai	39	59	52	-7	13	Shanghai	40	54	49	-5	8
Shenzhen	na	46	41	-5	na	Shenzhen	na	43	34	-9	na
Chengdu	40	44	43	-1	3	Chengdu	43	47	34	-13	-9
Chongqing	na	59	36	-23	na	Chongqing	na	62	47	-15	na
Hangzhou	na	65	39	-25	na	Hangzhou	na	60	41	-19	na
Shenyang	36	60	49	-10	14	Shenyang	38	56	41	-15	3
Wuhan	47	62	24	-37	-23	Wuhan	53	65	24	-40	-28

Awareness of Australia as a rosé wine producer (among those who pick Australia as a wine producer) varies slightly by city and trails awareness of France but varies across cities for other countries.



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Awareness of rosé wine production by country across Chinese cities between March 2013 and May 2015 mainly increases over time as more people try rosé.

	Australia				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	46	55	48	-7	2
Guangzhou	51	58	44	-14	-7
Shanghai	44	56	54	-2	10
Shenzhen	na	47	41	-6	na
Chengdu	50	45	39	-6	-11
Chongqing	na	68	43	-25	na
Hangzhou	na	59	46	-12	na
Shenyang	42	75	47	-28	5
Wuhan	61	68	41	-27	-21

	France				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	55	67	76	9	21
Guangzhou	56	71	84	13	28
Shanghai	51	66	65	-1	14
Shenzhen	na	58	38	-20	na
Chengdu	61	55	54	-1	-7
Chongqing	na	73	27	-46	na
Hangzhou	na	65	29	-36	na
Shenyang	49	79	37	-42	-12
Wuhan	67	74	19	-55	-48

	Spain				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	34	52	44	-8	10
Guangzhou	40	53	41	-12	0
Shanghai	38	50	47	-3	9
Shenzhen	na	43	39	-4	na
Chengdu	40	38	36	-2	-4
Chongqing	na	61	34	-26	na
Hangzhou	na	53	34	-19	na
Shenyang	36	63	47	-16	12
Wuhan	47	59	30	-29	-17

	China				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	52	67	53	-13	2
Guangzhou	53	64	54	-9	2
Shanghai	46	64	60	-5	13
Shenzhen	na	53	42	-11	na
Chengdu	52	46	51	5	-2
Chongqing	na	65	38	-27	na
Hangzhou	na	62	43	-19	na
Shenyang	38	77	54	-23	16
Wuhan	58	71	43	-27	-15

	Italy				
	Mar '13	Mar '14	Mar '15	Diff. '15/'14	Diff. '15/'13
Beijing	35	55	69	14	34
Guangzhou	47	61	68	7	21
Shanghai	40	59	53	-5	13
Shenzhen	na	49	31	-18	na
Chengdu	43	47	39	-8	-4
Chongqing	na	65	25	-40	na
Hangzhou	na	56	23	-33	na
Shenyang	38	69	29	-40	-9
Wuhan	53	74	14	-60	-39

France, Bordeaux and Cabernet Sauvignon continue dominance in overall awareness.

France	**90**
China	81
Italy	69
Australia	66

Bordeaux	**85**
Ningxia	83
Provence	70
Sicily	62

Cab Sauv	**72**
Riesling	55
Sauv Blanc	53
Shiraz	28

< RMB 250	**47**
RMB 250-699	38
≥ RMB 700	15
(on-premise)	

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Despite the lower consumption of white compared to red, awareness of white varieties on the rise suggesting that strategies to increase demand of this style should be considered

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Awareness for Australia as a wine producer decreases over time. General decline for most imported countries, as more Chinese drink wine but pay less attention to details.

Country awareness	March 2013 %	October 2013 %	March 2014 %	October 2014 %	March 2015 %	Difference Mar '15/Oct '14 %	Difference Mar '15/Mar '13 %
France	97	98	93	93	90	- 3	- 7
China	84	86	85	81	81	0	- 3
Italy	83	81	75	72	69	- 3	- 14
Australia	76	77	74	66	66	0	- 10
Spain	74	72	65	59	58	- 1	- 14
New Zealand	62	64	58	55	52	- 3	- 10
Chile	60	59	54	46	51	+ 5	- 9
California	59	55	53	40	45	- 5	- 14

Branding initiatives by European regions appear to have an effect. ‘New world’ regions on the rise but still not at pre-austerity measures. Barossa best known Australian region, but still low.

Region awareness	March 2013 %	October 2013 %	March 2014 %	October 2014 %	March 2015 %	Difference Mar ’15/Oct ‘14 %	Difference Mar ’15/Mar ‘13 %
Bordeaux	87	83	76	74	85	+ 11	- 2
Ningxia	na	80	80	77	83	+ 3	na
Provence	59	65	64	56	70	+ 14	+ 11
Sicily	47	52	58	49	62	+ 13	+ 15
Burgundy	48	57	53	46	59	+ 13	+ 11
Côtes du Rhône	52	55	51	45	59	+ 14	+ 7
Médoc	41	48	47	35	54	+ 19	+ 13
Loire	34	39	42	33	49	+ 16	+ 15
Barossa Valley	54	46	44	31	48	+ 17	- 6
Napa Valley	57	46	43	36	48	+ 12	- 9

Awareness is rising for Australian wine regions.

Australian regions awareness	March 2014 %	October 2014 %	March 2015 %	Difference Mar ’15/Oct ‘14 %	Difference Mar ’15/Mar ’14 %
Barossa Valley	44	31	48	+ 17	+ 4
Margaret River	41	27	46	+ 19	+ 5
McLaren Vale	42	25	44	+ 19	+ 2
Yarra Valley	35	31	43	+ 12	+ 8
Hunter Valley	35	22	41	+ 19	+ 6
Clare Valley	na	24	40	+ 16	na
Coonawarra	na	28	39	+ 11	na
Mornington Peninsula	na	29	38	+ 9	na
Langhorne Creek	na	21	32	+ 11	na

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Note: % change time periods differ from pervious slide to allow for greater comparison of Australian regional performance. Most regions lack pre-austerity benchmark.

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Wine Country Perception (WCP)

