



Università
Ca'Foscari
Venezia

Master's Degree
in Languages, Economics and Institutions of Asia and
North Africa
“Language and Management to China”

Final Thesis

The Evolution of the Chinese Wine Market

An Analysis of the Development of the Chinese
Wine Import, Production and
Export

Supervisor
Ch. Prof. Andrea Pontiggia

Graduand Massimiliano Palvarini
Matriculation number 848136

Academic Year
2019 / 2020

Table of contents:

Table of contents:	3
引言	6
Introduction	10
Chapter 1. Chinese Wine Import Overview	14
1.2 THE MAIN IMPORTERS AND THEIR BACKGROUNDS	18
1.2.1 FRANCE.....	19
1.2.1.A CHATEAU LAFITE ROTSCCHILD	23
1.2.1.B COUNTERFEITED WINE	24
1.2.2 AUSTRALIA.....	27
1.2.2.A PENFOLDS	29
1.2.3 SPAIN.....	31
1.2.4 CHILE.....	33
1.2.4.A CONCHA Y TORO	35
1.2.5 ITALY.....	37
1.2.5.A LA COLLINA DEI CILIEGI	42
1.2.6 OTHER COUNTRIES.....	44
1.2.6.A U.S.A. WINES AND THE TRADE WAR	44
1.2.6.B PORTUGAL, SOUTH AFRICA, ARGENTINA AND GERMANY	48
1.2.7 COMMON DENOMINATORS	50
Chapter 2. Chinese wine market Overview	52
2.1 PROFILING CONSUMERS.....	52
2.1.2 OCCASIONS OF CONSUMPTION.....	58
2.1.3 THE CHINESE GIFT CULTURE.....	59
2.2 PRODUCT	60
2.2.1 THE IMPORTANCE OF RED COLOR	60
2.2.2 PACKAGING AND LABEL	61
2.2.3 BRAND NAME	64
2.2.4 COUNTRY OF ORIGIN EFFECT.....	68
2.2.4.A SURVEY METHODOLOGY	71

2.2.4.B KEY RESULTS	71
2.2.4.C RESEARCH CONCLUSIONS	72
2.2.4.D RECOMMENDATIONS	73
2.4 PLACEMENT	73
2.4.2 DISTRIBUTION CHANNELS	76
2.4.1.A WHOLESALING	76
2.4.1.B DTC ROUTE – ONLINE RETAILING	79
2.4.1.C WECHAT WINE	81
2.4.3.A AMENDED FOOD SAFETY LAW	83
2.4.3.B IMPORT TAXES ON WINE	84
2.5 PROMOTION	87
2.5.1 PROMOTION CHANNELS	87
2.5.2 DIGITAL MARKETING	89
2.5.3 WINE EXHIBITIONS AND TRADE SHOWS	93
2.6 CONCLUSIVE RESEARCH	95
2.6.1 SURVEY METHODOLOGY	96
2.6.2 KEY RESULTS	96
2.6.3 RESEARCH CONCLUSIONS	97
Chapter 3. From Consumer to Producer	100
3.1 HISTORICAL BACKGROUND – THE HISTORY OF CHINESE GRAPEVINE GROWING AND WINEMAKING	101
3.2 GLOBAL WINE PRODUCTION OVERVIEW	106
3.3 THE CHINESE WINE PRODUCTION	109
3.3.1 GEOGRAPHICAL AND CLIMATIC FACTS	110
3.3.2 CHINESE WINE REGIONS AND MAJOR CHINESE WINERIES	112
3.3.2.A SHANDONG PROVINCE	113
3.3.2.B HEBEI PROVINCE	122
3.3.2.C NINGXIA HUI AUTONOMOUS REGION	124
3.3.2.D GANSU PROVINCE	128
3.3.2.E SHANXI PROVINCE	129
3.3.2.F XINJIANG UYGUR AUTONOMOUS REGION	132
3.3.2.G COMMON ASPECTS OF PRODUCTION	135
3.3.3 CHINESE WINES EXPORT POTENTIALITIES	136
3.3.3.A RESEARCH ON THE MARKETABILITY OF THE CHINESE WINE ON AN EDUCATED MARKET	137
3.3.3.B RESEARCH METHODOLOGY	138

3.3.3.C KEY RESULTS.....	139
3.3.3.D RESEARCH CONCLUSIONS	140
Chapter 4. The new horizon of Chinese winemaking – The LVMH Case	142
4.1 THE LVMH GROUP.....	142
4.2 LVMH WINE & SPIRITS DIVISION.....	143
4.3 LVMH IN CHINA.....	146
4.4 DOMAINE CHANDON CHINA.....	147
4.5 Ao YUN.....	149
4.5.1 PRODUCTION.....	150
4.5.2 Ao YUN ON THE MARKET	151
5. Conclusions.....	154
BIBLIOGRAPHY	158

引言

在威尼斯的 Fondaco Dei Tedeschi 的食品和葡萄酒部门工作期间，我有机
会结识了来自世界各地，尤其是来自中国的许多客户。观察他们在购买葡萄酒
过程中的行为，我注意到老年人和年轻消费者的偏好存在很大差异：老年人一
直在寻找法国葡萄酒，而年轻消费者则更愿意购买意大利葡萄酒。在这种情况
下，我开始对它们的消费行为产生兴趣，并好奇于他们的消费动机。通过对他
们的行为进行更深入的分析，我开始理解这种需求差异如何与当代中国葡萄酒
市场的动态紧密联系在一起，并且它正在以惊人的速度变化和发展。纵观这一
发展态势，我决定以中国葡萄酒市场的发展为论文题目，并深入研究这一发展
背后的主要历史，政治，经济和社会因素。因此，通过学术著作，市场营销书
籍和在线文章，我可以获取必要的信息来进行研究，从而对中国葡萄酒的消费
者，他们的喜好以及消费场合，文化背景有更深入的了解。首先对中国葡萄酒
进口市场进行分析。但是，用这一方法关注这个问题以来，我注意到，尽管中
国葡萄酒市场正在经历巨大变化，但国外葡萄酒品牌出口到中国市场仍然非常
困难，其成功需要出色的营销和管理策略。因此，我概述了中国葡萄酒市场的
概况，以说明其最重要的特征。

在对中国进口葡萄酒市场进行了初步分析，并分析了该市场将采取的策略之
后，我观察到，当代中国消费者葡萄酒消费的大幅增长也影响了中国本土葡萄

酒的生产。鉴于这种情况，我决定扩大研究范围，并对中国葡萄酒行业的特征进行分析，并研究其产品在国际市场上的潜力，并对此进行案例研究：LVMH 公司对于中国葡萄产业的投资情况。根据这些研究，我决定将讨论分为四章，以便对中国葡萄酒市场进行完整而有效的分析，首先对中国葡萄酒的进口情况进行分析，简述中国葡萄酒生产的特征和出口活动。因此，第一章分析了影响中国葡萄酒消费者消费变化的首要背景因素，以及促成了这一变化的社会、经济和政治因素。在背景介绍之后，我接着分析了使法国成为最活跃的对华葡萄酒出口国的因素，以及澳大利亚，智利，西班牙，意大利，美国，南非，葡萄牙，阿根廷和德国等国家如何发展有效的销售和营销策略，在中国市场上变得越来越活跃，并因此威胁到法国在中国市场的主导地位）。在每个国家/地区的策略概述中，我分析了上述每个国家最成功的葡萄酒厂，以评估是在中国葡萄酒市场上获得令人满意的市场份额的最佳营销和管理策略。对于每个分析的酿酒厂，我都概述了其地理位置，产品组合以及成功的原因。在研究了这些酿酒厂的策略之后，我决定以它们为例，并在第二章中详细论述它们。

第二章是关于中国葡萄酒市场的概述。其中，根据年龄和居住城市不同，本文细分了中国葡萄酒的不同市场。更详细地说，这部分分析了葡萄酒消费的场合，以及影响中国消费者选择某特定葡萄酒的文化因素。在对消费者进行剖析之后，我分析了吸引中国消费者的葡萄酒标签和包装所具有的特征，相关专家的科学的研究，以及葡萄酒包装上某特定颜色或数字对于中国消费者的含义。此外，我还想对国外葡萄酒厂向中国出口所采用的策略进行概述，以期通过 t 来建立有效的品牌价值。在对产品和消费者进行研究之后，我概述了有效

分销策略的重要性，描述了中国的分销现状，并重点关注了电子商务的重要性。电子商务也涉及到产品促销的问题，我概述了当今国际上主要的酿酒厂所使用的主要促销渠道，这些公司希望将其产品定位在中国葡萄酒市场上，如微信和微博。此外，参加中国主要的葡萄酒贸易展览会和活动也是这些国外酿酒厂的策略之一，以在中国市场更具竞争力。

如上所述，中国葡萄酒市场的发展不仅限于葡萄酒进口行业，而且还扩展到整个中国葡萄酒行业。鉴于其不断发展的现状，我决定在第三章中对其进行更详尽的研究。第三章实际上是对自古以来中国葡萄种植和酿酒的历史进行了分析。本章将继续对全球葡萄酒生产进行分析，以创建一个基准来解释当代中国葡萄酒市场的一致性。在进行了首次全面的分析之后，我考虑到了中国的气候和地理特征以及这些特征如何给葡萄酒生产带来障碍，从而对中国葡萄酒产业进行了概述。但是，由于当代中国葡萄酒产业将变得越来越发达发展愈加成熟和完善，并且其扩展范围覆盖几乎每个中国地区，因此我只概述了六个最佳的中国葡萄酒产区，并详细描述了它们的土壤和气候特征，无论是关于葡萄园扩展的问题。在分析这些地区时，我还提到并详细调查了这些地区中最重要的酿酒厂及其历史和生产特征。鉴于这些酿酒厂在国际市场上越来越成功，以及最近对其出口活动的实施，

这项研究的结果，使我又撰写了较短的另一章，有关 LVMH 集团在葡萄酒行业的最新投资，以便进一步分析中国葡萄酒在世界范围内日益成功的发展现状，这一改善将有效增强中国葡萄酒的原产国品牌效应。在本章中，我对公司进行了初步概述，描述了公司的特征和经营领域。鉴于讨论是关于 LVMH 在

中国葡萄酒行业的投资的，我随后分析了 LVMH 的葡萄酒和烈酒部门，并介绍了将 LVMH 的葡萄酒和烈酒部门作为葡萄酒生产商进入中国的扩张策略。然后，我介绍了 LVMH 在中国的第一家合资企业：Chandon China。在对该酒厂进行分析时，我介绍了其建立和产品组合背后的原因。但是，我所做的最重要的分析是关于 LVMH 在中国葡萄酒领域的第二个也是最大的合资企业：奥云。该酒厂的介绍旨在展示该酒厂如何帮助中国使其葡萄酒在世界最重要的市场上广为人知。这部分内容包括酿酒厂的历史，生产地点及其在世界范围内的分布。

基于对中国葡萄酒市场及其主要特征的研究，我可以证明它是如何变化的。证明其变化过程，以及它的不断发展是如何将其开放给越来越多的外国酿酒厂的。未来几年可能会看到他们的产品注册大量的销售，以及这些酿酒厂如何设计最合适的策略才能在此过程中取得成功。此外，我还可以证明需求的差异化以及数量的增加如何使中国葡萄酒产业在国际市场上逐年提高竞争力，以及由于其质量的提高而如何缓慢突破由于原产国的不良影响而造成的障碍。

Introduction

Since 2016 I have been working at the Food and Wine Department of Fondaco dei Tedeschi of Venice, the Italian division of one of the most important luxury retail hubs under the conglomerate Louis Vuitton Moët Hennessy. During the years there I had the chance to observe the behavior of the Chinese consumers looking for different kinds of wines, focusing, in many cases, their preferences on French wines and spirits, showing then, a lack of knowledge about the best Italian wines. Under those circumstances, I started to take in exam their behavior during the wine purchasing process, maturing then a great interest at first toward the drives of Chinese wine consumption, and then, toward the entire Chinese wine market.

During the researching process oriented to a deeper analysis of the contemporary Chinese wine market, I could observe how the Chinese consumers' preferences about wines have been going through a deep change during the last few decades, making them looking for a higher quality rather than a bigger quantity. Observing then the subject in deep and consulting important international wine marketing magazines and statistic sites, I realized that the main causes behind this switch is the tendency of young consumers belonging to the middle class to try to pursue a westernized lifestyle, moving away from the traditional consumption of expensive local liquors, and limiting the consumption of the great French wines. This switching trend has brought the entire Chinese wine market to go through a development that is influencing the Chinese wine import process, but also its national wine industry, which is becoming more efficient year after year.

According to these observations, I then decided to base my thesis on the study of the causes and the effects of these changes, making a deep analysis of the development of the Chinese wine market occurred In the last years in the fields of: wine import, wine production and export. In order to give a clear description of the problem and obtain reliable data, I carried out the research by the use of international books about the worldwide wine market and the Chinese wine

industry, as well as important marketing volumes which gave me the tools to understand the best strategies to be used on an uneducated market, to place a complex product like wine. However, seen that the Chinese wine market is going through a constant change, I had also to consult international agricultural and wine marketing magazines, as well as important international statistic institutes' sites to be updated with the last market trends. The use of academic papers concerning the subject, then, gave me the tools to amplified the discussion and to have a more complete view of the situation. Along with these materials, I enriched the research making few researches on the field, handling surveys to Chinese and Italian wine consumers and connecting the results to the themes reported during the discussion.

Thanks to these useful tools, I completed my research and I presented it dividing the subject in four different chapters belonging to two distinct macro-subjects. For what concerns the first macro-subjects, it is based on the analysis of the development and the most important changes which have involved the Chinese market of imported wines in the last ten years. Speaking more in detail, the first chapter is about the analysis of the ten most active wine exporting countries to China, and presents the most important strategies carried out by the most successful wineries located in those countries to penetrate the Chinese wine market. In fact, the chapter starts with the presentation of the social, political and economic factors that are today influencing the Chinese consumers' behavior, reporting the data about the luxury consumption carried out by the young consumers, the constant growth of the middle class, and the governmental policies which influenced the market in the last few years.

After this first analysis, the chapter presents a general overview of the dynamics of the Chinese wine import market, and gives also a background of the activity of the most important countries which wines are today very popular among the Chinese wine consumers. In the following part then, are presented in detail the above mentioned exporting countries, which include France, Australia, Spain, Chile, Italy, U.S.A., etc. The studies about those countries include, then, some brief case studies aimed to make an overview about the strategies used by the most successful wineries located in each country, to become the most consumed kinds of wines in China. The first macro-subject continues , then, making a connection between the

strategies used by the above mentioned wineries and countries and the Chinese wine market, resulting in a description of the wine positioning process on the Chinese market. This chapter is based on the “4 Ps” of marketing, used to prepare an overview about the consumers’ profile, the fundamental characteristics of an appealing product, the importance of the packaging and the brand name, the modalities of placing and distribution, and the increasing importance of the ecommerce and of the online promotion. The first part ends with a personal research made by the use of an online survey, made to verify the informations reported in the previous parts.

The second macro subject reported in the discussion, instead, is related to another important aspect of the contemporary evolution of the Chinese wine market: the Chinese wine production. It starts with the analysis of the historical and economic background that led the PRC to pass from a low-quality wine producing industry, to an advanced and effective wine producing country. In the chapter are also presented the most important Chinese wine regions, in which are described the main geographical, climatic and agricultural characteristics that stand behind the Chinese wine production. The analysis of every region contains the presentation of the most effective wineries of the area, and a description of their producing techniques. Given the high level of development that characterizes those wineries, as well as the international importance that they have acquired during the last few years, I also prepared a brief analysis about the potentialities of their products on the educated markets, including a personal research about the perception of Italian consumers about Chinese wines. This part is aimed to understand how the Chinese country of origin effect can affects the purchase of a Chinese wine by the Italian average wine consumer, and also to examine if this wine could ever reach the Italian market.

The discussion ends with the presentation of a case study about the investment in the wine sector carried out by the French conglomerate LVMH on the Chinese territory, taking in exam the two branches established by the group in the last ten years. This case study is aimed to give a clearer overview about the future positioning of the Chinese wine on the worldwide market, and to describe how a

consolidate brand as LVMH might stimulate the curiosity of the educated markets about the products of the Chinese wine industry.

Chapter 1. Chinese Wine Import Overview

Alcohol consumption in China has always had an important role as it is given as a present to show respect for the host, to express gratitude, and to wish fortune during the main festivals having place every year. Formerly, until the end of XX century, almost the totality of the alcohol consumers only knew and purchased Chinese *baijiu*, the grain based national liquor, or beer produced in Mainland China. Despite the fact that the Chinese government started promoting grape wine from 1980s in order to try to substitute high degree liquors such as *baijiu* with something healthier, the real success of wine in china has its roots at the end of 1990's. At that time, wine was not something appreciated by the masses, as it did not belong to Chinese tradition. The trend started changing in the last years of 1990's when the Chinese middle class became an increasing reality and the rural citizens started moving to the biggest urban centers. In light of these social changes, the needs expressed by new riches became more refined, they were looking for something that could demonstrate their superiority over the masses and could increase their prestige in society. So, it begun a process that can be still observed today, the Bordeaux most prestigious wines made their appearance on the Chinese marketplace. Consequently, the Chinese wine market started boosting from a volume 25 million dollars in 2000¹, to today's 2.9 billion dollars volume².

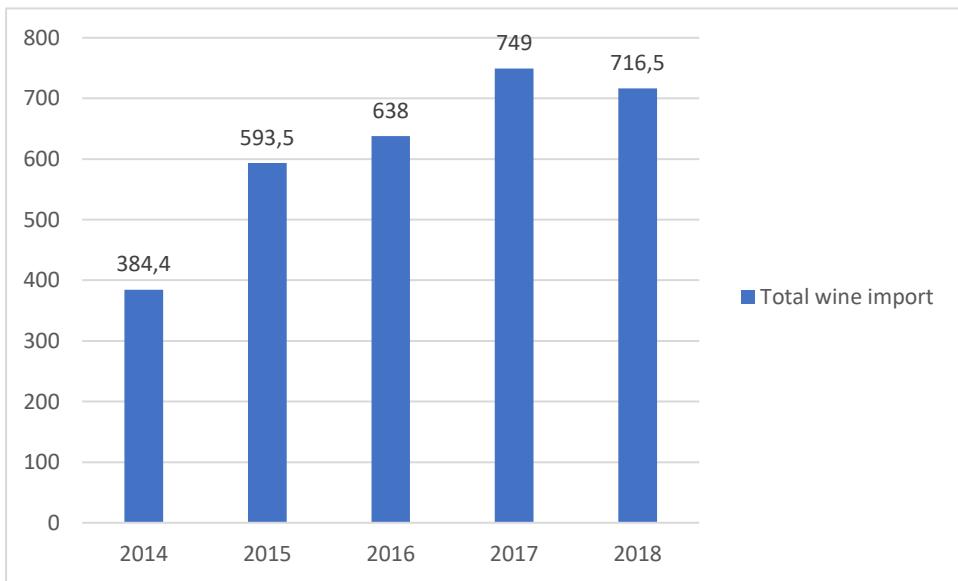
A turning point that helped many foreign wine companies and exporters to reach a consistent market share in China, was the join of Popular Republic of China into the WTO in 2001, that let the import duties on foreign alcohol decrease . However, this rapid increase of the import volume had a breakdown in 2014. At the end of 2013, when Xi Jinping became President of Popular Republic of China, he started a campaign to make the Chinese officials' corruption to stop. This campaign that medias defined the "Anticorruption Campaign" had a great impact on national

¹ Organisation Internationale de la Vigne et du Vin, "State of Viticulture World Market". (2018).

² D. Workman, "Top Wine Importing Countries". World Stop Export. (2018).

economy and on the import activity of luxury products. When the campaign started to take place, many cases of corruption and bribery were found out, and in just one year the number of investigations reached 182 million³. Considering the extreme sentences and the hardness of purges, many officials and a lot of entrepreneurs and middle class citizens started adopting a more cautious and low-profile lifestyle, reducing the expenses and consequently the purchase of luxury product as clothes, jewelry, expensive food and wines. This historical moment can be demonstrated by the market data collected since 2013, when the imported wine market saw a clear slowdown: imported products volume decreased from \$1.57 Billion of 2012 to \$1.47 Billion dollars of 2013. Fortunately, Chinese wine market started increasing again in 2015, reaching a total of 395 million litres in just one year, a volume that represented an increase of 37% compared to the year before⁴.

Exhibit 1.1 - Total Chinese wine import per year 2014-2018



Sources: Grape wall of China; The drink business; OIV; Digital to Asia.

³ Qian, Nancy and Jaya Wen. "The Impact of Xi Jinping's Anti-Corruption Campaign on Luxury Imports in China (Preliminary Draft)." (2015).

⁴ Ted Rieger. "Challenges and Opportunities in China's Wine Market". (2015). Available at: <https://winesvinesanalytics.com/features/article/143862/Challenges-and-Opportunities-in-Chinas-Wine-Market>

As observed in the figure 1.1, after the austerity occurred from 2013, and the consequent decrease of foreign wine demand that affected the year 2014, in 2015 the numbers of imported wine went through a new golden period, having a growth of 37% versus 2014, with a value of \$1.9 billion dollars. This growth can be justified by fundamental events and agreement occurred In the first month of 2015. Firstly, the general fear of Chinese government started declining because of the lower arrests rate. Secondly, since the beginning of 2015, some new trade agreement was signed as for the CHAFTA, the Chinese Australian Free Trade Agreement. As a matter of fact, under this commercial contract signed by the governments of the two countries in Canberra on June 17th, 2015, 85% of Australian goods could be imported to China without being charged of any tariff. This agreement caused a growth of 134% in the Australian wine export to China⁵. Another factor can be found in the fact that despite of the decrease of economy trend of those days, the urban middle class has never stopped growing, and thanks to government measures and labor-market expansions, the wages was pushed up. From 2000 to 2012, the middle class components went through an increase of 68%⁶, starting from the 4% on the entire population of 2000 (around 50.5 million people), arriving to a total of 784 million people in 2012.⁷ The general growth trend continued in 2016 and in 2017, when the total national wine import reached the maximum peak ever registered with 749 million liters of wine imported and a total of \$2.8 billion Dollars value.⁸ The 2017 wine success in China has been seen as an effect of the “Luxury fever” started few years before. The recent come into play of millennials consumers who have access to many online platforms, social networks and mobile payment services made the luxury market and consequently the wine market to have a further growth.

⁵ “Vino italiano: luci dalla Cina, ombre in Russia”. [online] La Repubblica. (2015). Available at:https://www.repubblica.it/economia/2015/07/24/news/vino_italiano_luci_dalla_cina_ombre_in_russia-119720653/

⁶ D.Barton, “*Mapping China's middle class*”.[online] Mckinsey.com. (2015) Available at: <https://www.mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class>

⁷ The World Bank, Global Consumption Database. [online]. Available at: <http://datatopics.worldbank.org/consumption/country/China>

⁸ Organisation Internationale de la Vigne et du Vin, “*State of Viticulture World Market*”, (2018)

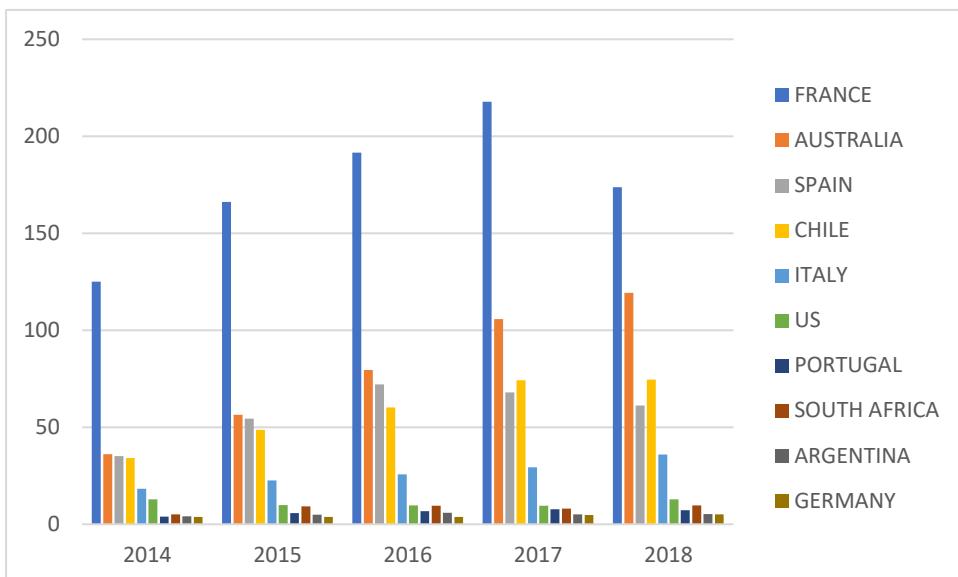
Their consuming behavior is oriented toward a luxury lifestyle and because of this, they made the Chinese luxury total expense increase at an outstanding pace in the last few years. In 2018, Mainland China's total luxury purchases accounted for 33% on total worldwide expenses, with an amount of ¥770 billion RMB. As reported on the McKinsey Luxury Report of 2019⁹, Chinese millennials are the main luxury consumers in China, and they are driven by the need to appear unique and original, to feel different from the masses, because of their strong tendency to show off everything they purchase, sharing their experiences on the main national social networks like Wechat, Weibo, Xiao Hong Shu and many others. The main luxury consumers are those who were born between 1980's and 2000, and they are far more rich than their parents were when they had the same age. Their westernized lifestyle requires them to use the largest amount of their capital in satisfying social and self-esteem needs, travelling, eating at expensive restaurants and buying the most valuable kinds of wine. Despite of this trend and this growth in luxury consumption that has been forecasted to duplicate within 2025, with an expected sales volume of 1.2 trillion Renminbi, 2018 saw Chinese wine import to suffer a noticeable slowdown.¹⁰ However, this can be seen as the consequence of the last Chinese riches to search for quality rather than quantity, because despite the fact that the volume of imported liters decreased from the 749 million liters registered in the previous year to 716.5 million liters, the average price per 9L case increased from 10\$ to 12\$.¹¹ However, the market fluctuations seems to affect each importer country in a different way, since they produce a great multitude of kinds of wines that are having a great success, while many of them are not able to penetrate the market in an efficient way. In the chapter below, I am going to examine the backgrounds and the differences between the top ten wine providers of China, particularly focusing on France, Australia, Spain, Chile and Italy which occupy the largest Chinese wine market shares.

¹⁰ "China Luxury Report 2019 - How young Chinese consumers are reshaping global luxury". Mckinsey Institute. (2019).

¹¹ "Increasing demand for quality wines in China", Market Bulletin, Issue 141. [online] WineAustralia.com. (2019) Available at: <https://www.wineaustralia.com/news/market-bulletin/issue-141>

1.2 The main importers and their backgrounds

Exhibit 1.2 - China wine import by country 2014-2018



Sources: Grape wall of China; The drink business; OIV; Italian Wine Central;

Despite the effects of Austerity in the previous years, that made French wine and particularly the finest Bordeaux wine to go through an important slowdown, as well as the following decrease occurred in 2018, France remains the most prolific wine exporter to Chinese Mainland's wine market. As shown in figure 1.2 France has always been the main wine provider for China, and its export volume has always stood out compared to the other exporting countries. After France, with an average yearly wine export to China of 79.4 million liters, there is Australia which wines are having a great success among Chinese consumers these days, as demonstrated by its growth in exports of 2018. The third position, instead, has been contended for long time by Spain and Chile which products are less popular than the ones coming from the above mentioned countries, but are well positioned on Chinese wine market and meet the demand of the youngest share of wine consumers. For what concerns Italy, which is one of the most important country in the world for wine production, is still having some difficulties in penetrating Chinese wine market, caused by some important factors that will be explained in the next chapters. In the chapters below,

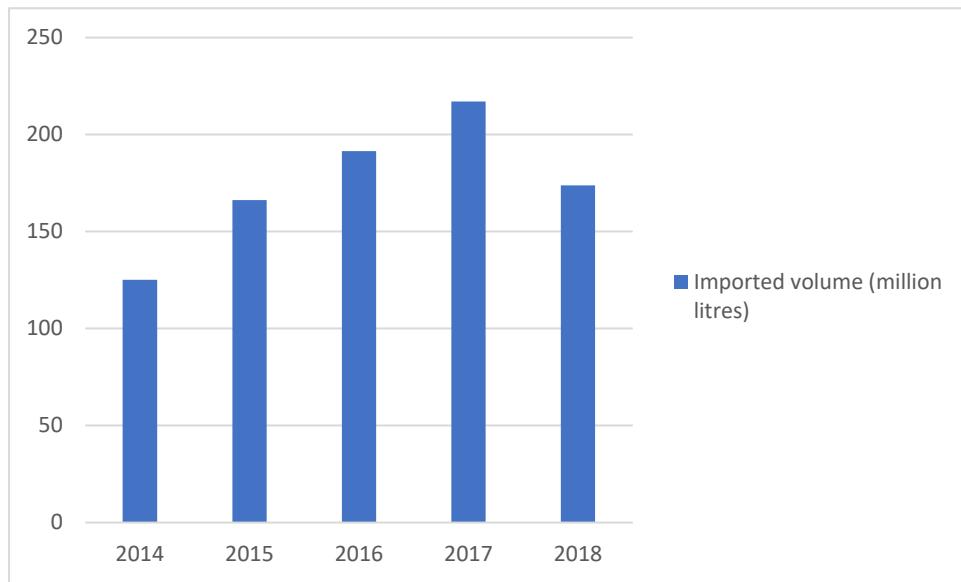
I will analyze and elaborate the main characteristics of each wine exporter country to China, focusing mainly on the most popular wines according to the Chinese consumer's preferences.

1.2.1 France

In many country of the world, when someone is asked to associate grape wine to a country, in most cases the answer is "France". France is one of the most important wine producing country of the world and French wines are exported and consumed by billions of consumers every year. France is the second wine power per production after Italy with a total of 46.4 million hectoliters produced in 2018, having more than 865.000 hectares of vineyards and more than 27.000 wineries distributed on every corner of the French territory. France is also the main wine exporter to China and is one of the pioneer of this kind of commerce there. China took much from France either in terms of consumption, either in terms of production. Many French producers moved to China to develop their products and to refine their production techniques. Moreover, a great quantity Chinese businessmen are acquiring and investing in French chateaux in Bordeaux and in Burgundy wine regions.

Since 2014, China is the country with the highest red wine demand on the worldwide market and its wine import activity is year by year more consistent.

Exhibit 1.3 French imported wine in China 2014-2018



Sources: Grape wall of China; The drink business; OIV.

As shown in Figure 1.1, the French wine import to China has increased at an outstanding pace since 2014, and in 2017 it reached its peak exporting a volume of 217 million liters of bottled wine with an amount that accounted for more than \$1.05 billion dollars. These exceptional commerce data are due to the fact that French wine in China is not just an alcoholic beverage, it is a *status symbol*. This aspect, in fact, is deeply rooted into the Chinese culture and into the emerging trend of Chinese middle class. This trend has its origins in the second half of the 20th century, namely in 1980's when the Chinese government, leaded by President Deng Xiaoping started its open up policy to the rest of the world.

After decades of communist dogmatism and refractory policies, Chinese Government decided to carry out one of the most important and prolific reforms ever made, opening up to the outer world, starting accepting and taking in exam foreign lifestyles, technologies, merchandises. Under these new circumstances, China started the path that brought it to be the today's second greatest economic power of the world. After the Opening up Reform, the Chinese economic situation started rearing, transforming China to the world's manufacturing factory. As a consequence, a new wind of change started blowing on Chinese economy, giving to the private entrepreneurs and businessmen the chance to see their own assets to

grow at a high rate. Since the private citizens could dispose of a great quantity of funds, their hunger for luxury products became a concrete need, so many new Chinese riches started purchasing and consuming the most expensive western luxury accessories, cars, clothes and even wines. That was the turning point that made Bordeaux wines to be one of the most prolific business in the food and beverage field in China.

How did Bordeaux fine wines got to China? The first company who introduced Bordeaux wines such as Chateau Lafite and Petrus Pommerol to Chinese consumers was the Topsy Trading Company. Founded by Thomas Yip in 1982, the Topsy Trading Company started its business with the purpose of supply top wines to the most important and plushy hotels located in Hong Kong. As a consequence, the best Bordeaux wines could be purchased by the wealthiest Chinese consumers, and became the most emblematic gifts for Chinese government's officials. After the great success of Bordeaux wine imported by foreign companies, 1988 represented a turning point in the sale of French wines, when David Henderson and Carl Crook, established the Montrose Food & Wine that was the first company which obtained the license to import wine directly, despite of some problems with the tax system at the beginning because of the Government unfamiliarity with such products.

However, the very first boom of Bordeaux wine in China was observed in the first years of 1990's, when the Chinese Government saw the grape wine as an opportunity to get some benefits for the nation and for the citizens. According to Janet Z. Wang, writer of the volume: "The Chinese Wine Reinassance", published in 2019¹², the government followed three drivers to promote the grape wine consumption. The first one was related to the population growth, as the Chinese population grow by the 1,5% in just few years, from the 1.05 billion of 1985 to the 1.14 billion of 1990.¹³ This exceptional growth brought the government to promote the consumption of grape wines instead of the consume of grain based liquor, as the grain could be used to feed the ever larger Chinese population, instead of being used for making beverages. The second driver analyzed by Janet Z. Wang¹⁴ is the fact that

¹² Janet Z. Wang, "The Chinese Wine Reinassance" pp. 48-50 , Ebury Press. (2019).

¹³ The World Bank, 2014.

¹⁴ Ibidem

at that time, grape wine was considered as a healthy beverage, as it was made with fruit and it had a lower alcohol volume than the more popular and cheaper 白酒 (*baijiu*) liquor. The third and the last driver was a purely economic one, as the winegrowing business could be important to give a further push forward to the already growing Chinese economy.

When on the 1st of July of 1997 Hong Kong returned under PRC's control, becoming one of the two Chinese special administrative regions, Bordeaux wine had the chance to make another step forward. From 1841 to 1997 Hong Kong remained under the British control, therefore it could benefit from the favorable UK's commerce agreements that made Hong Kong one of the first pioneers in importing wines in Asia, since the United Kingdom carried out advantageous trading relationships with France. Under these circumstances, Hong Kong economy developed in a different way comparing to Mainland China, and its population could benefit of a westernized and wealthy lifestyle . At that time, the Hong Kong's GDP per capita consisted of \$27.330,00, while the Chinese one was just \$781.74, this demonstrated the distributed wealth of the country.¹⁵ Therefore, after Hong Kong returned to China, its widespread wealth and life models started influencing Chinese rich people, making the demand for Bordeaux wines further increase.

The definitive boom started in the first years of 2000's, when Bordeaux Index, a fine wine and spirits commerce company, opened its first office in Hong Kong, and in 2008 the import tariffs on Bordeaux wine was eliminated. In addition, another key fact in the success of Bordeaux wines in China, is the efficient operational network that French winemakers and salespeople have built and perfected through the years. Bordeaux wines are made in *chateaux* located in the two banks of the French region, that are divided in 60 *appellations* and distributed on 120.000 hectares. Bordeaux winemakers with the aid of brokers called *courtiers* distribute their products to wholesale merchants called *Négociant* who sell it all over the world.

These are the factors that brought French wines and in particularly Bordeaux wine to be the most consumed western wines in China for more than 40 years, and that influenced quite permanently the perception of wine among the Chinese

¹⁵ "Hong Kong SAR GDP per Capita". [online]. CEIC. (2018).

consumers. However, the consumption of these particular kinds of wine is particularly linked to Chinese culture of gift, to the concept of 面子 (*mianzi*), and to the concept of 关系 (*guanxi*) which are fundamental aspects of Chinese culture and are the main driving causes of the today's enormous volume money spent on the luxury market.¹⁶ On the basis of these factors, it is possible to understand why the Chateau Lafite Rothschild, one of the best Bordeaux wines, is perceived as the best wine on Earth by the most quantity of Chinese wine drinkers. But what Chateau Lafite is and why it is so important in China?

1.2.1.a Chateau Lafite Rothschild

Chateau Lafite or 拉菲 (Lafei) as it is known in China, is a wine produced by the Domaines Barons De Rothschild in the Bordeaux region, and it includes three separated vineyards having a total extension of 112 Ha in which are cultivated the 4 fundamental kinds of grapes that compose the Bordeaux blend, which are so present in the wine: Cabernet Sauvignon (70%), Merlot (25%), Cabernet Franc (3%) and Petit Verdot (2%). Their products are known in every corner of the world, but its best and more demanded product is with no doubt the Chateau Lafite Rothschild, Premier Cru Classé, Pauillac. It is made using the most selected grapes exclusively cultivated and harvested in the Bordeaux Region. The yearly production volume consist of 96.000 bottles or 16.000 cases. The second product of the winery is the less known Carruades De Lafite, Pauillac. It is made using the Bordeaux blend and its production volume is about 120.000 bottles per year. This brand is at the head of French wines imports in China, with more than 50.000 cases that reach the Middle Country every year. But what are the reasons of its success?

