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A STRATEGIC ANALYSIS OF THE RIOJA WINE MARKET IN CHINA

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EXECUTIVE SUMMARY

China is currently one of the fastest growing markets for wine in the world. As wine consumption has decreased in old world countries, wine regions such as Rioja are turning their attention to places like China where the growing economy and expanding middle class are changing consumption habits and drinking more quality wines than ever before.

China is a relatively new export market for Rioja wineries and the lack of experience, the contrasting culture and ways of business have made exporting a difficult and rather uncontrolled process as importation and distribution is processed mainly through Chinese business partners.

A qualitative methodology, conducted through interviews with 8 Rioja wineries, was used to identify key element of exporting Rioja wine to China and recommendations have been made for successfully exporting wine to China.

KEY WORDS

RIOJA

WINE

CHINA

EXPORT

MARKET SELECTION

MARKET ENTRY

DISTRIBUTION

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1. INTRODUCTION

1.1 Preliminary Information

The awakening of the Chinese economy has been an occurrence of enormous global impact and has reshaped the view of this giant market´s economic potential. For over 20 years China´s economy was stagnant, every aspect controlled by the central government the late communist leader, Chairman Mao. Today China is the fastest growing economy in the world and is experiencing a so called *"second industrial revolution"* (BBC News, 2014). This process of rapid economic growth started in 1978 with Deng Xiaoping and the beginning of the process of *"restructuration and opening to the world"* – the central element of China's economic reform and subsequent economic success (Worldbank.org, 2014).

It is no surprise that the rapid economic advances and the sheer size of the Chinese market have proved to be a huge attraction to international firms who wish to benefit from an economy that has been growing at over double the world average (GSAM, Bloomberg and consensus economics). Talking in GDP terms, China is rapidly moving towards the top of the world ranking according to various official sources[1] and all the projections indicate that the Asian giant, despite the many challenges that it faces, will continue its ascent and may well end up becoming the world's leading economic power.

In correlation to Chinas economy, the living standards and purchasing power of the 1.3 billion inhabitants have vastly improved over the years and there is huge market potential. Within a generation, the middle class in China will be roughly four times the size of the American middle class population, according to the UN Population Division and Goldman Sachs (Rapoza, 2011). Today, over 25% of the population are middle class citizens, about 50% of the urban population, and are continually demanding more and more goods from overseas, more variety and better quality products(CNNMoney, 2014).

Taking a look into the alcoholic beverages industry, China is still a predominantly beer and spirit drinking country but the continuously evolving culture has resulted in many taking an interest in wine, especially those with higher purchasing power and those exposed to western influences and trends through opportunities to travel and higher education. As a

[1] List by the United Nations (2012) , List by the International Monetary Fund(2013), List by the World Bank (1990–2012) ,List by the CIA World Factbook (2003–2012)

consequence, many wine producing regions such as Rioja have benefitted from the increasing demand for wine. After all, China is the fastest growing market for wine in the Asian continent in terms of sales volume and value, with consumption levels doubling since 2007 (Euromonitor International, 2013), and has therefore become the Rioja export market with highest growth prospects for the coming years (Rioja wine in figures, 2013).

1.2 Objectives and structure of this study

The objectives of this research project are to;

- Identify and analyze trends in the global wine market in terms of imports, exports and consumption.
- Analyze the Chinese wine market in terms of imports and consumption trends.
- Analyze La Rioja´s wine production and exports and identify China as a Potential market.
- Identify and analyze the key elements in successful export strategy for Rioja wine in China.

In this project, I will study the trends in importation of foreign wines in China, identify and review the modes of entry currently used to penetrate the Chinese market and note current elements of successful Rioja wine exportation into China. I also intend to give a clearer view of the difficulties that Rioja wineries have to face when exporting into the Chinese market and make some recommendations to Rioja wineries looking to export their produce to China.

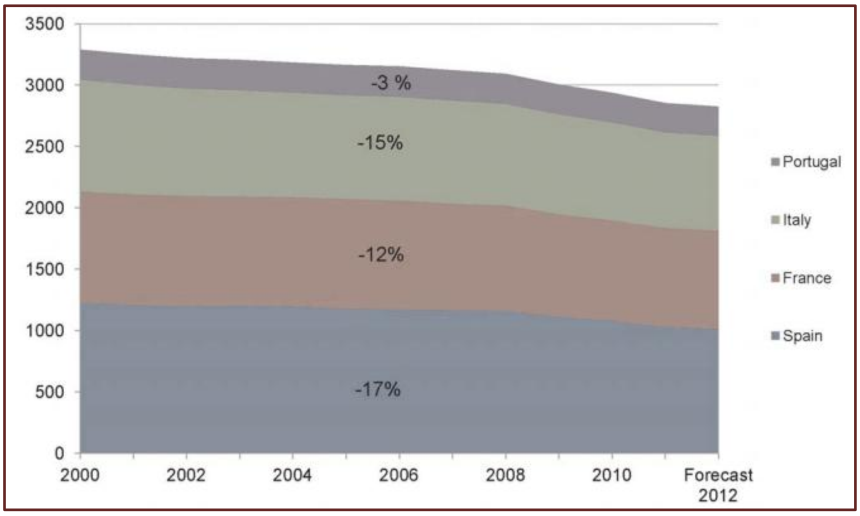
2. THE GLOBAL WINE INDUSTRY

2.1 Wine as a worldwide commodity

As wine grows in popularity within new world countries, wine producers are embracing these trend opportunities and are expanding rapidly. This incremental trend in new world countries contrasts with that of traditional wine growing countries, especially those in southern Europe, which have experienced a decline both in production and consumption of wine over the last 5 to 10 years. Changing life styles, anti-alcohol campaigns and health concerns are said to be the main causes for the decrease in demand (USDA Foreign Agricultural Service, 2014).