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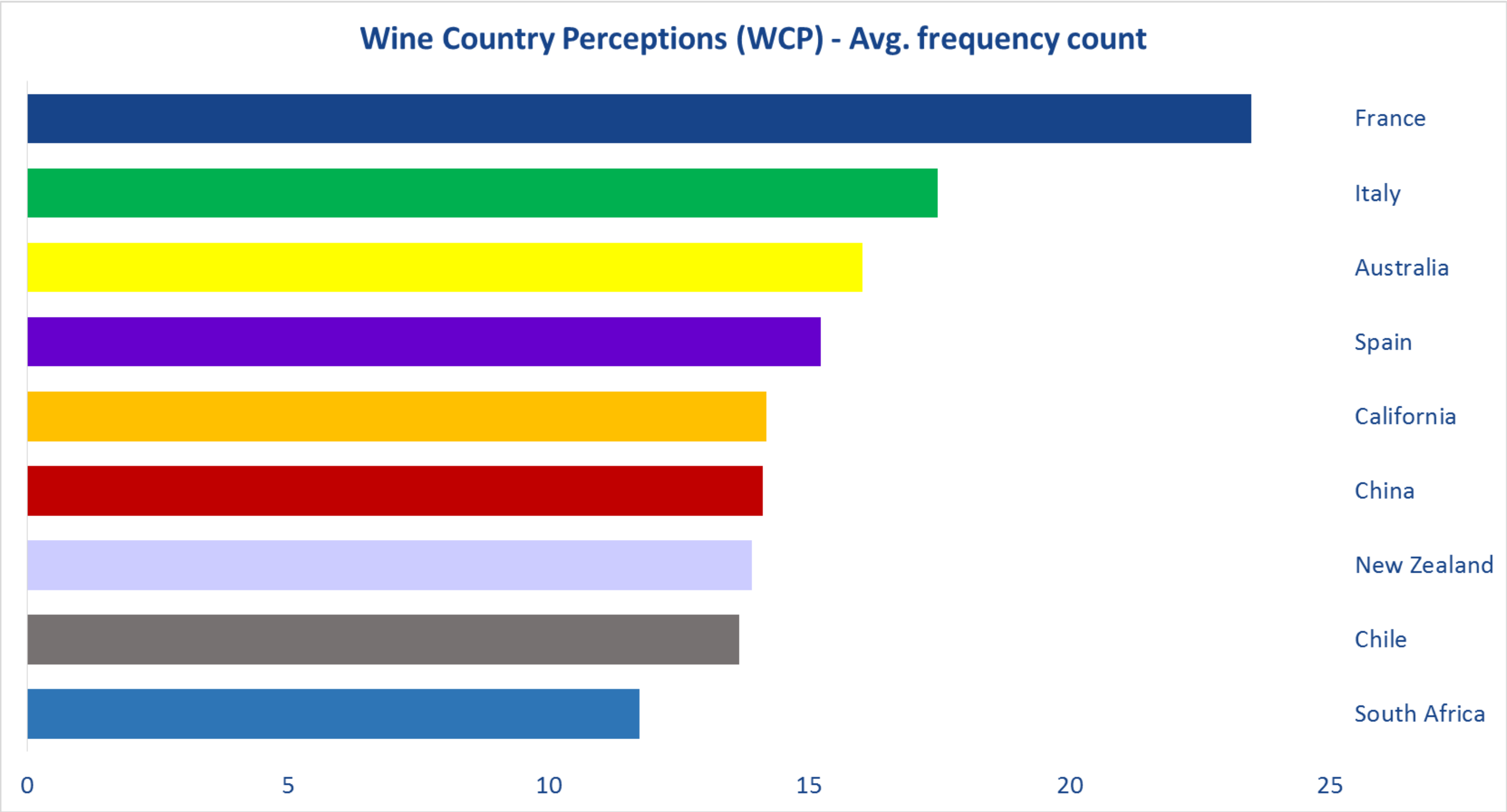
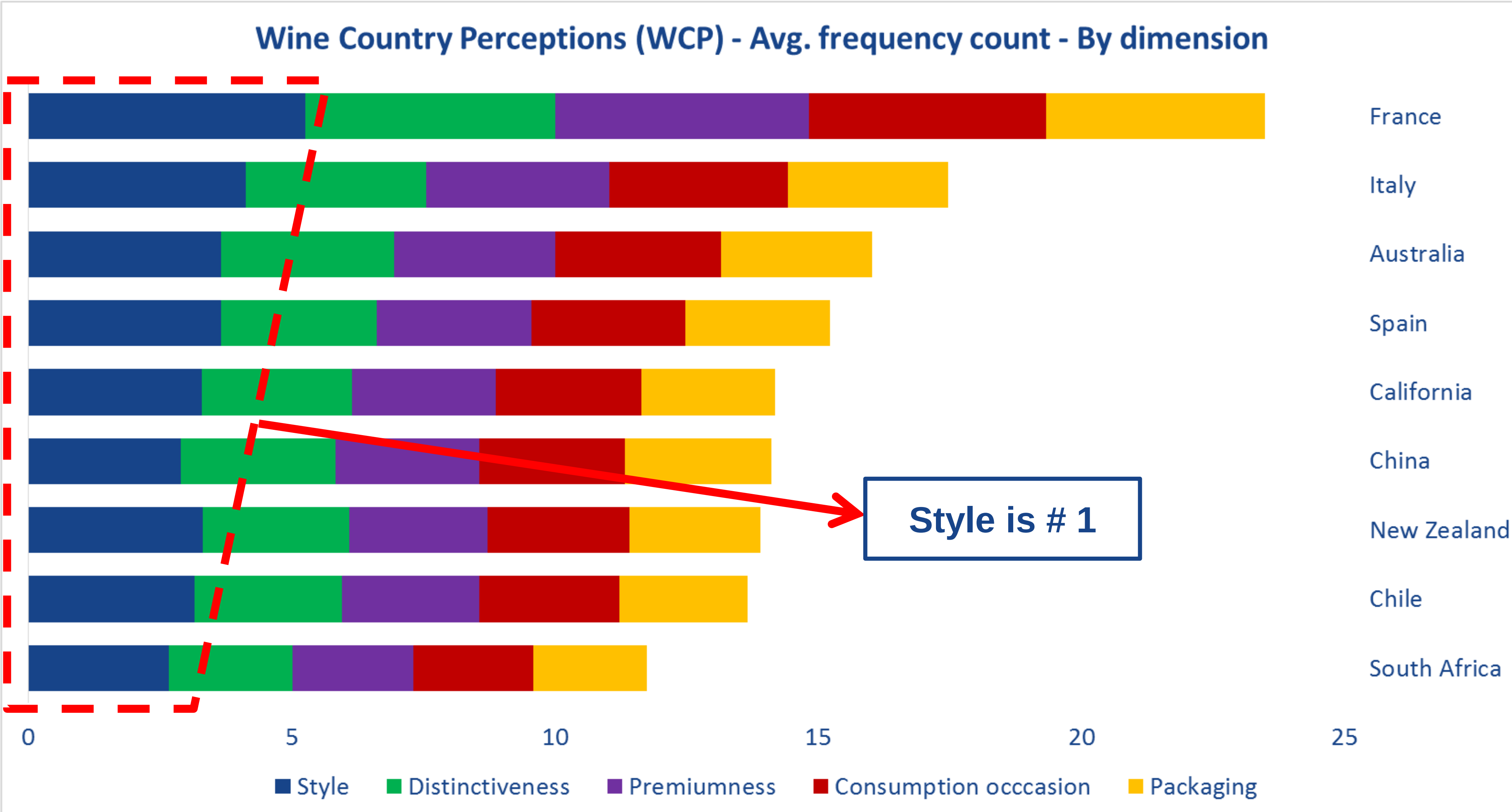
France continues to be dominant in overall mental availability. Ranking unchanged except for California overtaking China.



Average number of associations for wine category has increased (from 12 to 15.5) suggesting wine is becoming a larger part of Chinese lifestyle

Style is still the main contributor to perception. 'Old World' is losing associations from a premium perspective compared to previous data.



Wine Country Perception (WCP)

Commercial vs Premium

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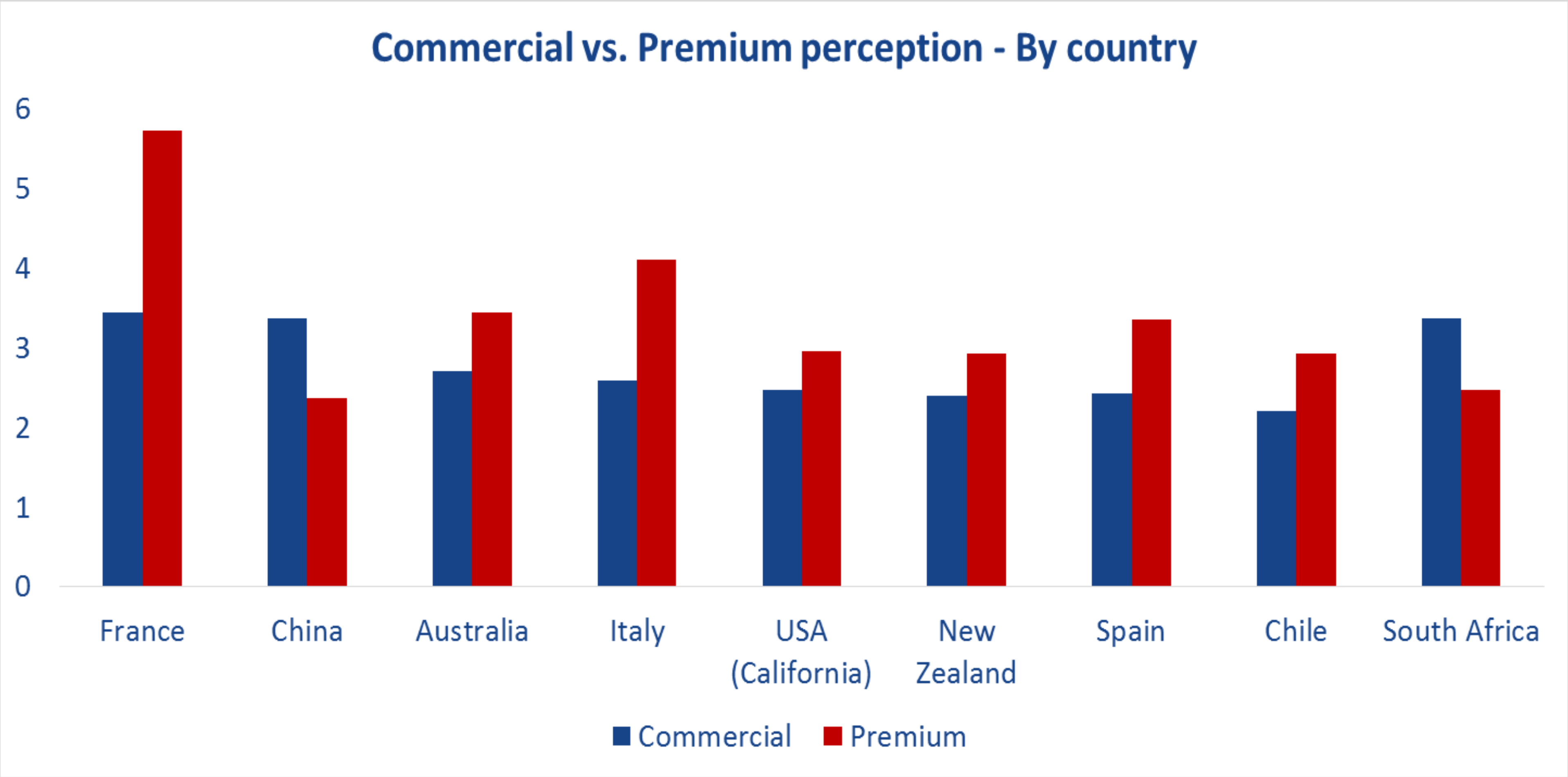
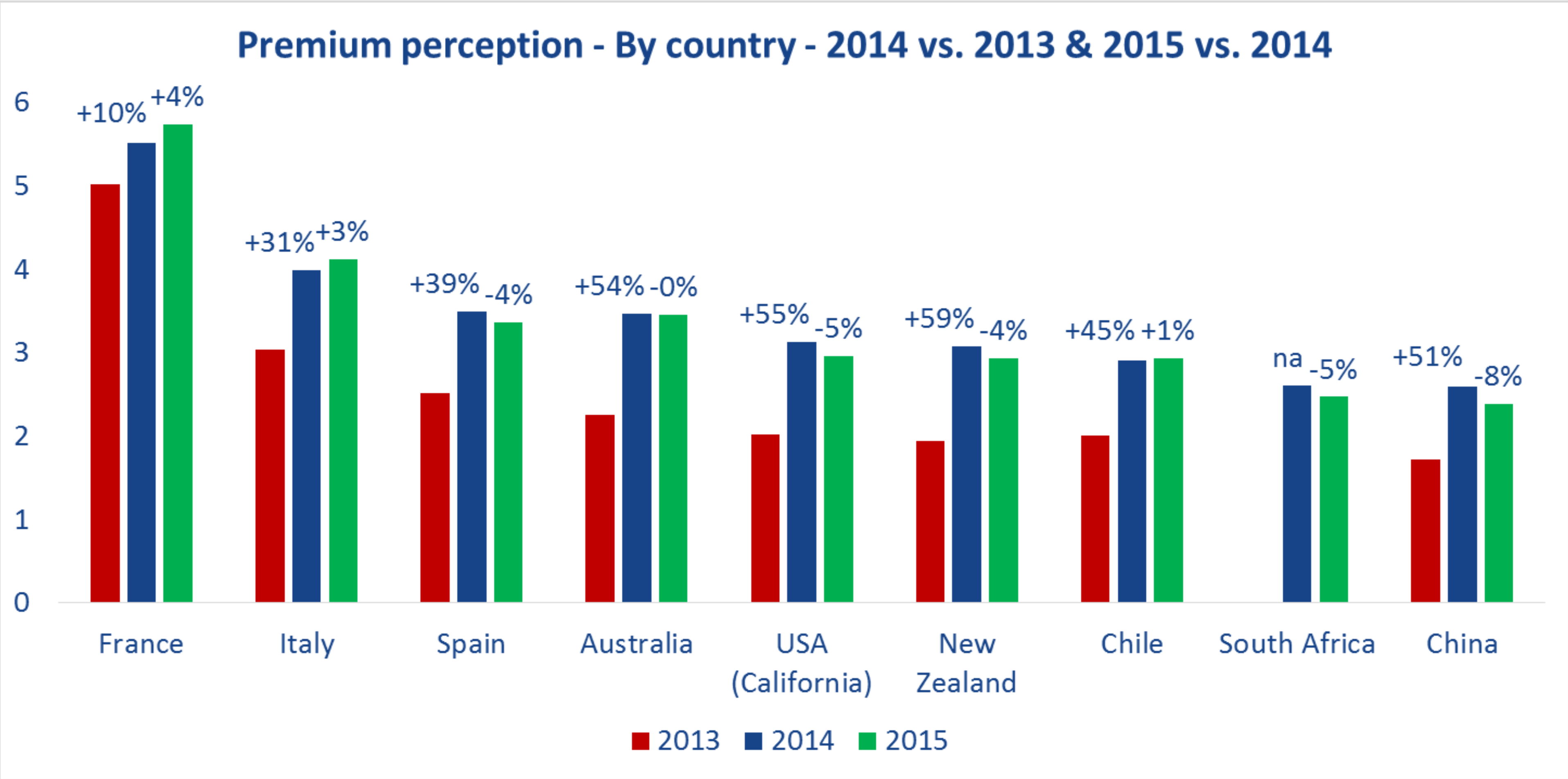
Imported wine generally viewed as premium except South Africa.