According to a study carried out by Amy Ma published on the Wall Street Journal in 2010, the Chinese love for Chateau Lafite is due to several aspects.¹⁷ Firstly, as often happens for the most successful foreign product sold in China, the short and

¹⁶ This topic will be further analyzed in the second chapter.

¹⁷ Amy Ma, "Why the Chinese Love Lafite". [online] Wall Street Journal. (2010). Available at: <https://blogs.wsj.com/chinarealtime/2010/09/17/why-the-chinese-love-lafite/>

easy to pronounce name “拉菲” (*Lafei*) is really appreciated by the Chinese wine consumer. Secondly, as already told in the previous paragraphs, Lafite is one of the first foreign wines ever imported into China. The name of this wine has become a myth over time, and its quality and fame passes by mouth to mouth every time someone discusses about wine, and is consequently nestled into Chinese wine culture. In addition, the great quantity of international prizes won by the winery and the wine itself makes the product very attractive on the Chinese market. Today a bottle of Chateau Lafite can be found on Chinese market at a price ranging between ¥7.000 and ¥36.000 CNY, namely, between \$1.020 and \$5.300 USD, depending on the vintage.

1.2.1.b Counterfeited Wine

However the great success of the brand Chateau Lafite Rothschild gave rise to a new and dangerous business activity: counterfeiting high-end wines. Everything started in 2002 when at the Hong Kong customs 30 bottles of counterfeited Chateau Lafite Rothschild were found and confiscated by the local authorities. The bottles were authentic, but just the bottles, because the wine content was discovered to be a kind of cheap bulk wine coming from Chinese local wine producers. Unfortunately, this first documented case of wine counterfeiting in China represented the starting point of an illegal business that is causing damages to the entire global wine market.¹⁸

The process of “production” of fake wine and especially of Chateau Lafite consists in recycling the glass bottles of high-end and fine wines, cleaning them and replacing the content with very cheap wines that are produced in some very efficient Chinese wineries located mainly in the Shandong region. When the real glass bottles are not available or the labels are ruined or have been ripped off, they are printed and stack on plain bottles. However, the fake wine can be found in Chinese restaurants, supermarkets and even wine shops , and can be classified into two distinct types: the first type is represented by those bottles that present the same visual characteristics of the original one, as the same shape of the bottle and the front and

¹⁸ Noel Shu, “*China Through a Glass of Wine*” pp. 34-36, Red Scorpion Press, New York. (2016)

back labels. Wines presenting these features can be tricky even for professionals. The counterfeited wines belonging to the second category, who are the most popular in China, are the ones which present a misspelled name on its label and might present a different shape on the bottle too. The success of these kinds of counterfeited wines among Chinese consumers is due to the fact that the average wine drinker has a limited knowledge about wines and he is not able to distinguish between original and fake bottles. According to a research conducted by Anqi Shen reported in its article “Being Affluent, One Drinks Wine: Wine Counterfeiting in Mainland China”, around 50.000 bottles of Chateaux Lafite reach China every year, but more than 2 million bottles are actually sold on the market.¹⁹ This demonstrates the huge dimension of the sales volume of the wine black market. Since the counterfeiting trend started to be a consistent threat either for the imported wine market and for the health of the citizens, the Chinese government and the importer countries started taking a large number of measures that succeeded in limiting the problem, although partially. One of the most succeeding measures was the adoption of the “Anticounterfeit label” by the most important wineries of Bordeaux. It consists in an hologram (1, figure 1.1) and a QR code (2, figure 1.1) that lets the consumer know the year, the batch and the location of production. The great advantage behind this measure is that such holograms and QR codes are quite impossible to imitate)

Figure 1.1, Anticounterfeit label on a bottle of Chateau Lafite Rothschild.



¹⁹ Anqi Shen, “*Being Affluent, One Drinks Wine*: Wine Counterfeiting in Mainland China”. [online] Vol 7 No 4 (2018): International Journal for Crime, Justice and Social Democracy. Available at: <https://doi.org/10.5204/ijcjsd.v7i4.1086>

Moreover the enforcement of the Chinese laws on the intellectual propriety and of the more recent anti-counterfeiting regulations provoked a great number of seizures and arrests. One the most important cases occurred in 2013, when Chinese police seized more than 7000 cases of Bordeaux wine including Chateau Lafite, Chateaux Latour and Mouton Rothschild, arresting the producers that detained more than \$32 million dollars in fake wines, as reported on the Wine Cellar Insider in august 2013.²⁰

However, since the growth of the number of young consumers on the market and the outstanding advancement of the online technology, today a big quantity of wine purchases are made by the use of ecommerce portals. As reported by McKinsey&Company, in 2017, the Chinese retail e-commerce transaction value increased from 0.6% as it was in 2005, to 42% in 2016 on the total of the worldwide consumers.²¹ As a matter of fact, the increasing trend of using e-commerce portal took the wine business online, along with some counterfeited products and wines that reached many e-commerce consumers. In 2017 a group of wine sellers was suited and accused to have placed counterfeited Australian wines on Taobao.com, owned by Alibaba Group, at a price of 200 yuan each.²² Facts like this pushed Chinese government to take further measures, thus on the occasion of the 13th People Congress, on August 31st, 2018, a new law was approved, a law stating that the e-commerce platforms will be considered responsible for the product sold online by their users²³.

²⁰ "Massive Chinese Counterfeit Wine Ring Busted with 7,000 Fake Cases". [online] thewinecellarinsider.com. (2013). Available at: <https://www.thewinecellarinsider.com/2013/08/massive-chinese-wine-counterfeiting-ring-busted-7000-fake-cases/>

²¹ "Digital China: Powering the economy to global competitiveness". [online] McKinsey&Company. (2017). Available at: <https://www.mckinsey.com/featured-insights/china/digital-china-powering-the-economy-to-global-competitiveness>

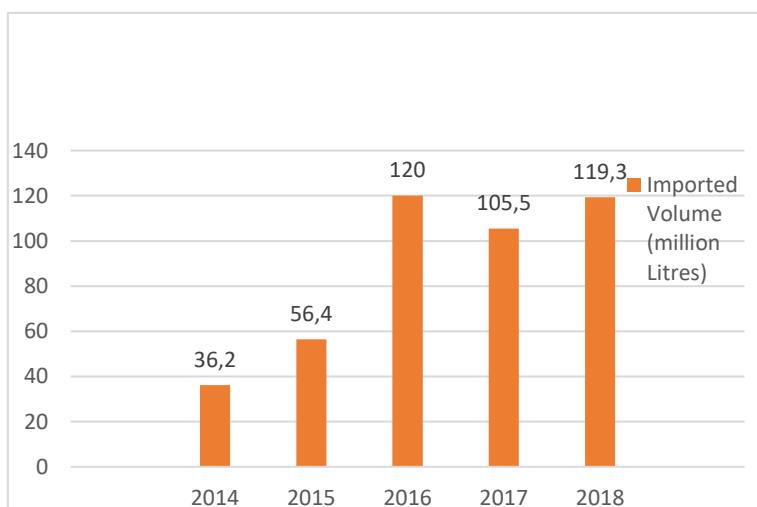
²² Kirsty Needham, "Chinese police find 14,000 bottles of fake Penfolds wine in counterfeiting scam". [online] The Sydney Morning Herald. (2017) Available at: <https://www.smh.com.au/world/chinese-police-find-14000-bottles-of-fake-penfolds-wine-in-counterfeiting-scam-20171116-gzmnh3.html>

²³ Natalie Wang, "China Passes First Law Against Fake Goods Sold Online". [online] The Drink Business. (2018) Available at: <https://www.thedrinksbusiness.com/2018/09/china-passes-first-law-against-fake-goods-sold-online/>

1.2.2 Australia

As shown in figure 1.2, France is not the only wine importer to China, country as Australia, Spain, Chile and Italy share a good slice of Chinese wine market too. Australia, by the way, is the second most successful wine exporter in China after France, and its wines are very appreciated all along the Chinese territory. The success of Australian wine in China is due to several factors, as its high quality wine and its premium labels are able to satisfy the need for luxury products that characterizes the middle-class consuming behavior. Moreover, the particularity of Australian climate, that is warm and sunny, influences the structure of wines with sweeter and fruity notes, that are particularly appreciated by Chinese consumer's palate, and according to a survey made by Wine Australia, Chinese drinkers associate those wines as fine and valuable as their prices, although they are not as expensive as French ones, are perceived as premium prices.²⁴ The key of Australian wines success in China emerged in just two decades, making Australia the second main wine exporter to the country, having the 33% of its total export oriented there.

Exhibit 1.4 Australian imported wine in China 2014 -2018



Sources: Grape wall of China; The drink business; OIV.

²⁴ Wine Australia, "Top of the pops in China - the top ten Australian fine wines". [online] Wine Australia. (2018). Available at: <https://www.wineaustralia.com/whats-happening/stories-of-australian-wine/july-2017/top-10-china>

As shown in figure 1.4, Australia, as many other country, saw an outstanding growth in its wine import activity to China, moving from just 36.2 million liters of 2014 to almost 2 billion liters of 2018. One of the key reasons of this great success is the signing in 2015 of Chinese Australian Free Trade Agreement that made Australian export tariffs reduce until January 1st 2019, when they have been totally eliminated. Under this agreement, Australian wine export to China increased again in the last few months, and as reported by Wine Australia, one of the most important source of information for Australian exporter, this event is making Australia a threat to France's pole position in wine export to China, Macau and Hong Kong.²⁵ As analyzed in the previous paragraph, the 2018 Australian wine export volume to china touched 2 billion of liters, accounting for an amount of \$725.3 million dollars, which demonstrates that Australia is the one of the few countries that did not suffer the 2018 slow down.

Speaking about the grape varieties, Australia's most used grapes for wines are Shiraz, that occupies more than 40.000 Ha and it's the more emblematic grape for wine in Australian continent. The second most harvested kind of grapes that is used for the wine production is Cabernet Sauvignon. Their tradition in producing red aged wines, with fruity and oaky notes brought Chinese consumers to look with interest at Australia fine wines, since the most preferred kind of wine in china is Cabernet Sauvignon. This trend can be observed in Wine Australia's report that analyzed the most trendy Australian wines in China.²⁶ Without any surprise, they discovered that Chinese wine drinkers have a net preference for Shiraz, Cabernet Sauvignon and Merlot, and their preference is oriented to fine wines priced between \$150 and \$500 USD . In 2017, Mibd conducted a research taking in exam a great number of wine shops located high tier cities like Beijing, Shanghai, Shenzhen, Wuhan, Guanzhou and Nanjing, which aim was to understand which kind of Australian wines were the most consumed and the most sold to retail wine

²⁵ Wine Australia, "Australian wine exports setting new records". [online] Wine Australia. (2018). Available at: <https://www.wineaustralia.com/news/media-releases/australian-wine-exports-setting-new-records>

²⁶ Wine Australia, "Top of the pops in China - the top ten Australian fine wines". [online] Wine Australia. (2018). Available at: <https://www.wineaustralia.com/whats-happening/stories-of-australian-wine/july-2017/top-10-china>

consumers. During the research, MIdb researchers discovered that the most preferred Australian kind of wine was Cabernet Sauvignon and Shiraz, particularly the one produced by Penfolds, an important wine producing company that owns a large number of vineyards in many regions located in Southern Australia, occupying the 60% on the total of Australian wines sold on Chinese market.²⁷ The average price of a bottle has been set at more than 1000 CNY (145\$).

1.2.2.a Penfolds

Penfold was founded as a vineyard in Adelaide, Australia in 1844 and is now part of Treasury Wine Estate LTD, being one of the most successful Australian wineries. During the 20th century, it's high quality products brought it fame outside Australian's territory, being today one of the most known and appreciated Australian wine brand all over the world. Its production activity is divided in many different vineyards located in many Australian wine regions as Adelaide Hills, Barossa Valley, Coonawarra, and many others, all located in the southern part of Australia. Penfolds presents a great variety of products divided in different collection according to their quality and selection of the grapes, that are oriented to different market segment.

According to the Treasury Wine Estate 2018 fiscal year report, the most important Australian wine and spirits group that includes Penfolds Winery, its wine sales in China increased by 44% comparing to the previous year.²⁸ In particular, the "BIN" product line is having an enormous success these days. The key of the success of this product can be seen in its packaging and particularly in its name. Bin28, Bin128, Bin138, Bin389 and Bin407 are the most popular ones especially among Chinese young consumers. As can be observed, each of these kinds of wine share a particular sequence of numbers including the number 8, which is the most lucky

²⁷ Vinoffer, "Top 50 Australian wineries in China wine Shops (Vinoffer)". [online] Mibd Market. (2017). Available at: <https://mibdmarket.com/News/wines-china/2015/22.html>

²⁸ "China demand charges Treasury Wine results". [online] SBS News. (2018), Available at: <https://www.sbs.com.au/news/china-demand-charges-treasury-wine-results>

number in Chinese culture. Its success it is also due to the simplicity of its name that can be pronounced and interpreted by the average consumer who is not confident with foreign languages, and it is easy to remember, bringing to an increasing number of loyal customers.²⁹

Another important characteristics of these wines, is that they are all made using shiraz and cabernet sauvignon, which demonstrates one more time the preference of Chinese consumers toward these particular kind of grapes. In addition, the recent introduction of a new product thought mainly for the Chinese market, boosted the brand's sales and the success of the winery. The name of the product is Penfolds Max, which is made using Shiraz grapes 100%. It made its first appearance on the marketplace in 2018, with the 2016 vintage. The great appeal of this wine to Chinese consumer is mainly due to the color of the bottle, which is completely wrapped in a red colored label made of plastic.

Table 1.1 Penfolds Max prices on Chinese ecommerce platforms

	JD.com	TMall.com	Taobao.com	Avg price
Penfolds Max	¥369.00	¥358.00	¥398.00	¥375.00

Penfolds Max 2016 can be found on the main Chinese ecommerce platforms at an average price of ¥375 CNY (\$54.5 USD), which is under the price threshold of the most popular foreign kinds of wines sold in China. The great success of Penfold that made it to be the most consumed Australian wine on the Chinese market, let the Australian country of origin name to be implemented, making many others Australian wine brands entering China. In fact, there are more than 50 Australian wine brands that can be found in the main Chinese shop and ecommerce platforms, that are appreciated by a large part of consumers and are bought everyday by millions of wine drinkers. The most important ones are: Jacob's Creek, Wolf Blass,

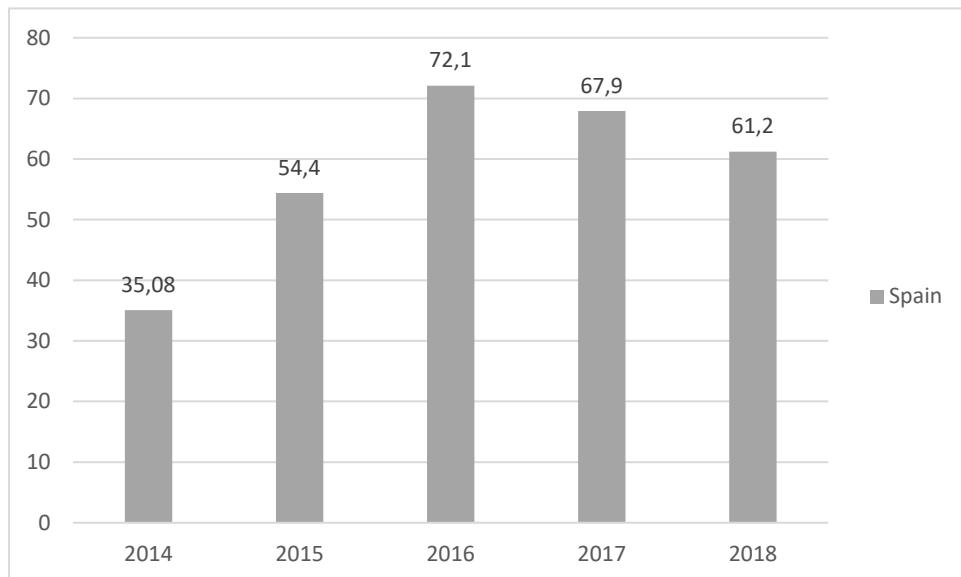
²⁹ “奔富红酒，为什么在中国这么流行？”. [online] Jianshu.com. (2017). Available at: <https://www.jianshu.com/p/ce4f35bf7286>

Casella wines and many others. In the Exhibit 1.2, about the top ten wine exporters to China, is it possible to observe that Australia is followed by Spain, which will be analyzed in the further paragraphs.

1.2.3 Spain

Spain is one of the most important wine producers in the world. Since to its colonist past, it is responsible for the diffusion of *Vitis Vinifera* in the South American Continent, which produces today some of the finest wines in the world. Spain has the largest vineyard surface area in the world with 975 million of hectares and it is the third wine producing country, as its wine production touches 39 million hectoliters per year. From 2012, Spain is the third main wine provider of China, and since then, its wines had a great success that increased its demand year by year.

Exhibit 1.5 - Spanish wine import in China 2014-2018 in million litres



Sources: Grape wall of China; The drink business; OIV, ICEX.

As shown in figure 1.5, Spain like France and Australia, saw its wine to become year by year more popular and after the austerity period of 2013 and 2014, its success on Chinese market exploded with an impressive growth of 60%.³⁰

However, Spanish wine cannot benefit from the mythological aura that grew around French wines, nor it can benefit from flattened tariffs as happened for Australia wines. The keys of their success is quite different from the above mentioned ones and they have to be found into highly efficient marketing and penetration strategies carried out by Spanish wine producers and consortiums. In addition, the increasing demand for Spanish wine can be seen as a result of the recent enter into the consumption environment by more educated and cunning young consumers, who are developing a deeper curiosity in trying new kinds of wine products and are more quality-conscious.

Today, Spain is going to expand its business and sales volume being a threat to its most fierce competitors like Italy and Chile, thanks to the recent implementation carried out by ICEX Spain Export and Investments in collaboration with the World Trade Organization which aim is the placement of Spanish wine on a medium-high range. This campaign is structured on the base of four fundamental pillars that seem to be very important in wine marketing to China today: information, promotion, communication and formation, reinforced by public events that might reach a larger number of potential consumers. The campaign has been implemented thanks to the Chinese brand ambassadors of Spanish wine that have a great reliability and act as spokespersons. At the same time, during march 2019, some Chinese wine experts went in the most emblematic viticultural Spanish regions as Rioja, Jerez, Ribera Del Duero and many others to have the chance to bring back to China a more deep knowledge about Spanish wines and become Brand Ambassadors. However, the most successful initiative was the creation of the “Official Rioja Education Program” that started at the beginning of the year 2016. The initiative brought fifteen wine Chinese experts to travel in the Rioja region to get in touch with the homonym DOCa Rioja, named after the region. After the launch of the initiative promoted by the local

³⁰ ICEX, “Vino en China: reto permanente”. (2019) [online] ICEX España.

Available at: <https://www.icex.es/icex/es/Navegacion-zona-contacto/revista-el-exportador/mercados/REP2019816239.html>

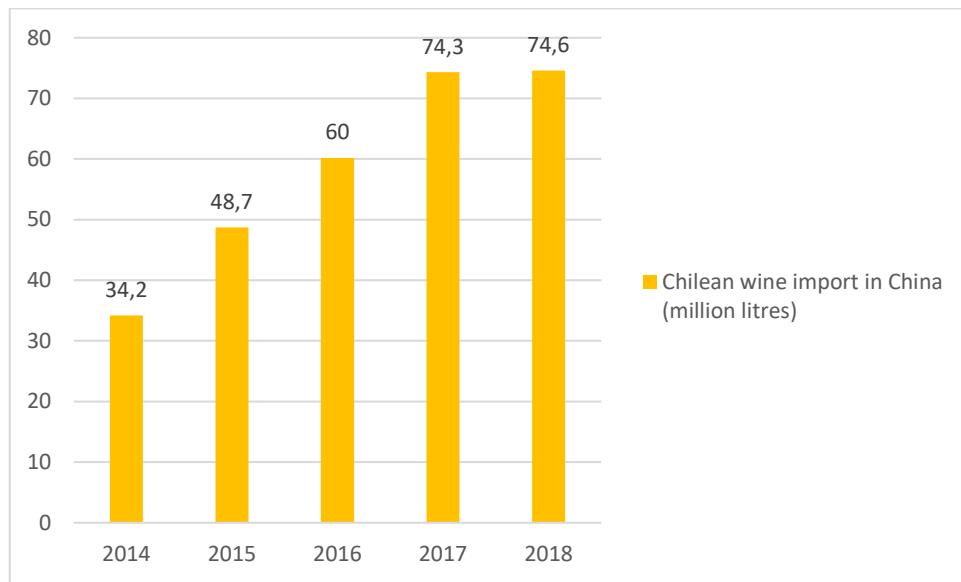
government of the region, in China exploded the passion for its wines. In fact, from 2017 the Rioja wines export to China had a growth of 17.38%, with a total of 3.7 million litres exported.³¹ In particular, it seems that Chinese consumers of Spanish wines prefer those products made with Tempranillo grapes, which is also the most cultivated grape of the Iberic Peninsula. The large consumption of that kind of wine is caused either by the fact that they have a gentle flavor characterized by fruity and tannic texture, ad its color is dark red even when it is not aged for long time. For what concern Spain, finding a case study on a singular winery is difficult, as the high level of its consortiums and reciprocal alliance among the different wineries is taking to China not a particular brand, but an entire wine region. In the next part, will be presented the most active competitor of Spain: Chile.

1.2.4 Chile

Chile is one of the most particular and unique countries in the world, as its territory has a length of 4.760 Km and its width is just 356 Km in the largest point and 64 km in the narrowest point. The narrow Chilean territory is extended between the Pacific Ocean and the Andean Mountain Range. From the 16th century when the Spanish *conquistadores* under the command of Cortez brought there the first shoots of *vitis vinifera*, the particular climate influenced by the mountains and the Ocean, let the wine producers to make very fine and unique wines. Since then 600 years are passed, and the high quality and the particular peculiarity of Chilean wines are appreciated by many wine consumers of the world, making it the most consumed South American wines. As a consequence, Chilean wines started to be appreciated among the Chinese wine drinkers too, becoming more popular year by year.

³¹ "Chinese Wine Delegation Visits DOCa Rioja - Fifteen international wine experts will receive "Official Rioja Ambassador" certification.". [online] FWS.com. Available at: <https://www.foodswinesfromspain.com/spanishfoodwine/global/whats-new/news/new-detail/rioja-china.html>

Exhibit 1.6 - Chilean wine import in China (million litres) 2014-2018



Sources: Grape wall of China; The drink business; OIV

In fact, as shown in the exhibit 1.6, since 2014, the Chilean wine import to China has had an increase of more than 50%, becoming in 2017 the third larger wine exporter to China surpassing Spain, while another observation has to be made: the decrease of 2018 that made many exporters of the world to reassess the Chinese wine market, did not damaged the Chilean export activity that had a slow growth but did not have any decrease. The reasons that let this trend to take place are mainly political, economic but also cultural.

The first reasons is that from 2005, when the former Chinese President Hu Jintao and Ricardo Lagos, the former Chilean President, attended to the signing of the China-Chile Free Trade Agreement, that entered into force in 2006. The effect of the agreement influenced the exchange between the two countries flattening the largest part of the exchanged goods tariffs, including wines, as happened to Australia.³²

In addition, the trade war exploded during the last few years between China and the United States made the Chilean trading business to benefit from this situation.

³² China FTA Network.

In fact, the high tariffs imposed on American products as well as on American wines, that had a markup of 15% , gave to Chile the chance to increase its wine export to China.³³

However, the real strength of Chilean wine market is represented by its really successful marketing campaigns that let Chinese consumers to start perceiving it during the first years of the Chinese's passion for foreign wine. In fact, between 2010 and 2011, Julio Alonso, director of Wines of Chile Asia, realized that French wines were the most appreciated and the only ones that was having a real success on the Chinese marketplace. As a consequence he thought that something had to be done and he started using the most important Chinese social networks as WeChat and Weibo to promote the Chilean wine culture, reaching in few years more than 3 million consumers located in the major Chinese cities.³⁴ After this initiatives, the interest for such a particular and distant country brought many Chinese new riches and wine consumers to attend to Chilean wine classes and to join trips all along the Chilean territory, to discover one of the most important wine producing country of the New World. Between these very famous and largely appreciated Chilean wines, there is one winery which needs to be analyzed in deep, because of its successful production and export history.

1.2.4.a Concha y Toro

Once the Chinese consumers became aware of the quality and the prestige of any bottle of Chilean wine, the name :"Concha Y Toro" started to being pronounced by their mouths as the best Chilean wine ever imported to China.

Concha Y Toro is one of the biggest and most successful wineries located in Chile, and was founded by Don Melchor in 1883 and during its 130 years history, it was awarded with the most important local and international prizes either for the high

³³ Natalie Wang, "Winner of US - China trade war might be Chile". [online] The Drink Business. (2018). Available at: <https://www.thedrinksbusiness.com/2018/07/winner-of-us-china-trade-war-might-be-chile/>

³⁴ Franco Salzillo, "Chile wowing in the Chinese wine market". [online] Bottled in China. (2018). Available at: <https://www.bottledinchina.com/chilean-wine-wowin-china>

quality of the wine produced and for the great prestige that it reached on the international scenario. Today, Concha Y Toro Winery has a vineyard extension of 9000 Ha distributed in 51 different estates located between Valle del Limari, 500 km north of Santiago and Valle del Maule, next to the suburbs of Santiago. The company recently has acquired 1.154 hectares in Mendoza and other 464 in California, having a total surface of 11624 ha. Today it is considered the largest South American wine company and is the fifth most successful winery in the world for traded volume, and the main exporter of Chilean wine.³⁵

The great success of this winery can be also observed looking at the 2018 data that have revealed the sales volume that reached 950 million dollars with 33 million wine cases sold. According to Concha Y Toro final year statement of 2018 available on Conchaytoro.com, the total export to Asia and Oceania touched 4.2 million of wine cases, namely 37.8 million litres, and it covers the 10.6% on the total of Chilean wine exported to China.³⁶ Its success on Chinese wine market is due to the fact that the Chinese millennials are becoming “more discerning” as declared by Isabel Guilisasti, owner of the company. In addition, the increasing of the disposable income that as presented in the first paragraphs is spent largely on travel experience, let the Chinese new riches to get in touch with the wine production reality of the world. In fact, since 2015, Chile saw the number of Chinese tourists visiting its lands doubling. This trend is bringing many young and high spending Chinese travelers to visit the 339 Chilean wineries distributed along the territory, who take away a great number of informations about the Chilean wines , sharing it with their contacts, who want to try those product too.³⁷ However, there is a particular branch, part of this successful winery that during the last ten years reached the peak of popularity in China, its name is “Casillero Del Diablo”. This particular name that literally means “Devil’s Locker” is the result of the legendary quality of this wines that was told to be guaranteed by the presence of the Devil inside the estate’s cellar. This legend that was spread by the founder, gave to Concha Y Toro wines a further popularity among

³⁵ “Concha Y Toro, risultati 2018”. (2019) [online] I Numeri del Vino. Available at: <http://www.inumeridelvino.it/tag/concha-y-toro>

³⁶ Concha Y Toro, Quienes Somos – Cifras. [online] Concha Y Toro. (2019) Available at: <https://conchaytoro.com/holding/quienes-somos/cifras/>

³⁷ Sienna Parulis-Cook, “Report: Chinese Tourism to South America”. [online] Dragon Trail Interactive. (2019). Available at: <https://dragontrail.com/resources/blog/chinese-tourism-south-america>

the consumers during the Twentieth Century. The company branch, is located in 4 different valleys, divided in 4 different estates that share the same name, in the core of Chilean territory. It produces a great range of wines mainly using international grapes as Cabernet Sauvignon, Merlot, Carmenére, Chardonnay, Viognier, Pinot Gris and many others. On Chinese market, today, all of these grapes based wines are appreciated but the main preference is expressed on Casillero del Diablo's Cabernet Sauvignon. The importance of this wine to Chinese wine consumers is due to the fact that in 2011 it has been inserted in the "top 100 selection" rank, that made the wine to be perceived as high-end and prestigious. As presented in the previous chapters, the cabernet sauvignon has always had a great success among Chinese wine consumers and Chile wanted to ride the wave of this success, placing the wine with a private label for the Chinese New Year of 2018, in order to reach a wider segment of the market. Moreover, the accessible price of this wine let Chinese consumers to try it without great expenses, as its price online starts from 79CNY (10,2 EUR), as indicated on the ecommerce platforms as JD.com or TMall.

The importance of Chilean wine, then is something that cannot be overlooked, especially for what concerns the Chinese yearly consumption. Keep analyzing the top 10 wine exporting countries to China, them. It is important to mention another consistent competitor of Chile: Italy, that will be presented in the next part.

1.2.5 Italy

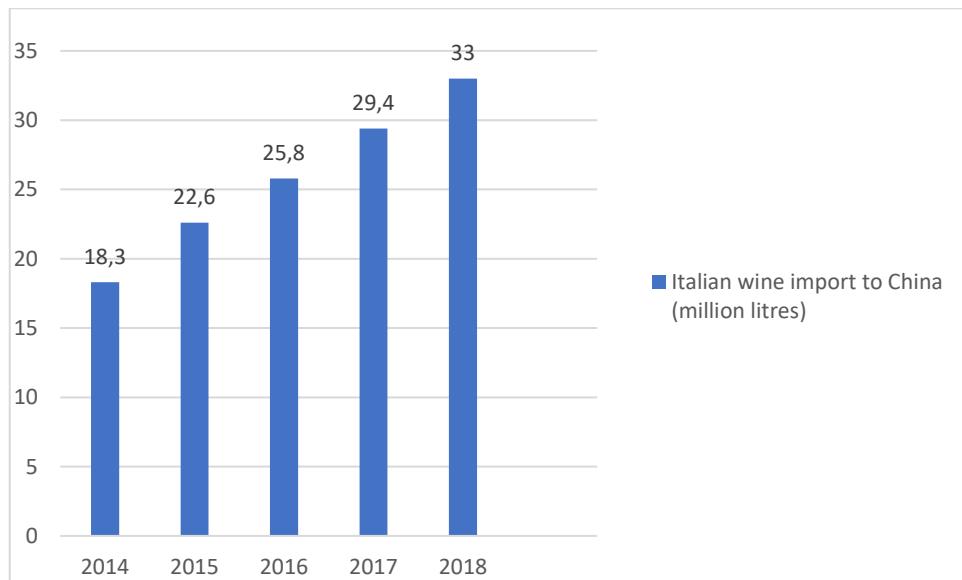
Talking about fine wines, is not possible to not mention Italy. Since the origin of the Roman Empire, Italy has always had a great tradition in wine making, a tradition that today represents one of the most important businesses of the country either for the export of wine but also for the tourism. In fact, Italy thanks to its various and inhomogeneous terrain, is today the first wine producers in the world, producing 54.8 million hectolitres of wine every year.³⁸ It has a really particular climate that is very different between the Northern part, where the climate is subcontinental,

³⁸ Jan Conway, "Wine production worldwide in 2018, by country (in million hectoliters)". [online] Statista.com. Available at <https://www.statista.com/statistics/240638/wine-production-in-selected-countries-and-regions/>

having very cold winters and very hot and wet summers, and the Southern part where is present a subtropical climate characterized by hot and dry summers and mild winters. In addition, differences can also been observed in the terrain that is occupied for the 34% by mountains, 23% by flatlands and 43% by hills. On its territory are present 3 volcanoes and 8.300 km of coastal surface. During the centuries, the Italian winemakers took advantage of these particular geographical conditions cultivating a great quantity of different grapes that include 355 type of autochthonous types of grapes. Today on the Italian peninsula are produced 75 DOCG wines (that represent the highest wine classification in Italy), and 330 Doc wines, distributed in almost every Italian region, from the Alps to Sicily.

Italian wines is exported today in almost every country of the world, and it export in 2018 accounted for 6.204 million euros, of which 1.463 to USA and 1.038 to the United Kingdom.³⁹ However, despite the great success of Italian wine in the world, it seems to have some difficulties to penetrate the Chinese market.

Exhibit 1.6 - Italian wine import to China 2014-2018 (million litres)



Sources: OIV; ISTAT; The Drink Business.

³⁹ ISTAT , L'andamento dell'Economia Agricola. (2018)

As reported on exhibit 1.6, Italy has always had a marginal role concerning wine business in China, despite of the high quality and the international fame of its fine wines. However, Italian wines started having a fairly good success in 2018, when the Chinese demand for it increased of 14%. The reasons behind the slow growth of the last few years are many, but they are mainly attributable to weak marketing strategies and a limited knowledge of Chinese market. Firstly, one of the main entry barriers of Italian wines on Chinese average wine consumer perception, is that Italy is perceived mainly as a country that produces luxury clothes, expensive cars, and has successful football teams, that make it a leader in sales on these fields, but its wines are mostly known and appreciated just by a small share of consumers, and are far from reach the popularity of the great Bordeaux wines. Moreover, the increasing presence of mid-end wine coming from Chile and Australia has delayed the success of Italian wines on Chinese markets, a trend reinforced by the free trade agreements of those countries that have the chance to place products at a lesser price comparing to the Italian ones. In fact as reported by international data analysis institutes as Statista.com and Wine Vines Analytics, the average price of a liter of wine entering the Chinese market is 3.6 dollars for Chilean wines against the 4.73 dollars for the Italian ones. In addition for what concern the high-end wine market, the French wines have always had a favorable position as discussed in the previous chapters, because of the long tradition in giving Bordeaux wines as gifts during the Chinese national festivals, marriages and formal dinners. However, the entry barriers are not just to be searched on the consumers side, as Italian exporters are always been characterized by the underestimation of the Chinese market, replicating marketing strategies that are efficient on other markets of the world, instead of adapting them to the destination market. Unfortunately, Chinese market has very unique peculiarity and despite the fact that is one of the most active wine importers of the world, it is still an uneducated market, where the conception of "made in Italy" is not yet applicable to wine. In fact an uneducated market like China, has many distributors and brokers who are active on the territory, who are sometimes uneducated to product. Many unsuccessful stories about failed product placing in China, have a weak distributor as protagonist. Deal with a distributor that knows how to move on the field has a fundamental importance that can make a serious difference for the placement of a given product in a given country.

Unfortunately, in uneducated markets like China, it's easy to cooperate with a good distributor which however does not have any knowledge about the product he is trying to place. In addition, the most part of Italian wines are produced in medium and small companies, with limited resources and a small number of employees, making investments and marketing promotions very difficult to be realized. But the obstacle are not over yet. In fact, the important role of the bureaucracy in China make the placement of any product very arduous and requires a good level of expertise about the Chinese regulatory field. According to the "Label Requirements for Pre-packaged Alcoholic Beverages (GB 10344-2005)" law⁴⁰, the laws about alcoholic the importer must place a label written in simplified Chinese reporting a lot of informations about the bottle content. In particular, what is required is: the brand, country and region of origin, ingredients of the wine (European regulations do not impose it to the producers), alcohol volume, the name of the producer, of the importer and of the local distributor; date of production, sugar volume g/l, and even the health hazards have to be reported.⁴¹ Under such complicated circumstances, small and medium enterprises could have some serious problem in circumventing these obstacles, because of their lack of resources and their limited knowledge of such a particular environment that requires to engage Chinese experts or at least someone who has a good knowledge about Chinese culture, bureaucracy and consumption trends.

Despite of these apparently impassable walls built by thousands of kilometers of distance, wrong informations, unprepared distributors and fierce competitors, Italy in 2018 succeeded in register an increase of 14% on the wine exported to China, starting demolish those obstacles and difficulties that forced it to be placed at the half of the ranking for many years. This renewed success is the result of studied and effective marketing operations concerning the presentation of Italian products in the world, carried out in recent years by important Italian organizations such as Vinitaly International, and the new trends of the international wine markets. Firstly, as seen for the countries already analyzed in the previous chapters, like Spain and

⁴⁰ L. September 15th, 2015, GB 10344-2005, "预包装饮料酒标签通则", "Label Requirements for Pre-packaged Alcoholic Beverages".