According to the OIV, the EU vineyard, the largest wine producer historically and at present, accounts for almost the 60% of the world vine surface and has reduced in vineyard area from 3654kha in 2010 to 3500kha in 2012 and was estimated to decrease even further in 2013 to 3481kha. That is a total reduction of 173000 hectares in 3 years (OIV 2014*)*. As can be seen in Figure 1 (page7) Spanish, French, Italian and Portuguese vineyard surface decreased a total forecasted 47% from 2000 to 2012. With such a huge reduction in vine surface, wine production in old world countries has suffered.

Figure 1) European vineyard surface trend from 2000-2012 (1000ha)



Source: OIV Statistical report on wine viticulture 2013

Within the EU, Italy, France and Spain account for around 80% of total wine production. (Baldi, 2011). However, The decline in wine production in these major old world countries has been partially compensated for in countries such as China, India and Russia where wine is not a traditionally consumed beverage but is gaining popularity with local consumers and businesses which are continually exposed to a more globalized environment.

Asia alone continues to see its wine production growing under the main influence of the estimated Chinese production. The continental production grew by 342 thousand hl from 2010 to 2011 (+2.3%); 200 thousand hl of this growth were produced in China and contribute to the 15million hl produced by the whole continent (OIV, 2011). As shown in Appendix 1, Table 1 (page 52) China´s wine production has increased in volume by almost 150% since the year 2002.

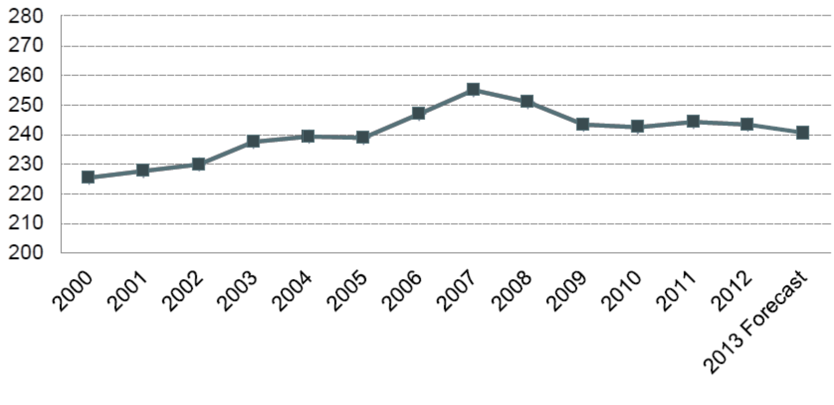
The decline in production and consumption of wine in old world countries contrasts with other countries such as China, Japan, Taiwan, Singapore and Korea which have drastically increased wine consumption in the last 5-10 years and are considered markets with very high potential both now and in the future (Bouzdine, Pesme & Zhang, n.d.). China in particular, is one of the fastest if not the fastest growing markets for wine at current times both in production and consumption.

2.2 Wine Consumption and Wine Trade in the world

<u>World wine consumption</u>

From Appendix 2, Table 1 (page 53) it can be noted that there has been a steady decrease in world wine consumption from the year 2009 to 2011 and slight recovery towards the year 2012 with worldwide wine consumption levels at around 240Mhl. According to data released by the OIV, from figure 2 (page 8) it can be clearly seen that there has been a downward trend from the year 2007 -2009 in the world consumption of wine.

Figure 2) World wine consumption (million hectoliters)



Source: OIV State of the Wine Vitiviniculture World Market 2014

In old world countries, consumption per capita has been steadily declining whereas in new world countries growing consumption has maintained, at the least, world wine consumption levels relatively stable. (OIV, 2014).

From Appendix 2, Table 1 (page 53), it can be seen that in Southern European countries, although there was a slight recovery in the year 2012, wine consumption has generally been declining since 2007. According to various sources, this decline in consumption is due to the fact that with such a high range of beverages to choose from, consumers have been drinking cheaper alternatives and or reducing the amount of more expensive wine they drink especially since the economic crisis in 2008 (Baldi,2011). Changing habits of consumption, youth anti-alcohol drinking campaigns (especially in France and Italy), subsequent advertisement restrictions and restrictive legislations may be other significant causes of this decreasing trend in wine consumption in such countries (Baldi,2011; Bettini,2014).

World wine Trade

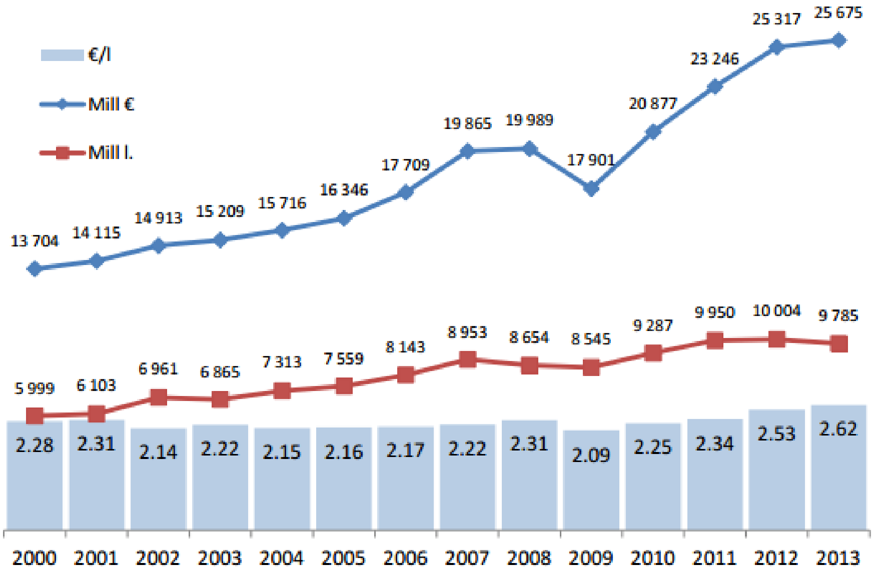
As shown in Appendix 2, Table 2 (page 54), the leading countries in terms of wine imports are The US, The UK, Germany, Canada and China as of 2011. China increased wine import figures drastically taking it up from 18th largest importer in terms of value in 2007 to 14th largest two years later and finally up to 5th place in the year 2011 with imports increasing by 138.94% over the 5 year period.