Australian premium perception has plateaued.



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Significant '13/'14 growth in premium perception not replicated in '14/'15 with decline recorded for Spain, California, New Zealand, South Africa, and China.

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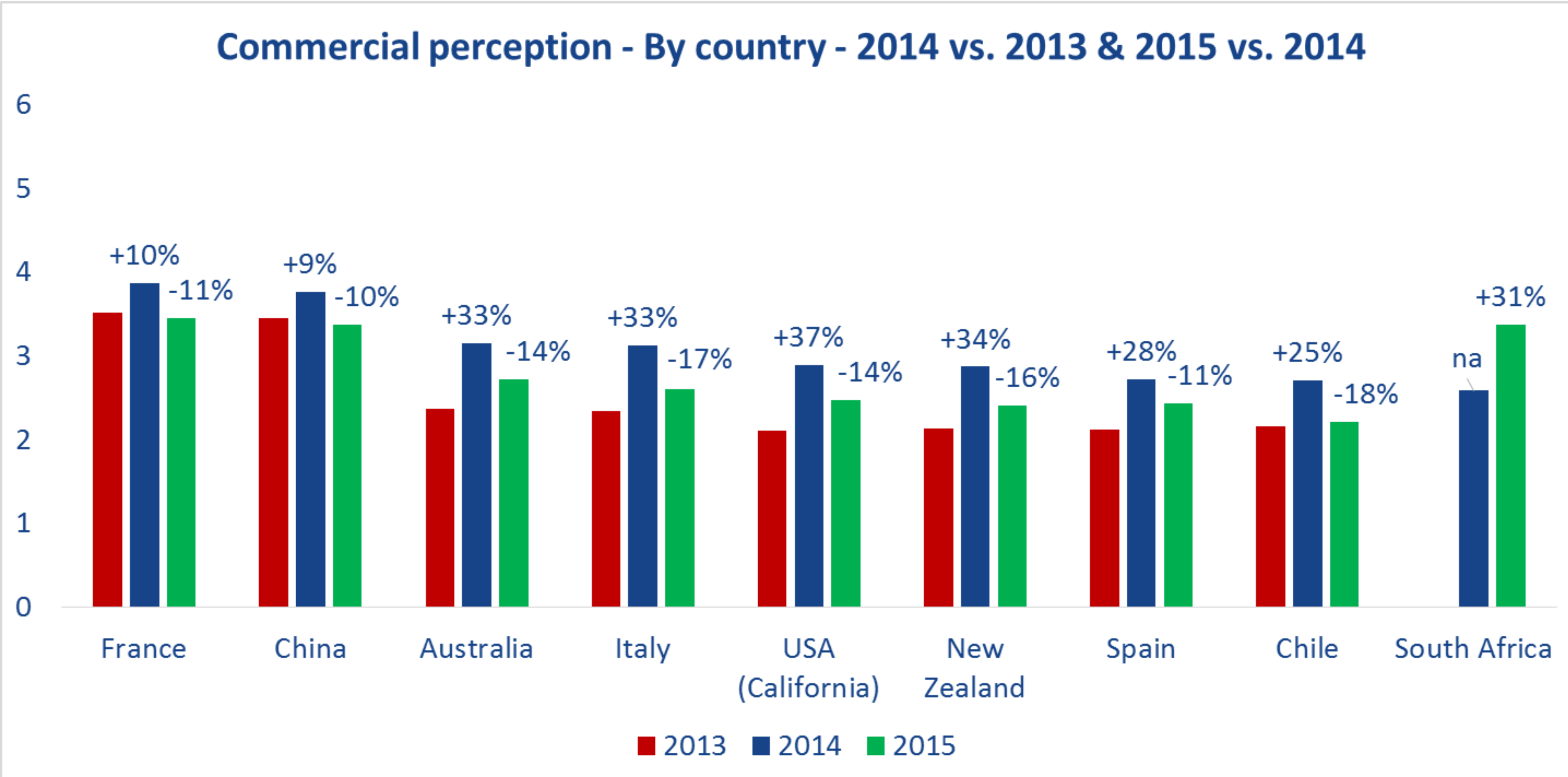
Australian commercial perception has slowed down.



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General trend is wine is becoming a more premium product. However, South Africa in crisis with significant increase in commercial perception.

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Wine Country Perception (WCP)

Strengths and Weaknesses

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Strengths and weaknesses analysis

This analysis presents the top 5 and bottom 5 **Wine Country Perception (WCP)** associations based on the percentage of wine drinkers who select the applicable statements that relate to each country of origin using the **Pick-Any** method.

The data presented makes 3 notable contributions:

- **Strengths**: The top 5 associations identify the most salient aspects of a ***WCP***.
- **Weaknesses**: The bottom 5 associations identify the least salient aspects of a *WCP*. Many of the bottom associations are perceptions a wine country would avoid. This is another quality performance measure.
- **Magnitude**: The percentages of each association are listed for comparison across countries.

Green font indicates a new Top 5 strength

Red font indicates a new Bottom 5 weakness

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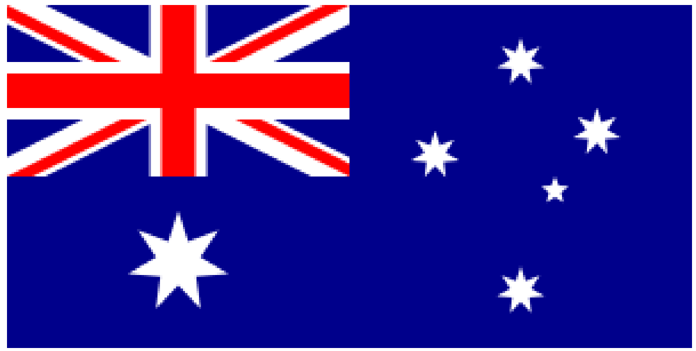
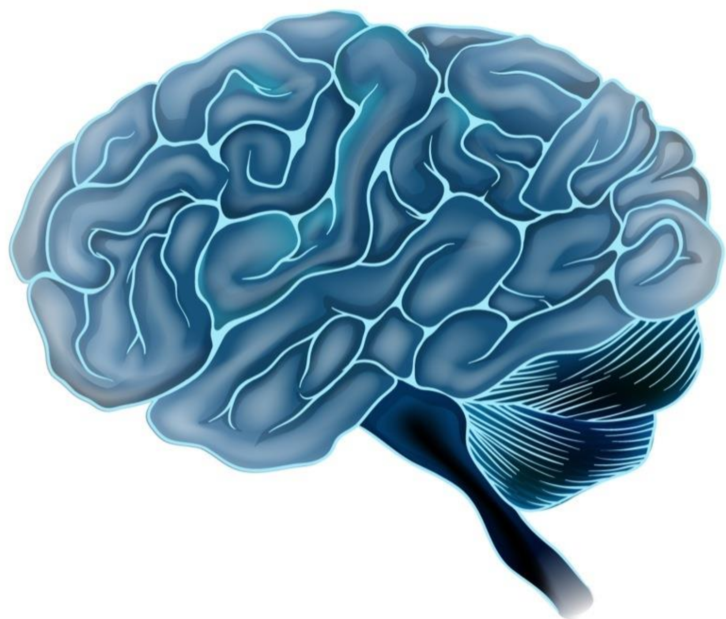
Australian wine strengths bode well for the future.