⁴¹ Agrilegal, "L'etichettatura del vino in Cina". [online] AgriLegal.it. Available at: <http://www.agrilegal.it/approfondimenti/l-etichettatura-del-vino-in-cina>

Chile, the young consumer's interest for new and particular products is bringing them to try something that goes beyond the classic Chinese taste. Secondly, the Italian wine producers started to adopt more efficient and successful strategies in the wake of its competitors. In fact Italy has started to create its own wine ambassadors in China thanks to the establishment of "Vinitaly international Academy", also called "VIA", created with the aim to educate foreign operators about Italian wine, organizing high profile courses and guaranteeing a complete formation path structured on preparatory levels. The mission of the Academy is to enhance the formation of a global network composed by qualified professionals who are able to support and spread the excellences the "Made in Italy" concept all over the world. After the establishment of the "VIA", occurred in 2014, more than 190 ambassadors have been prepared and thanks to their work, the Italian wine excellence is getting into the most difficult and uneducated markets like China and Russia. Another important step carried out by Vinitaly International institute, in cooperation with the Italian office of Confucius Institute of Milan, with the aid of sinologists of the University of Milan created the "Dizionario dei vini e dei vitigni d'Italia - 意大利葡萄酒和葡萄品种词典", a dictionary reporting the translation and the explanation in simplified mandarin of more than 600 different Italian wines and grapevines, making the communication between the two countries easier and more immediate. This project is the first of its kind and it might represent a chance for Italy to make its wines more popular in China, especially among the most passionate wine consumers. As observed, Italian "Vinitaly International" is having a great role in the promotion of Italian wine in the world and particularly in China, its efficiency is also implemented by the international wine expo that takes place every year on April in the city of Verona, organized by Vinitaly, that attracts millions of visitors every year, including many Chinese wine enthusiasts. Moreover, to increase the efficiency of the message, Vinitaly has exported its brand to China, attending in 2019 to the 64th edition of the International Wine and Spirit Show that took place in Chengdu in March, presenting more than 200 Italian wineries. In order to follow the last trends of the market, VInitaly international created a phone app that can be linked to the Wechat accounts of any participating winery.

Focusing about the single wineries, Italy has some very big and efficient wine producing companies which are able to produce millions of liters of wine every year. Brands like Antinori, Zonin, Sartori, Marchesi Di Barolo, are just few of these. However, there is one medium-sized Italian winery that needs to be examined as one of the most successful Italian wineries in China, which will be presented in the next part.

1.2.5.a La Collina dei Ciliegi

The fervent race to the Chinese market is generating a generic enthusiasm among the wine producers who have the resources to get into it. In fact, the efforts of Vinitaly International are having a good success in the promotion of Italian wine in China, but it is not the only protagonist of this race. Speaking about Italian wine in China, it is necessary to mention one of the most successful case of Italian wine selling in China: La Collina dei Ciliegi. According to its activity on the market, it seems that this winery is one of the few wineries that was able to understand the real trends of Chinese wine market. In the further paragraph I am going to explain its strategy and the reasons of its success.

The history of this winery is quite recent, since it was established in the first months of 2005 on the hills of Valpantena, under the province of Verona. The estate includes 45 hectares of vineyards and cherry trees, and it is famous for its structured red wines as Amarone della Valpantena wine, Corvina, Valpolicella Superiore, Valpolicella Superiore Ripasso and some fresh and delicate white wines as Lugana and Garganega.

After few years of great success on the Italian market, the founders, Massimo Gianolli and Stefano Falla, decided to expand their sales to contribute to satisfy the international wine demand. Thanks to their efficient marketing decisions and the great quality of their products, in the first years of 2010's they were able to reach the complicated and difficult to penetrate Chinese wine market. On May, 10th 2016 during the conference for the annual report: "*La Cina nel 2016: scenari e prospettive per le imprese*" the president of the company Massimo Gianolli, gave an overview of

his strategy base on few key points. Those key points consisted in: the usage of the European funds for the wine promotion OCV; the cooperation with national institutions and organizations as the “Italy-China Foundation”, and with Chinese legal bodies like Yishang Wine Business Consulting; the implementation of cobranding programs cooperating with luxury Italian brands as Ac Milan, Brioni, Max Mara, Isaia and Tod’s; the training and the placement of a resident area manager in the city of Shanghai, who has a perfect knowledge of mandarin language and of the Chinese culture; the creation of accounts to be spread on the main Chinese social networks like Wechat and Weibo; the cooperation with legal and consulting companies located in Shanghai to deal with the local law system; pooling together with other Italian companies to promote the *“Italian Style”*; the usage of factoring. Thanks to this efficient business plan, the Collina dei Ciliegi Winery started to be distributed in 14 Chinese provinces, reaching the biggest metropolitan areas such as Shanghai, Beijing and Guanzhou, together with second-tier cities. Among the above mentioned key strategies, the one which can be considered the most successful one that made that company sales to have the 60% of its total sales volume reaching china, with a total growth of 1000% is the production of a cobranded bottle which had the A.C. Milan logo on its label. The success behind this marketing strategy is undoubtedly due to the fact that in recent years, due to investments in the field by Chinese investors, Italian football is reaching increasing popularity, which is also affecting the country of origin image of the country. In fact, nowadays, many young Chinese people purchase football t-shirts and attend to football matches, even abroad. Since the year 2017, the sole “Official AC Milan Licensed Wine” totalized a sales volume equivalent to 130 thousands of bottles, and is available also at Tmall.com, with a product line which includes 4 kinds of wines: Amarone, Merlot, Black (Corvina, Merlot and Syrah), Brut (Chardonnay and Garganega).

Tab 1.2 – La Collina dei Ciliegi Co-Branded wines prices on ecommerce platforms in China

Amarone	1189,00¥
Black	419,00¥
Merlot	399,00¥

Brut	459,00¥
------	---------

As shown on tab 1.2, the price for these wines on Tmall.com is different in relation to their kind, but basically, they have a medium-high price that could lead the Chinese consumer to perceive it as a quality indicator.

Italy, then can be considered as an emerging exporting country for what concerns the Chinese market. Otherwise, thanks to the above mentioned programs and Italian exporting pioneers, Italy is going to reach the popularity of its competitors, like Chile and Spain.

After the analysis of the first five countries of the ranking, it is important to mention those countries which belong to the second part of the same ranking, and despite the fact that their sales in China are mainly addressed to the niche market, their market shares are going to slowly increase year by year. These countries are presented in the further part.

1.2.6 Other countries

After the analysis of the first five countries by volume of export to China, it is necessary to mention those countries that occupy the second part of the ranking, that despite the fact that they are not able to reach the quotas registered by the aforementioned countries, they still manage to reach a satisfying number of annual sales to China. According to the Exhibit 1.2, it can be observed that the sixth main wine exporter to China by volume is the United States , followed by Portugal, South Africa, Argentina and Germany.

1.2.6.a U.S.A. Wines and the Trade War

For what concern the relationships between China and the USA, the events of recent years have caused a serious slowdown in the volume of trade that affected the American Wine export to China. As already mentioned in the chapter concerning

Chile, since the last months of 2016, China and the USA are carrying out a trade war, increasing every month the tariffs and the duties on import of the other country. In fact, during the Trump's election campaign of 2016, the today's US President already expressed its disappointment about the Chinese trade policy that he considered unfair.⁴² In the first months of 2017, despite to the agreement about the exchange of products belonging to the food industry, the government of the two countries went through a disagreement about the trade of raw materials like steel and aluminium. As a consequences during the first months of the year 2018, the imposition of duties started to take place and affected the imported solar panels and machineries. However, the real start of the trade war can be placed on march, 2018, when the American government took the decision of levy duties on imported steel and aluminium from China up to 25% and 10%.⁴³ Few weeks later, China matured its response, imposing tariffs on more than \$3 billion value of US goods. This retaliation move let the two rivals to try to start a first negotiation which ended in a failure. Not only the negotiation failed, but it led to a further escalation of tensions, that led the United States to apply a 25% of tariffs on \$50 billion dollars on Chinese goods, as the USA accused China of intellectual property theft. As a consequence, Xi Jinping decided for a retaliation tariff on \$50 billion in American goods. The situation escalated uninterruptedly for a year with continue duty charges and threats until December the 1st, 2018, when the two countries attempted to find a compromise and Trump started delaying his plan to charge a further tariff on \$200 billion dollars in Chinese products. When the situation seemed to be near to the final resolution, a new friction came up. Since the talks developed at a very slow pace, the US government leaded by Donald Trump accused China of not putting enough commitment into the troubleshooting. Therefore on May 2019, the USA carried out a new tariff imposition on \$200 billion in Chinese products at a rate of 25% . Obviously China responded back in June, hiking tariffs on \$60 billion dollars in US products to 25%. The key word that represents the main cause of the trade war is "Trade Deficit", as since 2012 the USA trade deficit with China is getting through an

⁴² Anthony H. F. Li, "*China Facing the Trump Presidency - Opportunities for Global Power Projection*", Centre d'étude français sur la Chine contemporaine. (2017).

⁴³ Timothy Ahmann, "U.S. locks in duties on Chinese aluminum sheet imports". [online] Reuters. Available at: <https://www.reuters.com/article/us-usa-trade-china-aluminum/u-s-locks-in-duties-on-chinese-aluminum-sheet-imports-idUSKBN1061ZL>

important growth, until 2018 when it accounted for more than \$419 billion. This high amount of trade deficit was caused by the fact that the American import from China added up to \$540 billion, against the \$120 billion registered on the total export value of goods from the USA to China. This unbalanced situation forced the U.S. to launch an investigation into Chinese trade policies in 2017, successively imposing tariffs on Chinese goods entering the country for a total of several billions of dollars.⁴⁴

This particular situation influenced many American and Chinese companies belonging to different fields that saw their business to be damaged, among them there are many wineries that in previous years had a good percentage of their businesses oriented to China. This fact can be verified observing the data of 2018 about the American wine export to China that suffered a decrease of 25% on value, as a consequence of the 80% tariff levied on the US wine entering China as reported by the CNBC in 2019.⁴⁵

However, the Chinese younger wine consumers seem to not have changed their mind about the quality of American wines, especially for the Californian ones. In fact in 2018, despite the fact that the value of the export decreased of 25%, the volume of liters of US wine getting into China increased up by 10.62%, with a total of 12.6 million liters against the 9.6 millions of liters registered in 2017.⁴⁶ These data demonstrate that the average price per liter of American wine decreased to \$5.46, becoming more attractive for the price sensitive segments of the market. Regardless of the events that characterized the last few years, American wine continues to occupy the sixth position in the ranking of the top 10 wine exporters to China, this is because it has always achieved good success among Chinese wine consumers, in particular the Californian wines which occupy the 90% of the entire Chinese import of wines from the U.S.A.. The preference for Californian wines and in particular for

⁴⁴ Dorcas Wong and Alexander Chipman Koty, "The US-China Trade War: A Timeline". China Briefing. (2019). Available at: <https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/>

⁴⁵ Jacob Pramuk, John W. Schoen , "US and China agree to continue tariff talks. Here's a timeline of how the trade war started". [online] CNBC.com. (2019). Available at: <https://www.cnbc.com/2019/06/29/us-china-trade-talks-at-g-20-timeline-of-how-the-tariff-war-started.html>

⁴⁶ Natalie Wang, "How Americans can stay relevant in China". [online] The Drink Business. (2018). Available at: <https://www.thedrinksbusiness.com/2018/10/how-american-wines-can-stay-relevant-in-china/>

the ones produced in the Napa Valley is due to the particular fruitiness given by the most used grapes of that area which are Zinfandel and Cabernet Sauvignon, and by the warm climate of that area which makes those wines to have a gentle sweetness, characteristics that are very appreciated by the most Chinese wine lovers.

For what concern Californian wines, there is one that seems to be the most appreciated of all. The name of the winery is Carlo Rossi and it is located in Modesto, in the middle of Californian territory, and it produces a great range of wines including Merlot, Cabernet Sauvignon, Burgundy-like wines and white Zinfandel. Its success among Chinese consumers is due to a particular shape of the container which is a jug, that contains 1.5 liters, and is sold at a low price (¥98, €12.8 on Tmall.com).

Another popular Californian wine brand that needs to be mentioned is Yao Family Wines established by the Chinese NBA star Yao Ming located in the city of Saint Helena, in the Napa Valley. It was established in 2011 after Yao retired from the sports career, and decided to enter into the wine business. During the year of the establishment, the winery started producing its first kinds of wine called YAO MING Napa Valley Cabernet Sauvignon, and YAO MING Napa Valley Reserve Cabernet Sauvignon, that in the first month received excellent reviews. Since 2013 Yao Ming Family Wines started the production of its second label, Napa Crest. The premium quality of these wines was noticed by one of the most important wine critics of the world, James Suckling who included the Yao Ming Napa Valley wine in the “Top 100 Napa and Sonoma Wines of the Year” list in 2017. The reasons of the popularity of the brand in China are many, firstly the founder of the winery was born and raised in China, and has great prestige throughout the territory of the P.R.C., being one of the most popular citizens of China. Moreover, being Chinese, he has a deep knowledge of Chinese consumer's taste, and by this knowledge he is able to create wines that can be appreciated also by the Chinese wine lovers, who prefer smoother flavors and fancy labels. The greatest part of the Yao Family Wine's products sold in China are available on the main ecommerce portals like TMall.com and JD.com, at a price that ranges from ¥258,00 (€33,7) to ¥1688,00 (€220,5), depending from the vintage and from the blend. But these are just two among the great quantity of premium Californian wines that can be found on the Chinese wine market.

For what concern the second part of the top 10 wine exporting countries to China, than it is necessary to mention the last four countries which are : Portugal, South Africa, Argentina, Germany, which will be presented in the next paragraphs.

1.2.6.b Portugal, South Africa, Argentina and Germany

As observed in the Exhibit 1.2, after U.S.A. in the ranking we find Portugal, South Africa, Argentina and Germany. Speaking about Portugal, it is mainly famous for its fortified wines like Porto and Madeira that are exported all over the world because of their particular structure and unique flavor. The fine particularity of its wines is also recognized by an increasing number of Chinese consumers that allowed to export to China 7.3 millions of liters of wine in 2018.⁴⁷. Despite the fact that Portugal is ranked only at the 7th place in the top 10 wine exporting country to China and is going to be surpassed by South Africa, the potential of its fortified wines on Chinese market is huge. In fact, as reported by Martha Wang on Wine-Joy Magazine on June, 6th 2019, Portuguese Government has financed a stimulus package plan to promote Portuguese wine in China, that consists in participating to the most important roadshows, educate a large number of wine ambassadors and increase the consumers awareness, that might lead it to reach a good market share within 2023.⁴⁸

A brighter situation can be observed in the increasing success of the South African wines, that are going through a golden period in China. The credits of this growth are attributable to the keen eye of the chairman of L'Huguenot Vineyards, that in 2013 decided to take benefit from the new Chinese's imported wine fever, and cooperating with Yangzhou Perfect China, a Chinese distribution company, with which the South African Company has created a joint venture called "Perfect Wines",

⁴⁷ Patrick Schmitt, "China's top 10 biggest wine importers". [online] The Drink Business. (2018). Available at: <https://www.thedrinksbusiness.com/2018/11/chinas-top-10-biggest-wine-importers/4/>

⁴⁸ Natalie Wang, "Portugal to invest €500,000 a year to boost wine sales in China". [online] vino-joy.com. (2019). Available at: <https://vino-joy.com/2019/06/13/portugal-to-invest-e500000-a-year-to-boost-wine-sales-in-china/>

which efficiency was immediately seen on the market. After 5 years, the success of this new wine producing company is still observable on the base of the South African data of wine export to China, which indicate that Perfect wine company is today able to cover the 25% on the entire South African wine export volume to China.⁴⁹ The reasons of its success are many and are primarily linkable to a good marketing strategy and to the efficient management of the group. In fact thanks to the expertise and the deep knowledge of the Chinese wine market and of the consumers preference, brought by the Chinese party of the joint venture and to the long time experience in the wine production of the South African party, they were able to create a product line thought for the Chinese market. Moreover, their experience led the 49% of the total sales of the company to be made online, that as already seen in the previous chapters, is a really effective channel to reach the youngest consumers of China. In addition, as seen for other international kinds of wine like the Australian and the Chilean ones, the South African wines are really appreciated in China because of their Pinotage and Shiraz kinds of wines, that are typically smooth in structure and very fruity, thanks also to the all day long exposure to sun of the South African vineyards.

At the end of the ranking, below South Africa, are placed Argentina and Germany, two great nations that make important and worldwide appreciated wines as Malbec and Riesling, respectively. Despite the fact that their wines are very popular in the Western world, the situation is quite different in Asia and particularly in China, where their efforts have not been yet appreciated by the Chinese consumers. However, thanks to the great level of development in wine consumption occurring today in China, the next future might see these two countries to occupy an ever more satisfying market share.

⁴⁹ Wine.co.za, "Wines of South Africa Export Report 2018".(2019).
<<https://news.wine.co.za/news.aspx?NEWSID=34116>>

1.2.7 Common Denominators

In the previous parts, I examined the top 10 wine exporter countries to China and the strategies adopted by the main wineries of each state. As observed, their success is due to the characteristics of their wines that are appreciated for particular notes and flavors by the most Chinese consumer, but also by the fact that their internationalization strategies have been particularly effective. The evidences bring to one inevitable conclusion, the most exported wines to China are red and carry some organoleptic characteristics that are suitable to the Chinese taste for wine. Moreover, as seen mainly for those countries as Australia, Italy, France and U.S.A. the conformation of the wine label and of the packaging can represent a great advantage, mainly during the Chinese main events and festivals. All of the wineries and the countries analyzed have demonstrated to be able to penetrate the Chinese market also because of their ability to cooperate with other wineries or other companies in order to reach an acceptable market share, placing their product on the most important online platforms, promoting their wines on the Chinese social networks and organizing guided tours into their vineyards. According to those informations collected in the chapter, in the next chapter I am going to present the main characteristics of the Chinese wine market, connecting them to the main points of the marketing mix.

Chapter 2. Chinese wine market Overview

As observed in the previous chapters, the Chinese wine market is evolving at a very fast rate because of many different reasons that can be sought into the economic growth and into the following social changes. The young consumers are becoming more luxury oriented year by year and they want to follow the last western trends to appear more wealthy and satisfy their need to be “better than the others”. As already seen, their need for luxury items is affecting the consumption of wine that is focused mainly to the most famous ones. However, despite the fact that today many countries, are succeeding in selling wine to Chinese consumers and are present in many regions of the Chinese territory, their strategies have been consolidated through the years and are the result of a great number of studies on the field, surveys, investigations, going through many problems, as the sale of wine in China is very complicated. Moreover, the strategies adopted by each country have been tailored around the unicity of the Chinese culture and beliefs, that represents one of the most important entry barriers for foreign enterprises that want to place their product on the Chinese market. In the chapters below, I will present a complete analysis of the Chinese cultural trends and, on the base of what has been observed in the previous chapters, I am going to examine and explain the steps necessary to place a wine in China.

2.1 Profiling consumers

China has one of the largest territory in the world, with an extension of 9,596,960 km², divided in 23 provinces, 5 autonomous regions, 4 municipalities and 2 special administrative regions. It has the largest population on Earth, that according to Worldometers, is around 1.43 billion⁵⁰. In such a big country, despite the fact that Mandarin is the main language spoken by the largest part of Chinese , there are at least 8 distinct linguistic groups, and hundreds of dialects that are spoken

⁵⁰ “China Population”. [Online] Worldometers. Available at: <https://www.worldometers.info/world-population/china-population/>

throughout the huge territory of RPC. Therefore is quite impossible to set up a single strategy to penetrate the Chinese market, especially in the food and beverage field. The different cultures populating China, being located in different climate zones, and having consequently different culinary traditions, have very different tastes in food, beverage and, as a matter of facts, on wine. Under such circumstances, the market segmentation could be a difficult matter, and build a strategy focused on the entire Chinese territory could represent a risk. In fact, before grouping consumers into segments, it is important to assess the regional consumption differences present in China. The first step is the distinction of the six regions and the provinces belonging to them, as presented in the Table 1.3 below.

Table 1.3 Chinese regions segmentation

Regions	Provinces and municipalities
Northeast (东北地区)	Heilongjiang Province, Liaoning Province, Jilin Province
North (华北地区)	Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province, Inner Mongolia
Northwest (西北地区)	Ningxia Hui Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Xinjiang Uygur Autonomous Region.
East (华东地区)	Shanghai Municipality, Jiangsu Province, Zhejiang Province, Fujian Province, Jiangxi Province, Anhui Province
South Central (中南地区)	Guandong Province, Guanxi Zhuang Autonomous Region, Hainan Province
Southwest (西南地区)	Yunnan Province, Guizhou Province, Sichuan Province, Chongqing Municipality, Tibet Autonomous Region

The first difference between these regions has to be sought inside the culinary tradition that owing to different causes like historical events, foreign influences, geographical morphology and climate, developed in different ways during the centuries. For example, in the Northern Chinese regions, the traditional dishes are prepared using larger quantity of fats like oil and ingredients as meat and wheat, that represent the major staple item that are far more present than in the other part of the Chinese territory. Moreover, the use of salt and flavor enhancers are used in a larger way. In the southern part, instead, are present larger quantity of rice, fish and vegetables, that represent the base of the diet of the southern Chinese population.

Those differences can affect a lot the consumers preferences about wines, as every culinary tradition can modify permanently the personal taste. This matter have been studied in deep and presented by the Wine Intelligence's Research director Chuan Zhou in a 2017 research, conducted through surveys and field researches, in which he and his team outlined the wine preferences of the consumers residing in the above mentioned regions.⁵¹ According to this research, the average consumer living in the Northern and Northeastern part, namely in the areas of Beijing, Shenyang and Zhengzhou, prefer dry, fuller-bodied red and white wines. The consumer living in cities like Shanghai and Hangzhou, located in the Eastern Part, are more oriented toward rich, fruity and earthy red wines and light and crisp white wines. For what concern the central part, the consumers living in the biggest cities, expressed a preference for richer and smoother red wines, especially for the ones having a fruitier aftertaste, and on the white wines side, it seems that the heavy-bodied ones are the most popular and appreciated. Moving to the Southern part, the researchers discovered a propensity to consume fresh, juicy, oaky red wines, and sweeter white wines, while in the west part, where a great quantity of spicy food and soups dominate the local population's diet, the wine preference is focused on light and sweet red wines and fruity and sweet white wines.

However, during the analysis of the regional differences, it is necessary to make a more deep study about the differences between the first-tier cities and the second-

⁵¹ Wine Australia, "Key trends in the evolving Chinese wine market", Market Bulletin | Issue 67. [online] WineAustralia.com. Available at: <https://www.wineaustralia.com/news/market-bulletin/issue-67>

tier cities, as well as a comparation between the consumers living in the metropolitan areas and the ones living in rural areas. The main observable difference can be found in the education about the product, as the inhabitants of the biggest cities as Beijing and Shanghai have the chance to have a more frequent contact with wine products as the average income is higher, and consequently the big supermarket chains as Walmart or Carrefour are more present on the territory and give to consumers the chance to get in touch with many different imported products which include also international wines. Moreover, the biggest urban centers and especially the first-tier cities, being an attraction for many foreign businessmen, workers and student that affect the demand for wine, are the theatre of the growth in number of wine bars in which the Chinese inhabitants come in contact with many different kinds of imported wines. The most important ones that are present today in Beijing and Shanghai are respectively Bordeauxtheque and Dr. Wine. In addition, the most important Chinese cities host a large number of hotel chains and of international restaurant that are frequented mainly by Chinese businessman and young urban-middle class components that organize formal dinner and events in which many international wine labels are consumed and presented.

After the above mentioned characteristics useful to understand the current trends of Chinese wine market, it is important also to make a further distinction. As already observed, the most active segment in the wine consumption is the urban middle class, in which the young consumers represent an ever wider market segment and thanks to their higher education level, their purchasing power and their deeper knowledge about the international products are the most targeted segment of the wine companies. Despite of these trends, the number of Chinese wine consumers is large and distributed in to different age ranges, that have been individuated by Nh Global Partners that outlined the average preference about wine of each age segment present today on the Chinese wine market.⁵² The first segment presented is the one which includes those consumers with an age between 20 and 30 years old, whose preferences are oriented to a wider range of products,

⁵² Pierre Pradier, "How to Enter the Wine Market in China – Strategies and Recommendations". [online] Nh Global Partners. (2018). Available at: <https://nhglobalpartners.com/how-to-enter-the-wine-market-in-china-strategies-and-recommendations/>

consuming wines mainly during parties and informal occasion, as well as at home. The second age segment examined by NH Global Partners is the one occupied by consumers between 35 and 45 years old, consumes wine mainly at restaurants and during formal dinners and events, having a clear preference for red prestigious wines, in particular for the most famous labels. The third and last segment comprises those consumers with an age over 45 years old, who are the most bounded to the traditions and are the ones that are less price sensitive and they consume wine mainly for the prestige and the image that derives from it. They are the most inclined to spend the larger sums of money for a single bottle of wine.

This kind of researches, then, can be fundamental today to make a more accurate market segmentation, as the Chinese wine consumers are going to change their wine selection methods, since that the wine is purchased and consumed in many different occasions, a trend that is moving away from the traditional tendency of buying wines with the sole purpose of giving it away or consuming it during celebrating events. In fact, during the last years, the Chinese consumption of wines has started to move toward a more opened range of wines, including the white and the sparkling ones. This is the consequence of the entry of Chinese young people into the consumption segments, that thanks to their curiosity and their opening toward a westernized lifestyle, are progressively selecting their favorite wines not only for the high price and the prestige of the label, but also on the base of their flavor, and their nutritional characteristics that are considered as healthy. These trends can be observable according to a consumer survey carried out by HKTDC Research in 2018 in the main Chinese urban centers as Beijing, Shanghai and Guanzhou, where the consumers were requested to express a preference toward 4 categories of wines which included red, white, sparkling and rosé wines.⁵³ According to this survey, the 96% of the respondents declared to have bought red wines in the previous 6 months, against the 40% of them who bought white wines, 37% bought also champagne and the 23% rosé wines. The Chinese attitude in consuming larger quantity of red wines

⁵³ HKTDC Research, “China’s Wine Market Consumer Preferences (1): Wine Category, Drinking Occasion and Price”. [online] HKTDC. (2018). Available at: <https://hkmb.hktdc.com/en/1X0AD6OU/hktdc-research/China%E2%80%99s-Wine-Market-Consumer-Preferences-1-Wine-Category-Drinking-Occasion-and-Price>

has been also demonstrated in the previous chapters, as the most exported wine to China are all red. However, as reported by HKTDC Research, the occasions of consumption are going to change, especially for what concerns young consumers between 20 and 30 years old, as they buy wines with a different price range between 100 and 300 RMB⁵⁴, and they consume it both during the formal occasions, business dinners and at home in their everyday life, a trend that bring them to consume many different kinds of wines that differ from the expensive red ones.

The evolution of the Chinese wine consumer these days is due to another important social change, the rise of the Chinese young female wine consumers. Since the number of young wine consumer is increasing year by year from 2015, when it jumped from just the 30% on the total to 50%, the young women under 30 years old started to become more active in the wine consumption, covering more than 50% of the total demand for imported wine.⁵⁵ The rise of female young consumers is due to many different reasons that must be sought mainly in the large use of internet and social networks. In fact, on the main Chinese social networks as Weibo, Wechat and Xiao Hong Shu, the female wine influencers have become very popular among the young consumers, to the extent that they are able to influence the consuming behaviors of entire market segments. Their role is to promote many international kinds of wines and to give to the young consumers advises about the mode of consumption and they give useful tips about the quality of those wines. Their online activities are having a great effect in the change of the perception of wines in China, and they are becoming reliable spokespersons and sales advisors, spreading the belief that imported wines can enhance good health, give prestige and can be used as beauty tools.

⁵⁴ InterChina Consulting for Italian Trade Agency, “*Mapping And Profiling Of Chinese Consumers Of Imported Bottled Wine In China Final Deliverable | Executive Summary*”. (2017)

⁵⁵ Beverage Trade Network, “The Rise of China’s Young Female Wine Drinkers”. [online] China Wine Competition. (2019). Available at: <https://chinawinecompetition.com/en/blog/insights-1/the-rise-of-chinas-young-female-wine-drinkers-130.htm>

2.1.2 Occasions of consumption

As seen in the previous chapters, the Chinese wine consumers are an increasing reality and their behavior is changing year by year, as the new consumers are making the market evolving at a very fast pace, moving their trend of consumption toward a more dynamic horizon, in which the tendency in purchasing wine only during the main events is no more dominant. As presented before, the different age segments of consumers are developing different habits of consumption that make the younger segment, namely the one which includes 20 to 30 years old consumers to become more active in the field, purchasing a larger quantity of foreign wines to be consumed not only during formal dinners, ceremonies and for celebrating festivals and events, but also at home or during informal dinners. Moreover, according to the data reported by ICE in 2017, collected on the base of a survey carried out among the different age segments, the 80% of the respondents belonging to a younger age, declared to consume wine pairing it with food, mainly at home and at restaurants, and 50% of them declared to purchase foreign wine bottles at clubs and at night venues, including bars.⁵⁶This trend is implemented by the fact that Chinese young people, especially the ones who are living in the first tiers cities as Beijing, Shanghai and Guanzhou, are allocating the most part of their salaries in social gatherings and to get closer to a westernized lifestyle. The other segments analyzed before, namely the 35-45 years old segment and the over 45 segment, are more focused on the consumption at restaurant during the main festivals, pursuing the tendency of purchasing wine to give it as a gift to implement their *mianzi* or to offer it to their guests during formal dinners. Their drives of consumption are still deeply connected to the concept of the gift that plays a key role in the modern Chinese society and it is part of a millenary tradition. In the paragraphs below, I am going to present the importance of this cultural aspect and its origins.

⁵⁶ InterChina Consulting for Italian Trade Agency, "Mapping And Profiling Of Chinese Consumers Of Imported Bottled Wine In China Final Deliverable | Executive Summary". (2017)

2.1.3 The Chinese gift culture

The Chinese society, despite of the quick development and the social changes that are making it evolving radically, making it closer to a westernized lifestyle, is still dominated by traditions and beliefs rooted in the millenary Chinese culture. One of the most important aspects of this tradition-based culture is the gift offering that has a strong influence on the dynamics of the Chinese market, that especially during the main events records an enormous volume of sales every year, that worth about ¥770 billion CNY. The history of the Chinese Etiquette is rooted in a history of thousands of years, and this is passed by generation to generation. This aspect of Chinese culture, as the large quantity of many others cultural traits, is linked to the Confucianism, that preaches the respect for the other , the research of a continue interpersonal harmony and the importance of the relationship with family, friends and colleagues. In order to keep these factors in equilibrium, the tradition imposes to the Chinese persons to offer gifts to the others, also to show respect and commitment in the relationship. However, this ancient trait of the Chinese culture must been analyzed along with another important cultural aspect: *mianzi*. In fact , the Chinese Etiquette includes also this aspect, that is one of the first consumption drives that affect today the Chinese luxury and wine market. But what does *mianzi* mean?

Mianzi is one of the most important aspects of Chinese culture, it influences the Chinese people lifes independently from their social strata, job, sex, religion and location of residence. It can be translated as “face”, “reputation”, “prestige”, and is something that can be given by the others to one respectful person or denied to a disrespectful one. In order to being integrated in the Chinese society, though, work for the *mianzi* must be a priority since it is an inevitable trait of the required behavior. This component is so important in the Chinese culture to the extent that even saying “no” might become a serious problem, because it could affect one person’s “face”. Therefore in many case Chinese people use some substitutive phrases to the word “no”, like “It would be difficult to me” or “perhaps”, making the interlocutor to read between the lines. Giving and receiving *mianzi*, though is like an exchange between persons, that must first be given away before having it back. Hence, this sort of exchange is based mainly on the offering of gifts, that especially if

they are expensive, can make the donor to acquire a good reputation among relatives, friends and colleagues. These component of the Chinese culture are some of the already seen important drives in the purchase of the most expensive wines such as Chateau Lafite, Petrus Pommerol, Yellow Tail and many other prestige product that are having an increasing success on the Chinese market.

2.2 Product

As seen in the first chapters, the most popular kinds of wines in China are bringing a common range of characteristics that are able to attract a very large number of consumers every year, independently from the targeted segments. Among the above mentioned characteristics the ones which have been seen to be the most important ones are: the design and the color of the packaging, the shape of the bottle, the name of the product, the country of origin, the price, the channels chosen by the different companies to promote their products, and many others. After the previous analysis of the main wine exporters to China and of the most important consumer segments, it is necessary to outline in detail the above mentioned characteristics.

2.2.1 The importance of red color

As can be observed in the previous chapter, the red wine is still a must for the Chinese wine consumers, that consider it as a prestigious, healthy and tasty product, as demonstrated also by the great quantities of red wines imported every years by the above mentioned countries, namely France, Australia, Chile, Spain, Italy, U.S.A. and many others. The reason of this trend is mainly cultural. Chinese culture has always been characterized by a strong symbolism, despite the fast economic development and the modernization of the country happened in just few decades, the old tradition are still really important and deeply rooted into the Chinese people's everyday-life. This strong symbolist tradition can be most observed in the meaning of colors that might affect the choice of a given product by the Chinese consumer. These beliefs that characterize the modern Chinese society have their

origins rooted in a more ancient time. Firstly, they are based on the concept of the opposite and complementary forces that consist in *yin* and *yang*, in which *yin* includes mainly negatives concepts like death, darkness, passive, cold, and *yang* incorporates the images of light, life, warm. According to the Chinese culture and philosophy, these two concepts must always been balanced and they are both necessary to let the Universe to be in a state of harmony.⁵⁷ Along with this philosophical theory, derives another theory consisting on the belief that every element under the sky can be allocated to the Five Elements which are Fire, Metal, Earth, Water and Wood, and they are associated to different colors and different zodiac animals, and it is important that they are balanced as well. Among these elements there is one that is the most powerful and the most important one that is the fire, symbol of summer, of joy and happiness. The color associate to this element is red that through the centuries, has become the color symbol of happy events, of youth beauty, health, power, fortune, fame and is also correlated to the Chinese communist government and socialism. During the most important Chinese festivals, in fact, the color red dominates the scene, in particular during the Chinese New Year which is studded with red-packed gifts, red greetings letters and scarlet drapes.

2.2.2 Packaging and label

However, the red color is not important just for the content of the bottle, but it represents a competitive advantage also when it is placed on the external packaging and on the label of the bottle. In fact as observed by Roberta Capitello, David Menval, Steve Charters and Jinxue Yuan in the volume: "The Wine Value Chain in China – Consumer, Marketing and the Wider World" published in 2016, "In terms of packaging and labels, it is relevant that the most auspicious colours are red and gold."⁵⁸ This has been also practically demonstrated by the case study analyzed in the Chapter 1.1.2 about Australia, where one of the most successful wine of Penfolds Winery, namely "Penfolds Max" that in its "New year's edition" presented a red

⁵⁷ Treccani, Dizionario di Filosofia, 2009.

⁵⁸ Roberta Capitello, Steve Charters, David Menival, Jingxue Yuan," *THE WINE VALUE CHAIN IN CHINA - Consumers, Marketing and the Wider World*", Elsevier Asian Studies , Cass Business School, City University, London, UK. (2016)

shiny cylindrical box and a scarlet wrapping, that occupied a large market share in the last few years.

However, the color red is more popular and has its peak of sales during the Chinese main festivals as products presenting red packaging are given as a gift to friends and relatives to wish them luck and success in life, otherwise there are also many other packaging characteristics that might determine the success or the complete failure of a bottle of wine placed on Chinese market. As analyzed into the “Wine Label design” Report of 2018 carried out by Wine Intelligence and the Chinese marketing researcher Chuan Zhou, which consisted on the presentation of 10 different kinds of labels to a panel of wine consumers that was requested to determine which ones were more attractive to them.⁵⁹ The labels presented on the online survey was divided into categories on the base of the colors they were bringing and the images appearing on them, being grouped in the following categories: Traditional prestigious; Vineyard Stately; Prestigious; Classic; Simple Elegant; Contemporary; Artisan; Vibrant classic; Vibrant; Bold illustration. The findings was quite surprising because the more attractive labels according to the consumers was the ones belonging to the “Traditional prestigious” and “Vineyard Stately”, which presented pictures of vineyards and castles with neutral colors. The reason of this choice is that the Chinese wine consumers perceive these kinds of labels as quality cues and since that they don't carry any bright color, they can be consumed at any occasion. As a matter of fact, the labels carrying “Vibrant Colors”, has been seen to be perceived as low quality wines and they have been connected to formal dinners and to special occasions. In fact, despite the fact that the red wrapped bottles reached the second position according the consumer's preferences, they were not perceived as bottles to be consumed at home in the everyday life, but rather as products to be given as gifts during special occasions as the Chinese new Year.