If Chinas imports are compared in value and in in volume, it can be seen that whilst value has increased by 82% from 2007 to 2011, volume has only increased by 59%. The value gain with respect to volume represents Chinas evolution from a bulk wine importer to a bottled wine purchaser.

According to Appendix 2, Table 3 (page 55) the leading wine exporting countries in terms of value were France, Italy, Spain, Australia and Chile as of the year 2011. The three leading exporting countries in terms of value are also the leaders in terms of volume of exports. Unsurprisingly the top three exporting countries, France, Italy and Spain, are also the leaders in terms of wine production.

Excluding intra-EU trade, wine exports from the European Union to third countries performed a record high in 2011 with an 11% increase in volume and 26% increase in US dollar value. The recovering economy, the weakening euro and the increasing demand from BRIC countries are major reasons for the surge (Baldi , 2011).

Figure 3) World wine trade in Euros and Liters



Source: OIV ; The wine market: evolution and trends May 2014

3. THE RIOJA AND CHINA WINE INDUSTRIES FROM A GLOBAL PERSPECTIVE

3.1 Wine in Rioja

3.1.1 Introduction

The Rioja wine region is located in the North of Spain, on both sides of the River Ebro. Although La Rioja is one of Spain's 17 autonomous communities and indeed makes up for most of wine growing region, from an administrative point of view Rioja´s **63,593 hectares** of vineyards are divided between three provinces – La Rioja (43,885 ha), Alava (12,934 ha) and Navarre (6,774 ha). The Rioja wine region is divided into three main areas: Rioja Alta, Rioja Baja and Rioja Alavesa, as can be seen below in in figure 4 (page 11).

Figure 4) Map of the Rioja wine Region

Source: cellartours, 2014

The historical background of this region, the prestige of its century old bodegas, the quality controls guaranteed by its Denomination of Origin (DO) and the response to new market trends and demands have meant that that Rioja has become one of the most well-known denominations of origin in the world. It is also one of the few DO´s that actually requires the wine to be bottled within the region.

The Denomination of origin regulates wine quality, promotes the DO and establishes the rules by which Rioja Wineries must play. The DO depicts:

- The area where the vines can be grown in order to be classified as DO Rioja.

- The varieties of grape that can be cultivated
- The maximum output allowed by each winery
- The techniques of cultivation and production of wine.

Rioja wine can be classified into four major categories:

- **Young wines**: 1-2 years old, which keep their primary freshness and fruitiness.
- **Crianza wines**: at least 2 years old, having spent a minimum of one year in casks. For white wines, the minimum cask ageing period is 6 months.
- **Reserva wines**: aged for a minimum of 3 years, with at least one year in casks. For white wines, the minimum ageing period is 2 years, with at least 6 months in casks.
- **Gran Reserva wines**: exceptional vintages which have spent at least 2 years in oak casks and 3 years in the bottle. For white wines, the minimum ageing period is 4 years, with at least one year in casks.

Rioja wine in the Spanish wine industry

For its part, Spain is one of the top wine producers of the EU and of the world. According to data from the OIV & Euromonitor Int., Spain ranks as the third world wine producing country just after France and Italy.

The most commercialized type of wine in Spain is clearly that of still red wine. In 2012 it accounted for 1867.9 million euros worth of sales out of a total of 4449 million euros value. In terms of volume still red wine accounted for 488.9 million liters out of a total of 976.3 million liters. (Euromonitor 2013)

The DO Rioja holds the highest number of registered quality wineries, (1.209), followed by DO La Mancha (276), DO Ribera Del Duero, DO Cataluña and DO Penedés.

3.1.2 Wine Production and Sales

Table 1) Rioja productivity

Year	PRODUCTIVE HECTARES			Production (KG)	Average yield (Kg/Ha)	D.O Vinification (L)
	Red	White	Total			
1995	39,267	8,090	47,357	303,643,224	6,412	217,910,968
1996	39,378	7,923	47,301	340,408,707	7,197	244,468,446
1997	39,920	7,844	47,764	359,612,606	7,529	253,574,457
1998	40,679	7,709	48,388	386,776,917	7,993	273,560,471
1999	42,522	7,484	50,006	305,342,334	6,106	216,241,745
2000	44,676	7,339	52,015	490,669,779	9,431	310,801,915
2001	46,999	6,799	53,798	367,989,290	6,848	242,347,992
2002	49,459	6,086	55,545	284,289,535	5,118	196,823,899
2003	51,194	5,386	56,580	437,607,739	7,734	298,418,768
2004	53,161	4,975	58,136	472,281,522	8,124	269,695,002
2005	54,567	4,645	59,212	445,091,696	7,517	273,940,000
2006	55,931	4,458	60,389	421,440,239	6,979	278,180,000
2007	56,569	4,204	60,773	412,617,538	6,789	273,687,537
2008	56,825	4,057	60,882	396,622,326	6,515	272,118,653
2009	57,344	3,926	61,270	412,387,909	6,731	277,558,000
2010	58,109	3,851	61,960	395,196,593	6,378	255,904,080
2011	58,375	3,768	62,143	387,618,868	6,238	267,647,691
2012	58,389	3,764	62,153	354,904,866	5,710	245,704,466

Source: Rioja wine in Figures, 2013

Referring to table 1 (page 13) in 2012, Rioja wine production amounted to a total of almost 355million kg with 245.7 million liters of wine qualifying as DO quality. Over 90% of total productive hectares were destined to that of Red wines.