BOTTOM 5
are boring (12%)
have labels that are difficult to understand (14%)
all taste pretty much the same and are boring (15%)
are too high in alcohol (17%)
are expensive (18%)





TOP 5
taste good (47%)
are wines I am likely to buy in the future (46%)
red wines (45%)
are exciting (43%)
go well with food (43%)

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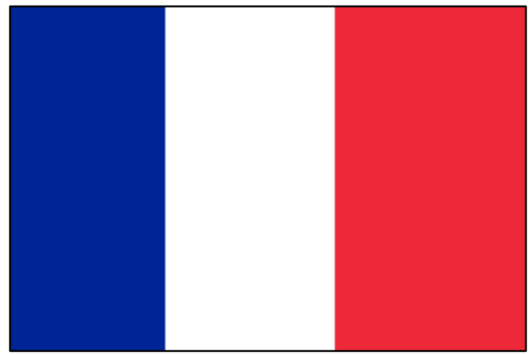
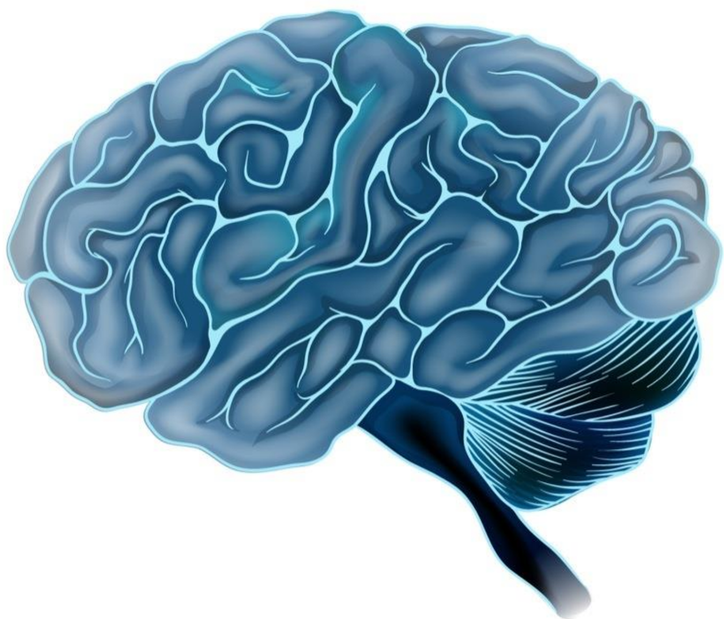
French wine image consistent with its usage in on-premise and gift-giving occasions.

BOTTOM 5

- are boring (10%)
- all taste pretty much the same and are boring (16%)
- have labels that are difficult to understand (20%)
- are too high in alcohol (20%)
- are suitable for casual dining out (38%)





TOP 5

- red wines (76%)
- are elegant (71%)
- are suitable to drink at fine dining restaurants (68%)
- **are complex (68%)**
- are good to give as a gift (67%)

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China taking mental share in the casual drinking and value areas.

BOTTOM 5

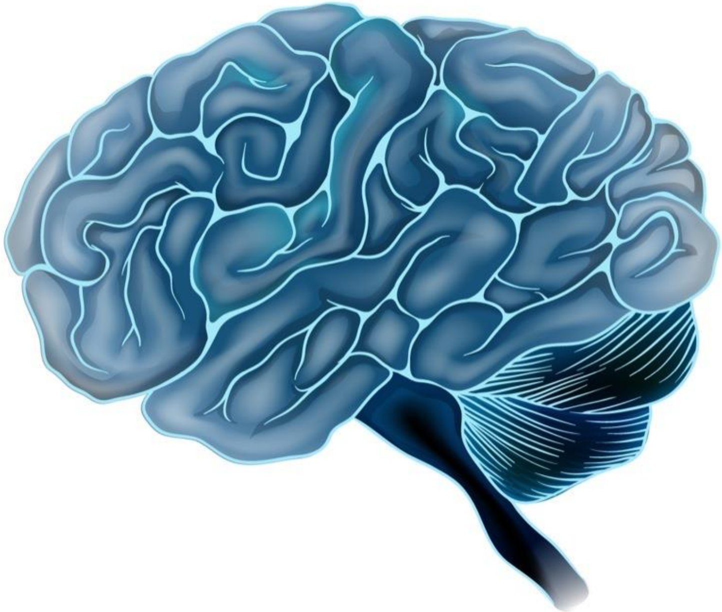
are expensive (12%)

have labels that are difficult to understand (15%)

sparkling wines (18%)

are suitable to drink at fine dining restaurants (18%)

are elegant (22%)



TOP 5

red wines (56%)

are good to drink at home (55%)

have easy to understand labels (50%)

are suitable for casual dining out (42%)

are easy to drink – **are wines I am likely to buy in the future – are good-value-for-money (40%)**

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Italy mirrors France, but suffers as consumers associate French wine more with their strengths.

BOTTOM 5

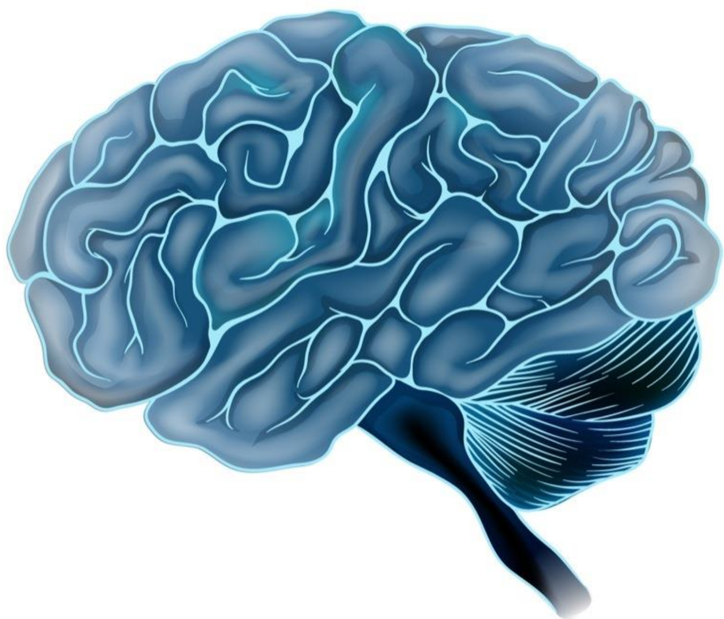
are boring (12%)

all taste pretty much the same and are boring (14%)

are too high in alcohol (19%)

have labels that are difficult to understand (19%)

are suitable for casual dining out (29%)



TOP 5

are elegant (52%)

are suitable to drink at fine dining restaurants (50%)

red wines (49%)

are good to give as a gift (49%)

sparkling wines (49%)

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The perception of Spain is evolving with demand suggested to rise in the future possibly driven by rosé.

BOTTOM 5

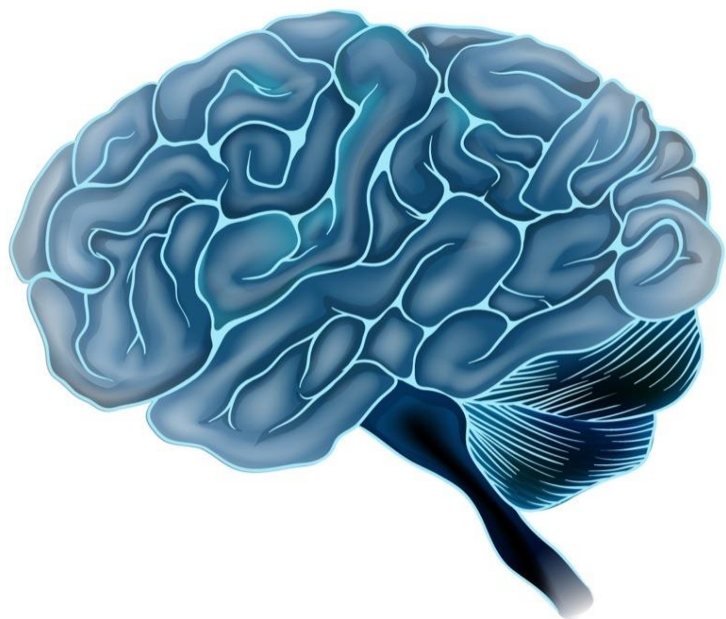
are boring (12%)

all taste pretty much the same and are boring (15%)

are too high in alcohol (20%)

are expensive (21%)

have labels that are difficult to understand (22%)



TOP 5

red wines (45%)

rosé wines (40%)

are fashionable (40%)

are complex (40%)

are wines I am likely to buy in the future (39%)

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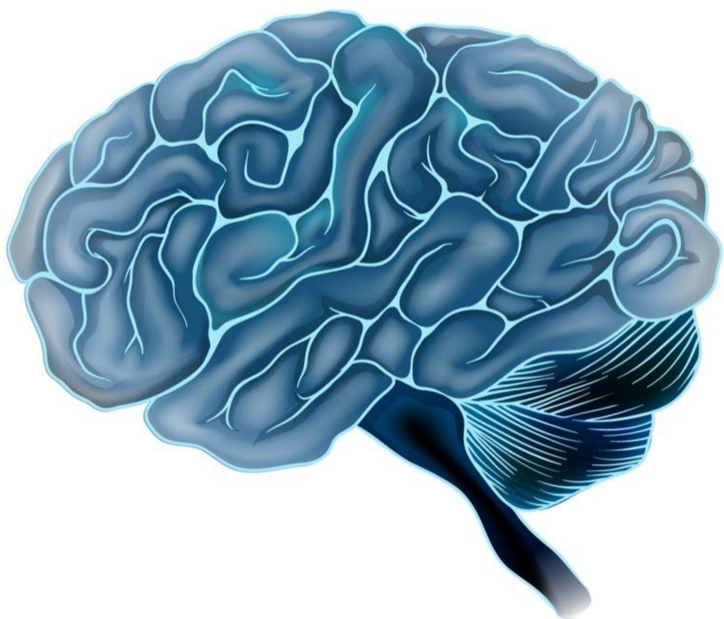
Lack of wine experience with US category evident with a perception of modern packaging attributed to style of commercial American brands available in retail.