The trend of perceive the “Traditional prestige” and the “Vineyard stately” bottles as quality-carrier, could be the consequence of the great success of the Chateau Lafite Rostschild wine mentioned in the Chapter 1.1.2 about France, as it is one of

⁵⁹ Matt Jenkins, “WINE LABEL DESIGN IN CHINA 2018”, Wine Intelligence. (2018).

the most popular prestige wines sold on Chinese market, and its label presents the most part of the above mentioned features (Figure 1.2).

Figure 2.1 A bottle of Chateau Lafite Rothschild.



However, the colors and the pictures are not the only features that count. The Chinese traditional symbolism it is not just about colors, but it is characterized also by the numerology, that is something that matters a lot and influences any moment of Chinese citizens' life. This is because there is a universal belief in Chinese culture that numbers have different meanings on the base of their assonance to mandarin words. This can be observed in many different side of Chinese society, as can be observed in many buildings in which the elevator reports the letter "F" instead of the number four on the button panel, as the number four is pronounced "Si" that is homophonous to the word "Si" which means "Death", that can even affect the good success of an investment if in the amount of money invested appears the number four.⁶⁰ On the other hand, the lucky numbers as "Eight" could make the difference in the perception of a given product placed on the Chinese market, as the number eight is the most lucky number of the Chinese Numerology, to the extent that in 2008 on the occasion of the beginning of the Olympics, the Chinese Olympics Organization Committee decided to make it start on the 8/8/2008 at 8 p.m. The number eight,

⁶⁰ Josian Phillips, "China: numbers are no game". [online] Brightlines.co.uk. (2018). Available at: <https://www.brightlines.co.uk/china-numbers-no-game/>

pronounced “ba”, in fact benefits from an assonance to the word “发” (fa) which means “become rich” and “make a fortune”. As a matter of fact, numbers are something that cannot be neglected while designing a wine label or a packaging for the Chinese market, and the right combination of numbers can determine the real success of a product, as observed for Penfolds Winery in the chapter 1.1.3 about Australia, whose “Bin28”, “Bin128”, “Bin138” and “Bin389” wines are having an increasing success among Chinese consumers.

2.2.3 Brand name

As seen in the previous chapter, the factors that can affect the popularity of a given bottle of wine among Chinese consumers are various. In the previous part I have analyzed the importance of the packaging and how it is one of the major drives in the choice of a bottle by the less educated segments of the market. However, as observed for many different wines analyzed before, the brand name also plays a key role entering into the Chinese consumer’s perception. In fact, the choice a clear and short name can represent the turning point in China, as happened for many multinationals that through different branding strategy succeeded in penetrate the market successfully. Unfortunately though, the choice of a good brand name can be a serious matter and if it is not based on a consolidated strategy, it can bring to the complete failure of the product. In the previous part, we have already seen the importance of the numbers and how they can be used to reach a satisfying share of consumers, exploiting the Chinese cultural aspects. As with numbers, even the use of words can determine the brand's popularity, and this can be managed through different branding strategies that are today used by hundreds of multinationals on the market.

The first strategy that can be used during the brand name decision is the literal translation, which is largely used by those companies who translate the name using a Chinese word or a combination of words that is similar to the original sound. The choice of a brand name similar to the original one, can bring to misunderstandings if composed just caring about the sound, this is because the Chinese character used

to reproduce a given sound could have a negative or offensive meaning⁶¹. However today many different companies are adopting this approach and are having a good success, also for what concern the most important international vintners, as shown in the Table 2.2 below.

Table 2.2 – Directly translated wine brand names

Country of origin	Original name	Chinese name	Sound
France	Chateau Lafite	拉菲	拉: <i>lā</i> 菲: <i>fēi</i>
France	Chateau Latour	拉图	拉: <i>lā</i> 图: <i>tú</i>
France	Petrus Pommerol	柏图斯	柏: <i>bǎi</i> 图: <i>tú</i> 斯: <i>sī</i>
U.S.A.	Carlo Rossi	加州乐视	加: <i>jiā</i> 州: <i>zhōu</i> 乐: <i>lè</i> 视: <i>shì</i>

As can be observed in the Table 2.2, those wineries that still adopt this approach are the ones who are already well perceived by the most Chinese consumers, as they are the first international wine brands which entered in the Chinese market during the XX century. This is because their name is a sort of institution in the wine commerce in China, and their names remained the same since the first enter in the Chinese market. In fact this approach if adopted by less popular brands, might not have a clear position inside the consumers perception, thus many other international wineries are branding their products using different modalities.

⁶¹ Pontiggia A., Vescovi T., *Panni Stesi a Pechino*, EGEA, Milano. (2015)

The second possible way to set up a reliable brand name to penetrate the consumer's perception, consists in the adoption of a name that has a figurative meaning that differs completely from the original one⁶². The aim of this method is to attract the attention of the consumer through the combination of words that have a positive and appealing meaning in the Chinese language. This approach can be considered as the most difficult to be carried out, and the most risky, being also the less used one. One of the few international wineries that adopted this approach is the Chilean Concha Y Toro, which Chinese name is 干露, in which “干” means “dry”⁶³, connectable with the quality of wine, and “露” which means “nectar”.⁶⁴

Combining the above mentioned strategy, leads to another very popular branding strategy. In fact, many international brands today are combining Chinese characters having a sound similar to the original one, which carry a positive and attractive meaning. This is considered one of the most advantageous and consequently is one of the most observable branding strategy present today on the Chinese imported wine market. In the Table 2.3 below are showed the most important wineries that adopted this approach.

Table 2.3 – Integrated brand naming solution

Country of origin	Original name	Chinese name	Meanings
Australia	Penfolds	奔富	奔: <i>bēn</i> , quick 富: <i>fù</i> , rich, wealthy, abundant
Italy	Zonin	卓林	卓: <i>zhuó</i> , outstanding 林: <i>lín</i> , forest

The world of wine, though, is strictly connected to family tradition, the location of the production and to historical events, which importance is reported in the label of the wine and is reflected also on the name of a winery or of a wine. In fact many are the brand names having a figurative meaning, just think about the wineries

⁶² Ibidem

⁶³ Gān

⁶⁴ Lù

mentioned in the first chapter as “La collina dei ciliegi” which means “The cherry tree hill”, or the Chilean vineyard “Casillero del Diablo” which meaning is “The devil’s cellar”. According to those names, many are the vintners who decided to translated these figurative meanings in Chinese, delivering to the consumers not only a brand name, but also the history and in some cases, the country of origin characterizing the company. According to the various international brands populating the Chinese wine market today, this seems to be the most used branding strategy, being easier to carry out and more attractive for the consumer. The brands which adopted this approach are shown in the Tab 2.3 below.

Table 2.3

Country of origin	Original name	Chinese name	Meanings
Australia	Yellow Tail	黃尾袋鼠	黃: <i>huáng</i> , yellow 尾: <i>wěi</i> , tail 袋鼠: <i>dǎishǔ</i> , kangaroo
Italy	La Collina Dei Ciliegi	櫻桃丘陵酒庄	櫻桃: <i>yīngtáo</i> , cherry 丘陵: <i>qiūlíng</i> , hill 酒庄: <i>jiǔzhuāng</i> , winery
New Zealand	Oyster bay	蚝湾	蚝: <i>háo</i> , oyster 湾: <i>wān</i> , bay
Chile	Casillero Del Diablo	红魔鬼	红: <i>hóng</i> , red 魔鬼: <i>móguǐ</i> , devil

However, these are not the only strategies that can be used in product branding to China, as there are various international brands that want to keep their brand names unchanged. This approach is used mainly for luxury and expensive products that are able to penetrate the market thanks to their high price and their international perceived prestige. However, in order to be placed on the market, an international wine brand must report on its label the brand name in simplified Chinese, and if it is not done by the company itself, the translation will be made by different marketing offices located on the Chinese territory. This can be harmful for the image of the brand, which will be translated in different ways and will not be able to reach the consumers' perception in an efficient way. The riskiness of this approach make it less appealing to the wineries that prefer to adopt the above mentioned strategies.

Placing a foreign product on the Chinese market, then, requires a strong brand equity based on an attracting packaging and on an efficient name, which must give to the consumer a high quality image. In order to do this, companies have to invest a large quantity of resources and time to delivery a reliable range of features to be perceived as prestigious. On uneducated markets as China, adopting a reliable and appealing combination of Chinese words might not be enough, as the Chinese consumers must be assured about the country of provenience, that is one of the most important cues that affect the consumer's choice. In the paragraph below, I am going to examine the importance of the Country of origin effect and the strategies which should be adopted to enhance it.

2.2.4 Country of origin effect

As observed in the chapter about Italy, in the study case about the Collina dei Ciliegi Winery from Verona, another important strategy to adopt in order to be more attractive on the Chinese market is to set co-branded labels. This might be useful when the Country of Origin effect comes into play, because despite the fact that a given country is not perceived as having a long tradition in winery, the use of a more known brand might represent the key of the success. The tendency of co-branding wines is today largely diffused and especially used to increase the popularity of the wine regions of many countries. A part from the cooperation with luxury brands,

one of the most used strategy is to collaborate with food brands, winery coming to the same regions, travel and tourism brands with the aim of bringing not just a product, but a bundle of products that can be far more attractive for the average Chinese wine consumer, and even succeeding in reaching a larger audience. This particular and effective kind of marketing strategy is important to make the consumers, especially the ones belonging to a less educated market environment, to perceive the name of a country as quality carrier in the production of a given range of products. As seen in the previous paragraph, there are some initiatives that are adopted by international companies to make their brands to be known by the largest segments of the market. Moving on an uneducated market like China, requires a strong brand equity that can be recognized by the most. Unfortunately, the strength of a given brand is based on some characteristics that have to communicate a message of quality that is able to reassure the consumer while purchasing. Especially on the uneducated markets, this process is based mainly on the Country of origin effect, namely the perception of the quality of a brand linked to the country from where it comes from. Speaking about wines, as seen in the previous parts, the most important country for wines in China is perceived to be France, thanks to his long story of exporting to China and its effective marketing initiatives. However, as examined before, in the last years countries as Chile and Australia started to be perceived as good quality wine producing countries. How could they succeeded in doing this? According to Roberta Capitello, as reported on her volume: "The wine value chain in China", the COO of those countries benefitted from the Free Trade Agreements made with the Chinese government, that let their wines to be imported at an advantageous price, and consequently diffused in the most important cities, starting a process of consumers acknowledge about the quality of their products.⁶⁵ Unfortunately, not all the countries can take advantage of those benefits, and their COO must be enhanced linking the label of a given wine to another product that can be better recognized by the average consumer. In fact, what concerns countries like Italy, that is widely known in China for its high quality luxury brands as Gucci, Prada, Ermenegildo Zegna and many others, that represent

⁶⁵ Roberta Capitello, Steve Charters, David Menival, Jingxue Yuan," *THE WINE VALUE CHAIN IN CHINA - Consumers, Marketing and the Wider World*" p. 52 , Elsevier Asian Studies , Cass Business School, City University, London, UK. (2016)

some of the most purchased luxury brands in China or for its automotive industry that in the Chinese consumers' perception is largely represented by Ferrari. The Country of origin that these brands are carrying are well consolidated and they are all immediately linked to Italy by the most of the consumers. Unfortunately, the Italian Wine Industry cannot benefit from the same advantage, as it entered into the Chinese market many years after those brands, and competitors like France, Chile and Australia are much better positioned in the field, making difficult to Italy to enter in the perception of a large number of consumers. In fact, despite the growth reported in the previous chapters, Italy is very far from being considered like France, Chile and Australia, and there is still a lot to do. This has been demonstrated by different studies carried out by different institutes like the one made by Interchina and ICE in 2017⁶⁶, in which is reported that the 60% of the respondents "are less aware of Italian wines than other countries", while the 37% did not know Italian wines at all. As demonstrated by this survey, Italian wines are mainly known in First-tier cities in which the 20% of the respondents gave some positive answers about the knowledge of some kinds of Italian wines.

However in the previous chapter, the data analyzed demonstrate that the Chinese wine consumers during the last few years started trying and purchasing a wider range of products, including in their consumption various kinds of wines. This is the signal of an evolution toward a better educated market, mainly thanks to the work carried out by many wine institutes of each country that through courses, travel experiences and more modern marketing strategies are spreading their countries' tradition in the main Chinese cities.

Seeing that this evolution is an ongoing trend, I prepared a brief survey about Italian wine and about the general perception of Italian products among Chinese consumer, reported in the paragraphs below.

⁶⁶ InterChina Consulting for Italian Trade Agency, "Mapping And Profiling Of Chinese Consumers Of Imported Bottled Wine In China Final Deliverable | Executive Summary". (2017)

2.2.4.a Survey methodology

The survey was extended to a panel of 55 Chinese consumers residing in First-tier cities as Beijing and Shanghai, and in second-tiers cities as Hangzhou, Wenzhou and Chengdu, between 20 and 30 years old, that as seen before is one of the most consistent market segments. The research was structured on 4 different questions which aim was to assess the 2019 perception of young Chinese wine consumers about imported wines and particularly about Italian wines. The first question consisted in writing down the name of the country, that according to the participants' perception, was the most representative in the field. The second question, based on a multiple choice structure, allowed the respondent to choose more than one answer, and were about the selection of the most important perceived Italian products belonging to the food and beverage field. For what concerns the third one, the participants were asked to choose between a list of 10 different countries the ones that in their perceptions represented the most important in wine production. In the fourth one the consumers had to individuate the Italian wines, which according to their experience, they heard of. In the paragraphs below, I am going to present the results of the survey.

2.2.4.b Key results

The results were quite positive and demonstrated that Italian wines are going in the right direction in the establishment of a more solid country image in the field. In fact, in the first question, the 80% of the respondent linked immediately the "wine" word to France, the 14% of them linked it to Italy, while the remaining 6% linked it to other countries. For what concerns the perception of the most important and representative kinds of Italian food and beverage products, the respondents chose products as pasta (85%), pizza (83%), Red wine (68%), tiramisu (55%), Chocolate (50%), white wine (46%), coffee (40%). According to these answers, the red wine seems to have a satisfying level of perception among the interviewed consumers, otherwise, the following answers demonstrate that there is still a lot to do in the Italian wine promotion in China. In fact among a list of 6 of the most important

Italian kinds of wine, comprising Amarone, Barolo, Brunello di Montalcino, Chianti, Moscato and Prosecco, only the 20% of the respondent could tell to know something about them, while the remaining 80% answered that they did not know no one of them. The last question, structured on 10 different answers allowing a multiple choice was made with the aim to make a sort of comparison between the top 10 exporting country to China and how much they account in the young consumers' perception. Once again France represented the most chosen answer, being selected by almost the 90% of the respondents, followed by Italy, that accounted for the 45%, and the surprising 70% of Chile and Australia.

2.2.4.c Research Conclusions

According to the survey results, is possible to state that France is still the most important country for wines perceived in China as also seen in the first chapter, and its importance it seems to be well rooted inside the Chinese perception as the producer of the finest wines in the world. On the other hand Italy is starting to be better perceived, even if it is known more for traditional dishes like pasta and pizza, while red wine is less known than in other countries. In fact, despite the positive answers about the knowledge of the importance of Italian wines, Chinese people have still a very blurry perception of the different kinds of red wines, that is fundamental in the choice of a label over another one. This is a clear signal of the inexperience of Chinese consumers that while purchasing wines could be tricked by the fact that the sound brand of a given Italian wine could be similar to a Spanish or a Chilean one, as the Italian language is not very spoken in China, and might bring to mistakes and can even damage the Italian country of origin image. Since the trend of consuming Italian wines is increasing year by year, especially between the young consumers, it is necessary to take a more focused strategy in order to make a larger quantity of active consumers to recognize and to be able to choose a quality Italian wine.

2.2.4.d Recommendations

In order to make the Chinese consumers to be more aware about the Italian wines products, it is necessary to implement the already present marketing strategies, based on courses and presentations at the main wine events, with the connection of the wine labels with the most successful Italian brands present on the Chinese market, making a cobranded strategy, as done by the Collina dei Ciliegi Winery mentioned in the chapter 1.6. This strategy has also outlined by the Professor and wine expert Fabio Zacà, who during the International convention about Italian wine in China, that had place in Montepulciano, in Tuscany⁶⁷, suggested to spread the concept of “Made in Italy” and Italian lifestyle, not only by the strategy of cobranding, but also setting up bundled products which include the most popular Italian food and products along with wines. However, the success of a product and the implementation of a more solid country of origin image, and consequently a stronger brand equity, depends also on other variables that are fundamental on every market, but can make a greater difference on an uneducated market like China, like the placement and the promotion of the product, which will be presented in the next paragraphs.

2.4 Placement

According to the analysis of the product carried out in the previous chapter, is possible to assess that a good packaging and an implemented marketing strategy can make a given wine brand to reach a good success among the Chinese consumers, even if they are part of less educated market segments. However, the sole establishment of a good product having a good packaging might not be the only key for the success of a foreign wine brand. In fact, as for every kind of product sold on

⁶⁷ International Workshop: “Il vino e la Cina: cultura, tendenze dei consumi e prospettive di mercato - The cultural heritage of Chinese and Western wines New perception of grape wine in China: production trends, consumer attitude, trade and marketing perspectives of the grape wine in China”, Montepulciano (SI), Italy. 15th April 2014.

the Chinese territory, and especially for the foreign ones, the placement of the product on an efficient distribution channel is fundamental and can even bring a wine to become the most demanded one, as seen for the Chateau Lafite.

Unfortunately, the products distribution across the Chinese territory might be a serious matter, and it may determine the failure of a great range of many international products on the local market, as demonstrated by the fact that in the only Beijing area fail more than 350 wine brands every year (Fortunato,2017).⁶⁸ Before entering the Chinese market, in fact it is necessary to get in touch with the local importers and distributors that because of their inexperience, their lack of interest, or their limited knowledge about the product placement, they might place the product on wrong channels, reaching a very limited number of consumers, bringing the product to be removed from the market.

Moreover, the great quantity of entry barriers and regulatory variables that are affecting the Chinese wine market make the entry of the SMEs very difficult, as their resources are quite limited and they might slip into difficulties and problem which might be impossible to be resolved. However, despite the size of the enterprise and the blurry characteristics of Chinese market, there are some important strategies that if adopted can make those problems to be brought under control. Firstly, in order to have more clear understanding of the foreign market, it is important to know how the Chinese distribution channels and the wine value distribution work.

As already examined in the previous parts, the Chinese market must not be considered as an only macro market, as the different cultures, tastes, traditions and purchase power levels that characterizes each region are crucial and are something that cannot be underestimate. Thus, as a first thing, for a company that is approaching to the Chinese market, it is necessary to decide on the base of its resources and of what kind of product it is exporting, in which city or region a given product have to be placed. According to Alessio Fortunato, professor of wine business in the first established Chinese wine school, this is the first step to be successful on the market, although it is not the only operation that counts. ⁶⁹In fact,

⁶⁸ Alessio Fortunato, Roberta Roca, "Il Vino Italiano in Cina". [online] AbChina.it. (2017). Available at: <https://www.abcina.it/2017/10/06/vino-italiano-cina/>

⁶⁹ Ibidem

once a company has individuated the province that is the most suitable for his kind of product, it is fundamental to build a clear and middle-long strategy in order to be more competitive on such an uneducated market. These strategies require a stable presence on the Chinese territory, in order to better understand the main changes and the quick evolution that are affecting the today's Chinese wine market, and this is can be done hiring at least one expatriate expert that is aware of the most important features of the Chinese culture and is able to understand and speak the local language.

Unfortunately, once a company has walked the first right steps toward a product placement, the search for a reliable importer and distributor is quite difficult as the culture of the contract in China is far more different from the western one, and as reported by Roberta Roca, sinologist and brand ambassador in China of some of the most important Italian wine brands, the sale of a batch to an importer or the signing of a contract must not be the final objective, but it is necessary to take it as a starting point and keep investing, in order to have a durable business relationship that might bring the company to reach a wider range of sales. In other words, an exporter company needs to establish a good network based on *guanxi*, without which is not possible to sign a single contract on the Chinese territory. But what is *guanxi* and why it has such importance?

Guanxi is one of those cultural aspects which presence influences every kind of business activity made on the Chinese territory, and its literal meaning is "relationship, connection, relations". *Guanxi* has its origins rooted in the Confucian tradition that poses the individual as a part of a network of relations and not just as a single person. It is connected to the collectivistic Chinese society concept, in which the interest of the group is far more important than the one of the individual.⁷⁰ It is therefore a stratified interpersonal relations system, and influences the Chinese's life since the school age, and it is cultivated for the entire duration of their existence, being extended to the family, friendship and business environments. Making business in China then brings also the western part to be reliable and trustful into

⁷⁰ Caterina Russo, "Guanxi, la formula segreta delle relazioni con la Cina". [online] East-media.net. Available at: <http://www.east-media.net/guanxi-relazioni-business-cina/>

the Chinese partner's perception, and enter consequently, through convivial activities that include dinners, attendance to KTV⁷¹ evenings and gifts, into a *guanxi* network.

2.4.2 Distribution channels

However, the establishment of *guanxi* may not represent the last step to carry out in the contract drafting process. As a matter of fact, the Chinese culture on business matters concerns also a long negotiating period. Today in China the modalities of wine distribution are many and must be analyzed in detail in order to assess which one is the best channel where to place a company's product.

2.4.1.a Wholesaling

One of the most diffused practices used today by those foreign vintners who want to have their products placed onto the Chinese market, is to make contracts with one of those wholesaling companies which crowd the distribution channel market. Traditionally the Chinese food and beverage distribution channel has always been dominated by state-owned enterprises as COFCO, the China National Cereals, Oils and Foodstuffs Corporation, that since 1949 operates in the production and in the commerce of food products and it is under the direct control of The State Council of the People's Republic of China. However, in the last decades, this monopoly started to loosen the grip, allowing different private business to obtain the license to operate as importers and wholesalers, that are growing by size year by year. From the second half of the 1990's, along with the increasing national demand for wine, many Chinese and foreign entrepreneurs started establishing a lot of new importing companies and offices that after few years, became the most active and important enterprises in the field. Today on the Chinese territory are present a great number of importer and wholesalers which head offices are located in every Chinese administrative region. According to what reported on wine-searcher.com, today on

⁷¹ Karaoke Bars.

Chinese Mainland there are around 270 wholesalers, which activity includes both the wholesaling service and the retailing. However, there are some of them which work with some of the world's most important wineries, providing a great range of services and representing the most secure way to deliver value to the final consumer.

In the paragraph below I am going to present the five most important ones.

The one that can be considered as the most important company on the base of number of clients and quality of the service is Torres China. This enterprise was established in China in 1997, and today counts offices in eight of the biggest Chinese cities, and has a portfolio that includes 400 different wine brands coming from 14 different nations of the world, like Zonin, Michel Lynch, Pio Cesare and many others. Its service is one of the most efficient ones in China, as it owns several warehouses located in the main regions, as well as it provides a wide range of support services as staff training, wine accessories and wine events, in order to promote its clients brands on the Chinese territory.

The second biggest and most efficient wholesaling company located in China is ASC Wines active since 1997, it works with the most important wine and spirits companies of the world coming from 16 different countries. Among its 100 clients there are brand as Gaja, Laurent-Perrier, Royal Tokaji and many others, and it is able to provide a large range of services as Ho.re.ca.distribution⁷², having 7 different warehouses with controlled temperatures, located in the main Chinese cities, as well as the attendance to the main wine events to promote their brand names, and it has even established a wine education program with the aid of international experts like James Suckling, in cooperation with WSET.⁷³ It does not serve only the territory of Mainland China, but it is also widely present in Hong Kong and Macau.

Another important importer and distributor, is Summergate that works with some of the most important wine and spirits brands, but provides also a distribution service to the smaller SMEs that want to have their wines distributed on the Chinese market. It is active on retail realities as bars, casinos, restaurants, hotels but also on online platforms, supermarkets and hypermarkets. It has 11 regional offices located

⁷² Hotels, restaurants, casinos.

⁷³ The Wine & Spirits Education Trust, an international institute providing professional wine lessons divided in three formative steps.

both in Mainland China, Hong Kong and Macau, exclusively representing 74 brands across the Chinese territory.

Other noticeable names in the fields are Jebsen & Co. LTD, Jointek Fine Wines Company, Links Concept Company Limited, and many others.

The presence of these experienced and efficient companies on the market are making the distribution in China more effective and they are helping many international wineries to have some guarantees during the process of importation and distribution. However, these distribution companies can be expensive for many international smaller vintners who have not the required resources to make a contract with them, and consequently they are forced to find other ways of distribution, or look for smaller wholesalers.

As seen before, in China are present more than 270 different wholesalers, which activity can differ one to another. The smaller wholesalers are less experienced than the consolidated biggest companies, providing sometimes a low-quality and riskier service. In fact this kind of distributors, in most cases own smaller warehouses, in which the product is stored at high temperatures, a factor that can be harmful for a product like wine, which is sensitive to jumps in temperature. Moreover, their inexperience include also a lack of information about the wine market, buying and distributing a large number of different international and local brands that because of different factors, remain in their storage for long time. However, as told before, the inexperience of the smaller wholesalers about the marketing dynamics, in many cases leads to a damage to the image of a given product and to its consequent failure on the market. However, the quality of the service is evolving along with the wine market, and thanks to the large quantity of exporters that are approaching China every year, many of these wholesalers are starting to give a more professional support to them.

The distribution through wholesalers concern also the choice of the final destination of the product. In fact, with the exception of the main distributors and importers that provide a large quantity of service and cover all the steps of the product placement, the smaller ones can be specialized mainly on the distribution through on-trade or off-trade channels. The on-trade distribution channel is the one

that includes bars, restaurants, casinos, and hotels, that buy wines from the wholesalers. The most preferred channel between the two is the on-trade channel, namely the one that includes the B2B sales to the HO.RE.CA. businesses. As a matter of fact, these businesses, as seen before, are the ones in which the international wines register the highest diffusion. Otherwise, many foreign wineries, especially the most important ones, decide to distribute their products through off-trade channels, addressed to retail businesses as supermarkets and wine-shops .

However, since the high quantity of resources allocated during this kind of distribution process, an ever larger number of international wineries are choosing different and more cost-saving distribution channels, as examined in the paragraphs below.

2.4.1.b DTC route – Online retailing

Traditionally, in order to have an effective distribution on the Chinese market, a foreign winemaker has to interface with the above mentioned big import and distribution companies like Summergate and ASC Fine wine. The practice of making deals with those enterprises has always been due to the impossibility of the single foreign winemaking companies to build their own channels and reach directly their own customers, since the resources requested for the process were quite costly and the bureaucracy barriers were difficult to be dealt with . However, today, a new cost-saving practice is rising among a large number of international companies: the direct-to-consumer route, that allows them to bypass the big importing companies. This new tendency, that has started to be developed in the last few years, have been favored by the extended popularity of the e-commerce. In fact, according to the trends of the last years, winemakers distribute and place their wines to the most important Internet retailers such as Tmall, Jingdong, Taobao and Jiuxian. Those companies provide logistic and promotion services, storing products in warehouses and then delivering it directly to the costumer. The efficiency of the process is attracting a lot of companies like Lafite, Penfold, Concha y Toro, Yellow Tail and many others, that thanks to the large use of the Internet are seeing their profits increasing year by year, letting them be able to reach an ever larger quantity of

consumers located all over the Chinese territory. For what concerns the Chinese consumers, in fact, the great range of products offered by those platforms is very appealing, and their quality is perceived as higher. The growing success of those platforms is also due to the fact that the number of internet users in the last ten years leaped from the 320 million people of 2009 that represented the 23.7% on the entire Chinese population, to 802 million people of 2018, namely, the 57.7% of the entire population.⁷⁴ Among these internet users then, 788 million people access internet daily through mobile devices. According to the data collected and reported by Wine Intelligence in 2018⁷⁵, the most important domestic platforms that dominated the market for wine purchases were Jingdong, which share represented the 42% share of online stores, Amazon.cn, that covered the 22%, Tmall with a 33% and Taobao 14%. This implementation of sales volume is due also to the changing in perception of the Chinese consumers that once associated online sold wine as having a lower value, are now perceiving it as more valuable also thanks to the efforts of the online retailers that are focusing on a more active brand building, enhancing the quality of the products offered. This increasing trend has also been observed by Exact Data China which reported that the data of the half year report of July 2018, that compared to the one of the year before showed that the value of the wine products sold on the online platforms increased by 33%. This growth has been observed mainly for what concerns the high-end quality wines, priced at 500 RMB (\$100 USD) and above, which peak occurred during the Chinese major events. In the paragraph below, I am going to present the main characteristics of the above mentioned most important Chinese domestic wine selling online platforms.

- **Jingdong:** Jingdong also known as JD.com, is the second most popular platform in China for wine sales, and in the 2018 it reached 315 million of users, with more than 88 million of daily accesses, accounting for about \$67.2 billion

⁷⁴ Niall McCarthy, "China Now Boasts More Than 800 Million Internet Users And 98% Of Them Are Mobile[Infographic]".[online]Forbes .Available at: <https://www.forbes.com/sites/niallmccarthy/2018/08/23/china-now-boasts-more-than-800-million-internet-users-and-98-of-them-are-mobile-infographic/#6dfb259c7092>

⁷⁵ Chris Giles, "The Future is Now", (2018) [Online] Wine Intelligence. Available at: <https://www.wineintelligence.com/the-future-is-now/>

dollars, according to the data collected by DMR Statistics in 2018.⁷⁶ During 2017, JD.com registered a total sale of 40 million bottles of wine mainly coming from countries as France, Australia and from the domestic market. In order to ensure an even higher volume of sales, Jingdong during the years has established relationship with a wider range of wineries located in the United States, Chile, Germany and Portugal.

- Tmall: TMALL is another efficient and powerful online platform in selling products inside China. It is part of Alibaba group and it is the main competitor of Jingdong, offering a great range of wines including table wine and high-end wines, as well as local and foreign wine brands, at a price comprised between 50 RMB (6 €) for the most common and less fine wines, and 4000 RMB for the most important premium labels. According to the Alibaba's fiscal year report of 2018, Tmall Global offers 18.000 different brands coming from 74 different countries and regions.
- Suning: this platform is going to reach the popularity of Tmall and Jingdong, today the number of its users reached 500 million. This increasing number of users is due to the wide range of products offered, that include as well the most important international wine brands, like Chateau Lafite, Australia's Treasury Wine Estates, and many others.

2.4.1.c WeChat Wine

A part from these important online retailing platforms, the direct selling activity is going to be populated by a new efficient channel that is attracting a great numbers of vintners who want to expand their sales range and are looking for a more independent way of distribution. This channel is Wechat Wine. Today, an increasing number of producers are getting on Wechat creating their own online store and

⁷⁶ Craig Smith, "65 interesting JD facts and statistics (2019) | by the numbers". [online] DMR. (2019) Available at: <https://expandedramblings.com/index.php/by-the-numbers-15-amazing-jd-com-stats/>

contacting directly their targeted segments, attracting costumers that are happy to receive their bottles directly from the producing country, something that in their perception can grant a higher quality and a guarantee of the product. The pioneers of this new DTC modality are the most important Australian vintners, which collaborate with Wechat Wine which coordinates the logistic process, while the payment is directly sent by the consumer to the producer, that receives the amount of money in its own currency. After the subscription to the service, the customer is invited to experience a in-home tasting of Australian wines, receiving then three bottles of South Australian wines provided with a QR code that helps the customers to link the bottle to the whole production chain, being reassured about the quality and the provenience of the product. According to Peter Evans, the founder of this new kind of portal, by the end of 2019 the number of wineries joining the platform will be over 30, and it will attract also many non-Australian companies.⁷⁷

Thanks to the development of the ecommerce and the online retailing, then, selling wine in China seems to becoming easier year by year, making many smaller wineries to have the chance to be present on the Chinese imported wine market. Otherwise, even if the sales platform are making the wine export to China more accessible, there are still some obstacles which represent important entry barriers to the less experienced international vintners. These obstacles include mainly the strict laws and national regulations emanated by the local authorities, showed in detail in the furthers parts.

2.4.3 Main Import regulations in China

As already told, importing wine in China can allow an international wine company to reach a good market share, if it carries out an efficient marketing mix strategy. Unfortunately there are some entry barriers that might interpose between the winery and the success of its brand. A part from the competitors presented in the previous parts, another serious matter are the national standards and regulations that affect the Chinese import market, especially for what concerns the food and beverage field.

⁷⁷ Richard Whitehead, "Novel WeChat model opens up Chinese market to Australian wineries". [online] Beverage Daily. Available at: <https://www.beveragedaily.com/Article/2019/01/18/Novel-WeChat-model-opens-up-Chinese-market-to-Australian-wineries>

2.4.3.a Amended Food Safety Law

In order for a wine to be admitted in China, it has to deal with some important laws, of which the most important is the Food Safety Law⁷⁸, adopted by the Chinese Standing Committee on the 11th National Congress on February 28, 2009 and amended by the Standing Committee on the 12th National Congress on April 24, 2015. This law, divided in 10 chapters, which are so structured:

1. General Provisions
2. Risk Monitoring and Assessment of Food Safety
3. Food Safety Standards
4. Food Inspection
5. Food Production and Distribution
6. Food Import and Export
7. Settlement of Food Safety Incidents
8. Supervision and Administration
9. Legal Liabilities
10. Supplementary Provisions

It gives the major requirements about the product obtained by processing of agricultural resources, and it represents the most important law about the production, distribution and import in the food and beverage field. The most important chapter that must be deeply examined by wines exporters to China is the chapter 6 about Food Import and Export , which outlines the major requirements that a wine must respects in order to be admitted by the Chinese Customs. The chapter 6 of this law is structured on 10 different articles that are focused mainly on food safety and the right of inspection by the customs authorities. Otherwise, it also give detailed informations about the labelling process that in most case can represent one of the most difficulties during wine export process to China. In fact, a wine that is going to be imported to China must already present on its label the required informations, as required by Article 97 of the Food Import and Export

⁷⁸ L. February, 28 2009, SPS 1055, "Regulations on the Implementation of the Food Safety Law of the People's Republic of China"

chapter of the Amended Chinese Food Safety Law of April, 24 2015⁷⁹. The exporter then, must also report the sale records about the given product, giving further informations about the product name, specifications, quantity, production date, shelf life, name and contact of the buyer, as stated on the article 98 of the Chapter 6 of the Food Safety Law. On the base of these articles is possible to observe how the biggest problem of getting into the Chinese wine market, under a legislative point of view, is the labelling matter. In addition, in order to be admitted, a foreign wine must be accompanied with the right documentation that consists of 10 different notes which are:

- Order Confirmation note;
- Invoice;
- Packing List;
- Cargo Manifest;
- Bill of Lading;
- Delivery Notice;
- Certificate of Origin;
- Health Certificate for Export;
- Label samples complying with the Chinese regulation;
- Copies of the sample label translated to Chinese language.

2.4.3.b Import taxes on wine

Something that must be taken in exam, and represents the greatest obstacle to wine merchants' entry to China, are the Duties and the import taxes. As seen in the previous chapter, there are some countries as Chile and Australia that benefit from important free trade agreement that helped them to increase their presence on the Chinese wine market. On the other hand, many other countries have not yet signed any kind of agreement, and their product are heavily taxed. As a matter of fact, China imposes three types of duties on imported alcoholic products, import custom duty, value-added tax and excise tax. For what concerns the import custom duty, it has

⁷⁹ A. April 24 , 2015, n. 96, "Food Import and Export" of the "Amended Food Safety Law"

been fixed at 14% on those alcoholic products which alcohol volume is lower than 20%. The calculation of this kind of import tax, is based on the CIF price multiplied by 14%, as showed in the formula below.

$$\text{Custom duty} = \text{CIF price} \times 14\%$$

However, the custom duty rate can be extended to 20% to those wines which individual packaging contains more than 2 Liters, and includes bigger bottles as the *Jeroboam* bottle which capacity is 3 liters, or Tetrapack wine packaging that can contain from 250ml to 5L.