Table 2) Rioja Sales

	Domestic market		Export market		Total sales	
Year	**Liters**	**%YOY**	**Liters**	**%YOY**	**Liters**	**%YOY**
1995	125,953,908	-9.98	59,116,887	4.1	185,070,795	-5.92
1996	119,444,519	-5.46	58,846,727	-0.46	178,291,246	-3.66
1997	137,458,184	15.08	67,781,317	15.18	205,239,501	15.11
1998	150,682,311	9.47	71,550,035	5.5	222,232,346	8.15
1999	138,445,732	-8.13	57,133,801	-20.67	195,579,533	-11.99
2000	120,119,230	-13.24	39,858,918	-30.24	159,978,148	-18.20
2001	159,986,313	33.28	60,405,880	51.53	220,392,193	37.83
2002	178,115,778	11.27	72,097,169	19.33	250,212,947	13.48
2003	170,209,213	-4.43	66,138,317	-8.26	236,347,530	-5.54
2004	182,308,591	7.10	69,027,451	4.36	251,336,042	6.34
2005	179,565,974	-1.57	71,230,807	3.19	250,796,781	-0.26
2006	182,715,391	1.75	78,965,590	10.86	261,680,981	4.34
2007	187,461,381	2.59	84,589,517	7.12	272,050,898	3.96
2008	171,992,928	-8.25	79,916,305	-5.52	251,909,233	-7.40
2009	163,672,090	-4.89	72,425,805	-9.38	236,097,895	-6.31
2010	181,262,567	10.75	85,855,264	18.53	267,117,831	13.14
2011	176,985,130	-2.42	91,920,407	7.06	268,905,537	0.62
2012	169,448,349	-4.26	96,967,206	5.47	266,415,555	-0.93

Source: Rioja wine in Figures, 2013

It can be seen in table 2 (page 14) that for three years in a row, the DO Rioja has had sales of above 260 million litres of wine. From 1995 to 2012 total sales of wine have increased by 44% that is from 185 million litres to 266 million liters. Where domestic sales have decreased in the last few years, exports have increased and have maintained sales growth. By 2012 36% of sales were attributable to exports.

Of the total volume sold in 2012, the Spanish market accounted for 63.6% and is still the main market for Rioja sales. By type of wine, 90% of sales are of red wines, with 239.1 ML, while the rest of sales are divided between whites (14.4 ML, up 0.41% from last year) and rosés, with 12.9 ML (down 3.24%)(Rioja wine in Figures, 2013).

3.1.3 Wine Exports

Table 3) Rioja Exports

2011			2012		
Country	**Litres**	**% of Total**	**Country**	**Litres**	**% of Total**
United Kingdom	30655297	33.35	United Kingdom	32750070	33.77
Germany	18191102	19.79	Germany	18728011	19.31
United States	8567546	9.32	United States	8848786	9.13
Switzerland	6507945	7.08	Switzerland	5772275	5.95
Netherlands	3091505	3.36	Sweden	3245600	3.35
Sweden	3022369	3.29	Netherlands	3065185	3.16
Belgium	2320274	2.52	**China**	**2424059**	**2.5**
Ireland	2193966	2.39	Belgium	2379251	2.45
Mexico	1959150	2.13	Mexico	2170022	2.24
China	**1743462**	**1.9**	Ireland	2022495	2.09
Other countries	13667791	14.87	Other countries	15561452	16.05
Total	**91920407**		**Total**	**96967206**	

Source: Rioja wine in Figures, 2013

As can be seen in table 3 (page 15), the UK is the leading importer of Rioja (about one third of total exports) followed by Germany (19.31%) and the USA (9.13%), and there has been a steady growth in Rioja imports in all these markets. China has shown the largest growth, rising to 7^{th} place amongst the main importers with total sales of 2.42 ML. Chinas Rioja imports grew a staggering 38, 1% in 2012. This sudden increase in sales to China is probably due to the promotional efforts made in the last year of 500000€ of the DO´s promotional budget. It was the first time that any marketing efforts were made in China on behalf of the denomination.

The growing success of Rioja in the Chinese market is no doubt due to the proven quality and reputation of Rioja wines worldwide. The Chinese are growing more wine savvy and are spending more money than ever before on high quality foreign wine. Rioja specializes in barrel-aged wines and is growing in popularity within higher value-added segments in China and all over the world.

3.2 Wine in China

3.2.1 Introduction

The People's Republic of China is situated in Eastern Asia and has a 14,500km coastline on the West side of the Pacific Ocean. China borders with countries such as North Korea, Russia, Mongolia, Afghanistan, Kazakhstan, Nepal, Pakistan and Vietnam among others. It is the 4th largest country in the world in terms of land with a total of 9596961 km^2 and the largest country in the world in terms of population with 1.35 billion inhabitants (cia.gov, 2014)

According to the Constitution, China is divided into 4 municipalities, 23 provinces, 5 autonomous regions and two Special administrative regions. In economic terms however, China is divided into three main areas; East, middle and West. The east region being the most densely populated and the most developed of the three by far. A total of 50.6% of the population lives in urban areas of which Shanghai (16.575 million), the capital; Beijing (15.594 million), Chongqing (9.401 million), Shenzhen (9.005 million) and Guangzhou (8.884 million) are the major cities and all of which are situated nearer to (if not on)the East coast of the country (cia.gov, 2014)[2].