BOTTOM 5

- are boring (14%)
- have labels that are difficult to understand (15%)
- all taste pretty much the same and are boring (17%)
- are expensive (19%)
- **are too high in alcohol (21%)**

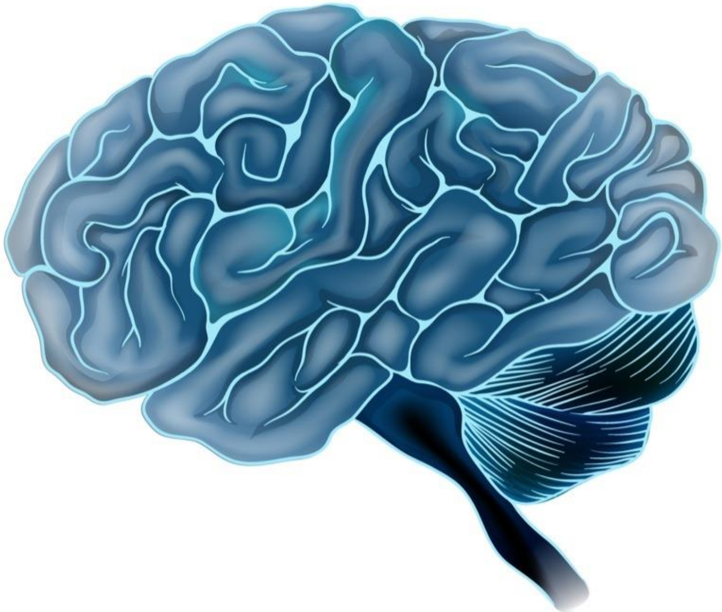


TOP 5

- red wines (43%)
- taste good (42%)
- are fashionable (38%)
- **go well with food (38%)**
- **have modern packaging (38%)**

NZ recognised for their red wine production, taste and ease of drinking, food matching, and being fashionable with other COOs having more associations than they do.

BOTTOM 5
are boring (12%)
are too high in alcohol (16%)
all taste pretty much the same and are boring (16%)
have labels that are difficult to understand (17%)
are expensive (17%)



TOP 5
red wines (42%)
taste good (39%)
go well with food (37%)
are fashionable (36%)
are easy to drink (36%)

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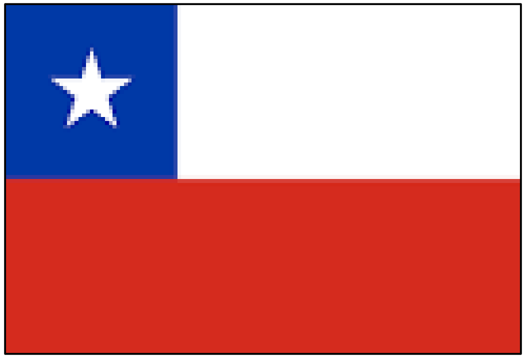
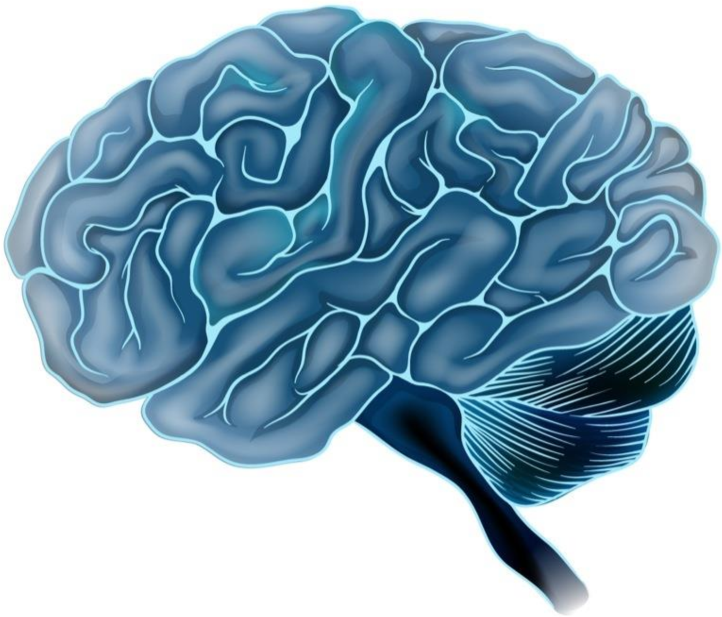
Chilean wine still recognised for being red and white, but now seen as easy drinking and fashionable.

BOTTOM 5
are boring (14%)
are expensive (17%)
all taste pretty much the same and are boring (18%)
are too high in alcohol (18%)
have labels that are difficult to understand (22%)





TOP 5
red wines (43%)
taste good (36%)
are easy to drink (35%)
white wines (35%)
are fashionable (34%)

South Africa is becoming known for sparkling and white wines with their true difference not necessarily a positive as they have a rapidly rising commercial perception.

BOTTOM 5

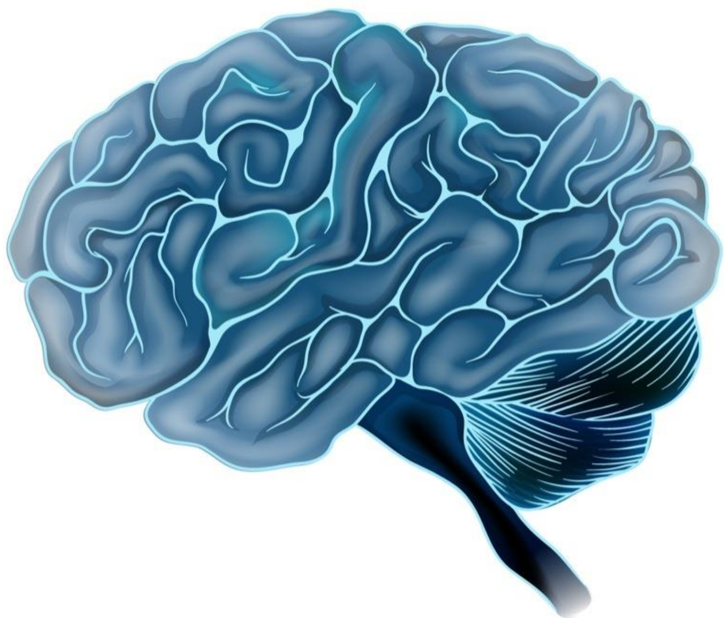
are expensive (16%)

are wines I would recommend to a friend (20%)

are better to drink without food (22%)

are boring (22%)

are elegant (22%)



TOP 5

red wines (33%)

are truly different from wines from other countries (29%)

rosé wines (29%)

sparkling wines (28%)

white wines (28%)

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On-premise Choice Drivers

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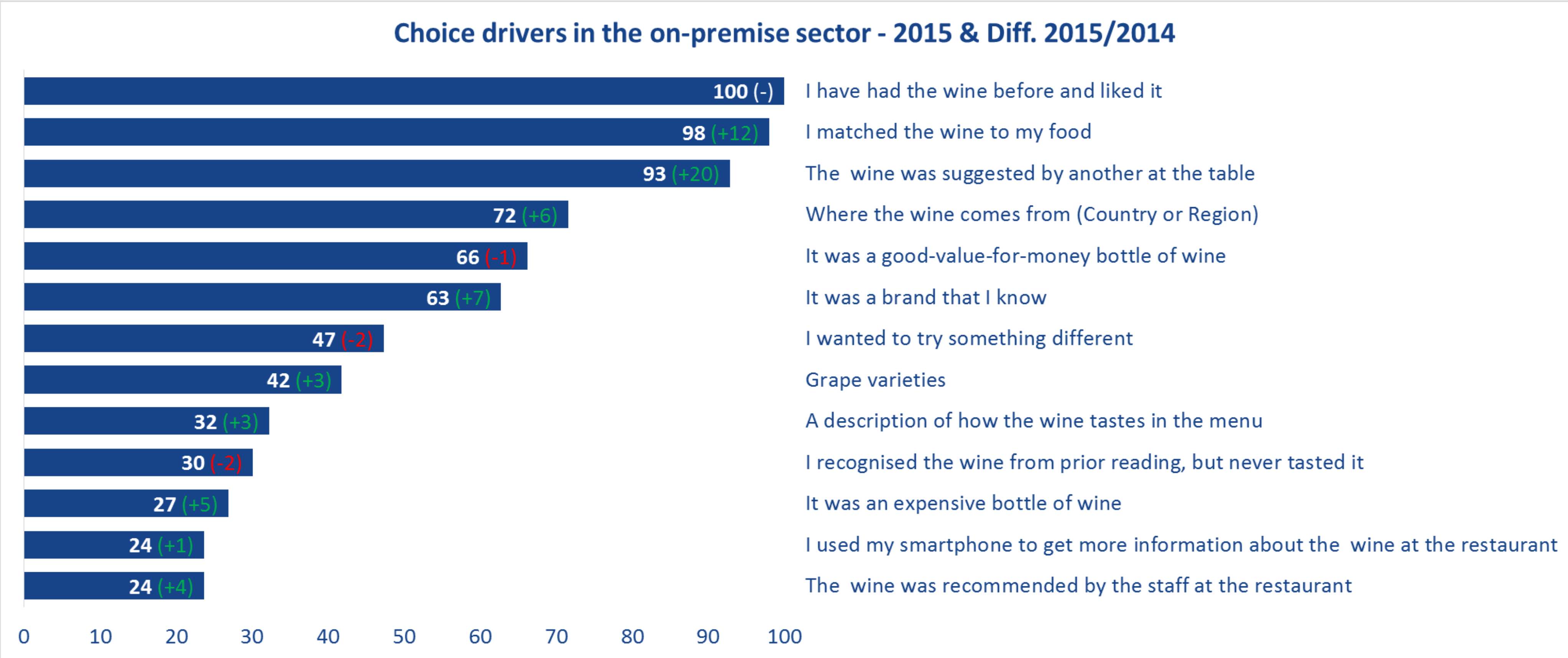
Top factors for on-premise choice are unchanged, but food wine-food pairings and suggestions by meal companions have closed the gap with prior tasting and appreciation.