The second category of taxes levied on alcoholic products entering the Chinese custom is the excise tax which rate is fixed at 10%, regardless to the differences in container capacity or alcoholic volume. The excise tax is calculated on the base of the CIF price added to the custom duty and is so expressed:

$$\text{Excise tax} = [(\text{CIF} + \text{Custom Duty}) / (1 - 10\%)] \times 10\%$$

The above mentioned taxes are useful to assess the last type of import taxes levied on the alcoholic products at the customs, the Value-Added Tax (VAT). The VAT tax rate is today fixed at 17% and it is not affected by any difference in the alcohol volume of the product or the size of the packaging. The calculation of this Tax is the one that requires a larger quantity of component, and it is expressed here:

$$\text{Value - Added Tax} = \{ \text{CIF} + \text{Custom Duty} + \text{Excise Tax} \} \times 17\%$$

After the calculation of the three main taxes that are important to be assessed by a foreign wine producer entering the Chinese market, is also important to individuate the aggregate tax rate, that today is fixed to 48,2% for regular wine bottles (75 cl) and the ones that are below the 2 liters capacity. On the containers having a capacity that surpasses 2 liters, the aggregate tax rate is 56%. In the Table 2.3 below, are showed the above mentioned kinds of taxes relating to the difference packaging sizes and the alcoholic volume of the products to be imported.

Table 2.3 – Tax rates on imported wines

Product code	Product type	Custom Duty	Excise Tax*	VAT	Aggregate Tax
220421	Bottled wine (≤ 2L)	14%	10%	17%	48.20%
220422	Large-pack wine (> 2L, ≤ 10L)	20%	10%	17%	56.00%
22042900	Bulk wine (> 10L)	20%	10%	17%	56.00%
220410	Sparkling wine	14%	10%	17%	48.20%

Source: China Wine Business

Thus, as observed in the above paragraphs related to the taxation and on the National standards and regulations, enter into China is not as easy as it seems while looking at the positive data collected from the different exporting countries. The allocation of capital necessary to make this big step is challenging for many different wine producers that because of the great entry costs, go through a slow and difficult amortization, especially for what concerns smaller companies and the ones coming from the less popular wine producing country of the world. The great part of the cost are determined firstly by the import tax burden, by the expensive distribution channel, the logistic process, but most of all, by the creation of a strong brand equity. As seen in the previous parts, the brand equity creation process is composed by steps which include a deep study about the consumers, the product and the placement, and each of them are characterized by a large quantity of different adoptable strategies. However, in order to build a strong brand image and to be perceived by the consumers as quality carrier, it is necessary to invest consistent amounts of capital in the promotion of the product with the aim to reach the largest number of market segments in a more efficient way. The various characteristics that influence the promotion strategy and the different way of promotion used today by the most important international wineries will be presented in detail in the further part.

2.5 Promotion

As shown in the previous chapters, and particularly in the subchapter 2.1 about the consumers profiling, the Chinese wine drinkers are divided in different and assorted segments mainly based on age. This segmentation underlines a great difference in preference of consumption of each segment, creating a great gap between each other. As already reported above, the segment comprising consumers between 20 and 30-35 years old has been seen to be the most active and the one who want to try new kinds of products, acquiring information mainly by the use of the internet. However, as seen before, the regional differences as well as the segmentations based on the various tires, can make the communication and the promotion of the product difficult and fragmented, bringing to a lack of appreciation of the product. Therefore, the marketing campaign in China, especially for what concern product on which Chinese consumers are not well educated yet, can become a complicate matter, and requires a great effort in research and in the allocation of resources. In the paragraphs below I am going to examine the most used and efficient kinds of communication that can let a Company to reach its targets in an effective way.

2.5.1 Promotion Channels

Today in Mainland China, businesses have the chance to promote their brands in many different ways.

During the past, before the development of a solid Internet network, the way of promotion used by local and foreign companies were various and sometimes inefficient, as the management costs were considerable and their implementation was difficult because of the enormous extension of the Chinese territory, as well as the presence of a large number of cultural and linguistic barriers. Among these promotion channels, the ones that dominated the scenes were advertising, promotion through distributors, public relations, word-of-mouth, point-of-sale

promotion.⁸⁰ At that time, the use of advertising was large, because it was the most efficient way to reach the largest number of consumers, during a considerably shorter period of time. However, the use of a sole channel could be very ineffective and many companies adopted a bundle of different channels to implement a more effective strategy. In fact, in order to build a more solid brand image, companies used to carry out also public relations, that despite the fact that they were less direct than other channels it could reinforce the product brand's image through attending and sponsoring themed events and fairs. Building an effective strategy, which consisted also in integrating these two channels with point-of-sale promotion, aimed to attract new consumers and to convince the users to shift to other brands, switching their brand loyalty. In addition to this, the word-of-mouth promotion presented a great approach, using Chinese and foreign actors, businessmen, professionals as spokespersons, mainly to promote established luxury brands.

What has been seen to be another effective channel, though, was the promotion through distributors, especially for what concerns the promotion of foreign products produced by foreign SMEs, which had a less deep knowledge about the Chinese consumers culture, habits and language. The promotion through distributors was a cost-saving approach and required a less deep research, since the local distributors had a more accurate knowledge of the Chinese culture, understanding better the local market dynamics. Moreover, their network was well established, letting them to productively promote products to consumers and retailers.

Today, these strategies are still used, but are no more the main ones that can make a foreign wine brand to be promoted in mainland China. In fact, as observed in the previous parts, the large use of internet is going to change the entire Chinese market, either for what concerns the distribution and also the promotion. In the paragraphs below I am going to present the main promotion channels connected to the more modern marketing strategies, and how they can be combined in order to reach the largest number of consumers, focusing mainly on the digital marketing in the mobile era.

⁸⁰ Research Department, Hong Kong Trade Development Council, "Practical Guide to Brand Promotion in China: How to Promote Your Brand?", HKTDC, Hong Kong. (2005)

2.5.2 Digital marketing

In order for a local or an international wine company to promote a given wine bottle, it is firstly important to assess which segment they want to target. As analyzed in the previous parts, we saw how the youngest segments of the wine market are the most active and they are increasingly attracted by a larger range of wines coming from different regions of the world, having different characteristics. This need for a way larger variety of wine characteristics needs a promotion channel that can allow those segments to be reached by more tailor-made advertisements. The use of billboards and traditional promotion channels could prevent this kind of operation, and it becomes necessary to adopt a more modern way of promotion.

During the last ten years, the development of the Chinese economy, as well as the increasingly efficiency of a wide Internet network, allowed the wine companies of the world to mature an easier way to reach their targeted segments. In fact, today exists a large number of platforms that are used by these companies as blogs, sites, and most importantly, social networks. The chance of using social networks in promoting different wine brands is enhanced by the fact that today the mobile internet users in mainland China reached 788 million, and the number of social networks users is about 614 million, according to the data collected by the Statista Research Department in 2019.⁸¹ On the base of this data, it is easy to state that the promotion on social networks represents the promotion channel with the highest potentialities. In fact, today social networks are able to influence the consumer purchase behavior, mainly thanks to the services provided by Wechat. This formidable social network records more than 938 million active users every month, being the most used messaging platform in China, and is present on 79.1% of Chinese mobile phones.⁸² The increasing success of Wechat by the consumers is bringing many different wine company to access this platforms, as already seen in the chapter about distribution. As a matter of fact, these wineries are establishing

⁸¹ Statista Research Department, "Number of mobile phone users in China from 2013 to 2019 (in millions)", Statista.com. (2019)

⁸² LinkInfluence Team, "How social data has its say in the \$147bn Chinese luxury market". [online] LinkInfluence. Available at: <https://www.linkfluence.com/blog/china-luxury-market-social-data>

their own Wechat profiles, especially the most important ones as the Italian Masi Winery, one of the most prolific and successful Italian wine brands which is present on the Chinese market. These international wineries have today the chance to establish their own WeChat Official Accounts, which allow them to push feeds to their following consumers, selling the product directly to them.

Otherwise, WeChat is not the only online promotion channel that can be used today by the great numbers of international wines approaching the today's Chinese market. In fact, there is another important platform that hosts a great number of wine businesses accounts, this platform is Sina Weibo. Weibo is a Chinese microblogging site which boasts 350 million users every month, and it can be considered as an hybrid between Facebook and Twitter. Thanks to the great affluence recorded every day by the site, this platform is a good way of spread an efficient message to the consumers who want to know something more about the world of international wines. Many international wineries are creating their Weibo accounts, using the four types of strategy offered by the platform⁸³, namely:

- Display Advertisements;
- Weibo Search Engine Promotion;
- Fan Headlines;
- Fan Tunnel;

For what concerns the first strategy, namely the Display Ads strategy, it is considered as quite effective, and it can be set up either on the mobile version either on the desktop version. It gives to the consumers the chance to visit the company's homepage directly, placing a product order on the main website of the winery. Those ads can be reached by keywords and feeds, or can be placed on the search page, making the communication simpler and quicker.

While the Display Ads strategy can be useful to take the consumers to the winery's website, the Weibo Search Engine Promotion links the consumers to the company's Weibo account, enhancing their visibility on the site. This strategy is mainly based on the research through keywords. Speaking about the Fan Tunnel,

⁸³ Weibo Marketing, "A GUIDE TO WEIBO ADVERTISING". (2018) [online] MarketingtoChina.com. Available at: <https://www.marketingtochina.com/guide-weibo-advertising/>

instead, can be considered the most effective strategy to be adopted on Sina Weibo. Passing through this strategy, a company might have the chance to reach an increasingly higher number of followers and costumers. The great effectiveness of this approach give to the less followed brand the possibility to build a larger following, this is because Fan Tunnels are focused on the entire Weibo community, not only on the existing followers. Using this strategy, a company has the chance to see its content on the main news feeds on the base of targeted audiences characterized by age, region, device type and gender.

The fourth and last strategy is the Fan Headlines. Through the adoption of this method, a company having a Weibo account can easily reach its existing followers and their connections. The post of a winery is seen on the top of the news feed of the followers and their connected accounts. Thanks to this method, the followers can re-share contents, giving to the company a higher visibility.

In order for a winery to be competitive on such platforms, though, there are some important rules that can be crucial to reach a satisfying number of followers and consequently, a consistent market share. According to the opinion of the experts⁸⁴, creating a social network account with the aim of promoting a given wine brand firstly requires the creation of engaging content. Thus, the required mix of content should consist into the presentation of the wine regions, the enclosure of pictures of the vineyard and of the country where the wine is produced, new wines recommendations along with articles written by wine experts. The account, then, should be constantly updated with the insertion of the new products offered by the winery.

In addition, something that should not be overlooked during the implementation of the informations is the insertion of contents dedicated to the young followers and consumers, that are the most active users of these platforms, as well as the most active wine consumers in China. During the process the marketing media manager

⁸⁴ "How Wineries Can Grow Their Followers on WeChat", China Wine Competition. (2017) Available at:<https://chinawinecompetition.com/en/blog/insights-1/how-wineries-can-grow-their-followers-on-wechat-116.htm>

should follow the “Three Es”⁸⁵, under which the content must be: Emotional, Entertaining or Educational. The implementation of these kinds of contents requires a great effort in marketing research in order to attract the most active targeted segments, to the extent that some wineries cooperate with professional marketing agencies, especially to carry out Emotional and Entertaining contents. These kinds of contents are mainly based on the storytelling, which include historical facts about the winery and the description of the process of the wine production as well as the description of the mission and the vision of the company.

Thanks to the great level of development of the Chinese social networks, is today possible to integrate a winery account with a QR code, something very popular on Chinese Internet platform. In fact thanks to the creation of a QR code is possible to break down those cultural and linguistic barriers that might interpose between the winery and the final consumers, who may not find the name of a given foreign company searching it directly on the search bar, because the name of the winery can be complicated to be spelled. In fact WeChat and Weibo users can share the QR code with others and increase the visibility of the related account at an outstanding pace. Moreover, a QR code can be also a formidable tool to carry out in-store promotion. As a matter of fact, it is not infrequent that some wineries set up particular QR codes that can be used by costumers to obtain a discount on the purchase of a bottle of wine on points-of-sale, retail shops or on online platforms.

It may be also necessary to integrate further approaches with the aforementioned promotion strategies, that might not be effective if adopted by the smallest wineries. Among these additional strategies appears the cooperation with Chinese wine influencers, as already seen in the previous parts. Nowadays, in fact, the Chinese wine market hosts a lot of the so-called “key Opinion Leaders”, or KOLs. Their role is going to be increasingly fundamental for what concerns the wine promotion and the education of the younger segments of that market. They are independent actors who operate on online vlogging platforms, giving to the Chinese wine enthusiasts

⁸⁵ Eddie Wong, “Wine Promotions Would Not Succeed Without the Use of WeChat Official Account (WOA) - It Helps You to Reach All Potential Chinese Customers?”. [online] ChinaWineBusiness.com. (2017). Available at: <https://www.chinawinebusiness.com/single-post/2017/09/18/Wine-Promotions-Would-Not-Succeed-Without-the-Use-of-WeChat-Official-Account-WOA---It-Helps-You-to-Reach-All-Potential-Chinese-Customers>

the basic informations that are useful to fully appreciate a glass of wine. A winery then can engage these influencers to produce some promotional videos in order to present the brand, with the aim of attract a wider number of followers.

However, as already seen in the previous chapters, the promotion through social network can be integrated with other effective strategies.. Unfortunately, because of the high effectiveness of the digital marketing and the low costs characterizing it, other kinds of promotions as the offline advertisements are going to be totally dismissed because they are seen as having a lower efficiency than the online promotion. However, as seen in the first chapter about the top exporting countries to China, the promotion based on the public relations is still very used today by almost every winery which wants to make business on the Chinese wine market. This kind of promotion will be explained in detail in the next paragraphs.

2.5.3 Wine exhibitions and Trade Shows

We have already analyzed the importance of the online promotion, otherwise, the offline promotion is still very popular on the Chinese market. In the case, especially for what concerns the wine B2B commerce, one of the most important promotion channels is the attendance to the international wine exhibitions and trade shows taking place in China every year. Among these events, there are some that are very important and attract many different wine brands , as well as million of consumers that want to discover new kinds of wines. These trade shows and fairs are organized in the Chinese main regions and cities as Beijing, Shanghai, Guangzhou and Qingdao from January to December and host an increasing number of international wineries every year. The size of these exhibitions is often huge, and they are able to encourage the spread of the wine culture even to the less educated consumers that through tastings and courses, can be able to appreciate a great number of products from hundreds of different wineries and distributors. The biggest and most important exhibition organized yearly along the Chinese main cities are:

- Best Wine China;
- ProWine China;

- InterWine China;

The “Best Wine China” exhibition, which takes place in Beijing every year at the end of October, hosts a great number of exhibitors who present a large quantity of products, allowing them to have commercial exchange with other companies operating in the same industry with the aim of promotion. During the exhibition, visitors have the possibility to acquire informations about the last trends of the wine market, trying and evaluating other companies' products. This exhibition is just addressed to businesses operators and it does not allow the sale to the final consumer. The same kind of structure can be also observed at the ProWine China exhibition, organized in the city of Shanghai during the month of November. This Exhibition is quite larger than the above mentioned one, and presents international wineries coming from every wine region of the world, including also some great brand names. Besides the exhibition services, the organization committee of ProWine China provides to the exhibitors a large bundle of services which includes the data collection before the exhibition, in which are analyzed the expected visitors segments, and are indicated the name of the companies and the brands attending to the exhibition, giving them the chance to be well prepared and have an efficient result during the trade show. It provides also an online dashboard, in which are presented the logo and the main informations about every attending brand, in order to make them to have major visibility either on the paper map of the exhibition, either on the main online page. This exhibition then can be considered a really important space for the promotion of wine and to meet the main Chinese distributors and service providers, that can help the participating wineries to be better placed on the Chinese market.

For what concerns the third most important wine exhibition in China, Interwine China differs from the other two. It is a tradeshow that is not only open to businessmen and wine producer, but allows costumers to attend to it in order to discover and understand the last wines and wine-related products present on the market. It takes place in Guangzhou and it is the most important and the oldest exhibition of Mainland China. It is organized twice a year and in 2019 it will host 1179 exhibitors coming from more than 50 countries the world, which stands will occupy more than 50,000 m². During the exhibition the winery can get in touch with

clients and potential customers giving them some tastings and gadgets, and even giving some brief courses about the brand and the wine tasting. Thus, attending these events can represent a great advantage on the market, and even if the exhibitors are many, the great quantity of visitors might grant to the different wineries to reach a large number of wine enthusiasts that through a positive word-of-mouth, can see their own products to be exposed in some important wine shops and points-of-sale, which might represent a good start for a wine company who want to approach to the Chinese wine market.

Nowadays, in China, the most popular and efficient kinds of promotion channel are these ones, that are going to substitute the most obsolete ways of promotion like the offline advertisement and the point-of-sale promotion, as the Internet is so wide that makes people to spend many hours on it, neglecting the stimuli located around them, preventing them to buy newspapers and magazines, making the use of advertisement not only so expensive, but also less effective.

In the last few chapters, I have analyzed the components of an efficient marketing mix to use during the wine placement onto the Chinese wine market. After this analysis, in order to have a clearer understanding about the Chinese wine consumers behavior, I decided to make a further analysis of the Chinese preferences about wines, in order to sum up what I have examined in the previous parts. This analysis consists in a marketing research addressed to educated consumers which will be presented in the further paragraph.

2.6 Conclusive research

In order to make a more extensive analysis about the above mentioned topics, I decided to make a survey to sum-up the Chinese wine drinkers habits, taking in exam their preferences in consumption, their purchasing behavior and their perception of the international wine brands. This analysis will be explained in detail in the parts below.

2.6.1 Survey Methodology

The survey was addressed to a panel of 54 active wine consumers residing in Mainland China, in major cities as Shanghai, Beijing, Hangzhou, Chengdu and Guangzhou, having an age between 20 and 45 years old. The survey was extended to the respondent through an online survey platform. During the survey, the respondents had to answer to 7 different questions so divided:

- How often do you buy wine?
- What is your preferred foreign wine producing country?
- What are the platforms on which do you usually buy wines?
- What kind of wine do you usually prefer to purchase?
- On what occasion do you usually drink wine?
- According to your personal taste, what is your favorite wine flavor?
- How much money do you usually spend for a bottle of wine?

2.6.2 Key Results

The answers to the above mentioned questions have been observed to be quite vary, while the greatest part of the respondent demonstrated to have the same preferences, and also confirmed the topics analyzed in the previous parts. Here then, I am going to present those answers in the form of percentages.

In the first questions, where the participants were asked how often they bought wine, the 60% percent of them declared to buy wine very often, namely, twice per month, while the 25% of them declared to purchase wine once every 2/3 months, and the remaining 15% declared to buy wine rarely, drinking it only during the main festivals.

For what concerns the second point, instead, once again, the respondent demonstrated a clear preference for French wine, as declared by the 55% of them, and the remaining respondent showed a preference toward Chilean wine 23%, 10% Australian wine, 7% Spanish wine and the 5% Italian wines.

From what can be seen from the third question, the respondent's preference were mainly oriented to purchase wine in the supermarkets, as selected by the 53% of them. The 27% then declared to buy wines in local wine shops, while the 20% preferred to purchase on online platforms. The most preferred kind of wines, then, has been seen to be red wine, as declared by the 93% of the users, while the white wine was selected only by the 7% of them.

For what concerns the fifth question, the occasion of consumption has been seen to be various, with a 45% of the respondents who declared to consume it mainly at home and during informal dinners, while the 32% of them stated to consume it during formal dinners and festivals, and the 23% of them declared to drink wine only during the main Chinese festivals.

Speaking about the sixth point, the most preferred characteristic of the taste of a given wine, the 73% indicated a sweeter and smoother kind of flavor, the 15% a more fresh flavor, while the 12% expressed a preference for tannic wines.

Finally, the respondents had to indicate how much money they usually spend for a bottle of wine. The 67% of the users declared to spend ¥75-100 RMB for a single bottle, while the remaining 23% declared to spend less than ¥75.

2.6.3 Research Conclusions

From what can be observed by the above reported answers to the survey, the Chinese wine consumers are going through an evolution in tastes. However, as also seen in the previous parts, the French wine among the Chinese wine consumers continues to be perceived as the one which carries the most high quality and as the most prestigious one. In addition, despite the fact that the Chinese consumers, and especially the youngest ones, are starting to buy and consume different kinds of wines, the red one remains as the most popular, as perceived as quality-carrying and also as a healthy product. Moreover, as can be evinced from the question about the preferences in wine flavors, the choices of the respondent that selected the "sweeter and smoother" flavor as the most favorite one, can be directly connected to the characteristics of a full-bodied red wine. In fact such a particular organoleptic note is mainly carried by those red wines coming from the more tempered regions of the

world, as Southern Australia, Italy, South Africa, Chile and Southern France. The white wines, instead are usually more dry and have a major acidity that is very difficult to be appreciated by the average Chinese wine consumer.

The clear signal of an ongoing change in the Chinese's wine consumption behavior is the fact that, according to the answers to the survey, Chinese wine consumers are purchasing more wine than before. In fact, in the question about the frequency in wine purchasing, more than the 60% of the respondent declared to buy and consume wine at least twice per month. Their wine purchasing, then , despite the fact that is still mainly made on offline platforms such as supermarkets and wine shops, it is slowly switching toward ecommerce platforms. The tendency of the respondent of buying wines into the supermarkets can be connected to the frequency in purchasing and the occasions of consumption. As a matter of fact, the supermarkets offer a quite vary range of local and international wines, belonging to the mid-end category. This can be connected to the preferences expressed by the respondent about the price. As answered in the survey, the most attractive range of price expressed by the respondent is ¥75-100 CNY per bottle, a range of price that can be easily found in the supermarket. In addition, the occasion of consumption, that as observed are mainly at home or during informal dinners, brings the consumers to focus their consumption on mid-end wines, easily findable at supermarkets and wine-shops. The wine purchasing on Ecommerce platform, instead, could be more oriented to the purchase of mid-high-end bottles that can be consumed during special occasions. This can be also demonstrated by the data collected by Wine Australia in the Market bulletin, Issue 33, in 2018⁸⁶, where it can be observed that the online wine purchasing went through a growth of 63% during the 2018 Chinese New year Festival, and the average expense for a bottle of wine in that period was much higher.

Thanks to the data collected during this survey, it can also be observed that the Chinese young consumers are going to change the average wine purchasing behavior and they are ever more adopting westernized wine consumption habits.

⁸⁶ Wine Australia, "The rise of China's online wine market Market Bulletin | Issue 133". [online] WineAustralia.com. (2018). Available at: <https://www.wineaustralia.com/news/market-bulletin/issue-133>

The interest for expensive wines is going to be replaced with the appreciation for good wines, and the general taste is going to change and become ever more differentiated. This is what brought China to be one of the most active market for imported wine in the world, becoming also the final target of an ever larger number of small and medium sized international wineries.

Chapter 3. From Consumer to Producer

After the analysis of the Chinese wine import market carried out in the paragraphs above, it is then necessary to speak about another important aspect of the Chinese wine business: the production. In fact, China during the last few decades decided to invest in the viticulture sector, as it has seen in this a great opportunity to boost the economy of the country. This strategic choice, in fact, has been seen as a great opportunity for the national economic growth as it is allowing China to export high-quality wines, enhancing the country prestige on the international stage and the national export volume. Moreover, since that the internal demand for wine is exponentially growing, this large quantity of investments is allowing the local wineries to satisfy this large demand, even competing with the great international wineries that are today exporting to China. Thanks to this great development of the Chinese wine production that is bringing many winemakers to establish many different production facilities and vineyards, the business of enotourism in the different Chinese wine regions, giving to the local rural areas the chance to go through a consistent economic development. Thanks to the great support of the government, and the increasing sales volume of the Chinese wineries, China today is the 7th wine producer in the world for volume of liters of wine, and succeeded in becoming the second country in the world for vineyards extension, with a total of 895.000 hectares, surpassing France in 2015.

According to these data, in the further paragraphs I am going to present the main characteristics of the Chinese wine industry, starting from an historical overview about the viticulture development process on the Chinese territory since the ancient times, analyzing then, the major Chinese wine producing regions and their main characteristics, and how they are reaching the international wine market.

3.1 Historical background – the history of Chinese grapevine growing and winemaking

Since the ancient times, wine has always had a key role in a very large number of different cultures located in different territories of the world. As for the Romans, the Persians and the Greeks, the Chinese ancient populations under different kingdoms and dominations had their own versions of wines, which were mainly used for rituals and religious ceremonies. According to some important archeological findings of the 20th Century, in China were found some primitive wine flasks, which represented the first evidence of a rudimentary early winemaking⁸⁷. This first discover was then followed by further and increasingly stunning discovers that demonstrated that the practice of winemaking went on during the centuries arriving until the Xia Dynasty (2070 BC- 1600 BC).⁸⁸ The importance of wine under this Kingdom was demonstrated by the discovery of a great range of bronze-made cups and ritual containers in which the researchers found alcohol traces. However, the rudimentary and primitive kinds of wines that were made in the ancient times were not made with grapes, or anyway were very different from the kinds of wines that were produced under the Roman Empire or in Ancient Greece. In fact the early Chinese kinds of wines were made with different kinds of resources which ranged from grains, to honey, to wild grapes, and they were used by the early Chinese population to try to get in touch with animistic deities and spirits during rituals and ceremonies.⁸⁹ This kind of practice reached its highest peak during the Zhou Dynasty, in the first century BCE, in which during the sacrificial rituals many liters of alcoholic beverages were consumed by the attendants.

Otherwise, one of the most relevant ancient Chinese dynasties that developed the art of distillation and winemaking was the Han Dynasty. This important Dynasty ruled the large Chinese territory for more than 400 years, from 206 BCE to 220 CE, and its kingdom was extended on a great portion of the today's PRC territory,

⁸⁷ L. Mayshark, "Inside The Chinese Wine Industry", pp. 77-78. Red Scorpion Press, New York, 2018.

⁸⁸ ibidem

⁸⁹ N. Shu, "China Through a Glass of Wine", pp. 23-24, Cafè con Leche, 2016.

reaching an area of 6.500.000 km² during its brightest period.⁹⁰ The great level of expansion of the Han Dynasty brought them to carry out some important expedition, sending some envoys to the west to bring back foreign products and to obtain informations about the unknown territories of Central Asia. One of the most important figures of this period was Zhang Qian, who travelled along the Silk Road reaching kingdoms as Bactriana, Eastern Persia, arriving to the Sogdiana, which occupied the territories of today's Uzbekistan and Tajikistan.⁹¹ During these important expeditions, Zhang Qian got in touch with some important populations who produced grape wines using *vitis vinifera*, endemic of the Central Asian region, and took it to the Han court.⁹² This can be seen as a turning point in the origins of the production of grape wines in China. After this important historical event, the production of grape wines started to take place in the Han courts, and many liters of wine were produced for the amusement of the emperors and nobles of the court. During that period, in fact, wine was addressed only to the high officials and noblemen, a trend that continued also during the following Tang dynasty.⁹³

The maximum development of the wine production in ancient China was reached then under the Tang Dynasty (618-907). At that time, this kingdom was very active in the commerce with other foreign kingdoms which populated the Silk Road, having then the chance to import large quantity of *vitis vinifera* with the aim to produce wine. With the increasing popularity of this beverage, even the frontier soldiers started to be provided with grape wine to be drunk during their military campaigns, making this product very appreciated by the wealthiest strata of the society.⁹⁴ In fact, many were the poems and the writings of the period in which wine is present as a key topic. Among them is important to mention the ones composed by Li Bai (701-762), one of the most important literates of the first period of the Tang Dynasty. One

⁹⁰ C. Violatti, "Han Dynasty". [online] Ancient History Encyclopedia.(2016) Available at: https://www.ancient.eu/Han_Dynasty/

⁹¹ Godley, Michael R. "Bacchus in the East: The Chinese Grape Wine Industry, 1892-1938." The Business History Review 60, no. 3 (1986): 383-409. <http://www.jstor.org/stable/3115883>.

⁹² ibidem

⁹³ L. Mayshark, "Inside The Chinese Wine Industry", pp. 77-78. Red Scorpion Press, New York. (2018).

⁹⁴ Ibidem

of the most important poems of Li Bai about wine can be considered “月下獨酌 – Drinking Alone Under the Moon”⁹⁵:

花間一壺酒， A cup of wine, under the flowering trees;

獨酌無相親； I drink alone, for no friend is near.

舉杯邀明月， I raise my cup to invite the bright moon,

對影成三人。 Raising my cup I beckon the bright moon,

月既不解飲， The moon, alas, is no drinker of wine;

影徒隨我身； Listless, my shadow creeps about at my side.

暫伴月將影， Yet with the moon as friend and the shadow as slave

行樂須及春。 I must make merry before the Spring is spent.

我歌月徘徊， To the songs I sing the moon flickers her beams;

我舞影零亂； In the dance I weave my shadow tangles and breaks

醒時同交歡， While we were sober, three shared the fun;

醉後各分散。 Now we are drunk, each goes his way.

永結無情游， May we long share our odd, inanimate feast,

相期邈雲漢。 And meet at last on the Cloudy River of the sky.

李白 Li Bai – Translation by Arthur Waley.

After the Tang Dynasty followed the Song Dynasty (960-1279), which carried on the winemaking tradition of the previous kingdom, and during that period, grape wine became the nectar that characterized the life of the most part of the literati, who wrote wine-tastings in the form of poems.

When the Song Dynasty was conquered and ousted by the Mongol Yuan Dynasty (1279-1368), the importance of grape wine grew again, becoming the state wine of

⁹⁵ A.Waley, "THE POET LI PO - A.D. 701-762", East and West Ltd, London. (1919)

the Mongol Empire. This great interest for wine brought the wine production to be extended to a larger number of regions, on an area which occupied the Chinese western regions as Xinjiang, arriving to Beijing located in the eastern part. During that period, the popularity of wine was extended to a wider number of social strata, becoming popular also among other social classes.⁹⁶ A further step in favor of wine was made thanks to the first catholic monks who started to go to China in the 13th century to Christianize the local people. Among these monks, it is important to mention the Franciscan missionary Giovanni Da Montecorvino, coming from the Angevin Kingdom of Naples, who arrived in Beijing in 1294 where he built the first church of China, followed by another one in 1305. The spread of Catholic belief made vineyards to go through a further expansion, as the Roman Catholic rituals need red wine to be celebrated, planting *vitis vinifera* in the fields next to the churches.⁹⁷

The role of Catholic missions continued to grow in importance in the following centuries, and during the Ming Dynasty (1368-1644), mainly thanks to Matteo Ricci coming from the Papal States, a permanent Catholic mission was established in the area. Because of this, the cultivation of *vitis vinifera* was extended to new regions as Yunnan, in which still today many great wines are produced. In addition, during the Ming Dynasty, some western wines started to be imported in China by the missionaries, growing in popularity among the government officials and at the imperial court.⁹⁸

However, the real turning point of the Chinese wine production happened during the 19th century, when China started to produce more European-like kinds of wine. The key role in the process is attributable to Zhang Bishi, an officer of the Qing Dynasty government, who travelled to Europe bringing back a great quantity of European endemic species of *vitis vinifera*, establishing the first Chinese winery in the city of Yantai, in the Shangdong Province: The Changyu Winery. In his newly-established winery, Zhang Bishi with the aid of an Austrian oenologist developed the

⁹⁶ N. Shu, "China Through a Glass of Wine", pp. 23-24, Red Scorpion Press. (2016)

⁹⁷ ibidem

⁹⁸ L. Mayshark, "Inside The Chinese Wine Industry", pp. 78-79. Red Scorpion Press, New York. (2018).

cultivation of the Cabernet Gernischt, a kind of grapes that is still largely cultivated in the Chinese vineyards⁹⁹.

After the pioneering work of Zhang Bishi many were the winery that was established in China in the further decades by local and international vintners. Among these it is important to mention the “Beijing Dragon Seal” winery, founded by a French missionary in 1910, or the one established by the German occupiers of Shangdong in 1930, which name was Shangdong Melco Winery, changed later in Huadong Winery, and many others.¹⁰⁰

During the years of political instability that preceded the advent of the Popular Republic of China, the increasing development of wineries and the plantation of vineyards went through a stop, mainly because of the World War II and the great level of poverty and famines that it left back on the entire Chinese territory, a situation that few years later lead the revolutionary figure Mao Zedong to establish the Popular Republic of China in 1949¹⁰¹. After the foundation of the new Communist State, the cultivation of the vineyards and the winemaking activity started a new period of increasing and unceasing development, that went on in the further years, even after the dead of Chairman Mao. In fact, during the 1970s, in order to overcome the hard climatic conditions that especially during winter make the winemaking process very difficult, the vintners with the aid of local and foreign researchers succeeded in crossbreeding different kinds of European and Asian grapes biotypes, creating some cold-resistant grapevines.¹⁰²

After the “Reform and Opening-Up” reforms taking place at the beginning of the 1980s, brought many international entrepreneurs to carry out some important FDIs, also in the winemaking field. In fact during the 1980s the French influence started to give place to the production of new kinds of wines, made on the base of the great French wines using Cabernet Sauvignon blends . From those years, the Chinese wine

⁹⁹ Ibidem

¹⁰⁰ D. Li, “The history of Chinese winegrowing and winemaking - part 2”. (2013). [online] available at: <https://www.decanterchina.com/en/columns/demeis-view-wine-communication-from-a-chinese-winemaker/the-history-of-chinese-winegrowing-and-winemaking-part-2>

¹⁰¹ Björn Kjellgren, « Drunken modernity: wine in China », Anthropology of food [Online], 3 | December 2004. Available at: <http://journals.openedition.org/aof/249>

¹⁰² Ibidem

production changed drastically and the number of wineries established on the Chinese territory grow at an outstanding pace¹⁰³. With the increasing success of foreign grape wine among the wealthiest strata of the population occurred in the 1990s, the quality of the domestic kinds of wine started growing as well, and in the first years of the 2000s, the Chinese wine started to be exported to foreign countries¹⁰⁴.

For what concerns the contemporary situation, then, it is necessary to make a deeper analysis looking at the Chinese wine production data and to compare it with the global situation. This kind of analysis will be carried out in the further parts.

3.2 Global Wine Production Overview

Nowadays, the increasing professionalism of the oenologists and the development of the agricultural technologies are bringing the winemaking industry to reach almost every country of the world, even for what concerns those countries where the climatic conditions are adverse to the plantation of grapevines. In fact, on the current international markets is possible to find very fine wine coming from unexpected wine-producing countries, as China, Japan, South Korea and even India. Thanks to this increasing trend, in 2018 the world wine production reached an unprecedented volume, registering 292.3 million hectoliters of wine produced¹⁰⁵. This data was surprisingly positive for what concerns the worldwide wine production, since the 2017 volumes of wine produced registered a severe decrease compared to the previous years, for a total of 246.7 million of hectoliters of wine produced¹⁰⁶. This crisis in wine production was mainly due to the unfavorable climatic conditions that hit the central part of Europe, damaging significantly the harvest of the three main wine-producing countries: Italy, France, and Spain.

¹⁰³ L. Mayshark, "Inside The Chinese Wine Industry", pp. 79-80. Red Scorpion Press, New York. (2018).

¹⁰⁴ ibidem

¹⁰⁵ P.Karlsson, "World wine production reaches record level in 2018, consumption is stable". (2019). Available at: <https://www.bkwine.com/features/more/world-wine-production-reaches-record-level-2018-consumption-stable/>

¹⁰⁶ OIV, "2017 World wine production estimated at 246.7 mhl,a fall of 8.2% compared with 2016", GLOBAL ECONOMIC VITIVINICULTURE DATA. (2018)

Otherwise, thanks to the better weather conditions of 2018 and to the increasing world's demand for wine, the European countries succeeded in register an increase in production that can be considered more than satisfying.

Table 3.1 - World's top 10 wine producing countries per year (2014-2018) in million hectoliters

	2014	2015	2016	2017	2018
Italy	39.7mhl	49.1mhl	51.6mhl	43.8mhl	50.4mhl
France	46.6mhl	48.2mhl	44.3mhl	36.8mhl	46.4mhl
Spain	39.5mhl	37.7mhl	39.7mhl	32.5mhl	44.4mhl
U.S.A.	23.1mhl	21.7mhl	23.7mhl	23.3mhl	23.9mhl
Argentina	15.2mhl	13.4mhl	9.4mhl	11.8mhl	14.5mhl
Chile	9.9mhl	12.9mhl	10.1mhl	9.5mhl	12.9mhl
Australia	11.9mhl	11.9mhl	13.1mhl	13.7mhl	12.5mhl
China	11.6mhl	11.5mhl	11.4mhl	10.8mhl	10.8mhl
S. Africa	11.5mhl	11.2mhl	10.5mhl	10.8mhl	9.8mhl
Germany	9.2mhl	8.8mhl	9mhl	7.5mhl	9.8mhl

Sources: OIV, Statista.com, ISTAT.

As can be observed from the Table 3.1, the wine production per year changed yearly for every country. For what concern Italy, for example, in few years it succeeded in surpassing France becoming the first wine producer of the world, reaching in 2018, 50.4 million hectoliters of wine produced, of which 56% was white wine and the 44% consisted of red and rosé wines.¹⁰⁷ After the very bad season of 2017, in which Europe has been the theatre of continue storm which destroyed very large portions of European grapevines, Italy managed to go out from this crisis, recording the one of the biggest wine production of its history, assuring a high quality of its products that led also to an increase of 3.4% to its wine export¹⁰⁸.

