

ABSTRACT

The Strategic Potential of the 21st century's Superpowers: China and India, from a Wine Marketing Perspective

Until recently , China and India were not considered to be wine countries, in the sense of them producing and exporting wine or as wine consuming countries. However, with the recent accumulation of wealth, in particular in the hands of the middle classes of these two countries, coupled with their large, and expanding, populations (these two countries together represent more than half of the Earth's population) these two emerging superpowers are set to play a far more important role in the international wine market, than hitherto.

Both countries actually have a long winemaking history, but for various reasons, it is only in the last 10 years that they have organized themselves into wine regions as we understand it.

India

India has a more problematic climate, but in the Maharashtra region, substantial viticulture is taking place with new plantings coming on stream every year. The Indian market is dominated by three families mostly located in Maharashtra. Unfortunately, the consumption of India, which currently equals about a teaspoon per person per annum (compared to China's 0.7 l/p/a), is insufficient to absorb all the wine which is going to be produced from these new plantings. The Indians are therefore faced with two choices: either the local consumption must increase rapidly and/or they must export more.

Regarding consumption, it is clear that this low consumption has been caused by many factors including religious and moral opposition, and a climate which is not conducive to quality wines. Whilst imports have always been a feature of India it has always been restricted in order to protect the local industry and until very recently very high tariffs made imports problematic. However, the EU recently threatened legal action against India and as a result the tariff barriers have been lowered, which will hopefully result in more foreign imports. Through joint ventures and Western wine technology transfers the standard of some of India's wines has improved substantially, so much so that four Indian wines won medals at the most recent LIWF.

One of the reasons why consumption has improved is not only through an increase in the disposable incomes, but through the IP and young professionals, there's been a great exposure to Western culture and wine has become a lifestyle product, which is sought after by the upwardly mobile person.

A serious potential problem for India lies in the fact that new plantings are being done in an uncontrolled fashion. And this year's harvest of 21m litre is far more than current sales, even allowing for overoptimistic sales and consumption figures, can absorb.

China

China is somewhat different from India in the sense that its culture has a greater exposure to alcohol consumption, than in India, although such consumption has always been spirits and beer, even though China has a wine history going back 2000 years. Climatologically China is in a far better position than India, and the Shandong peninsula for instance, shows similarities, especially climate-wise, with California.

Wine consumption is also increasing rapidly in China, and basically it is for the same reason as in India: newly affluent middle-class seeking status and class via wine knowledge. Here, traditionally wine is consumed, mostly at feasts and wine is treated as any other beverage, and not in the way in which it is done in the West. Traditionally, such feasts are centred around the food and not the beverage, if a producer therefore wishes to introduce a new wine it should not be done much via food pairings, and if done so the food being paired with should be Chinese. Most consumption occurs in the city's and imported brands are found only in the major cities. One of the problems facing imported wines, is that none of the brands really stands out from the others. Consumption takes place in international hotels and restaurants, in private homes and is often given as a gift. Red wine is the most popular due to its colour, which, in Chinese culture is equated with happiness and prosperity. As in India, Chinese wines are also improving in quality, due to the influence of foreign winemakers, but there are many difficulties still in the Chinese wine industry. A major factor for any Western producer, hoping to import wines is the fact that four Chinese wine producers control more than 50% of market share, and they do so via massive advertising and television budgets. Protective import barriers also ensure that foreign brands have to be priced higher than local brands. Because of legislation and Chinese business practices, Western producers entering the market had done so via joint ventures, some remain like Torres, but others have subsequently withdrawn from the market due to difficulties in adapting to Chinese cultural diversity and business practices. Over the past five years, massive investments have been made in a new wineries, with only the best in winemaking equipment, cellars and oak barrels.

A golden thread runs through all literature relating to trading in Asia, and that is that Western producers have to take into account the cultural diversity of these two countries. If you simply look at the geographical size and different population groups in these countries, you would realise that it is infantile to lump them under one heading: Asia. India alone has more than 100 languages, and each region and sub region has its own cultures and sub cultures. Examples of this is for instance: in China, a wine label should never have a 4 on it as it is equated with death, instead the letter 8 should be used as it indicates good luck.

Any Western producer wishing to enter either these markets would have to take the time to study these cultures and their business methods, wine styles and labels. In addition, you will have to have a lot of patience as it takes a very long time to build up a solid relationship in Asia. Sales in the short term are not that difficult, but achieving success over a long period of time will require cultural sensitivity and patience.