No statistical difference in importance in relation to different on-premise consumption occasions, or on-premise purchase locations, so we have not reported them.

On-premise Consumption Behaviour

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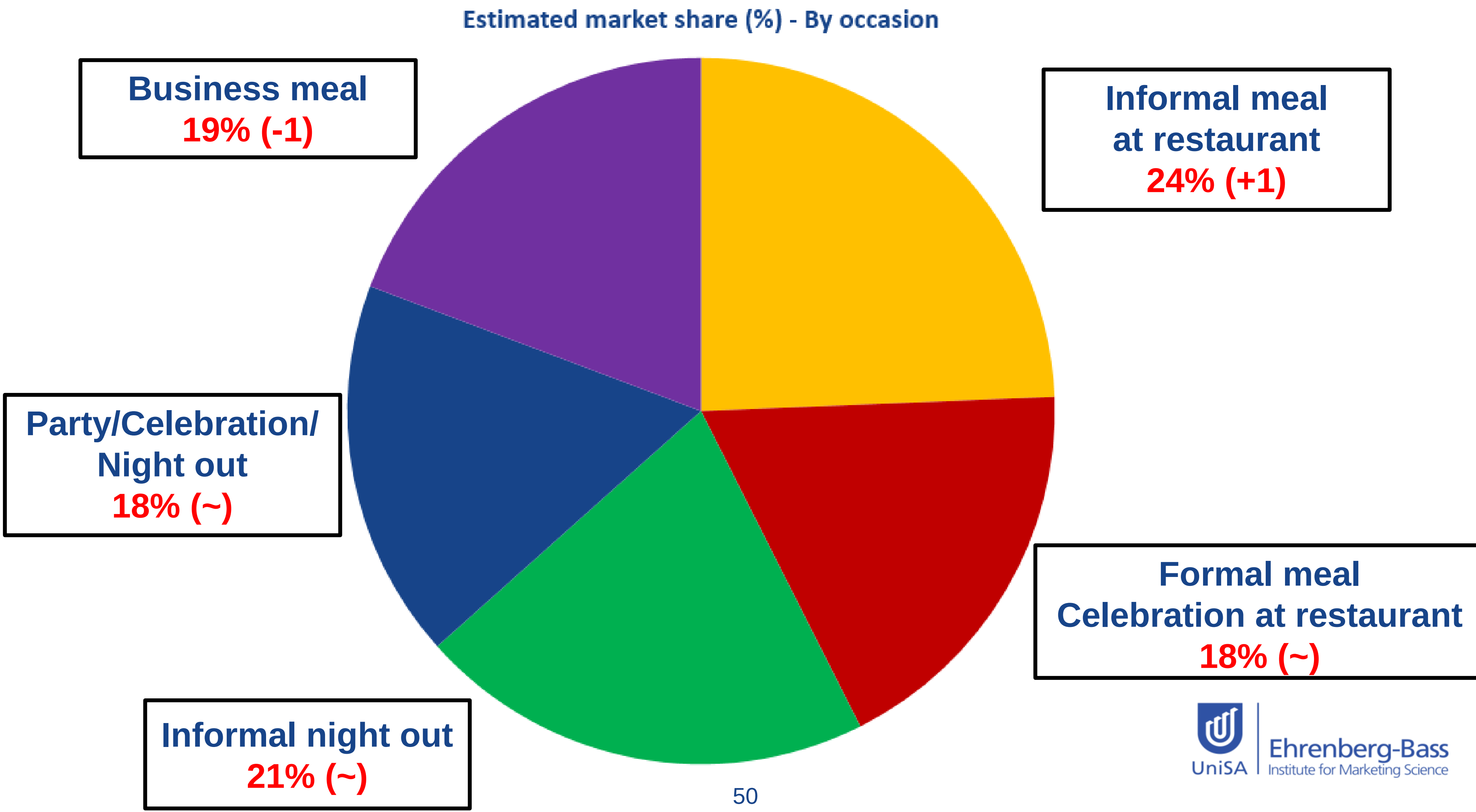
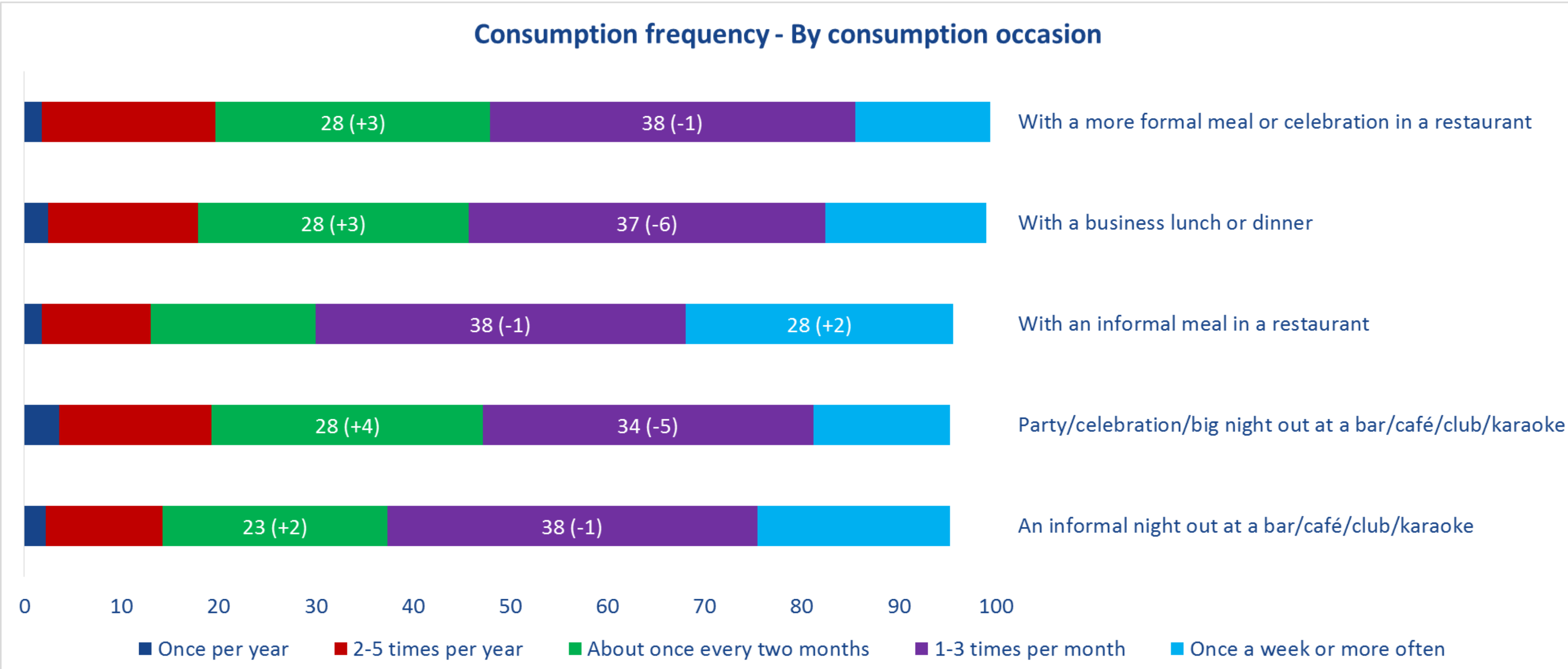
No dominant on-premise dining occasion in China with shares static over 3 years (% change from previous year in brackets).



Roughly 1/3 of regular imported wine drinkers continue to consume wine 1-3 times per month for a range of occasions with decline evident for business and celebration.