Figure 5) Administrative divisions of the People's Republic of China

Source: Wikipedia, 2014

[2] These are the official populations of the last census made in 2011. Population is estimated to be higher.

In the last 20 years China has been experiencing tremendous economic growth. China is among the world's fastest-growing economies, with real annual gross domestic product growth averaging nearly 10% through 2013. In recent years, China has emerged as a major global economic and trade power. It is currently the world's second-largest economy, largest trading economy, second largest destination of foreign direct investment, largest manufacturer, and largest holder of foreign exchange reserves (Morrison, 2014).

<u>Wine in China</u>

Historically, in China wine has not been the alcoholic beverage of choice amongst the great majority. Even today the market for wine in china is relatively small if the huge population of this country is taken into account. Today as can be seen in figure 6 (page 17) the Chinese mostly prefer to drink beer and other grain spirits as opposed to wine. However, "wine" drinking can be traced all the way back to the Han dynasty when emperor Zhang Qian brought back from the now Xinjian province the techniques used to make an alcoholic beverage made from grapes. Wine was also popular in the Yuan dynasty when it was served in the supreme temple rituals (Jenster & Cheng, 2008).

Figure 6) Sales of Alcoholic Drinks by Category: % share in 2012

Source: Euromonitor International 2013

Despite this history, the wine industry in China has only recently begun to develop into a significant market. In 1987 the Chinese Government started promoting wine and beer as healthier alternatives to grain based spirits which were using up valuable crops in the production of food stuffs. (The China Wine Market Sector Overview, 2010; Jenster & Cheng, 2008)

Since then, wine consumption in China has been growing at an astonishing rate. The OIV estimated the Chinese wine consumption at 3.92 million hectoliters in 2012 making China the 5th largest wine consuming country in the world. China now accounts for 7.3% of the world consumption of wine having grown more than 60% since the year 2000. However, consumption per capita is still very low (1.12L/year) if compared to that of the world average in 2012 (7L/year). Nevertheless, such a low consumption per capita can be attributed to the size of the market (Bouzdine, Pesme & Zhang, n.d.).

China is a very promising market for wine as some estimates indicate that consumption may rise by 10-15% annually as income rises, foreign influences continue in effect and tastes change accordingly (Thorpe, 2009). According to Euromonitor international, as can be seen in Appendix 3, in tables 1,2&3 (page 56) from 2012-2017 wine sales in China will experience a 14% average growth in value and 9,8% growth in volume per year. Over the 5 year period estimates are that wine sales will grow 92.4% in value terms and 59.4% in volume terms hence making it the fastest growing alcoholic beverage type in the market.

3.2.2 Wine Imports

As can be seen in the Appendix 4, table 1 (page 57), China wine imports tripled in volume from 2006-2011. France, followed by Spain, Australia, Chile, Italy and the US are the main exporters of wine to China and together account for over 90% of the total import market in terms of volume. During this period, it can be seen that France had a significant increase in volume especially from 2010-2011 and has the highest average growth rate, followed by Spain, Australia and Italy in given order. Other countries such as the US, Portugal and South Africa have notably increased their market share but still remain the smaller players in the market in terms of volume.

In terms of value, as can be seen in Appendix 4, table 2 (page 58) France is the clear leader with over 50% of the market for the year 2011, a great improvement since 2009 when it accounted for less than 30%. France, Australia, Chile, Spain, Italy and the US together account for over 90% of the wine market in China and all these countries saw their value of imports multiply by at least 4 times over this particular time frame. The US, Australian and Italian wine export saw an increase in value six times what it was in 2009. Spain's and Chile´s wine export value in particular quadrupled in the 6 year time frame.

3.2.3 Wine consumption, consumer demographics and wine culture

Traditionally, the Chinese population enjoyed mainly grain based distilled spirits. These spirits along with beer are the most widely consumed forms of alcohol to this day.

However, the range of options available has grown immensely and continues to do so as China´s economy expands and consumer preferences change.

Nowadays Chinese citizens dispose of higher purchasing power, receive greater influence from the outside world and are slowly but steadily shifting towards other options such as wine. Drinking of wine has been associated with western culture, is viewed as sophisticated and worldly but is mainly reserved for drinking with family, friends or in business, served as a tasteful gift to share with others (The China Wine Market Sector Overview, 2010). Sales of wine have more than doubled in volume and value terms since 2007 and are to continue in this trend with a forecasted growth of over 50% in volume and value terms from 2013-2017 (Euromonitor International, 2013).

The simplest explanation for this change in the alcohol consumption pattern is that as disposable income rises and the Chinese become wealthier, more and more people are starting to drink wine as an alternative to traditional liquors and local/imported beers. The Chinese market is huge and so even though the consumption volume of wine has doubled over the last 10 years consumption per capita of 1.12L (2012) is a tiny consumption level if compared to the 49L per capita of the French. (Bouzdine, Pesme & Zhang, n.d.).

Resistance to wine drinking can mainly be attributed to the older Chinese population who still prefer other types of grain based liquors. However, it is the younger and more world savvy Chinese who are opting for grape wine due to concerns over health and taste (Sun, 2009) and are aware of the benefits of red wine, regardless of their income disposition or gender (Liu & Murphy, 2007)