Speaking about France, instead, the difficult weather conditions of 2017, partially influenced also the harvest of 2018, as the very wet kind of climate present

¹⁰⁷ "La produzione di vino in Italia nel 2018 – dati provvisori ISTAT". (2019). [Online] I Numeri del Vino. Available at: <http://www.inumeridelvino.it/2019/02/la-produzione-di-vino-in-italia-nel-2018-dati-provvisori-istat.html>

¹⁰⁸ Ibidem

on the French territory fostered the develop of fungus and vine diseases as the Downy Mildew, registering a production limited to 46.4 million hectoliters, returning to an average volume of production, but still remaining in the second position¹⁰⁹. The 2018 French production, which accounted for the 16% of the worldwide production, consisted of 55% of red wines, 26% white wines, and 19% of rosé wines, exporting wines for more than €12.6 billion Euros¹¹⁰.

The oscillation the volume of the European wine production due to the hard climate condition of 2017 hit also the Spanish wine production, registering, after France the worst performance of the last few years. However, in 2018 Spain succeeded in producing 44.4 million hectoliters of wine, registering then the higher volume of wine produced in the last five years, reaching a volume placed very closed to the French one¹¹¹. Certainly, what helped Spain to reach such a result have been the extension of its vineyards that is today the largest in Europe, counting over 967 kha of vineyards surface.

Passing from the European Continent to the American one, is possible to observe how the volume of wine produced registered during the last five years has been more constant, producing in 2018, the 8% of wine produced on the worldwide total¹¹². In fact, as can be observed for the U.S.A. production data presented in the Table 3.1 above, its wine production volume went through some minor changes if compared to the European ones. Despite the fact that U.S.A. in 2017 went through some climatic and environmental problems as the great number of wildfire which destroyed almost 100 hectares of fields and forests, the great extension of the U.S.A.

¹⁰⁹ C. Meerer, "World wine production plummets to 1960s levels". (2017). [Online] Decanter.com. Available at: <https://www.decanter.com/wine-news/world-wine-production-2017-falls-oiv-378608/>

¹¹⁰ Ibidem

¹¹¹ A.Cervera, "Eight stories to understand the 2018 harvest in Spain". (2018). [Online] Spanish Wine Lover. Available at: <https://www.spanishwinelover.com/learn-347-eight-stories-to-understand-the-2018-harvest-in-spain>

¹¹² C. Meerer, "World wine production plummets to 1960s levels". (2017). [Online] Decanter.com. Available at: <https://www.decanter.com/wine-news/world-wine-production-2017-falls-oiv-378608/>

territory as well as the aid of the most modern agricultural technologies, prevented the U.S.A. wineries to suffer serious damages¹¹³.

The southern part of the American Continent, instead, not only went through less consistent changes in their wine production, but for what concerns Argentina, it succeeded to register a positive grow comparing to the production of 2016. The same growing attitude in the production has been observed also in Australia in 2017, which on the other hand, registered a decrease in 2018¹¹⁴.

Among the 10 biggest wine producers of the world, at the 7th place is ranked China. In order to better understand its wine production and its wine industry characteristics, I am going to examine it in detail the following paragraphs.

3.3 The Chinese wine production

After a general analysis of the most efficient wine producing countries around the Globe, located mainly in Europe and America, it is important to make an analysis about one of the newest wine industries of the world, China. As can be observed from its historical background examined in the first part of the chapter, the Chinese wine industry is something that compared to the wine producing countries of the Old and the New World, is a recent reality, since it officially entered the wine market only in the last years of the 19th century. However, despite the difficulties in positioning itself on the global wine market as wine producer, China in the last few decades succeeded in reaching a good average quantity of wine produced yearly, and thanks to the contribution of foreign enterprises and wine professionals, it is now succeeding in producing a satisfying number of quality wines.

In order to better understand the latest dynamics of the Chinese wine industry, it is necessary first to make a clear analysis about the Chinese winemaking

¹¹³ Ibidem

¹¹⁴ A. Barnes “South America wine production (in figures): Argentina, Chile, Uruguay, Brazil, Bolivia & Peru”. (2019) [Online] South American Wine Guide. Available at: <https://southamericawineguide.com/south-america-wine-production-in-figures-argentina-chile-brazil-uruguay-bolivia-peru/>

environment, taking in exam the characteristics of its climate, of its *terroir* and of the kinds of grape vines that characterize the Chinese wine production.

3.3.1 Geographical and Climatic facts

As already seen in the previous parts, the Chinese territory is the third on the entire world by extension, having a total area of 9,596,960 km², and its territory is one of the most various of the world. Its land, which occupies the 97.2% of the entire Chinese territory, hosts part of the Gobi desert in the North, high mountains, which include the Mount Everest and part of the Himalayan Chain in the south eastern part, hills, flatlands and a great quantity of rivers. Given the enormous extension of the Chinese territory, the climate is something that changes a lot from the north to the south and even from the west to the east. In fact, those differences in climate can be divided from north to south as presented in the Table 3.2 reported below.

Table 3.2 – Chinese climate zones.

Cold-temperate Zone	north part of Heilongjiang Province and Inner Mongolia (Representative city: Harbin)
Warm-temperate Zone	Jilin, northern Xinjiang, and most of Heilongjiang, Liaoning, and Inner Mongolia (Representative cities: Beijing , Shenyang, Dalian, Urumqi, Hohhot, Dunhuang, Lanzhou)
Temperate Zone	area of the middle and lower reaches of the Yellow River, Shandong, Shanxi, Shaanxi, and Hebei Province (Representative cities: Xian , Taiyuan, Luoyang, Jinan, Qingdao, Zhengzhou)
Subtropical Zone	South of isotherm of Qinling Mountain-Huaihe River, east of Qinghai-Tibet Plateau (Representative cities: Shanghai , Guangzhou , Hong Kong, Macau, Guilin, Hangzhou, Suzhou, Kunming, Dali, Lijiang, Chengdu)
Tropical Zone	Hainan province, southern Taiwan, Guangdong, and Yunnan Province (Representative cities: Haikou , Sanya)
Qinghai-Tibet Plateau Temperate Zone	Qinghai-Tibet Plateau (Representative city: Lhasa)

Source: TopChinatravel.com

Under these different climate zones, the temperatures can register significant differences, either during the winters either during the summers. In fact, according

to the data collected during the last few years in every different region, Chinese winters can be very cold in the northern part, reaching -25°C in the northeast, while are extremely mild in the tropical zones, where the average temperature registered during December is around 22°C. In the Table 3.3 below are shown the average temperatures registered in every season by region.

Table 3.3 – Average monthly temperatures by Chinese region (°C).

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
N.east (Harbin)	Min °C	-25	-21	-10	0	8	14	18	16	9	0	-11	-20
	Max°C	-13	-9	2	13	21	26	28	26	21	12	0	-10
North (Beijing)	Min°C	-9	-7	-1	7	13	18	22	20	14	7	0	-7
	Max°C	2	4	11	20	26	30	31	30	26	19	10	3
N.west (Urumqi)	Min°C	-17	-14	-5	5	12	16	19	17	12	13	-6	-14
	Max°C	-8	-5	3	17	24	28	30	30	23	13	2	-5
East (Shanghai)	Min°C	1	2	5	11	16	20	25	25	21	15	9	2
	Max°C	8	8	13	19	24	27	32	32	27	22	17	11
South central (Guanzhou u)	Min°C	10	12	15	19	23	25	26	25	24	21	16	11
	Max°C	18	19	21	26	29	32	33	33	31	29	25	21
Southwes t (Kunming)	Min°C	2	4	6	10	14	17	17	16	15	12	7	3
	Max°C	15	17	21	24	24	24	24	24	23	20	17	15

Source: TopChinaTravel.com

As can be observed from the Table 3.3, the average temperatures of each region can be consistently different from north to south, being respectively very cold during winters, and extremely hot and wet during summers. Moreover, this great difference in temperature is influenced also by the latitudes, making the Chinese lands to be extremely arid or extremely wet. Under such difficult climatic conditions,

the cultivation of *vitis vinifera* can be a serious matter and it needs a great level of expertise, because in order to be productive the vine of *vitis vinifera* requires some specific climatic characteristics without which it cannot grow and fructify properly. In fact, at too high temperatures or at too low ones, the vines of *vitis vinifera* cannot survive, as they need a temperature between 8°C and 12°C to germinate, they bloom at a temperature between 17°C and 22°C and the veraison of the grapes takes place between 22°C and 25°C. For what concern the ripening of the grapes, the ideal temperature is around 18-23°C¹¹⁵. The harvest, instead, should be carried out in the first days of Autumn, at a temperature between 17°C and 23°C.¹¹⁶ Looking at the Table 3.3 is possible to see that there are areas where temperature can allow the cultivation of grapevines, but unfortunately, there are also some other variables that come into play, as the latitude. As a matter of fact, as for many other kinds of plants and cultivations, *vitis vinifera* can be cultivated only between the 50th and the 30th North degrees, and between the 30th and the 40th South degrees, or in the areas which are very close to them.

After the analysis of these conditions that make the growth of *vitis vinifera* possible, it is necessary to present those Chinese areas where the climatic and geographical characteristics allow the cultivation of grapevines and the production of wine.

3.3.2 Chinese Wine Regions and Major Chinese Wineries

Nowadays in China, the wine production is an increasing reality, and the techniques of production are more and more developed as well as the level of expertise of the local oenologists and wine experts who are increasing by number year by year. This higher level of expertise and the developed agricultural technology is allowing different wine entrepreneurs and their oenologists to dominate the difficulties given by the climatic conditions, expanding the Chinese vineyards to larger areas. These areas are all comprised between the 30th and the

¹¹⁵ "La vite e il clima - Gli aspetti climatici nella coltivazione della vite". [Online] Quattroclici. Available at: <https://www.quattroclici.it/conoscere-il-vino/la-vite-clima/>

¹¹⁶ Ibidem

40th North degrees and are mainly concentrated in the northern and the central Chinese territories, in less cold regions, and they all host a great number of varieties of grapevines. The main Chinese regions for wine production are: Shandong Province, Hebei Province, the area of Beijing and Tianjin, Jilin, Liaoning, Xinjiang Uygur Autonomous Regions, Ningxia Hui Autonomous Region, Gansu Province, Yunnan Province. These different wine regions all carry a unique history and they all host a great number of local and foreign wineries which products are differentiated according to the region of production, ranging from full body and dry red wines to the sweeter ice wines. The characteristics of each wine producing region and their respective wineries will be presented in the further paragraphs.

3.3.2.a Shandong Province

Shandong Province, located in the region of Huadong, in the Eastern part of the Chinese territory, can be considered as the most active region in the production of Chinese wine, as it is the cradle of the Chinese wine industry and it has a significant historical importance. It is located on the Eastern Chinese Coast, and thanks to its position on the Yellow Sea, it can benefit from a maritime climate, and its terrain is mainly coastal and flat, hosting also some gentle slopes as hills and small mountains in its central part. This characteristics make its climate to be one of the most suitable for the cultivation of *vitis vinifera*, and its historical activity in winemaking makes Shandong one of the most advanced provinces in the agricultural technology field. Its vineyards cover a surface of 250.000 hectares and its total volume of wine produced per year amounts to 44.5 million liters. Its particularly mild climate, that ranges from an average temperature of 1.8°C during the winter months and 23°C during the summer, give to the local vintners the chance to cultivate a large variety of grapes, among which the most present are: Cabernet Gernischt , Cabernet Sauvignon, Merlot, Riesling, Chardonnay and Ugni Blanc, where the Cabernet Sauvignon and the Cabernet Gernischt occupy the largest part of the Shandong vineyards, respectively the 25% and the 24% of the entire grapes varieties cultivated in the province. The wine production and the vines cultivation of the area are mainly concentrated in Yantai, the wine capital of the Province, located on the

Northern Coast of the Shandong Peninsula, and Qingdao, located on the other side of the Peninsula, and they host a great number of different wineries.

The one that can be considered the most productive winery of Shandong, located in the Yantai is also the first-established winery of the entire Chinese territory, Yantai Changyu Pioneer Wine Co. Inc. As seen in the historical overview examined in the first part of this chapter, Changyu Winery was founded by Zhang Bishi one of the pioneers of the Chinese wine industry. Its long-dated experience in winemaking brought it to become the largest and most successful winery of the entire Chinese wine industry, expanding its business in many other areas of the Chinese territory, producing today a great variety of products which range from wines to liquors. Changyu during the decades expanded its business and enlarged its sites of production, establishing new estates either in China either in foreign countries. These estates are 6 in total and are so divided:

- **Chateau Changyu-Castel:** it is the oldest and biggest estate owned by the company and is located in Yantai, in the Shandong Peninsula. Its vines are spread over an area of 135.000 hectares, which grapes are transformed in fine wine inside the European-style castle located in the core of the winery. In the vineyards are cultivated various kinds of grapevines, which include Cabernet Sauvignon and Ugni Blanc, but the most extended area is dedicated to the cultivation of Cabernet Gernischt, better known as Carmenère in the western countries of the world. The biggest quantity of these grapes are used to produce one of the most appreciated kinds of wine produced by Changyu Pioneer Wine Company: the Yantai Chateau-Castel Cabernet Gernischt, a full-bodied dry wine composed of Cabernet Gernischt grapes 100%. The process of winemaking of this Estate was inspired by European winemaking methods, which include the wine aging by the use of French oak barrels and the use of stainless fermentation tanks. In addition, thanks to the supervision of its French chief oenologist, Norbert Bouchonnet, the ripest grapes are manually selected, pressed and put inside tanks for the fermentation under a controlled temperature for 10-15 days and then decanted inside French oak barrels, in which the

process of aging starts, lasting for 12 months, giving to this kind of wine a smooth and oaky texture.

- **Chateau Changyu AFIP:** located in the Miyun County, in the northern part of the city of Beijing, is the result of a policy of expansion carried out by Changyu Pioneer Wine. This is one of the newest establishment of the company, and its displaced position is the result of a diversification strategy. In fact, this location represents a great advantage for the company, which has the possibility to exploit different kinds of *terroirs* in order to enlarge its products offer. In fact, the semi-humid and semi-harid climate zone, where the average temperature is 11.6°C, allows the cultivation of Cabernet Sauvignon which is planted on a vineyard of 1500 hectares located on a hilly soil, which has a continue exposition to the Sun. Given these favorable conditions the grapes of Cabernet Sauvignon carry a fine quality, and are used to produce three varieties of red wine. The finest wine produced by the winery is the Beijing Chateau Changyu AFIP Cabernet Sauvignon, produced by the use of Bordeaux-style techniques as the fermentation process, carried out using 5-tons oak barrels under controlled temperatures for 25-30 days and the consequent aging in French oak barrels for more than 12 months. This estate, as the above mentioned one, is managed by foreigner wine experts, and the production is carried out under the supervision of Gohadi, the chief enologist who has a 20 years old experience in the French Bordeaux wine region.
- **Golden Icewine Valley:** this is the most highly located estate established by Changyu Pioneer Wine Inc., being located near the Hanlong Lake in the Huanren Country, Shandong. The characteristics of this area of production are very particular as the climate is one of the coldest of the entire Chinese territory in which the average annual temperature is 6.8°C, and during the winter months it reaches -20°C. As seen before, under such cold temperatures, the cultivation of *vitis vinifera* and the production of wine are quite impossible to be carried out, however, thanks to the aid of international enologists and vintners, the area has been assigned to the

production of ice wine, which can be obtained through the congelation of the water contained inside the grape by the action of the weather. The result of this particular kind of wine making is a sweet kind of wine, that the Golden Icewine Valley Estate produces in three different versions: Chateau Black Diamond Level Icewine, Chateau Blue Diamond Level Icewine, and Golden Diamond Level Icewine. These three kinds of wine are all produced using Vidal grape variety, one of the most cold-resistant grapes in the world. The great expertise behind the production of these particular wines is brought by the Canadian chief enologist Abbott Milan.

- **Chateau Changyu Moser XV:** This Estate can be considered as one of the most celebrated vineyards of the entire company. It was established in 2013 as a joint-venture between the Chinese company Changyu Pioneer Wine Inc. and the Austrian winemaker Lenz M. Moser, becoming in few years, one of the best wine producing estates of China. Located in the Ningxia Hui Autonomous Region, at the eastern foot of the Helan Mountain, the vineyard is spread over an area of 260 hectares, where 60 hectares are occupied by Cabernet Sauvignon, while the remaining 200 hectares are assigned to the cultivation of Syrah and Merlot. The Estate under the direction of Lenz Moser, produces 5 different kinds of wine, all having different and unique characteristics and a fine perfumes *bouquet* due to the small extension of the vineyards which grants a higher quality of the grapes, and are divided in two different product lines. In the first product line can be found the most representative kind of wine of the estate, Ningxia chateau Moser XV Dry Red Wine, recognized among the “Best wines i0n China” by the international wine critic Jancis Robinson¹¹⁷. This kind of wine is produced using a blend of Cabernet Sauvignon and Syrah, and it goes through a long aging process inside French oak barrel for more than 12 months, and then stored for at least 8 years. The result of this winemaking process is a kind of wine which is suitable to the international

¹¹⁷ J. Robinson, “Lafite's Chinese wine unveiled at last”. (2019). [Online] Available at: <https://www.jancisrobinson.com/articles/lafites-chinese-wine-unveiled-at-last>

taste, as its structure and its perfume *bouquet* is not far from the great European kinds of fine wines. In fact, it is exported in many countries of the world, and particularly in Great Britain¹¹⁸.

- **Chateau Changyu Baron Balboa:** this estate is situated in the Xinjiang Uyghur Autonomous Region, in the City of Shiezi, was named after its first winemaker Baron Balboa. Its vineyard is situated in an area having very particular characteristics since its proximity to the Gobi desert, which influences a lot either the climate either the soil. The grapes varieties cultivated in the area are: Merlot, Cabernet Sauvignon, Italian Riesling, Chardonnay and Riesling, which are planted at the foot of Tianshan Mountain, in which the climate is very suitable for the cultivation of the vines of *vitis vinifera*, which is mitigated by the presence of the desert and the mountain, creating great differences in temperature between day and night, a characteristics which positively affects the quality of the grapes. Under these favorable climatic conditions, the grapes after the harvest are transformed into full bodied red dry wines, divided in different labels. The finest wine produced by the estate is a Bordeaux-like blend of Cabernet Sauvignon and Merlot, aged in three different kinds of French oak barrels for 12 months in order to give it a smoother structure, and consequently stored in bottle for other 12 months. The production of this of wine, as for the other 4 kinds, is periodically checked by the honorary president of the winery, the Italian John U. Salvi.
- **Chateau Changyu Rena:** This estate is located in the Shaanxi Province, and it was named after an Italian wine family who entered in a brewing technology partnership with Changyu Pioneer Wine Company. The vineyard of the estate is located near the city of Guanzhong, in the proximity of the Wei River, at an elevation of 700 m. The warm temperature of the region allows the cultivation of Carbernet Gernischt,

¹¹⁸ A. Mileham, "Tesco Adds Chinese Wine to its Shelves". (2017). [Online] The Drink Business. Available at: <https://www.thedrinksbusiness.com/2017/04/tesco-adds-chinese-wine-to-its-shelves/>

Cabernet Sauvignon and Ugni Blanc, spread on 15.000 hectares. The Chateau Changyu Rena produces an only kind of prestige wine called Chateau Changyu Rena Shaanxi Dry Red Wine, composed of a blend of Cabernet Sauvignon and Merlot, aged in oak barrels coming from France, America and Eastern Europe. The chief enologist is an Italian brewer whose family has been active in the wine brewery since 1525.

The effective policy of expansion carried out by Changyu Pioneer Wine Company during the last decades, allowed it to reach a consistent share of the Chinese internal wine market, as well as an important presence on the international wine and spirits marketplace. In fact, Changyu winery is one of the few Chinese wineries that were able to enhance its international importance, making itself known in many different countries of the world. However, the importance of Changyu on the international stage, is not just limited to a flourishing export activity, but also to an efficient internationalization process. During the last few years, in fact, the enlargement process realized by the company, brought it to expand its winemaking business in other countries, acquiring foreign wine companies' equities and establishing joint ventures in France, Spain, Chile and Australia.

The first step toward the internationalization was made in 2013, when Changyu acquired the French Cognac Producer "Roullet-Fransac", situated in the small city of Cognac, in the western part of the French territory, which today has an yearly business accounting for more than €1.5 million euros¹¹⁹.

The course of foreign acquisition continued then in 2015, when Changyu wanted to expand itself in other wine regions of the world, investing in the acquisition of a centenary Spanish winery called: " Marques Del Atrio", located in the Rioja Region which is considered the "Spanish Bordeaux"¹²⁰. After the success obtained in Europe,

¹¹⁹ A.Abellan, "La maison Roullet-Fransac rachetée par le groupe ChangYu". (2013). [Online] Vitisphère. Available at: <https://www.vitisphere.com/actualite-62288-Cognac-la-maison-Roullet-Fransac-rachetee-par-le-groupe-ChangYu.htm>

¹²⁰ E. Pinedo, "Un grupo chino quiere convertir Marqués del Atrio en la tercera bodega de España". (2016). [Online] Reuters España. Available at: <https://es.reuters.com/article/businessNews/idESKCN0WJ231>

Changyu in 2017 wanted to expand its business in other wine regions of the world, arriving to Chile and acquiring the 85% of Indomita Wine Chile LTD's equities through an operation which involved \$48 million dollars¹²¹. Few years later, then, in 2018, the group expanded its business

to Australia, acquiring the 80% of the Australian winery Kilikanoon Estate Pty Ltd of Adelaide, carrying out an operation which costed \$16.45 million dollars¹²².

As can be observed from the internationalization strategy carried out by Changyu during the last few years, the wine and spirits companies acquired by Changyu are located in those countries which wines are the most appreciated on the Chinese wine market. In fact, this strategy is aimed to increase the Chinese internal Changyu wine sales through the distribution of international wines. Thanks to its efficient strategy, then, Changyu has become one of the 10 largest wine producing company of the world, registering year by year an increase in domestic and foreign sales¹²³. According to the data reported by the site "I numeri del vino", collected yearly from the company's final statement, it is possible to observe that Changyu in the last 5 years went through a constant growth either

for what concerns the domestic sales volume, either on the foreign market¹²⁴.

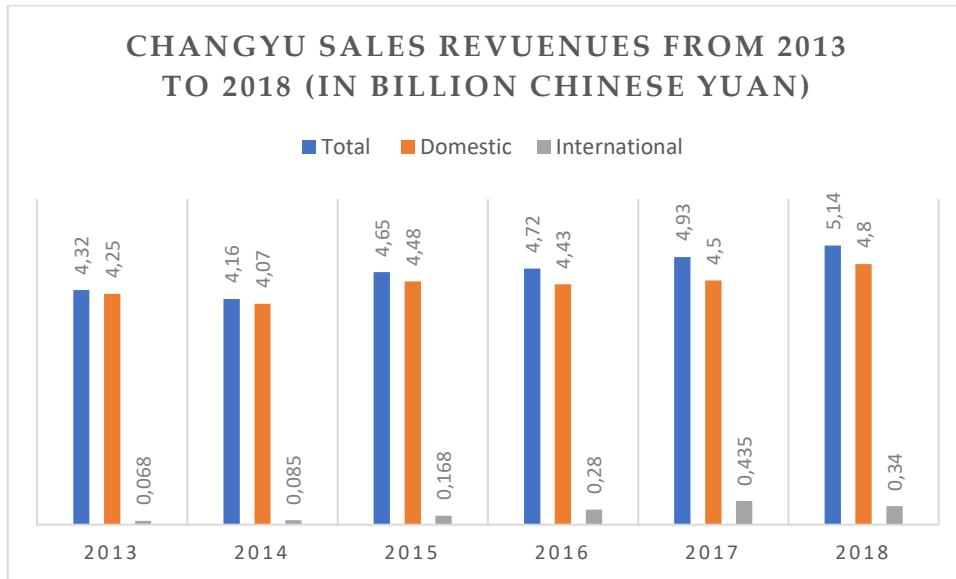
¹²¹ A.Visconti, "Yantai Changyu Pioneer Wine CO. LTD's \$50 Million Acquisition of Indómita vineyards". (2017). [Online] Global Legal Chronicle. Available at: <https://www.globallegalchronicle.com/yantai-changyu-pioneer-wine-co-ltds-50-million-acquisition-of-indomita-vineyards/>

¹²² N.Wang, "China's Changyu Buys Majority Stake in Australia's Kilkanoon". (2017). [Online] The Drink Business. Available at: <https://www.thedrinksbusiness.com/2017/12/chinas-changyu-buys-major-stake-in-australias-kilkanoon/>

¹²³ H. Basin, "Top Wine Brands across the globe". (2018). [Online] Marketing91. Available at: <https://www.marketing91.com/top-wine-brands-across-the-globe/>

¹²⁴ I Numeri Del Vino," Yantai Changyu Pioneer Wine Co. – Risultati 2017".

Exhibit 3.1 – Changyu Sales Revenues from 2013 to 2018 (in billion Yuan)



Sources: Statista, I numeri del Vino

According to the Exhibit 3.1 above, it can be observed that after the general decrease in wine sales which affected the entire nation, due to the Anticorruption policies occurred in 2013 and 2014, Changyu went through a very positive period, succeeding also in register a satisfying increase on the international sales volume, which reached its peak in 2017. Unfortunately, as many other wine companies of the world, the Changyu Company's 2018 international sales registered a decrease, while the domestic sales never decreased. This growth in sales is mainly due to the large product differentiation that the company offers to the consumers, as well as a great quality of the products that thanks to the expertise of hundreds of enologists and wine expert, is reaching an ever bigger international success. In fact, according to what reported in 2017 by The Drink Business, an important international B2B magazine, Changyu is the best-selling wine brand in Asia¹²⁵. This declaration is based on the impressive results achieved by the Chinese winery in the last few years, as it became a reliable wine provider for more than 28 different countries which

¹²⁵ The Drink Business, "Magic Dragon, Tasting China Biggest Wine Brand". (2017). [Online] Available at: <https://www.thedrinksbusiness.com/2017/03/magic-dragon-tasting-chinas-biggest-wine-brand/>

include: UK, U.S.A., Russia, Netherlands and New Zealand. As a matter of fact, from 2017, two of the most important English supermarket chains, Tesco and Saintbury's started to sell wines as Changyu Moser XV Cabernet Sauvignon and Changyu Noble Dragon at a price of £7 English Pounds¹²⁶. Moreover the presence of those kinds of Chinese wines have been placed also into high-end wine shops located in Switzerland, Russia, New Zealand and Poland. As a result of these successful strategies, the Yantai Changyu Pioneer Wine Company Ltd is able today to register a sales volume which consists in 15 million wine cases, namely 101.25 million liters of wine per year¹²⁷. In addition, given the recent development of the Chinese wine market which is going through a period of radical changes because of the evolution in consumer's tastes, and given the increasing importance of the Chinese wine on the international stage, Changyu in 2018 wanted to make a step forward, implementing its marketing strategies. As a matter of fact, Changyu with an operation costed \$900 million dollars, established a new and innovative center to attract wine lovers from all over the world¹²⁸. This center, built in Yantai and designed by the planners of Disneyland, is extended on an area of 2000 hectares where stands a castle hosting a museum and the winery's production pole, in which the visitors have the chance to try the great range of product offered by the company and follow step by step the process of winemaking.

However, the Shandong Region, being the most productive Chinese wine region, hosts also more than 140 different wineries that along with Changyu produce the 40% on the total volume of wine produced in China every year. Among them it is important to mention names as Chateau Junding, another Bordeaux-like winery which produces wines obtained mainly from Cabernet Sauvignon grapes, addressed to the national market, or the Huadong Winery, founded by European vintners who gave to the winery an European style.

¹²⁶ A. Milehan, "Tesco Adds Chinese Wines To its Shelves". (2017). [Online] The Drink Business. Available at: <https://www.thedrinksbusiness.com/2017/04/tesco-adds-chinese-wine-to-its-shelves/>

¹²⁷ Yantai Changyu Pioneer Wine CO. Ltd, Final report 2018.

¹²⁸ "Il più antico produttore cinese di vino alimenta una nuova crescita a Yantai". (2018). [Online] Flowcrete. Available at: <https://www.flowcrete.co.it/news/le-nostre-news/il-pi%C3%B9-antico-produttore-cinese-di-vino-alimenta-una-nuova-crescita-a-yantai/>

Even if Shandong is the most productive Chinese wine region, there are also many other Chinese provinces which host a great number of important local and foreign-owned wineries which fame is reaching an increasing number of international markets every year. As a matter of fact, in the next paragraphs I am presenting the province where stands the second most important Chinese winery: the Hebei Province.

3.3.2.b Hebei Province

Located in the north-western part of Shandong province, the Hebei Province can be considered as the second most productive Chinese province in the wine field. In fact, Hebei can benefit from a varied terrain which presents different characteristics as it is split in the hilly territory of Huailai, located in the northern part of Beijing and the coastal territory of Changli, located in the eastern part of the region. Despite the fact that the temperatures registered every year in the region are far less mild than the ones registered in Shandong, ranging from -9°C during the winter months to 32°C during summer, in the Hebei Province many different wineries are producing an ever larger number of products ranging from wines to spirits, a production which benefits also from the latitude which is the same of the Bordeaux region and California. Under these conditions the area hosts large cultivations of Cabernet Sauvignon, Merlot, Riesling, but also Marselan. Thanks to the proximity of the Hebei wine regions to the Chinese Capital, many local and foreign vintners during twentieth Century established a consistent number of wineries, many of which are still active today. However, there is one winery in particular which has to be analyzed in detail since its historical importance and the particular characteristics of its activity, this winery is the state-owned Greatwall Winery.

The history of Greatwall Winery started in 1960 when the Henan Minquan Winery was established in the region of Hebei. At that time the law on export did not allow the enterprises to export their own products abroad, so the Henan Minquan Winery made an agreement with the Tianjin Cereals, Oils and Foodstuffs Import and Export Corporation, which being a state company had the rights to import and

export, and started to send its products abroad from the Tianjin Port¹²⁹. This privilege gave to the winery the chance to have a fast development on the internal and external markets, increasing in few years its portfolio of products offered. Thanks to this fast growth, the Henan Minquan Winery could produce quality wines, and consequently was awarded with many prizes during the years, like the “Most Famous Chinese Wine” award in 1979, and the “Quality National Wine” prize in 1982. From 1983, a change occurred in the organization of the company, as the Tianjin Cereals, Oils and Foodstuffs Import and Export Corporation took the rights on the “Great Wall” trademark, provoking a split from one company to two different wineries with the same name. Unfortunately the Henan Minquan Winery which had to pay a fee to the government in order to keep the name “Greatwall” on its exported bottles, went on bankruptcy in 1993, and was acquired by the national company COFCO. Since then, Greatwall went through a great development and it became the second most important wine producer of the entire Chinese territory. Today, Greatwall has its wine production mainly concentrated in the Hebei Province, where its vineyards are extended on an area of 74.8 hectares, and it owns also 4 other vineyards in other Chinese regions such as Ningxia. Its yearly production consists in 50.000 tons of wine, divided in more than 50 different kinds among which the 10 most important are:

- Greatwall Cabernet Sauvignon, Hebei, China
- Greatwall Hua Xia Reserve
- Greatwall 5 Star Cabernet Sauvignon
- Greatwall Dry Red
- Greatwall Cabernet
- Greatwall 4 Star Cabernet Sauvignon
- Greatwall 3 Star Cabernet Sauvignon
- Greatwall Cabernet Gernischt
- Greatwall Ruby Cabernet

¹²⁹ 罗婷 (Luo Ting), “中国长城葡萄酒的历史发展过程”. (2017). [Online] Putaojiu.com. Available at: <https://www.putaojiu.com/pinpai/131322.html>

The export activity of the winery is today very efficient as it exports to more than 20 different countries of the world, as Southeast Asia, Russia, and Middle Asia, at an average price of \$8 dollars per bottle.

However, Greatwall is not the only successful wine company located in the Hebei area. In fact, the Hebei Province, which area includes also the territories of the municipalities of Beijing and Tianjin, and consequently is one of the richest area of the entire territory of PRC, since 1980 hosts another major company: Dynasty Fine Wines LTD. This wine company is located outside the city of Tianjin and it is the result of a sino-french joint venture between Tianjin City Grape Garden and Remy Martin. The first success of the winery occurred in 1984, when it won its first international prize for the high quality of its wine. In the further years, then, many other prizes followed and from 1988 to 2010, it started to be known abroad, reaching the 70.000 cases of wine produced every year¹³⁰.

Dynasty Fine Wines Limited, today produces around 100 kinds of products which include dry red wines, white wines, brandy and even sparkling wines, and thanks to the high experience carried by Remy Martin, in 2018 made the winery to sell wines for almost \$44.6 million USD. The core winery is extended on an area of 284,289 m², but it has also other branch wineries located in Ningxia, Gansu and Xinjiang Provinces.

3.3.2.c Ningxia Hui Autonomous Region

The history of winemaking in Ningxia has its roots in the first years of 1980's when some important Chinese wineries as Changyu, Dynasty and Greatwall established some vineyards in the region, in order to expand their grape production to be used in their head wineries. Thanks to the policies carried out by the local governments in 1990's to attract new vintners to the area, many were the different foreign and local wine companies which established wineries in the region. In fact, because of the particular terrain of the area, which is an ensemble of desertic lands,

¹³⁰ "Dynasty Fine Wine : Trading of Dynasty's Shares Resume Today", (2019) [Online] Market Screener . Available at: <https://www.marketscreener.com/DYNASTY-FINE-WINE-GROUP-L-6170682/news/Dynasty-Fine-Wine-Trading-of-Dynasty-s-Shares-Resume-Today-28973286/>

hills and thanks to the presence of the Yellow River, the winemaking activity seems to be very suitable there. The only obstacle to the grapes cultivation is the extremely cold winter climate that reach temperatures of -20°C, and needs a particular technique to prevent the death of the grapevines that consists in burying and covering the plants with special plastic-made covers. However, the summer climate seems very adapt to grow high-quality grapes, as its arid and hot daylights are alternated with cool nights, with difference in temperatures that reach 15°C, that give to the grapes very particular organoleptic characteristics and let the local winemakers to obtain high-quality wines. In fact, the grape varieties cultivated in the region are more than 20 and many of them cannot be found in other Chinese wine regions, and the most cultivated are: Cabernet Gernischet, Cabernet Sauvignon, Marselan, Merlot, Pinot Noir, Cabernet Franc, Petit Verdot, Syrah, Chardonnay, Riesling, and Vidal. Moreover, the various and particular terrain that characterizes the Ningxia Region is subdivided in 6 different smaller wine regions all along the feet of the Helan Mountain and are: Helan, Yinchuan, Yongnin, Qingtongxia, Hongsipu.

A part from the already examined vineyards owned by Changyu and Greatwall in the area, and the international wineries that will be presented in the further parts, Ningxia is mainly famous for the presence of an important Chinese winery operating in the area: Ningxia Silver Heights Winery. Located in the wine subregion of Yinchuan Ningxia Silver Heights was established in 1999 by the local vintner Gao Lin, who started planting some vines of Cabernet Sauvignon coming from France, with the cooperation of his daughter, Gao Yuan, who studied in France to become an enologist. Thanks to the expertise brought from France by Gao Yuan, along with the consults of an important French winemaker, Thierry Courtade, they were able to successfully cultivate various hectares of Cabernet Sauvignon, with which in the first years of 2000s, they started producing their first batch of fine Cabernet Sauvignon Wine. The fine quality of the wine determined the fortune of the winery, as the president of Torres China, an important wine importer company, noticed it and it started to distribute the wine on the internal market. With the increasing success of the winery, the Gao Family succeeded in opening another vineyard in the area. Thanks to the creation a branch, Ningxia Silver Heights is able today to produce 4

different kinds of wines obtained by grapes cultivated in the area, through Bordeaux-style methods and they are:

- Emma's Reserve: this kind of wine is made using Cabernet Sauvignon 100% and aged by the use of new French oak barrels for 12 months. Is limited to 1000 bottles per year and it sold only in magnum bottles (1.5 L). This is the first kind of wine created by the winery and its quality has been noticed by some of the most important wine critics of the world as Robert Parker and Jancis Robinson. Robert Parker in 2011 gave to this wine 91/100 points and published it on his international wine magazine "Wine Journal"¹³¹, increasing the value of the wine and its international fame.
- The Summit: this is the second finest wine produced by Ningxia Silver Heights, and it is limited to 20.000 bottles per year. It is composed of Cabernet Sauvignon 65% and Merlot 35%, and unlike the above mention one, it is aged for 12 months either in new French oak barrels either in old French oak barrels, which give to the wine a more intense black pepper aftertaste. Also in this case, the high quality of the wine has been awarded by important international critics as Jancis Robinson, Gilbert & Gaillard and The Flying Winemaker magazine.
- Family Reserve: the family Reserve wine is composed of 80% Cabernet Sauvignon and 30% Merlot Grapes. The aging method is very similar to the one used for "The Summit" wine, but in this case the use of new French oak barrels is less present, as the wine is mainly aged in old French barrels for 12 months. The result of this aging method gives to this wine a strong oaky aftertaste and an important cocoa aftertaste, making it very suitable to the western palate. As well as the above mentioned ones, the Family

¹³¹ V. Smart, "On the road: How China is stepping up the quality of its wines". (2017) [Online] Asian Wine & Spirits – The Silk Route. Available at: <https://aws-silkroute.com/on-the-road-how-china-is-stepping-up-the-quality-of-its-wines/>

Reserve wines obtained a great attention by the international wine critics as Robert Parker who awarded it with 92/100 points in 2013¹³².