(% change from previous year in brackets)



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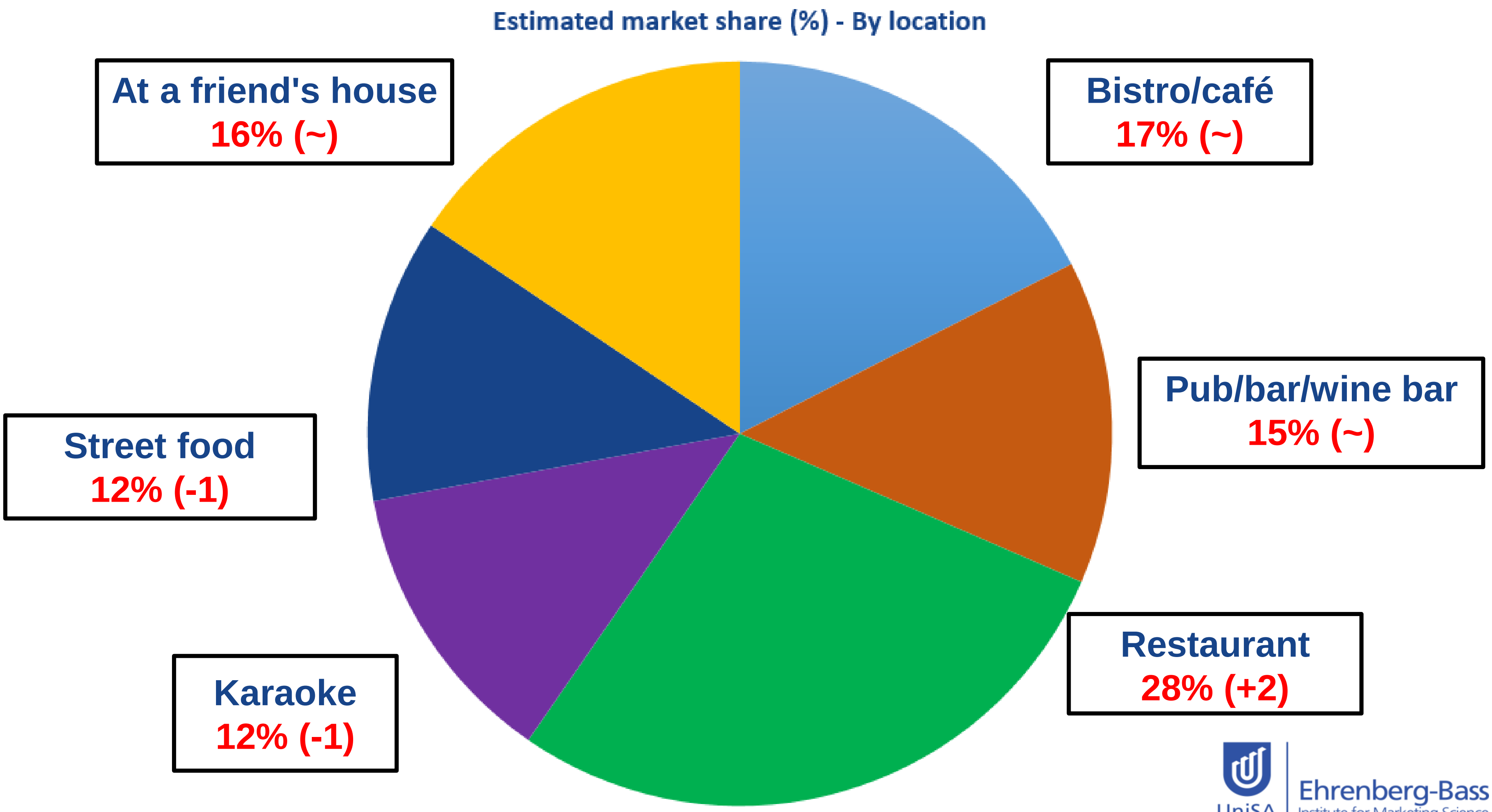
Restaurant still leading format for wine consumption with patronage fairly similar and unchanged across other formats. (% change from previous year in brackets)



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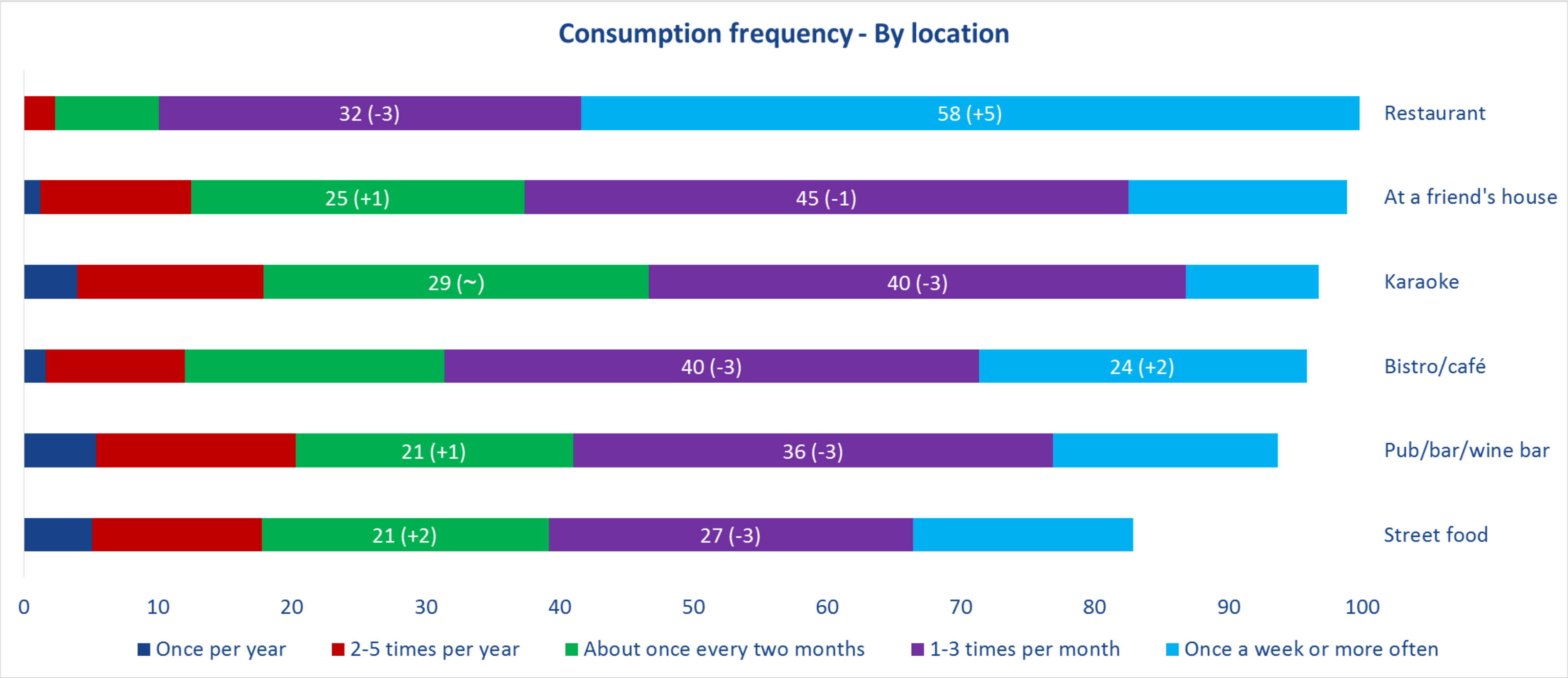
Frequency of consumption highest at restaurants followed by home visitation, showing that entertaining at home is becoming more prevalent for Chinese consumers. (% change from previous year in brackets)



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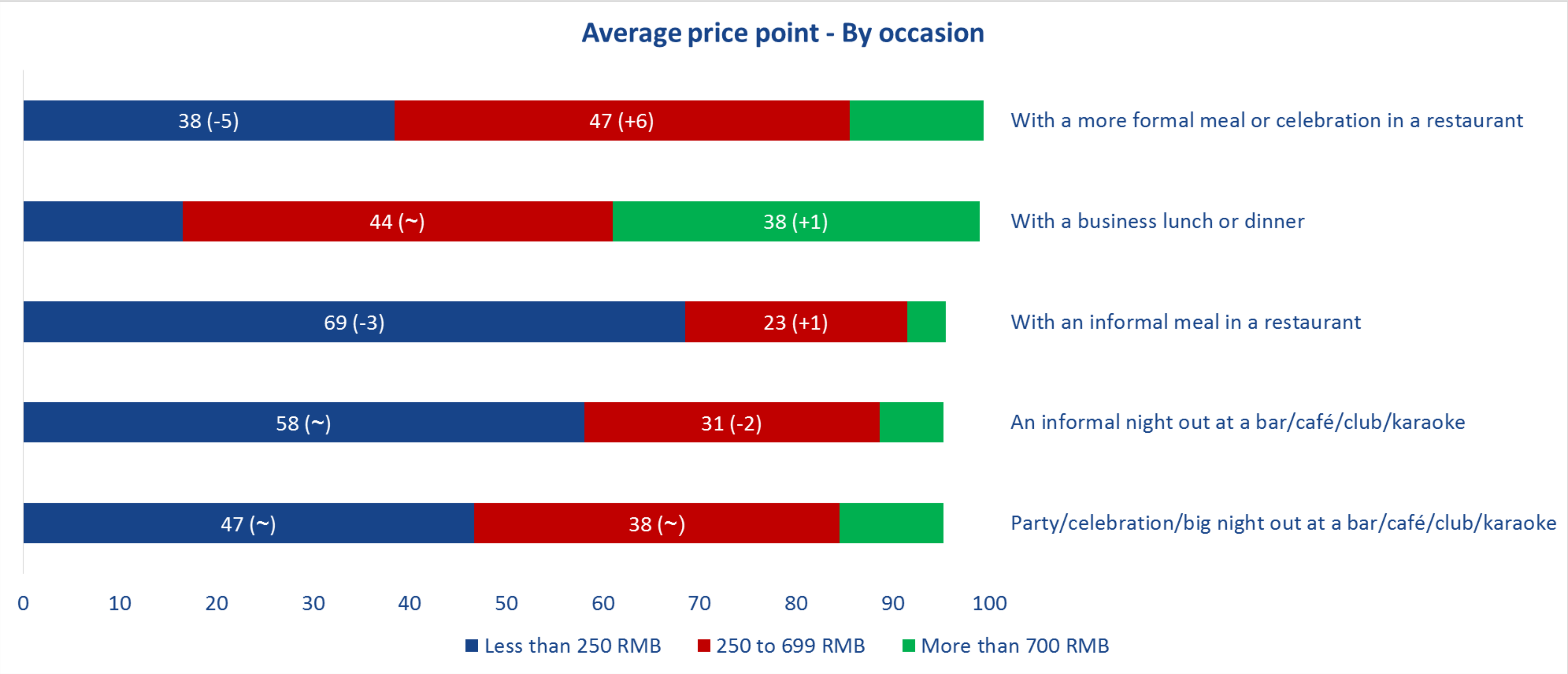
Spend continues to be higher for business occasions compared to informal / social occasions and a trend to spend more on celebrations is evident.