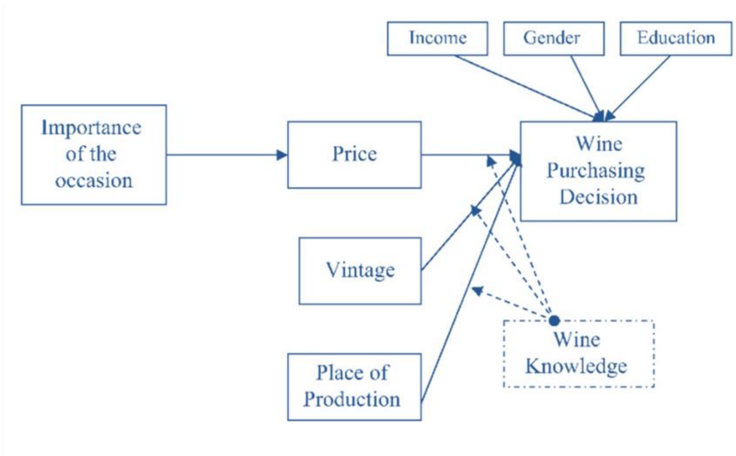
According to Euromonitor 2013:

"High-end alcoholic drinks with healthy ingredients are expected to see robust growth momentum during the forecast period, in line with the premiumisation and the health trend among Chinese consumers. With the improvement in living standards and the rising personal disposal income in China, consumers are likely to pay greater attention to health and high-quality lifestyles."

From 1999-2004 wine imports increased by more than 500 million liters as a result of central government promotion that encouraged wine drinking as a better, more healthy alternative to other alcoholic beverages (Bouzdine, Pesme & Zhang, n.d.). Since then, wine has maintained its good reputation as a healthier alternative with even women drinking increasingly more wine when traditionally they did not drink alcohol (Sun, 2009).

Consumers are often brand conscious and tend to purchase more expensive, well-known brands especially when it comes to presenting a bottle of wine as a present or at a banquet where "*Mianzi*" or "*face*" is critical and reputation is at stake (Liu & Murphy, 2007). Illustrated below in figure 7 (page 20), the importance of the occasion influences the price that consumers are prepared to pay for each bottle. Hence more expensive, foreign wine, is reserved for special occasions, business meetings and festivities such as the Chinese new year (Liu & Murphy, 2007). Wine is an image product, a sign of high social status, rather than a normal product as in Western countries where consumption is an everyday activity (Liu & Murphy, 2007).

Figure 7) A wine purchasing decision model of Chinese consumers



Source: Liu & Murphy, 2007

Finally, Red wine is the most popular type of wine in China (Liu & Murphy, 2007; The China Wine Market Sector Overview, 2010; Sun, 2009) and may be related to the fact that red is a lucky color that represents good fortune and happiness, is popular at weddings and also at Chinese new year and other traditional celebrations.

3.3 Summary and conclusions

Since 2006, changes in consumption habits have led to an overall decrease in wine consumption in traditional wine producing countries or more specifically, in old world countries such as France, Italy and Spain. The global financial crisis in 2008 accentuated the downward trend in wine consumption and shifted exports towards emerging wine drinking markets such as Russia and China (among others) where wine was growing in popularity at an astonishing rate.

The small, but prestigious, Spanish wine region of Rioja has been no exception in the pursuit of new potential markets. The main export markets for Rioja wine are still the UK, Germany and the USA but China in particular has shown the largest growth as an importer of Rioja wine in recent years placing it in 7th place among other importing countries. In 2012, exports to china grew by 38% thanks in part to the promotional efforts of the Rioja DO in China.

As China has grown economically, demand for high quality foreign wines has been on the rise. Especially within urban areas, consumption of alcoholic drinks is rapidly shifting from beer and grain spirits to wine. Hence China has become a market of great potential for wine exporting countries all over the world, including Rioja.

4. ENTERING THE CHINESE WINE MARKET

4.1 Market entry Strategies

4.1.1 Market Selection

When a company decides to expand into foreign markets, it should first and foremost define its international marketing objectives and policies

Next, the company should evaluate all possible international markets and carefully evaluate each one of these. Potential markets should be evaluated and ranked on many different levels (demographic, sociocultural, geographic, political, legal and economic) in order to know whether the risks and challenges that need to be taken will be outweighed by the long term benefits of entering such market. Indicators of market potential are listed in the table below, table 4 (page 22) (Armstrong & Kotler, 2007).

Finally, the market to enter is selected on the basis that it gives the highest long term return on investment.

Table 4) Indicators of market potential

Demographic Factors - Population size and growth - Population age composition - Education	**Sociocultural Factors** - Consumer lifestyles, beliefs and values - Business norms and approaches - Cultural and societal norms - Languages
Geographic characteristics - Climate - Country size - Population density - Transportation structure and market accessibility	**Political and legal factors** - National Priorities - Political stability - Government attitudes towards international trade - Government bureaucracy - Monetary and trade regulations
Economic Factors - GDP size and growth - Income distribution - Industrial infrastructure - Natural resources - Financial and human resources	

Source: Armstron & Kotler, 2007

Indicators of China Wine market potential for Rioja wineries:

- Demographic: China population is the largest in the world with 1.35billion inhabitants (cia.gov, 2014).
- Geographic: The size of the market is huge. First tier cities are where most of the income lies but second tier cities are growing very quickly.
- Economic: GDP is growing at double the world average. The middle class is expanding very rapidly and in 2030 it is estimated that the total Chinese population will be middle class citizens. Currently over 25% of the population are middle class citizens, about 50% of the urban population.
- Political and legal factors: China is still a communist country where the government has a lot of economic power. However, efforts to promote trade and reduce barriers have been made.
- Socio cultural: Mandarin is the national language, learning it will make business operations much easier. What is even more important to note is that Chinese culture is completely different to that of western culture. Understanding this is the key to success in the market.

When entering the Chinese market as a foreign company, many western businesses are aware of the barrier tariffs imposed on companies exporting into China. What many companies underestimate or even overlook, however, are other barriers such as cultural differences and major distribution difficulties. According to Ambler, 1995; Myers 1987: Xing 1995 & Zhao,1991, understanding Chinese culture is fundamental to achieving business success in China (Bretherton & Carswell, 2001).