- Family Reserve Chardonnay: this is the only white wine produced by the winery and is composed of Chardonnay grapes 100%. It is the latest product added to the portfolio of the winery and its production is limited to 3000 bottles per year. Given the French influence background of Ningxia Silver Heights, this wine, although white, is aged in new Burgundy barrels for 6 months, having then an unusual oaky aftertaste that has been praised by the above mentioned international wine critics.

The Ningxia Silver Heights Winery is today extended to an area of 70 hectares and it is able to produce around 100.000 bottles per year. Despite these small numbers which cannot compete with the huge volumes produced by Changyu or Greatwall, Silver Heights is able to sell its fine wines abroad. In fact, a part from the high quality of its wines, the winery can also benefit from the support of the local government and the partnership with Torres China that helps it to be distributed on the internal and external market, mainly on the niche market, at an average price of \$200 USD.

A part from Silver Heights, Ningxia hosts around 140 different wineries and breweries of which 70 of them produce wines. Among these it is important to mention another winery that is reaching an increasing popularity on the local and international market: the Helan Qingxue Vineyard. Compared to the above mentioned Silver Heights Winery, Helan Qingxue has a smaller extension as its grapevines are distributed on an area of 15 hectares, in which are cultivated Cabernet Sauvignon and Merlot. During the last few years, its wines under the name of "Jia Bei Lan" have reached a strong popularity among the international and local niches. In particular with its wine "Jia Bei Lan Grand Reserve 2009" the winery won

¹³² J. Fullerton, "Four top chinese wines to try". (2013). [Online] TimeOut Shanghai. Available at: http://www.timeoutshanghai.com/features/Bars_Clubs-Event_spotlight/12789/Four-top-chinese-wines-to-try.html

the highest prize ever won by a Chinese winery: the “International Trophy” at the Decanter World Wine Awards¹³³.

3.3.2.d Gansu Province

The Gansu Province is one of the first areas of the Chinese territory which hosted the cultivation of grapevines 2400 years ago. Today, the area of Gansu Province is located in the northwestern part of the country and it borders with other important provinces as Ningxia, Shanxi, Inner Mongolia, Mongolia and Xinjiang. Its wide territory is an ensemble of various different kinds of terrains and it hosts an important natural passage named "Hexi Corridor", which particular climate influenced by the Gobi Desert, is very suitable to the plantation of the vines of *vitis vinifera*. As seen for Ningxia, Gansu also is divided in few different subregions all with different characteristics, suitable to host different varieties of grapevines cultivations. These subregions are 3 in total and are: Wuwei County, Zhangye County and Jiayuguan County, among which the Wuwei County has been seen to be the most suitable to host wineries and vineyards. This subregion has a particular continental climate, where the rainfalls are quite limited, and the PH of the terrain is particularly alkaline and makes necessary the use of large quantity of fertilizers. The varieties of grapevines present in the area are Pinot Noir, Merlot, Cabernet Sauvignon, Cabernet Franc, Riesling and Chardonnay. Since the winter in the area is one of the coldest of the Chinese territory reaching -40°C during the winter months, the production of ice wine is very developed there. In fact, the difficult climatic conditions and the unfavorable *terroirs* prevent the production of great red or white wines, making Gansu famous for its ice wines producing wineries. The wineries operating in the area are more oriented to the domestic sales and their entrance on the international market is still slow.

However, there is Gansu-based company which succeeded in becoming a large wine business under the name of Gansu Zixuan Company Ltd. This company is not

¹³³ A. Lechmere, “Chinese wine wins top honour at Decanter World Wine Awards”. (2011) [Online] Decanter China. Available at: <https://www.decanter.com/wine-news/chinese-wine-wins-top-honour-at-decanter-world-wine-awards-36689/>

an independent business but it belongs to Jiuquan Iron and Steel Group, a Sino-foreign joint venture. Under this group, Zixuan is extended on area of 3300 hectares, located in the area of Jiayuguan City. There, thanks to the use of the most advanced irrigation technique, are cultivated 20 different grapes varietals which include Pinot Noir, Cabernet Sauvignon, Riesling, and Vidal. Today, the Zixuan Company produces around 10.000 tons of wines per year, having a scope of 50.000 tons.

3.3.2.e Shanxi Province

Speaking about the Chinese wine production, it is necessary to mention one of the most particular and productive Chinese provinces in the winemaking sector: Shanxi Province, located in the Chinese North Region. The province was one of the first Chinese areas to host grapevines and to implement the wine production, which was already present 2000 years ago in the Qingxu County during the Tang Dynasty, implemented then under the Ming Dynasty¹³⁴.

Today, the many different vineyards which populate Shanxi are located in the southeastern part of the province, at the foothill of the mountains that characterizes the Shanxi's terrain, at an altitude of 800-900 m above the sea level. The climate of the region is mainly continental and it is characterized by monsoons during summers, that make the air wet and hot, a characteristic which helps the growth of *vitis vinifera*, but also favors the presence of grape funguses as the Mildew Disease. The winters, instead, are dry and relatively cold, with temperatures that reach 0°C, which do not represent a threat to the survivance of the grapes, as the local winemakers as observed for other Chinese wine regions, use the grapevines burying technique.

The viticulture of the Province is mainly concentrated in to the different counties of Taigu, Qingxu, and Xiangning. The Taigu County is Shanxi's most productive area, as its drier climate helps to prevent the appearance of Mildew Fungus and other grape illness, making the grapevine cultivation easier and more efficient than in the

¹³⁴ Janet Z. Wang, "The Chinese Wine Renaissance" pp. 77-80 , Ebury Press, New York, (2019).

other counties of the Province. Qingxu County, instead has a more wet climate during summer, and it is located in Shanxi's inland, and does not benefit from the coastal climate coming from the west. Despite the less favorable conditions of the area, the local wine production is made using Cabernet Sauvignon, Cabernet Franc and Merlot, but also Chardonnay and Chenin Blanc, which are cultivated using the most modern American and European techniques to preserve them to the red spider and grapevines' funguses. Xiangning County is the Shanxi's wine region which presents the most particular climate that has been seen to be the most suitable to grow grapevines. In fact the area, located in the southwestern part of Shanxi, can benefit for a major exposition to sun, along with a mild average temperature of 15°C, that favors the plantation and the growth of high-quality Merlot, Cabernet Sauvignon, Cabernet Franc, Pinot Noir, Muscat, Petit Verdot and many others.

The particular climate of the counties of Taigu and Xiangning, and the flourishing economy of the area brought by the coal mines which populated the Shanxi Province favored the establishment and the development of the two most important Shanxi's wineries: Grace Vineyard and Rongzi Winery.

Grace Vineyard is located in Taigu County and was established in 1997 by the businessmen and wine lover Mr. C. K. Chan, who after a deep research on the territory with the aid of the French enologist Sylvan Janvier, and the consults of the French wine scholar Dr. Denis Boubal, decided to build a winemaking pole in Shanxi Province. The decision of Mr. Chan to establish a winery in such a difficult environment was taken in order to preserve part of the region which was mainly occupied by air-polluting coal mining factories, and also because after the researches, he and his collaborators discovered that the characteristics of the terrain of the area were very similar to the ones present in the Bordeaux Region. Today, thanks to the favorable *terroir* and the expertise of its enologists, Grace Vineyard can be considered one of the top producer of Chinese quality wine, through the processing of Cabernet Sauvignon, Cabernet Franc, Merlot, Aglianico, Marselan, Tempranillo, Nebbiolo, Pinot Noir and Sauvignon Blanc, planted over an area of 200 hectares. The development of the company has started in 2002, when Judy Chan, the daughter of the founder, took the direction of the winery, and since then, it started to be ever more successful. Since 2008, after being recognized on an

international level, Grace Vineyard started to produce two among the today's most exported Chinese wines: Symphony white wine and Deep Blue red wine. The high quality of these wines brought the company to have "Deep Blue" wine present on the first and business classes of Cathay Pacific Airways¹³⁵. Consequently, the winery soon became a corporate establishing its head office located in Hong Kong.

Thanks to its great popularity in Mainland China, Hong Kong, Singapore, Japan and western countries as Great Britain, Russia and Switzerland, registering an annual revenue of ¥72.6 million CNY, namely \$10.2 million USD, selling around 1.22 million bottles of wine in 2018¹³⁶, at a medium price of ¥58.5 CNY per bottle (\$8.22 USD).

Going to the other side of the region, instead, it is possible to find the other important wine company of Shanxi, namely Chateau Rongzi Winery. This wine company was established in 2007 in the Shanxi's Xiangning County, at an altitude of about 1100 meters above the sea level, in the proximity of the Loess Plateau. The high-technology support given to the winery by its technical team directed by the agricultural researcher Kong Qingshan, allows the winery to have a large cultivation of Bordeaux-style grapes as Cabernet Sauvignon, Cabernet Franc, Merlot and Chardonnay. Speaking about its wine production, it is managed and supervised by the French Chief winemaker Claude Berrouet, who comes from a long experience in Bordeaux and Burgundy wineries, and during the last decade he has been able to create some Bordeaux-style blends which quality arrived even abroad.

The product portfolio of the winery is wide and rich of different grapes varietals that the company wanted to classify using different colored labels as "Red Label", "Blue Label", and "Black Label".

The "Rongzi Blue Label" wine is composed of a blend of 69% Cabernet Sauvignon, 18% Marselan and 13% Merlot, aged using new French oak barrels for 12 months, and stored in bottle for at least 2 years. This particular wine, thanks to its fruity and structured perfume *bouquet* obtained a great quantity of international prizes as: the "19th Berlin Wine Trophy Gold Medal"; the "2016 Gilbert & Gaillard

¹³⁵ T. Ying, "Chinnovation: How Chinese Innovators are Changing the World", pp. 45-47, John Wiley & Sons, Singapore. (2011)

¹³⁶ Grace Vineyard Co. Ltd, 2018 Annual Report.

International Wine Competition Gold Medal”; the “2016 Decanter Asia Wine Awards Silver Medal”; and the “2017 Concours Mondial de Bruxelles Gold Medal”¹³⁷.

The “Rongzi Red Label”, instead is the result of a blend of Marselan 55%, Cabernet Sauvignon 36%, Cabernet Franc 9%, aged in French oak barrels for 12 months. This kind of wine, which represent the middle-end category of the winery, won in 2016 the “Decanter Asia Wine Award”. It is sold at an average price of ¥238 CNY (\$33 USD) on the Chinese market.

The high-end product line of Chateau Rongzi is represented by the “Rongzi Black Label” wine, obtained from hand selected Cabernet Sauvignon 92.9%, and Cabernet Franc 7.1%, aged in old French oak barrels for 12 months. Given the high quality of this wine, the price on the Chinese market is ¥670 CNY (\$94 USD).

3.3.2.f Xinjiang Uygur Autonomous Region

Xinjiang can be considered one of the most particular regions of the entire Chinese Territory as it is located in the Northwestern part of RPC and it is an ensemble of different cultures who are living together in the very wide area of the region. Xinjiang has also a great historical importance, as it represents the western door of the Chinese state, and during the past, it occupied a large part of the Silk Road. Thanks to its position, then, it allowed the entry of the different populations coming from Eurasia and Europe, as the Greeks in 300 BC, who brought the first grapevines in the region¹³⁸. The presence of grapevines in the area was documented also by Marco Polo in the 13th Century.

Today, the Xijiang Region hosts the China’s largest cultivations of *vitis vinifera*, which is also used to provide the Chinese wineries located in other regions and provinces. The grape production of the region is distributed on 4 different wine subregions all having different climatic characteristics, as the extension of Xinjiang

¹³⁷ GraceWine.com, “Record of awards”.

¹³⁸ “The Wine Region of Xinjiang, China”. [Online] Wine-China.com. Available at: <http://www.wineinchina.com/2018/06/25/37652.html>

is very wide, and its terrain is various and influenced by the desert, the mountains and the rivers.

The Xinjiang's wine subregions are: Ili Valley; the Turpan Basin; the Slopes of Tianshan Mountains; the Yanqi Basin.

The Ili Valley is located in the western part of the region, on the proximity of the border with the state of Kazakhstan, is mainly mountainous as it is occupied by the Tianshan Mountains and the Bohroro Mountains, and it is crossed by the Ili River. This is the Xinjiang's more recent part for what concerns the cultivation of grapes, as it dates back to 2010, when a contingent of border soldiers started to plant some vines of *vitis vinifera* there¹³⁹. Today the area hosts some cultivations of Cabernet Sauvignon, Riesling, Merlot, and Chardonnay.

The Turpan Basin, instead is positioned in the eastern side of the Tianshan Mountains and it is occupied also by the Bogda Mountains and the Haerlike Mountains. This is the oldest part cultivated with grapevines of Xinjiang, and it hosts one of the first modern winemaking poles of the region, established in 1983. This subregion hosts large cultivations of Cabernet Sauvignon, Chardonnay and Merlot.

For what concerns the Yanqi Basin, this is one of the most hard to cultivate parts of the region. Despite the fact that it is protected by the mountains, its climate is not very suitable for the development of the vine growing. In fact, its continental climate makes the area to reach 40°C during the summer months and -20°C during winter. The only way to produce wines in the area is to bury the vines during winter to prevent them to freeze and die. Fortunately, thanks to the most modern agricultural technologies, in the Yanqi Basin is today possible to plant and grow Cabernet Sauvignon, Cabernet Franc, Merlot and Italian Riesling.

At the contrary, the subregion which is the most adapt to the grape growing activity is the North Slope of the Tianshan Mountain. There, in fact, a part from the extremely cold winters with temperatures that reach -25°C, the prolonged exposure to sunshine during the spring and summer seasons give to the grapes a higher quality and a sweeter flavor. Moreover, the dry kind of climate makes the terrain to

¹³⁹ Ibidem

be sandy with the presence of gravel, characteristics which enhance the high qualities of grapes. The techniques of irrigation used by the local vintners, then, are unique, as they exploit the water coming from the melt snow of the Tianshan Mountain to irrigate the fields. Thanks to this particular kind of *terroir*, in the area are cultivated different grape varietals as: Cabernet Sauvignon, Cabernet Franc, Merlot, Gamay, Cabernet Gernischet, Pinot Noir, Blue French, Pinot Blanc, Riesling and Ugni Blanc.

Conversely, the most important and most prized vineyard of the entire region of Xinjiang is located in the Yanqi Basin, in the proximity of the Gobi Desert. This Vineyard's name is Tiansai , and it was established in 2012 as a branch of the Xinjiang Wangzhong Liquor Co., Ltd, established in 2010. During the first year, Tiansai owned 130 hectares of vineyards, and in the following years the company planted other 100 hectares, aimed to host 12 different grape varietals, including Cabernet Sauvignon, Cabernet Franc, Riesling, Merlot and Malbec. After the establishment of the company, Tiansai invested more than ¥180 million CNY to amply its implants, creating a winemaking factory able to produce around 500 tons of high-quality wine¹⁴⁰. Moreover, the investments of the company to the purchase of high-tech machineries brought the winery to be one of the most advanced of the entire Chinese wine industry. Thanks to this high-quality production, Tiansai today have an average annual revenue of ¥120 million CNY¹⁴¹, selling its products either on the domestic market either in foreign countries as Russia, Great Britain and USA.

For what concerns the Tiansai's product portfolio, it includes a great range of different wines produced using European techniques, aging them in French oak barrels in order to be more attractive to the western consumers and more competitive on the internal market. The product line which determined the real success of the company is sold under the name "Skyline of Gobi" which include the varieties Cabernet Sauvignon, Marselan and Reserve Chardonnay. Thanks to the high quality of these products and the advanced techniques used during the

¹⁴⁰ Xinjiang Wanzhong Liquor Co., Ltd, 2011 Annual Report.

¹⁴¹ Xinjiang Wanzhong Liquor Co., Ltd, 2018 Annual Report.

winemaking process, Tiansai Vineyard since 2012 every year wins the “China Best Boutique Winery Awards”¹⁴².

3.3.2.g Common Aspects of Production

Taking in exam the most productive Chinese wine regions, as well as the most important wineries which are characterizing the developing Chinese wine industry, it is possible to observe that even if located in different areas of the Chinese territory, the fine wine producing vineyards all present common characteristics.

The first main observable common aspect of the many wineries analyzed in the previous parts, is that despite the great leap forward of the last years in terms of production, they are still very influenced by the French-style winemaking techniques. In fact, as observed for the most part of the wineries analyzed, the aging techniques through the use of French oak barrels is still largely diffused. This common tendency to use Bordeaux-like techniques is also due to the fact that the most part of the Chinese wineries, these days, are supervised by French or European enologist whose past experiences are all connected to the Bordeaux area. Moreover, as also seen in the chapter about the Chinese wine consumption behavior, the historical importance of French wine in China makes it to be the main winemaking country of the world, as it represented the first supplier of wine to China since the second half of the 20th Century. Another important common denominator is the grape varietals planted in every region. In fact a part from some particular grapes as Aglianico, Marselan, Blue French and few others, the grapes cultivated are always the one which compose the Bordeaux Blend, namely: Cabernet Sauvignon, Cabernet Franc, Merlot, Petit Verdot; or the white Chardonnay. This great importance given by the Chinese vintners to these French kinds of grapes is another signal of the great influence that France still has on the Chinese wine market. The only point of unicity that characterizes the Chinese wine production is the large presence of Cabernet

¹⁴² L. Carter, “The rapidly changing Chinese wine industry – an Australian winemaker's perspective”, Viticulture Journal. (2017)

Gernischt which represents the 45% of the entire Chinese planted grapevines varietals.

Otherwise, the great capability of the modern Chinese winemakers, of the enologist who take care of the production, as well as the advancement of the agricultural machineries used during the winemaking process, imported from the most advanced wine producing countries in the world as Italy, France, Spain, Israel and U.S., seem to represent a great competitive advantage for the Chinese most important wineries, to the extent that in few years they were able to participate to international competitions and even to penetrate foreign wine markets.

Speaking about this new Chinese wine exporting trend, in the next chapters I am going to outline the potentialities of the Chinese wines on the western most educated markets, including as well a personal market research.

3.3.3 Chinese wines export potentialities

As examined until this point, the Chinese wine is acquiring an ever larger international appreciation, as the today's Chinese wine industry is going through a very fast evolution, which brought the Chinese wineries to become in just one decade some of the most effective fine-wines producers of the world. This dynamics are also making the Chinese wine to penetrate the most active wine importing countries of the world as UK, Russia ad Middle East countries, winning every year important international wines awards.

The first turning point in the process, occurred in 2017, when two of the biggest supermarket chains of Great Britain, Sainsbury and Tesco launched the wines produced by the biggest Chinese winery Changyu Pioneer Wine Company. After this totally revolutionary event, the wine retailing company Berry Bros & Rudd, located in London, added wines from Changyu Winery on its shelves too, followed by the luxury mall Selfridges, located in London. The success in penetrating the UK's market by the Chinese wine is a signal that in the next years, it could reach other European countries. This success on the English market, although, is mainly due to the fact that The Great Britain is the second most active wine importer of the world

after the U.S.A., and in 2018 it imported foreign wines for \$4.4 billion dollars¹⁴³, since its wine production is much less consistent than other European countries as France, Italy, Spain or Germany. The English tradition of import wines from many different countries , becoming then the second most active exporter of the world, in fact, is due to the impossibility for the local wine industry to cover the consistent internal demand. It would be much more difficult for the Chinese wines then, to penetrate in those countries which wine production is so developed to the extent that makes the consumption of foreign wines quite limited. This could be the case of France and Italy, respectively the second and the first wine producer of the world by volume, and the ones hosting some of the best wine producers of the entire world's winemaking environment. In fact, in order to make a first assessment of the possibilities of the entrance of Chinese wines in such markets, I prepared an online survey and I handled it to a panel of Italian wine consumers coming from different Italian regions, dividing them by age, to ask them if they would ever accomplish the purchase of a bottle of Chinese wine in their home country.

3.3.3.a Research on the marketability of the Chinese wine on an educated market

As already told in the previous part, the Italian wine production is one of the most ancient and developed of the world. During the last few years, in fact, Italy succeeded in surpassing France as the most active wine producer of the world, and in 2018 it reached 54.8 million hl of wine produced¹⁴⁴, importing then a very small quantity of foreign wines, for an yearly total that just touched the \$407.9 million USD in 2018¹⁴⁵, while UK reached \$4.4 billion USD. In addition, the great volume of wine produced

¹⁴³ D.Workman, "Top Wine Importing Countries". (2019). [Online] World Stop Exports. Available at: <http://www.worldstopexports.com/top-wine-importing-countries/>

¹⁴⁴ La produzione di vino in Italia nel 2018 – dati provvisori ISTAT". (2019). [Online] I Numeri del Vino. Available at: <http://www.inumeridelvino.it/2019/02/la-produzione-di-vino-in-italia-nel-2018-dati-provvisori-istat.html>

¹⁴⁵ "Indagine "Mercato Italia – Gli italiani e il vino". Giro d'affari di 14,3 miliardi. L'analisi sul comparto vinicolo in Italia a Vinitaly 2019". (2019). [Online] Daily Vinitaly Magazine, Vinitaly. Available at: <https://veronawinelove.com/indagine-mercato-italia-gli-italiani-e-il-vino-presentata-oggi-al-vinitaly-2019/>

per year in Italy, is enough to cover either the foreign and the domestic demand. On the total of the wine produced, Italy exports around 20 million hl per year¹⁴⁶, consuming the remaining quantity inside the Italian borders. These factors are making the most part of the Italian consumers to purchase mainly Italian wine, buying only in few occasion foreign wines coming from Europe and rarely wines coming from extra European countries. Under such circumstances, the penetration in the Italian market of a wine as the Chinese one, which a country of origin effect is not mature yet to be recognized as a quality wine producer, could be difficult and even impossible. In order to have a clearer understanding about the point of view of the average Italian wine consumer about the purchase of a bottle of Chinese wine, I prepared a survey that I am going to present in the following paragraphs.

3.3.3.b Research Methodology

In order to better understand the potentialities of the Chinese wine on the most educated wine markets of the world, I decided to take in exam the preferences of wine consumption of the most important country for wine production: Italy. The research consists of an online survey, composed of 8 different questions that I handled to a panel of 90 Italian wine consumers. The consumers interviewed are all Italian active wine consumers having an age that ranges from 20 to 60 years old, residing in different Italian cities. The 8 different questions of the survey was the following ones:

- How often do you consume wine?
- Where do you usually purchase wine?
- Have you ever purchased foreign wine?
- Where do the foreign wines you had the opportunity to buy come from?
- How much do you spend on average for buying a bottle of wine?
- Would you ever buy a bottle of Chinese wine?
- If you answered “no” to the previous question, what is the reason behind your answer?

¹⁴⁶ Ibidem

- If you answered “Yes”, how much would you spend for the purchase of a bottle of Chinese wines?

After the collection of the data, I successively divided the answers according to the age, the frequency in wine consumption and the location of residence of the respondent in order to have a major understanding about the nature of the answers.

3.3.3.c Key Results

The answers to the survey were vary and differed a lot among the responding segments. For what concerns the question about the frequency in wine consumption, the 23% of the respondent declared to consume wine less than 1 times per month, the 11% of them declared to consume it at least once per month, the 9% said they drink wine once every 2 weeks. Among the frequent wine consumers, instead, the 25% of them declared they consume wine once per week (mainly during the weekend), the 22% declared to drink wine more than once per week and the 7% declared to drink it every day.

In the second question, in which the respondents were asked to declare where do they usually buy wine, the 45% of them declared to make its wine purchases only at supermarket, the 36% in wine shops, the 8% declared to personally go to the local vineyards to buy wine, and the 11% declared to buy it online.

For what concern the third question, instead, the most quantity of the respondents, namely the 77%, declared to know and to periodically consume foreign wine. Out of this 77%, the 83% of them declared to have tried only French and Spanish foreign wines, while the remaining 17% said they also bought and tried extra European wines, as the ones coming from Australia, New Zealand, and South Africa.

Then the respondents were asked to declare what was the price range that better represented their average money expense for the purchase of a bottle of wine. To this question, the 14% of the respondents answered their average expense was about €2-4 for a single bottle, the 37% €5-8, the 36% €10-12, the 26% €15-18, and just the 7% declared to spend more than €20 Euros.

The collection of these first data was useful to make a first segmentation of the respondents, and link them better to the further questions about their point of views circa the purchase of Chinese wine. To the key question of the survey, in fact, the answers were very surprising, as only the 37% of the respondents declared that they would buy a bottle of Chinese wine, while the 63% said they would not. Among the reasons behind the refuse of the idea of buying a wine coming from the Chinese wine market, the 38% admitted a lack of trust toward the Chinese food and beverage products that are seen as unreliable. The 57% of the respondent instead declared that they did not perceive China as capable of produce quality wines, and the 5% said they were not interested.

As already told, after the data collection I divided the answers according to the age and the location of residence of the respondents. According to this classification, it is possible to assess that the respondent who demonstrated a positive attitude toward the ideal purchasing of a bottle of Chinese wines were mainly active wine consumers having an age included between 20 and 35 years old and residing in big urban centers. The most part of the negative answers, instead, were given by the respondents belonging to over 35 years old segment and living in smaller centers, which population does not reach 100.000 inhabitants.

3.3.3.d Research Conclusions

According to the above analyzed data, then, it is possible to say that the Chinese wine might not have a success on the Italian market as it is doing in UK. The main motivation is that the average Italian consumer is still largely loyal to the local wine, mainly consuming wines coming from its own region and even to the ones produced in its city of residence. Moreover, this loyalty to the local wine made it to be more refractory to the consumption of foreign wines, especially to the ones coming from other continents, that in Italy are far less presents than in other important European and extra European markets. However, particularly for what concerns the consumption of Chinese wines, which appearance on the international stage is relatively new compared to the wines of the Old and the New world, according to the general perception of the Chinese market which is still perceived as a

manufacturing country, does not help the image of the Chinese winemakers. In fact, also in this case the country of origin effect plays a major role in the consumer's perception. This can be observed in the question number 7 of the survey, in which the respondents declared to do not trust China as food and wine producer. Moreover, the most part of the respondents also declared that they did not perceive China as capable to produce quality wines.

However, the pushing innovation of the today's Chinese wine market could help the Chinese Country of Origin Effect to be enhanced. The main role in the process is today entrusted to one of the world's most important brand for the wine production that since 2013 is making in China a new concept of fine wine that in few years could also reach the most difficult market for imported wines as Italy, France and Spain. The company in question is nothing but the Louis Vuitton Moët Hennessy Group, the world's leader in the luxury field, which will be analyzed in the further chapter as the creator of some of the contemporary Chinese finest wines.

Chapter 4. The new horizon of Chinese winemaking – The LVMH Case

As seen in the previous chapter, the Chinese wine production is going through a golden period, reaching as well an increasing fame mainly in the foreign niche markets. This evolving process started in the first years of 2010s, when many different Chinese vintners started to invest in quality rather than in quantity, in order to reach in the short-term a share of the international wine market, as until that moment their production was mainly addressed to the domestic consumers. The various investments carried out by the today China's best wineries involved many different aspect of the wine industry, and thanks to the cooperation with western wine experts, they were able to establish very professionals wine production poles, provided with the most advanced agricultural technologies and large teams of experts in the field. As already observed, then, the western wine companies as Remy Martin or Cointreau even succeeded in establishing efficient joint ventures with the local vintners, contributing to the development process of the contemporary Chinese wine industry. In addition, the last few years represented a turning point for the Chinese winemaking also thanks to some international brands that entered in China in order to establish innovative wineries through foreign direct investments, exploiting their worldwide-known brand names to sell totally new wines, taking advantage of the particular characteristics of an unusual wine region like China. The company which can be considered the most successful in this field is also the leader of the world's luxury market, the Louis Vuitton Moët Hennessy Group.

This chapter is aimed to describe the path of LVMH in a completely new project begun in the last decade, and how this project is positively influencing the image of Chinese winemaking on the international stage.

4.1 The LVMH Group

The Louis Vuitton Moet Hennessy Group is a French multinational established in 1987 through the fusion of two different luxury brands, already well consolidated at

the time: Louis Vuitton, one of the most important luxury fashion companies of the world, established by the homonymous creator in 1854, and Moët Hennessy, company producer of the best champagnes and spirits of the entire French market. After the conglomeration of these two enterprises, LVMH, under the guidance of its Ceo Bernard Arnault, established in few years 10 different holdings. After 15 years from the foundation of the group, LVMH became the leader of the worldwide luxury market.

Today the Louis Vuitton Moët Hennessy Group is the owner of 75 different *Maisons* operating in the fashion, watches and jewelry, perfumes and cosmetics, wine and spirits, selected distribution sectors, and is present in almost every country of the world. Thanks to its well consolidated brand name and the fine quality of its product, LVMH counts today more than 156.000 employees, and in 2018 registered sales revenues for \$46.8 billion USD¹⁴⁷.

Speaking about the *Maisons* that are today active part of the LVMH Group, is possible to say that they wrote the history of the international luxury market, all of them carrying unique stories and producing unique products. However, the sector that I would like to analyze in deep is the Wine and Spirits sector, as it has key importance in the group, as the finest wines of the world are produced by its wineries located in the Champagne Region, in the area of Bordeaux, in Russia, in India and even in China. In the part below, in fact I am presenting the LVMH's Wine & Spirits Division, as well as the strategies carried out by the group to establish its newest wineries in China, Chandon china and Ao Yun Shangri-la.

4.2 LVMH Wine & Spirits Division

The LMVH's Wine and Spirits Division is one of the pillars of the group, as it includes some of the oldest brands of the world, of which some was established in the 14th Century. It is composed of 26 *Maisons*, distributed in the major wine regions of the world, all producing unique kinds of products which range from Champagne to worldwide known spirits, today distributed and consumed in every country of the world.

¹⁴⁷ LVMH, 2018 Annual Report.

In 2018, under the guidance of its CEO, Peter Schauss, the LVMH Wine & Spirits division registered a sales revenue of €5.143 million Euros, of which €2.4 million Euros derived from the sale of Champagnes and wines, while €2.8 million Euros derived from the sale of Cognac and Spirits¹⁴⁸. According to the LVMH's 2018 Final Report published by the company on December, 31st 2018, the LVMH's Wine and Spirits division reported a growth comparing to the years before, as in 2017 the sales revenues of the company in the field reached €5.08 million Euros, while in 2016 it registered a sales volume of just €4.8 million Euros¹⁴⁹. As demonstrated by the same report, in fact, either in the European Continent, either in Asia, the sales went through a stable growth during the last three years.

The success of the company on the worldwide market, as already said, is due to the very high quality of the goods produced, as well as the expertise of the employees and the enologists working in the different LVMH's wineries of the world, as well as the high level of product diversification that characterizes the group. During the last 30 years, in fact, LVMH has carried out a long strategy of acquisition, which brought it to produce in all the five continents of the world.

The country in which the LVMH's *Maisons* are present in larger number is France, where the group owns 9 different estates all producing Champagne, high-end red wines and high-end Cognac. Among these it is necessary to mention the ones that during the centuries were able to obtain the highest awards, and that today can be found in every high-end restaurant and luxury retail shops, and they are :

- Dom Perignon
- Moët Chandon
- Krug
- Mercier
- Ruinart
- Veuve Cliquot

However the LVMH's Wine & Spirits Division is present on the French territory not only in the Champagne field, but as a consequence of its expansion strategy

¹⁴⁸ LVMH, *Record results for LVMH in 2018*, Paris, 29 January 2019.

¹⁴⁹ Ibidem

carried out in the last 30 years, it also succeeded in the acquisitions of historical wine estates located in other key regions for the French wine production. In fact, in the Burgundy Region, one of the most appreciated French Region for the production of fine-wine, LVMH in the last years of 1980's acquired Clos De Lambrays, one of the most ancient still active wineries of the world, established in 1365. Moreover, the group owns also Château D'Yquem, the producer of some of the finest and rarest wines of the world.

The properties of LVMH, though, are not just limited to France. During the 20th century, in fact, the hunger for expansion of the group, brought it to reach one of the most remote parts of Europe, where since the 5th Century is produced the finest Malt Whisky: the Scottish Highlands. There, LVMH owns two distinct whisky distilleries: the Glenmorangie Company and the Ardbeg Distillery, both winners of the most important international awards.

However, the properties of LVMH are not just limited to the European Continent. In fact, during the second half of the 20th Century, Moët Chandon, that at that time was still independent, established in Argentina a subsidiary of its company called "Chandon Argentina". This winery, thanks to the expertise carried by the French owners and the winemaking skills of the local enologists, creates today some of the best Pinot Noir sparkling wines of the entire South American Continent. Although, the LVMH Group among its winemaking estates today owns also Chandon Brazil, established in 1973 in the Brazilian region called "Sierra Gaucha". This winery was addressed to the production of another kind of South-American sparkling wine using Chardonnay, Pinot Noir and Italian Riesling grapes.

For what concern the norther part of the American Continent, instead, the Moët Chandon company extended its production also in California, in order to find in its *terroir* the characteristics that allowed the production of the high-quality Napa Valley's wines. Thus in 1973, Moët Chandon established Chandon California, which produces today one of the few versions of Californian sparkling wines, obtained with the *méthode Champenois*¹⁵⁰. After the establishment of the American branch, Moët Chandon expanded its activity even to Australia, creating Chandon Australia in

¹⁵⁰ The method of make the base of the Champagne wine to become sparkling, through the use of sugars and yeasts inside the bottle.

1986. After the conglomeration of the two important luxury companies, then, the campaign of expansion of the wine and spirits producing activity of LVMH successfully continued, enlarging their businesses to wine regions as the Argentinian side of the Andes in which in 1999 the company established the "Terrazzas De Los Andes" winery and "Cheval Des Andes".

However, the most adventurous activity carried out by the group is the entry in the Asian wine production market, one of the newest and most difficult wine markets of the world. This campaign since 2013 included two of the most important countries of the entire Asian Continent as India and China. In 2013, in fact, LVMH arrived in China establishing in a short period of time two different wineries Chandon China and Aoyun, both specialized in the production of fine wines which range from the sparkling to the high-end red wine. In 2014, then, LVMH registered its last establishment when in the Indian District of Nashik, it started the production of local sparkling wine under the brand "Chandon India". The expansion to Asia is today bringing to the company very important results, and its characteristics will be presented in the further parts.

4.3 LVMH in China

The apex of success of LVMH in China occurred in the last months of 2009, when the demand for luxury products started to be an increasing reality. Seeing that the distributed wealth and the pace of development of China was reaching high levels, in 2010 LVMH decided to open 30 different shops all along the Chinese territory¹⁵¹. Along with the demand for luxury fashion and leather products, also the demand for foreign wines and liquors started to boost, to the extent that LVMH entered in China acquiring the 55% of the local traditional liquors brewery "Wenjun Distillery"¹⁵². At the end of 2010, the Hennessy division saw its profit coming mainly from the Chinese market, either in the Champagne either in the Cognac sectors¹⁵³. Since the

¹⁵¹ Jing Daily, "How LVMH Adapts To China's Evolving Luxury Market". (2013) [Online] Jing Daily. Available at: <https://jingdaily.com/how-lvmh-adapts-to-chinas-evolving-luxury-market/>

¹⁵² Jing Daily, "LVMH Acquires Chinese Traditional Spirits Distillery: Could Westerners Be Sipping Baijiu In Coming Years?". (2009) [Online] Available at: <https://jingdaily.com/lvmh-acquires-chinese-traditional-spirits-distillery-could-westerners-be-sipping-baijiu-in-coming-years/>

¹⁵³ LVMH, "2010: A great vintage for LVMH". 2010 LVMH Final Report.

projections of sales for the further years seemed very positive in the area, the Moët Chandon division started a deep research on the Chinese territory in order to find the best place to start a new and pioneering business. After a year of researches, during the year 2011 LVMH succeeded in forming a sino-foreign joint venture for the creation of a new wine production pole in the Ningxia Region, with the local agricultural-based company :"Ningxia Nongken"¹⁵⁴. The project consisted in the creation of a 66 hectares vineyards for the production of a sparkling wine more suitable for the Chinese palate. In 2012 then, the Moët Chandon Division succeeded in creating a totally new concept of winery under the brand: "Chandon China"¹⁵⁵.