(% change from previous year in brackets)



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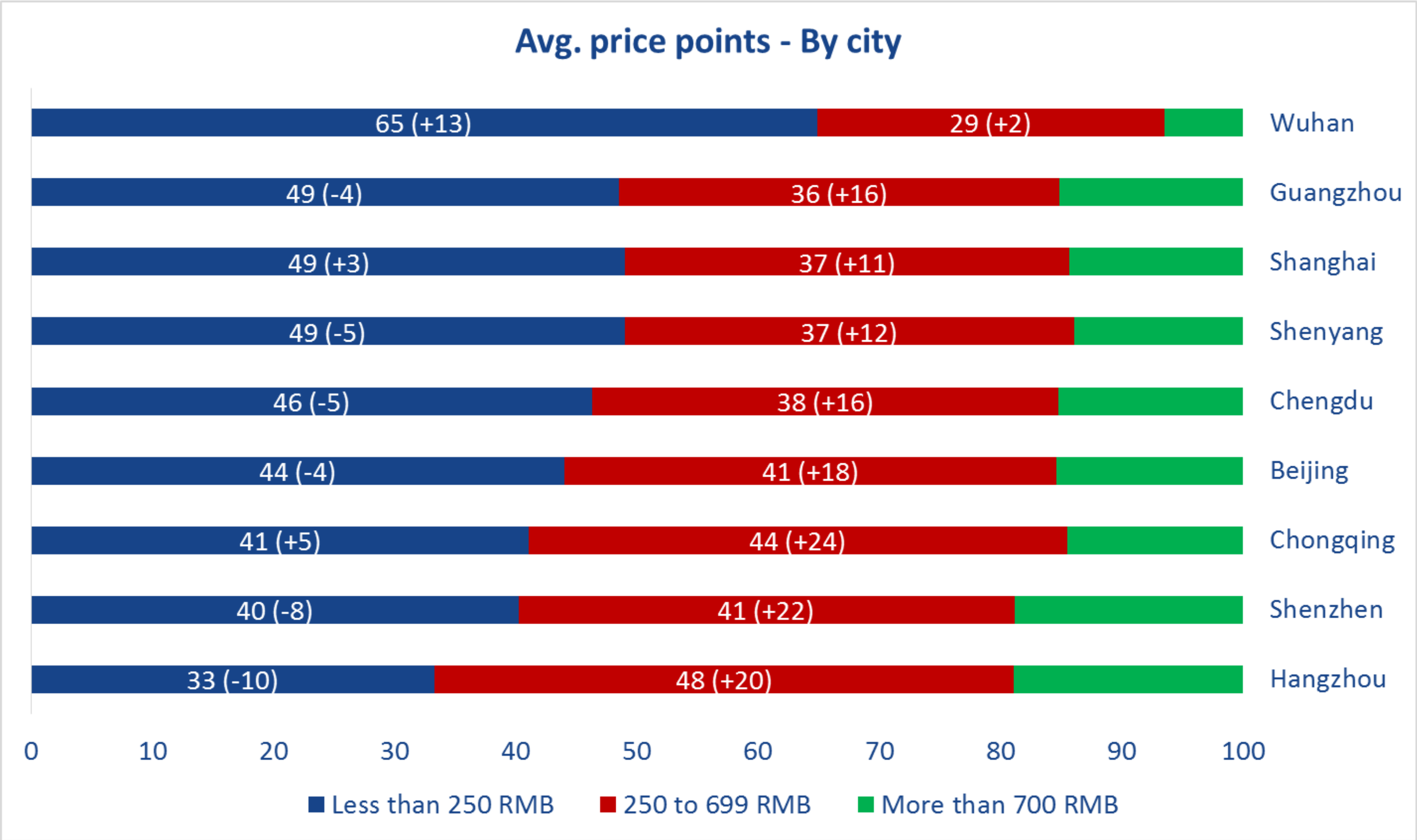
Overall trend is spending less compared to previous year, mid-level price points are growing.
(% change from previous year in brackets)



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On-premise Repeat Purchase Patterns

(based upon retrospective recall)

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France has greatest recall of patronage, but China and Chile leading in repurchase rate.

Country of origin	Penetration (%)	Repeat Purchase Rate (%)
France	57	35
China	18	41
Australia	6	16
Italy	6	13
Chile	2	50
California	2	33
New Zealand	2	18
Spain	2	18
Portugal	2	8
Argentina	1	17
Germany	1	25

Repeat purchase rates of low penetration COOs should be interpreted in the context of the tiny buyer base.

France growing fastest in recall of patronage, while China decreases, and Australia is unchanged 2014 v 2015.

Country of origin (Penetration)	Mar '14 (%)	Mar '15 (%)	Difference Mar '15/Oct '14 (%)
France	46	57	+11
China	32	18	-14
Australia	6	6	0
Italy	5	6	+1
Chile	1	2	+1
California	3	2	-1
New Zealand	2	2	0
Spain	2	2	0

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The decline of China is evidence that they are having severe problems coping with imported wine being more physically available in online channels.

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Bordeaux top for recall of patronage, Ningxia highest for repurchase; Barossa and Burgundy good in repurchase.

Region of origin	Penetration (%)	Repeat Purchase Rate (%)
Bordeaux	22	18
Ningxia	13	34
Burgundy	6	15
Provence	6	3
Barossa Valley	2	15
Clare Valley	1	0
Coonawarra	1	0
Margaret River	1	0
McLaren Vale	1	0
Langhorne Creek	1	0
Mornington Peninsula	1	0
Yarra Valley	1	0

The lack of repeat purchase for low penetration regions likely an artefact of physical availability issues.

Bordeaux and Ningxia losing penetration while Burgundy and Barossa maintain position.

Region of origin (Penetration)	Mar ‘14 (%)	Mar ‘15 (%)	Difference Mar ’15/Oct ’14 (%)
Bordeaux	26	22	- 4
Ningxia	27	13	- 14
Burgundy	5	6	+ 1
Provence	6	6	0
Barossa Valley	1	2	+ 1
Margaret River	1	1	0
McLaren Vale	0	1	+ 1
Yarra Valley	0	1	+ 1
Hunter Valley	2	0	- 2

The decline of Ningxia is further evidence of the crisis that faces premium Chinese wine being sold in on-premise in China.

Cabernet still top for patronage recall and repeat purchase. Penetration for Riesling and Chardonnay suggest there is an opportunity to grow demand for white.

Grape variety	Penetration (%)	Repeat Purchase Rate (%)
Cabernet Sauvignon	29	27
Sauvignon Blanc	6	3
Riesling	5	11
Merlot	5	0
Pinot Noir	5	8
Chardonnay	4	10
Cabernet Franc	3	6
Shiraz / Syrah	2	0
Viognier	2	0
Zinfandel	2	11
Grenache	1	0
Pinot Grigio/Pinot Gris	1	0
Tempranillo	1	0

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Australia should be concerned about the low penetration of its iconic varietal: Shiraz.

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Cabernet losing in recall of patronage; rest mostly unchanged.

Grape variety (Penetration)	Mar '14 (%)	Mar '15 (%)	Difference Mar '15/Oct '14 (%)
Cabernet Sauvignon	37	29	- 8
Sauvignon Blanc	6	6	0
Riesling	4	5	+1
Merlot	4	5	+1
Pinot Noir	3	5	+2
Chardonnay	4	4	0
Cabernet Franc	2	3	+1
Shiraz / Syrah	2	2	0
Viognier	0	2	+2
Grenache	2	1	- 1
Pinot Grigio/Pinot Gris	1	1	0
Tempranillo	0	1	+1

Decline of cabernet potentially a positive sign in the evolution of taste preferences suggesting that Chinese consumers may be buying for preference rather than external locus.

Price points evenly spread above 150 rmb, with cheapest and most expensive showing best repurchase rates.

Price (retail)	Penetration (%)	Repeat Purchase Rate (%)
Less than 100 RMB	1	80
100 to 149 RMB	6	23
150 to 199 RMB	10	33
200 to 299 RMB	16	27
300 to 499 RMB	19	35
500 to 699 RMB	17	27
700 to 999 RMB	18	36
1000 RMB or more	12	44

Price point patronage growing at the higher levels.

Price (Penetration)	Mar '14 (%)	Mar '15 (%)	Difference Mar '15/Oct '14 (%)
Less than 100 RMB	3	1	- 2
100 to 149 RMB	8	6	- 2
150 to 199 RMB	13	10	- 3
200 to 299 RMB	23	16	- 8
300 to 499 RMB	21	19	- 2
500 to 699 RMB	16	17	+ 1
700 to 999 RMB	8	18	+10
1000 RMB or more	7	12	+ 5

Recommendations

Wine Australia

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The opportunity for Australia

Industry level actions:

- Australia needs to keep pushing recognition of wine regions; take advantage of the awareness of Cabernet and connect it to key producing regions
- Focus tastings and promotion at price points at or above the median 300 RMB +
- Keep building premium perceptions
- Improve promotions in second tier cities to grow awareness
- White grape varieties are growing and as more Chinese consider wines for food matching, there is growth potential for Riesling, Chardonnay and Sauvignon Blanc

The opportunity for Australia (cont.)

Producer level actions:

- Margaret River and Coonawarra producers should focus on promoting their Cabernet wines
- Focus on building distribution in restaurants with price points congruent to concept
- Premium, but informal on-premise positioning
- Opportunities in second tier cities after gaining distribution in the top tier

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