Some cultural differences between Westerners and Chinese are:

- Chinese place much emphasis on interpersonal relationships and work in in a very high context environment where business relationships are developed on a basis of trust and therefore take a long time to form.
- Chinese business practice tends to avoiding risk taking when possible, hence choosing older, more famous and reputable business partners. In the case of the wine market, premium price imported wine importers have to find ways to work round this cultural barrier in order to gain acceptance in the market. In the same

way, however, being less innovative and prone to risk make Chinese more loyal to brands they have already taking a liking to.

- Language is another cultural barrier that needs to be taken into account if success is to be achieved.

Western businesses that have succeeded in the Chinese market place have not tried to change the way things have been working in China for thousands of years, to change their culture or impose western values and business practices, but have instead adapted to the Chinese way of doing business themselves. Building a trustworthy business relationship and network in China is critical to succeed.

4.1.2 Market entry modes

When entering the Chinese wine market or any other market, it is the degree of control and commitment which determines which mode of entry is more suitable. Internal factors such as the company's financial situation have a big impact when choosing one market entry mode or another.

Table 5) Advantages & Disadvantages of different market entry modes

Entry mode	Advantages	Disadvantages
Direct Exporting	- Full return on sales - Gain knowledge - Permanency - Protect good will and ensure work is not neglected	- High costs and risks - Difficult to obtain specialized knowledge - Volume may be slow to build
Indirect Exporting	- Inexpensive to start - Have foreign expertise - Good for out of the way markets (like China)	- May not provide enough marketing effort or learning experience. - Profit loss - Loss of control
Licencing	- Good way to start in foreign operations and open the door to low risk manufacturing relationships - Linkage of parent and receiving partner interests means both get most out of marketing effort - Capital not tied up in foreign operation - Options to buy into partner exist or provision to take royalties in stock.	- Limited form of participation - Potential returns from marketing and manufacturing may be lost - Licensees become competitors

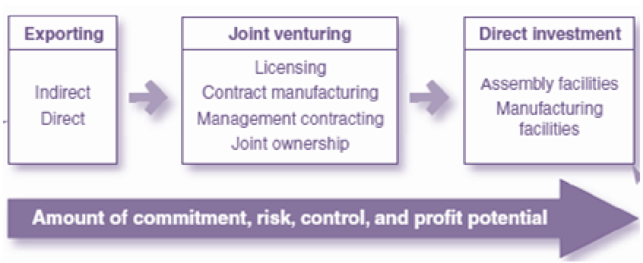
Contract manufacturing (not an option for Rioja wineries)	- Little or no investment - Cost saving - Overcome import taxes and other import barriers	- Quality may suffer - May be frowned at, as reputation may decline
Joint ventures	- Sharing of risk and ability - Combine the local in-depth knowledge with a foreign partner with know-how in technology or process - Joint financial strength - May be only means of entry	- Partners do not have full control of management - May be impossible to recover capital - Disagreement , different views on expected benefits.

Source: Albaum, 1989

Direct Investment modes of entry such as Assembly facilities and Manufacturing facilities are not feasible for Rioja D.O wine exporters as the wine must be bottled within the wine region.

Exporting is the easiest and most common way to enter a foreign market. It poses less threat, is financially less demanding but also means there is less control and lower profit potential. Joint venturing would increase the amount of risk and commitment but at the same time allows for higher profit potential.

Figure 8) Market entry strategies



Source: Kotler & Armstrong, 1991

Market tested approaches in China:

- Starting in first tier cities, which have larger populations and higher disposable income levels. Shipping to these cities is easier and once the distribution strategy has been mastered, moving towards second and third tier cities is easier.
- Starting in second and third tier cities where competition is lower and moving towards bigger cities when high brand reputation has been achieved.

- Some JV´s have been established with wines being shipped in bulk to china and subsequently bottled on the mainland to reduce costs and be more competitive in the market (The Catalan wine giant Torres is an example). While cost may be cut in this way, some argue that brand reputation could suffer.
- Some companies are using bonded areas which are duty free as centers of distribution. The bonded areas are however far from the main city centers.

4.1.3 Distribution Channels

Taking Kotler´s definition (1984), Marketing is described as: The process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual (customer) and organizational objectives.

A company's offerings or services along with the method it selects to accomplish this exchange make up what is called the Marketing mix. There are four strategic elements of a marketing mix (known as the 4 P´s): Product, price, promotion and place, distribution being core to the last of these. (Schiffman, 2008)

A distribution channel is a fundamental part of any market entry process as it is the means by which a company delivers its products to the targeted customer. In this way, wineries, including those of Rioja, will have to take into account and study the target wine drinking market to deliver the product through the right market channels. Delivery of the product must satisfy the demand whilst being efficient and economically beneficial to the winery.

There are three major decisions to be made when designing a distribution channel:

- Who will the intermediaries be if any?
- How many levels will there be in the distribution channel (that is; how many intermediaries)? This will generally determine the market coverage and the kind of distribution.

The election of a distribution channel must weigh both the advantages and disadvantages of different distribution channels in order to reach the selected target market in the most efficient and effective way. Therefore, there is no one unique theory that can be applied to all Wineries as different wineries may have different objectives and marketing strategies.

Despite the importance of selecting distribution channels, there is little and limited literature related to distribution channels for foreign wineries looking to export into the Chinese market. It has been suggested that market entry distribution strategy for western products is the key to success in the Chinese market. There are many constraints for foreign companies and while China is becoming more and more like the free markets in the west, many aspects of a government controlled economy still remain (Bretherton & Carswell, 2001).