4.4 Domaine Chandon China

This pioneering winery was inaugurated during July, 2013, the year in which it started to sell its particular products to the public. Domaine Chandon China is spread over an area of 66 hectares, and it is located in one of the most important Chinese regions in the field of winemaking, the Ningxia Hui Autonomous Region. In the vineyards are cultivated Chardonnay and Pinot Noir that are used to produce a range of sparkling wines similar to champagne made using the *Méthode Champenois*. In fact, Domain Chandon China, under the estate director Su Long's direction, produces 4 distinct products obtained only by the use of locally cultivated grapes, which are:

- Chandon Brut: composed of 70% Chardonnay and 30% Pinot Noir.
- Chandon Rosè: Chardonnay 70%, Pinot Noir 30% left in maceration for 4 hours to give a pink color to the wine. It was awarded with the Bronze Medal at the "Decanter Asia Wine Awards" in 2016.
- Chandon Me: launched in 2017, this wine is composed of Chardonnay, Pinot Noir and Pinot Meunier, and its particular name "Me" was named after the Chinese word "蜜" (pronounced mi), which means "Honeyed,

¹⁵⁴ MHD China, "Chandon pioneers premium sparkling wine in China". (2013) [Online] Available at: <https://www.lvmh.com/news-documents/news/chandon-pioneers-premium-sparkling-wine-in-china/>

¹⁵⁵ Ibidem

"Sweet". This name, in fact, is due to the fact that the concentration of sugars is much higher than the ones of the other two wines, having a 45g/L of concentrated sugar, that makes it more agreeable for the less experienced palates.

- Chandon Me Rosè: it has the same characteristics of the white version but it goes through a soft maceration using Pinot Noir grapes.

The production of these four distinct kinds of sparkling wine is among the most innovative of the worldwide wine industry. In fact, for what concerns the cultivation of the grapes, the irrigation method used in its vineyards is the dripping method, which allows the winery to save many tons of water every year, also because Ningxia is one of the driest regions of the entire Chinese territory. For what concerns the energy used during the winemaking process, Chandon China owns one of the most sophisticated natural gas plants, with which it substituted the more polluting coal combusting energy.

Thanks to its today implemented imagine, Chandon China in just few years succeeded in entering the Chinese wine market, also because as observed in the chapter 1 of the thesis, the Chinese young consumer's preference are going to be more various, allowing the sparkling wine to have a chance to increase its sales volume. This allowed Chandon China to invest in its production, having a forecasted volume produced that will touch the 1.8 million bottles by the end of 2019¹⁵⁶.

However, the sales registered by the winery are still limited inside the Chinese borders, as the main target of the company is the internal consumer. The real contribution to the increasing image of the Chinese fine wine production, in fact, is mainly carried out by another important winery owned by LVMH in China: Shangri-la Ao yun.

¹⁵⁶ LVMH, *Record results for LVMH in 2018*, Paris, 29 January 2019.

4.5 Ao Yun

During the first years of the 2010s, during the process of expansion carried out by LVMH to Asia, the establishment of a local sparkling wine production pole was followed by another important project involving the production of a completely new kind of product inspired by the great French Bordeaux wines. The project started in 2008, because of the same reasons that brought Chandon to create a branch in the Ningxia Region: the impressive growth in Chinese wine consumption. Since the end of 2005, in fact, China started to go through an increasing trend in the foreign wine import process, and as already observed in the chapter 1 about the Chinese wine import characteristics, the French wine dominated the market exporting to China luxury wines as Bordeaux Lafite and Petrus Pommerol, Champagne, Burgundy wines and many others. This increasing rate of consumption, as well as the growing demand for these kinds of wines, brought the Moët Hennessy division of LVMH to look for the most suitable place in China to start the production of a luxury red wine which could satisfy the internal demand but also that could be appreciated on the international wine market. The second main reason that brought China to become a favorable spot for the establishment of such a new business was also the fact that at that time the Chinese domestic production was still quite limited, and the great extension of the Chinese territory could offer a great choice for what concerned the viticulture. After a research that took 4 years, the place where to locate this new winery was found in the region of Yunnan, one of the most beautiful and particular regions of the Southern Chinese territory. In 2013, the LVMH conglomerate through a joint venture with VATS, a Chinese wine and spirits company, established 4 different vineyards in Diqing County, having a total of 30 hectares, and placed the production facility in the small village of Adong, located at a height of more than 2000 meters on the foothills of the Himalayan Chain. After the establishment of the vineyards cultivated with Cabernet Sauvignon and Cabernet Franc, and the production pole occurred in 2013, LVMH hired Maxence Dulou, an expert French enologist to start the production of its first Chinese luxury wine Ao Yun (奥运), which means “Roaming Among the Clouds”.

4.5.1 Production

The Cabernet Sauvignon and Cabernet Franc grapes are cultivated on four different vineyards located in the three small villages of Adong, Xidang, and Shuori, all located around the foothills of the Meili Xueshan Mountain Chain. These three different vineyards, all with different sizes, form part of the entire production of grapes used for the wine Ao Yun produced in the winemaking facility located in Adong, and their harvest is entrusted to the local Tibetan farmers who select the grapes manually, with a very limited use of agricultural machineries. The particular characteristics of the climate and the *terroir* represent the ideal condition to cultivate those kinds of grapes, that ripe with a good quantity of phenols that enhance the requested acidity and sweetness, having then similar characteristics of the ones growing in the Bordeaux area¹⁵⁷. Moreover, under the guidance of the expert enologist Maxence Dulou, the cultivation of the grapes started three years before the production of the first batch of AoYun wine, giving to the grapevines the chance to adapt themselves to a such particular terrain and altitude, that reaches the 2600 m on the highest level. Given this altitude of the grapes and the particular morphology of the rocky terrain of the region, the grapevines cultivated there don't need to be manually irrigated, but they directly take the water from the soil and from the rain, as their roots are longer than 15m. In order to produce satisfying quantity of wines, the production is not just limited to the exploitation of the local-cultivated grapes, but the winery makes yearly contracts with COFCO to buy Cabernet Sauvignon grapes from Shandong.

After the harvest of the grapes which takes place in September and October, then, the grapes are macerated for 40 days, a period during which they also ferment to obtain the requested alcoholic degree. After this period, in order to make the natural acidity of the fermented grapes to decrease, the winemakers of AoYun carry out the malolactic fermentation, a process which transforms the very stingy malic acid into the milder lactic acid by the use of lactic bacteria. The wine created after the

¹⁵⁷ Jiang LU, "Interview on Winemaker of Aoyun, the most expensive Chinese Wine". (2016) [Online] Wine Blog in China. Available at: "<https://www.wineblogchina.com/?p=5880>

process is then stored inside new and old oak barrels, and since their number is quite limited in the area, they are sometimes replaced with Chinese pottery for about 6 months, in order to prevent the natural process of oxidation that could influence the elegance of the final product¹⁵⁸.

4.5.2 Ao Yun on the Market

After three years of production, quality checks and market researches, Ao Yun started to be commercialized in 2016, entering into the market with the 2013 vintage. The winery succeeded in producing 24.000 bottles that year, and successfully exported 17.000 of them to countries as France, U.S.A., Japan, Singapore, UK, and to other key regions¹⁵⁹. The fixed price for the vintage was about \$300 USD per bottle, and during the first few months it reached the online retailing and the international Ho.Re.Ca. channels. In 2017, the winery launched the 2014 vintage at the same price of the 2013 vintage, and in 2018 the international wine market had the chance to get in touch with the finest 2015 vintage.

Today, this wine is acquiring an increasing appreciation in the luxury wine sector, and is sold either in the luxury retailing centers, either in some among the best restaurants of the world. Speaking about the retailing channel, the most quantity of Ao Yun wine bottles circulating in Europe is commercialized in UK, where the great luxury mall “Harrods” sells the product in its fine wines department at a price of £349.97 GBP. As seen before, The United Kingdom is the largest European market for foreign wines, then the distribution of Ao Yun there has been extended to other retail shops like Berry Bros. & Rudd at a price of £1336.00 GBP for a case of 6 bottles. In other European countries, instead, the Ao Yun wine can be found mainly on the most important wine ecommerce platforms as Millesima, Tannico, which extension covers many different European countries as France, Italy, Spain, Germany and

¹⁵⁸ Ibidem

¹⁵⁹ P. Jadeluca, “Ao Yun, il vino di lusso del Tibet che rallegra i conti di Arnault”. (2017) [Online] La Repubblica. Available at: https://www.repubblica.it/economia/affari-e-finanza/2017/10/23/news/ao_yun_il_vino_di_lusso_del_tibet_che_rallegra_i_conti_di_arnault-179077610/

Portugal. However, thanks to the growth in the volume of production that according to Maxence Dulou might reach around 50.000 bottles per year in the next future¹⁶⁰, the Chinese luxury wine Ao Yun may start to be distributed on a larger scope, reaching also a wider portion of the European offline commerce channel.

For what concerns the extra European market, instead, the sale of this wine is taking place on a wider range of channels to the extent that in the United States there are 35 different retail shops that present Ao Yun on their shelves, at a price that ranges from \$275 USD to \$330 USD.

Thanks to its high quality, the elegance of its packaging and the great fame of the conglomerate that owns its winery, the Ao Yun wine is then acquiring an international appreciation, and it is succeeding in overcoming the obstacles related to the bad country of origin effect that stand behind the success of the Chinese wines on the international market. In fact, Ao Yun might soon become the key to definitely open the Chinese wine production market to the biggest wine markets as Italy, France and Spain, allowing China to reach the fame that today is reserved to the wines coming from Europe, Australia and America. This process could be aided by the intense work of promotion derived either from the marketing department of LVMH, either by the great mediatic attention that the wine is receiving since the first settlement of its grapevines in the area of Yunnan. The great publicity carried out by the most important agricultural and wine magazines, as well as by international economic and luxury-oriented newspapers, gave to Ao Yun the chance to reach the importance that other Chinese wines, or other wines under the conglomerate LVMH could not reach. Making an example, in just three years from the launch of the product on the market, this wine have been mentioned by the most important wine critics and journalists of the world as James Suckling, that in 2016 defined the 2013 as “The best Chinese wine I have ever tasted”¹⁶¹. These articles and reviews brought the Ao Yun wine to enter the legend, basing its competitive advantage on a well-built storytelling.

¹⁶⁰ Jiang LU, “Interview on Winemaker of Aoyun, the most expensive Chinese Wine”. (2016) [Online] Wine Blog in China. Available at: <https://www.wineblogchina.com/?p=5880>

¹⁶¹ J. Suckling, “China’s Wine Shangri-La?”. (2016) [Online] JamesSuckling.com. Available at: <https://www.jamessuckling.com/wine-tasting-reports/chinas-wine-shangri-la/>

In the wake of this strategy, today many other Chinese wineries are trying to implement their marketing strategy, giving to their websites a more modern layout, showing their product portfolios and in many cases also the most important events that characterized their growth in the local and the international markets. Moreover, the cooperation with international distributors, winemakers and marketing agencies is today representing a turning point for their development.

Therefore, thanks to the changing image of the Chinese wine market implemented by Ao Yun, Ningxia Silver Heights, Yantay Changyu wine Company, TIansai and many other wineries, in the next future it might be possible to find a bottle of Chinese wine on an ever increasing number of shelves of the most important national and international supermarkets and wine shops.

5. Conclusions

The aim of the research was to outline the major changes occurred in the last few years in the Chinese wine market in terms of import, production ad export, taking in exam the causes and the effects connected to this process. For what concerns the causes, they was all analyzed in the first chapter, in which I carried out a deep analysis about the social, economic and political factors that are concurring in the transformation of the Chinese wine market into an ever more educated reality.

Speaking in detail, then, thanks to the analysis carried out in the first chapter, I could observe that the today's Chinese market is going to be ever more opened to a larger range of foreign imported wines, as the increasing distributed wealth is opening the Chinese consumers, and especially the one having an age between 20 and 30 years old, to spend large portions of their capitals to getting closer to a more westernized lifestyle. Thanks to this ever more distributed wealth, and thanks to the great efforts carried out by the most active wine exporting country to China, the youngest consumers are becoming more and more conscious about the quality of the wines present on the market, starting to walk away from the traditional schemes of consumption that characterizes the Chinese society. This increasing level of education of the Chinese wine market, as well as the boom of consumption occurred since the first years of 2000, has brought in the last few years many different competitors coming from the largest wine producing countries of the world, to populate the Chinese market, succeeding in positioning themselves as quality carrier brands. According to these trends, today the Chinese market is no more monopolized by the only French fine wines, but countries as Australia, Chile, Spain, Italy and many others are achieving great results, registering year by year an increasing sales volume on the Chinese market. For what concerns Australia and Chile, in fact, their sales volume is going to threat the French primate in the field, as also demonstrated by the 2018 China's foreign wine import data.

However, as demonstrated in the second chapter, the only growth in the consumption trends by the Chinese wine consumers could not be enough to succeed

on that market. Namely, according to the researches carried out in that chapter, the Chinese wine market cannot be considered an educated market yet, and the process of product positioning there, requires a great knowledge of the market and an adapted strategy. In fact, as observed during the research, the Chinese wine market cannot be considered as an only macro-market, nor a totally educated one. The process of the placement of a wine brand on a particular market as the Chinese one, requires at first a great knowledge about the Chinese traditions and habits of consumption, that in many cases vary a lot between the different segments. Secondly, as the process of evolution of a huge country as China is making it a blurry framework of traditions and innovations, making necessary for a wine company to deal with both aspects. This means that the creation of a brand value must follow the most important cultural and linguistic aspects of the Chinese market, creating a packaging and a brand name understandable by the average Chinese consumer. Moreover the choice of the best channels of placement and promotion must be chosen after a deep research in the field, as the use of the Internet in China, and consequently the usage of Social networks and ecommerce sites might make the difference between the success or the complete failure of the product. However, the presence of an adapted digital promotion campaign might not be enough, because, as said before, the Chinese wine market is still far from being totally educated, and a physical presence in the country, especially through the attendance to the local wine exhibition is fundamental to build a trustful image of the brand and the company.

Nevertheless, the Chinese wine market is not just one of the big red wine consumers of the world. The increasing level of wine consumption in the country, and the benefits that the sector gives to the country has also brought the government in the last few decades to start a campaign aimed to make China an effective wine producing country. Thanks to these investments, China in just fifteen years has become the seventh largest wine producer of the world and the second country for vineyards extension. This evolution of the Chinese wine industry has been enhanced by the Chinese government and implemented thanks to the great presence of foreign enologists on the field, that thanks to their great experience, concurred in the transformation of the Chinese countryside to large vineyards under the control of successful Chinese wine multinationals. The great development of the today's Chinese wine industry is also due to the fact that the great investments

carried out by the government and the wineries is taking to China an ever larger number of foreign machineries that are allowing them to overcome in many cases, the adverse climatic conditions that in the past affected the Chinese wine's quality. Thanks to this increasing quality and the great volume of wine produced by these wineries is allowing China to start a wine export process, that has already brought the wines of the Middle Country to reach the foreign market, and also the western one, being sold mainly in United Kingdom, Canada, Russia and U.S.A. However, as demonstrated in the third chapter, the Chinese's country of origin effect is still preventing the entry of Chinese wine in the world's most educated market as Italy, France and Spain, which great tradition in winemaking is a great obstacle to the commerce of the wines coming from the newest wine producing countries as China.

Although, according to the data presented in the forth and last chapter, there is a Chinese winery that succeeded in entering those markets: Ao Yun. In fact, thanks to the high quality of its products, the media coverage and the many prizes and awards that it has won during the years, the Ao Yun wine has become the most present Chinese wine on the European market. Thanks to the success of this wine, produced by LVMH, the Chinese wine's image might benefit from this situation, having the chance to appear, in the next few years, on an increasing number of European markets.

Making a final analysis, then, it is possible to state that the today's Chinese wine market is going through a slow but constant education process that in the next decades might bring the country to consume every kind of wine coming from all over the world, as well as being perceived as a quality carrier wine producing country. As a matter of fact, as seen in many other fields, China is becoming the most powerful economy in the world, and its high-tech products are already sold in every country of the world, despite the high level of competition present on the international market. It is not possible to exclude that also in the wine sector, it might enter among the best wine producing countries of the world.

Bibliography

- Bobik, M. (2014). *Thirst for Wine - Inside China's Wine Industry: The Success Factors of Marketing Wine in China*. Anchor Academic Publishing.
- Calamandrei, S. (2014). *Il vino e la Cina: Red Passion: A conference on the cultural heritage of Chinese and Western Wines- Bilingual edition (English Edition)*. Montepulciano, Siena: Biblioteca Piero Calamandrei .
- Capitello, R. (2016). *The Wine Value Chain in China: Consumers, Marketing and the Wider World*. London: Chandos Publishing.
- Kotler, P., Keller, K. L., & Lu, T. (2014). *Marketing Management In China*. Singapore: Pearson.
- Mayshark, L. (2018). *Inside the Chinese Wine Industry: The Past, Present, and Future of Wine in China (English Edition)*. New York: Red Scorpion Press.
- Mustacich, S. (2015). *Thirsty Dragon: China's Lust for Bordeaux and the Threat to the World's Best Wines (English Edition)*. New York: Henry Holt and Co.
- Pontiggia A., Vescovi T. (2015). *Panni Stesi a Pechino*. Milano: EGEA.
- Shu, N. (2016). *China Through a Glass of Wine*. New York: Red Scorpion Press.
- Tang, L. (2009). *The Chinese Consumer Market: Opportunities and Risks*. Shanghai: Elsevier.
- Waley, A. (1919). *The Poet Li Po - A.D. 701-762*. London: East and West Ltd.
- Wang, J. Z. (2019). *The Chinese Wine Renaissance: A Wine Lover's Companion (English Edition)*. Singapore: Ebury Digital .

Sitography

- A. Barnes "*South America wine production (in figures): Argentina, Chile, Uruguay, Brazil, Bolivia & Peru*". (2019) [Online] South American Wine Guide. Available at: <https://southamericawineguide.com/south-america-wine-production-in-figures-argentina-chile-brazil-uruguay-bolivia-peru/>
- A. Mileham, "*Tesco Adds Chinese Wine to its Shelves*". (2017). [Online] The Drink Business. Available at: <https://www.thedrinksbusiness.com/2017/04/tesco-adds-chinese-wine-to-its-shelves/>
- A. Abellan, "*La maison Roullet-Fransac rachetée par le groupe ChangYu*". (2013). [Online] Vitisphère. Available at: <https://www.vitisphere.com/actualite-62288-Cognac-la-maison-Roullet-Fransac-rachetee-par-le-groupe-ChangYu.htm>
- A. Cervera, "*Eight stories to understand the 2018 harvest in Spain*". (2018). [Online] Spanish Wine Lover. Available at: <https://www.spanishwinelover.com/learn-347-eight-stories-to-understand-the-2018-harvest-in-spain>
- A. Lechmere, "*Chinese wine wins top honour at Decanter World Wine Awards*". (2011) [Online] Decanter China. Available at: <https://www.decanter.com/wine-news/chinese-wine-wins-top-honour-at-decanter-world-wine-awards-36689/>
- A. Visconti, "*Yantai Changyu Pioneer Wine CO. LTD's \$50 Million Acquisition of Indómita vineyards*". (2017), [Online] Global Legal Chronicle. Available at: <https://www.globallegalchronicle.com/yantai-changyu-pioneer-wine-co-ltds-50-million-acquisition-of-indomita-vineyards/>
- Agrilegal, "*L'etichettatura del vino in Cina*". [online] AgriLegal.it. Available at: <http://www.agrilegal.it/approfondimenti/l-etichettatura-del-vino-in-cina>
- A. Fortunato, R. Roca, "*Il Vino Italiano in Cina*". [online] AbChina.it. (2017). Available at: <https://www.abcina.it/2017/10/06/vino-italiano-cina/>
- A. H. F. Li, "*China Facing the Trump Presidency - Opportunities for Global Power Projection*", Centre d'étude français sur la Chine contemporaine. (2017).

- Beverage Trade Network, “*The Rise of China’s Young Female Wine Drinkers*”. [online] China Wine Competition. (2019). Available at <https://chinawinecompetition.com/en/blog/insights-1/the-rise-of-chinas-young-female-wine-drinkers-130.htm>
- B. Kjellgren, « *Drunken modernity: wine in China* », Anthropology of food [Online], 3 | December 2004. Available at: <http://journals.openedition.org/aof/249>
- C. Meerer, “*World wine production plummets to 1960s levels*”. (2017). [Online] Decanter.com. Available at: <https://www.decanter.com/wine-news/world-wine-production-2017-falls-oiv-378608/>
- C. Violatti, “*Han Dynasty*”. (2016) [online] Ancient History Encyclopedia Available at: https://www.ancient.eu/Han_Dynasty/
- C.Russo, “*Guanxi, la formula segreta delle relazioni con la Cina*”. (2016) [online] East-media.net. Available at: <http://www.east-media.net/guanxi-relazioni-business-cina/>
- Conway, J. “*Wine production worldwide in 2018, by country (in million hectoliters)*”. (2019) [online] Statista.com. Available at: <https://www.statista.com/statistics/240638/wine-production-in-selected-countries-and-regions/>
- C. Smith, “*65 interesting JD facts and statistics (2019) / by the numbers*” . [online] DMR. (2019) Available at: <https://expandedramblings.com/index.php/by-the-numbers-15-amazing-jd-com-stats/>
- D. Li, “*The history of Chinese winegrowing and winemaking - part 2*”. (2013). [online] available at: <https://www.decanterchina.com/en/columns/demeis-view-wine-communication-from-a-chinese-winemaker/the-history-of-chinese-winegrowing-and-winemaking-part-2>
- D.Barton, “*Mapping China's middle class*”.[online] Mckinsey.com. (2015) Available at: <https://www.mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class>
- D.Workman, “*Top Wine Importing Countries*”. (2019). [Online] World Stop Exports. Available at: <http://www.worldstopexports.com/top-wine-importing-countries/>

- D. Wong, A. C. Koty, “*The US-China Trade War: A Timeline*”. *China Briefing*. (2019) [Online] China Briefing. Available at: <https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/>
- E. Pinedo, “*Un grupo chino quiere convertir Marqués del Atrio en la tercera bodega de España*”. (2016). [Online] Reuters España. Available at: <https://es.reuters.com/article/businessNews/idESKCN0WJ231>
- E. Wong, “*Wine Promotions Would Not Succeed Without the Use of WeChat Official Account (WOA) - It Helps You to Reach All Potential Chinese Customers?*”. [online] ChinaWineBusiness.com. (2017). Available at: <https://www.chinawinebusiness.com/single-post/2017/09/18/Wine-Promotions-Would-Not-Succeed-Without-the-Use-of-WeChat-Official-Account-WOA---It-Helps-You-to-Reach-All-Potential-Chinese-Customers>
- Godley, Michael R. "Bacchus in the East: The Chinese Grape Wine Industry, 1892-1938." *The Business History Review* 60, no. 3 (1986): 383-409.
- H. Basin, “*Top Wine Brands across the globe*”. (2018). [Online] Marketing91. Available at: <https://www.marketing91.com/top-wine-brands-across-the-globe/>
- HKTDC Research, “*China's Wine Market Consumer Preferences (1): Wine Category, Drinking Occasion and Price*”. [online] HKTDC. (2018). Available at: <https://hkmb.hktdc.com/en/1X0AD6OU/hktdc-research/China%E2%80%99s-Wine-Market-Consumer-Preferences-1-Wine-Category-Drinking-Occasion-and-Price>
- How Wineries Can Grow Their Followers on WeChat*, China Wine Competition. (2017) Available at: <https://chinawinecompetition.com/en/blog/insights-1/how-wineries-can-grow-their-followers-on-wechat-116.htm>
- ICEX, “*Vino en China: reto permanente*”. [online] ICEX España. (2019). Available at: <https://www.icex.es/icex/es/Navegacion-zona-contacto/revista-el-exportador/mercados/REP2019816239.html>
- InterChina Consulting for Italian Trade Agency, “*Mapping And Profiling Of Chinese Consumers Of Imported Bottled Wine In China Final Deliverable | Executive Summary*”. (2017)

- J. Fullerton, "Four top chinese wines to try". (2013). [Online] TimeOut Shanghai. Available at: http://www.timeoutshanghai.com/features/Bars_Clubs-Event_spotlight/12789/Four-top-chinese-wines-to-try.html
- J. Robinson, "Lafite's Chinese wine unveiled at last". (2019). [Online] Available at: <https://www.jancisrobinson.com/articles/lafites-chinese-wine-unveiled-at-last>
- Jacob Pramuk, John W. Schoen , "US and China agree to continue tariff talks. Here's a timeline of how the trade war started". [online] CNBC.com. (2019). Available at: <https://www.cnbc.com/2019/06/29/us-china-trade-talks-at-g-20-timeline-of-how-the-tariff-war-started.html>
- Josian Phillips, "China: numbers are no game". [online] Brightlines.co.uk. (2018). Available at: <https://www.brightlines.co.uk/china-numbers-no-game/>
- L. Carter, "The rapidly changing Chinese wine industry – an Australian winemaker's perspective", Viticulture Journal. (2017)
- L. February, 28 2009, SPS 1055, "Regulations on the Implementation of the Food Safety Law of the People's Republic of China"
- L. September 15th, 2015, GB 10344-2005, "预包装饮料酒标签通则", "Label Requirements for Pre-packaged Alcoholic Beverages". Chinese Government.
- La produzione di vino in Italia nel 2018 – dati provvisori ISTAT*. (2019). [Online] I Numeri del Vino. Available at: <http://www.inumeridelvino.it/2019/02/la-produzione-di-vino-in-italia-nel-2018-dati-provvisori-istat.html>
- LinkInfluence Team, "How social data has its say in the \$147bn Chinese luxury market". [online] LinkInfluence. Available at: <https://www.linkfluence.com/blog/china-luxury-market-social-data>
- ¹Ma, A., Why the Chinese Love Lafite. (2010). [online] Wall Street Journal. Available at: <https://blogs.wsj.com/chinarealtime/2010/09/17/why-the-chinese-love-lafite/>
- M.Jenkins, "WINE LABEL DESIGN IN CHINA 2018", Wine Intelligence. (2018).
- N.Wang, "China's Changyu Buys Majority Stake in Australia's Kilkanoon". (2017). [Online] The Drink Business. Available at:

<https://www.thedrinksbusiness.com/2017/12/chinas-changyu-buys-major-stake-in-australias-kilikanoon/>

N. Wang, “*How Americans can stay relevant in China*”. [online] The Drink Business. (2018). Available at: <https://www.thedrinksbusiness.com/2018/10/how-american-wines-can-stay-relevant-in-china/>

N.Wang, “*Portugal to invest €500,000 a year to boost wine sales in China*”. [online] vino-joy.com. (2019). Available at: <https://vino-joy.com/2019/06/13/portugal-to-invest-e500000-a-year-to-boost-wine-sales-in-china/>

Needham, K, “*Chinese police find 14,000 bottles of fake Penfolds wine in counterfeiting scam*”. [online] The Sydney Morning Herald. (2017) Available at: <https://www.smh.com.au/world/chinese-police-find-14000-bottles-of-fake-penfolds-wine-in-counterfeiting-scam-20171116-gzmnh3.html>

Niall McCarthy, “*China Now Boasts More Than 800 Million Internet Users And 98% Of Them Are Mobile[Infographic]*”.[online]Forbes .Available at: <https://www.forbes.com/sites/niallmccarthy/2018/08/23/china-now-boasts-more-than-800-million-internet-users-and-98-of-them-are-mobile-infographic/#6dfb259c7092>

OIV, “*2017 World wine production estimated at 246.7 mhl,a fall of 8.2% compared with 2016*”, GLOBAL ECONOMIC VITIVINICULTURE DATA. (2018)

Organisation Internationale de la Vigne et du Vin, “*State of Viticulture World Market*”. (2018).

P.Karlsson, “*World wine production reaches record level in 2018, consumption is stable*”. (2019). Available at: <https://www.bkwine.com/features/more/world-wine-production-reaches-record-level-2018-consumption-stable/>

Parulis-Cook, S., “*Report: Chinese Tourism to South America*”. (2019). [online] Dragon Trail Interactive. Available at: <https://dragontrail.com/resources/blog/chinese-tourism-south-america>

Patrick Schmitt, “*China’s top 10 biggest wine importers*”. [online] The Drink Business. Available at:

<https://www.thedrinksbusiness.com/2018/11/chinas-top-10-biggest-wine-importers/4/>

Pierre Pradier, "How to Enter the Wine Market in China – Strategies and Recommendations". [online] Nh Global Partners. (2018). Available at: <https://nhglobalpartners.com/how-to-enter-the-wine-market-in-china-strategies-and-recommendations/>

Qian N., Wen J., *The Impact of Xi Jinping's Anti-Corruption Campaign on Luxury Imports in China (Preliminary Draft)*. (2015) [Online] Semantic Scholar. Available at:semanticscholar.org/paper/The-Impact-of-Xi-Jinping's-Anti-Corruption-Campaign-Qian-Wen/3597f99e321f0a8a48e4ebae91cde4e4b4f3a848

Research Department, Hong Kong Trade Development Council, "Practical Guide to Brand Promotion in China: How to Promote Your Brand?", HKTDC, Hong Kong. (2005)

Richard Whitehead, "Novel WeChat model opens up Chinese market to Australian wineries". [online] Beverage Daily. Available at: <https://www.beveragedaily.com/Article/2019/01/18/Novel-WeChat-model-opens-up-Chinese-market-to-Australian-wineries>

Rieger, T. *Challenges and Opportunities in China's Wine Market*. (2015) [Online] WinesVinesAnalytics.com. Available at: <https://winesvinesanalytics.com/features/article/143862/Challenges-and-Opportunities-in-Chinas-Wine-Market>

Salzillo, F., "Chile wowing in the Chinese wine market". (2018) [online] Bottled in China. Available at: <https://www.bottledinchina.com/chilean-wine-wow-ing-in-china>

Shen, A. "Being Affluent, One Drinks Wine": Wine Counterfeiting in Mainland China". [online] Vol 7 No 4 (2018): International Journal for Crime, Justice and Social Democracy. Available at: <https://doi.org/10.5204/ijcjsd.v7i4.1086>

Statista Research Department, "Number of mobile phone users in China from 2013 to 2019 (in millions)", Statista.com. (2019)

T. Ying, "Chinnovation: How Chinese Innovators are Changing the World", pp. 45-47, John Wiley & Sons, Singapore. (2011)

The Drink Business, "Magic Dragon, Tasting China Biggest Wine Brand". (2017). [Online] Available at: <https://www.thedrinksbusiness.com/2017/03/magic-dragon-tasting-chinas-biggest-wine-brand/>

The World Bank, Global Consumption Database. [online]. Available at: <http://datatopics.worldbank.org/consumption/country/China>

Timothy Ahmann, "U.S. locks in duties on Chinese aluminum sheet imports". [online] Reuters. Available at: <https://www.reuters.com/article/us-usa-trade-china-aluminum/u-s-locks-in-duties-on-chinese-aluminum-sheet-imports-idUSKBN1061ZL>

V. Smart, "On the road: How China is stepping up the quality of its wines". (2017) [Online] Asian Wine & Spirits – The Silk Route. Available at: <https://aws-silkroute.com/on-the-road-how-china-is-stepping-up-the-quality-of-its-wines/>

Vinoffer, "*Top 50 Australian wineries in China wine Shops (Vinoffer)*". [online] Mibd Market. (2017). Available at: <https://mibdmarket.com/News/wines-china/2015/22.html>

Wang, N., "*China Passes First Law Against Fake Goods Sold Online*". [online] The Drink Business. (2018) Available at: <https://www.thedrinksbusiness.com/2018/09/china-passes-first-law-against-fake-goods-sold-online/>

Wang, N., "*Winner of US – China trade war might be Chile*". (2018). [online] The Drink Business. Available at: <https://www.thedrinksbusiness.com/2018/07/winner-of-us-china-trade-war-might-be-chile/>

Weibo Marketing, "A GUIDE TO WEIBO ADVERTISING". [online] MarketingtoChina.com. Available at: <https://www.marketingtochina.com/guide-weibo-advertising/>

Wine Australia, “*Australian wine exports setting new records*”. [online] Wine Australia. (2018). Available at: <https://www.wineaustralia.com/news/media-releases/australian-wine-exports-setting-new-records>

Wine Australia, “Key trends in the evolving Chinese wine market”, Market Bulletin | Issue 67. [online] WineAustralia.com. Available at: <https://www.wineaustralia.com/news/market-bulletin/issue-67>

Wine Australia, “The rise of China’s online wine market Market Bulletin | Issue 133”. [online] WineAustralia.com. (2018). Available at: <https://www.wineaustralia.com/news/market-bulletin/issue-133>

Wine Australia, “*Top of the pops in China - the top ten Australian fine wines*”. [online] Wine Australia. (2018). Available at: <https://www.wineaustralia.com/whats-happening/stories-of-australian-wine/july-2017/top-10-china>

Wine.co.za, “Wines of South Africa Export Report 2018”.(2019). <<https://news.wine.co.za/news.aspx?NEWSID=34116>>

罗婷 (Luo Ting), “中国长城葡萄酒的历史发展过程”. (2017). [Online] Putaojiu.com. Available at: <https://www.putaojiu.com/pinpai/131322.html>

“*China demand charges Treasury Wine results*”. [online] SBS News. (2018), Available at: <https://www.sbs.com.au/news/china-demand-charges-treasury-wine-results>

“*China Luxury Report 2019 - How young Chinese consumers are reshaping global luxury*”. (2019) [Online]. Mckinsey Institute.

“*China Population*”. [Online] Worldometers. Available at: <https://www.worldometers.info/world-population/china-population/>

“*Chinese Wine Delegation Visits DOCa Rioja - Fifteen international wine experts will receive “Official Rioja Ambassador” certification.*”. [online] FWS.com. Available at: <https://www.foodswinesfromspain.com/spanishfoodwine/global/what's-new/news/new-detail/rioja-china.html>

“*Digital China: Powering the economy to global competitiveness*”. [online] Mckinsey&Company. (2017). Available at: <https://www.mckinsey.com/featured-insights/china/digital-china-powering-the-economy-to-global-competitiveness>

“Il più antico produttore cinese di vino alimenta una nuova crescita a Yantai”. (2018). [Online] Flowcrete. Available at: <https://www.flowcrete.co.it/news/le-nostre-news/il-pi%C3%B9-antico-produttore-cinese-di-vino-alimenta-una-nuova-crescita-a-yantai/>

“Increasing demand for quality wines in China”, *Market Bulletin, Issue 141*. (2019) [online] WineAustralia.com. Available at:
<https://www.wineaustralia.com/news/market-bulletin/issue-141>

“Indagine “Mercato Italia – Gli italiani e il vino”. Giro d'affari di 14,3 miliardi. L'analisi sul comparto vinicolo in Italia a Vinitaly 2019”. (2019). [Online] Daily Vinitaly Magazine, Vinitaly. Available at: <https://veronawinelove.com/indagine-mercato-italia-gli-italiani-e-il-vino-presentata-oggi-al-vinitaly-2019/>

“La vite e il clima - Gli aspetti climatici nella coltivazione della vite”. [Online] Quattrocalici. Available at: <https://www.quattrocalici.it/conoscere-il-vino/la-vite-clima/>

“Massive Chinese Counterfeit Wine Ring Busted with 7,000 Fake Cases”. [online] thewinecellarinsider.com. (2013). Available at:
<https://www.thewinecellarinsider.com/2013/08/massive-chinese-wine-counterfeiting-ring-busted-7000-fake-cases/>

“The Wine Region of Xinjiang, China”. [Online] Wine-China.com. Available at:
<http://www.wineinchina.com/2018/06/25/37652.html>

“奔富红酒，为什么在中国这么流行？”. [online] Jianshu.com. (2017). Available at:
<https://www.jianshu.com/p/ce4f35bf7286>