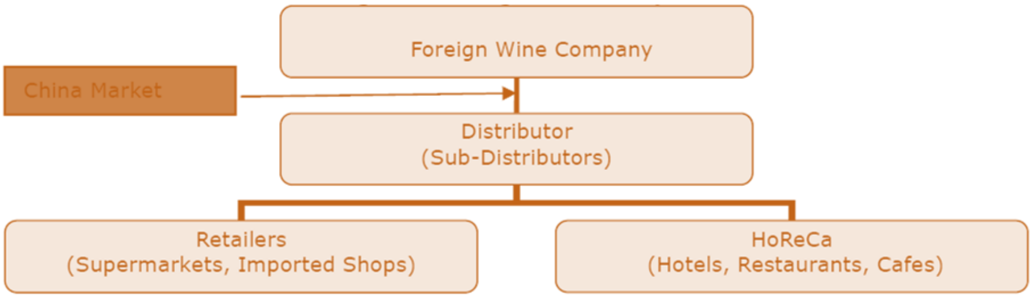
For a Rioja winery wishing to export to China, the two most important questions are; Who will be targeted? And which are the best channels to use so that the product reaches the customers in the most successful way possible?

In China, Hotels and Restaurants usually do not deal directly with foreign wineries themselves and taking into account the fact that the HORECA channel of distribution is the most widely used to sell foreign wines (approximately 70% of the market) to enter the Chinese market, the first thing to look for is a reliable distributor. The HORECA channel consists of Hotels, Restaurants and Catering, hence the acronym.

In the Chinese market the most widely used forms of distribution are:

- As of the year 2012 The HORECA channel accounted for 72% of sales in terms of value and 49% in terms of volume. This has been the tendency for the last 5 to 10 years. This suggests that sales of more premium wines are made in restaurants and bars and so wine has a strong link to consumption of food, social outings and is not yet a domesticated consumption product. (Euromonitor, 2013)
- Retail: Supermarkets and Small specialized stores account for 30% of total wine sales value and about 51% of volume sales. (Euromonitor, 2013)
- Online Sales: There have been no official data publications about wine sales online but according to the internet society of China 2012 sales through the internet came to 165000 million euros, a 64% increase with respect to 2011. According to this organization, wine sales through this channel accounted for 6.3% of total wine sales in china. Most sales online are made by C2C rather than B2C but in the last years there has been a clear increase in such online platforms (Gracia & Rodriguez, 2013).

Figure 9) Wine distribution Channel Diagram for foreign wine companies



Source: Redfern Associates,

4.1.4 Pricing

Chinese consumers are very price sensitive when it comes to purchasing wine and in comparison to other alcoholic drinks such as beer or traditional liquors, wine is generally more expensive and therefore reserved for special occasions and/or for a very select target market with higher disposable income.

According to ICEX, a bottle of wine straight out of a Spanish winery will have approximately 0,5 euros of fixed transportation costs per bottle of wine. Once the bottle has entered China import taxes will be applied and will account for approximately 50% of the original price of the bottle. The chosen distributor will charge approximately another 40% of the price of the wine bottle and the retailer another 50-60%. (Gracia & Rodriguez, 2013).

Therefore if the market channel is a supermarket, price will be 3-4 times the original price whilst if it is a restaurant it may be 7-8 times. This is a huge difference in prices when final price in China is compared to the price of the same wine in its country of origin. In a study conducted by *wine magazine* in 2011 where wines of around 800RMB were considered, an rise in price of 330% was observed on average with respect to price of origin of the six Spanish wines considered (Martín Mendieta, 2011). The two Rioja wines were:

Cédula Real 2003: **384% price increase in China**. Retail price in Spain:76,74€ →Retail price in China 103,64€.

Roda Reserva 2006: **218% price increase in China**. Retail price in Spain 36,10€ → Retail price in China 78,69€.

4.2 Rioja wine Presence in China; an exploratory research

Although the data collected is not representative of the Rioja wine industry, in order to get an impression of the current situation, Both the HORECA channel (5 Restaurants) and the supermarket channel (2 urban supermarkets) were surveyed in the city of Beijing to see how Rioja wine was present in the market.

HORECA Channel

The five restaurants surveyed were midrange to fine dining establishments and were all western in style except for restaurant number 1.

Table 6) Wine by country of Origin in 5 restaurants in Beijing, China 2014

	1. TEMPLE		2. GRILL		3. RITZ		4. KEMPINSKI LUFTHANSA		5. MIGAS (SPANISH RESTAURANT)	
FRANCE	237	54.61%	226	48.39%	47	39.17%	14	46.67%	2	2.35%
USA	56	12.90%	46	9.85%	28	23.33%	2	6.67%	-	-
SPAIN	40	9.22%	24	5.14%	2	1.67%	0	0.00%	76	89.41%
ITALY	33	7.60%	52	11.13%	23	19.17%	6	20.00%	3	3.53%
AUSTRALIA	24	5.53%	41	8.78%	12	10.00%	3	10.00%	3	3.53%
CHINA	17	3.92%	13	2.78%	-	-	-	-	-	-
NEW ZEALAND	11	2.53%	21	4.50%	8	6.67%	1	3.33%	-	-
SOUTH AFRICA	4	0.92%	9	1.93%	-	-	2	6.67%	-	-
PORTUGAL	3	0.69%		0.00%	-	-	-	-	-	-
ARGENTINA	3	0.69%	13	2.78%	-	-	1	3.33%	1	1.18%
CHILE	3	0.69%	14	3.00%	-	-	-	-	-	-
GREECE	1	0.23%	-	-	-	-	-	-	-	-
GERMANY	1	0.23%	-	-	-	-	-	-	-	-
URUGUAY	1	0.23%	-	-	-	-	-	-	-	-
AUSTRIA	-	-	8	1.71%	-	-	1	3.33%	-	-
TOTAL	434		467		120		30		85	
RIOJA	5	1.15%	8	1.71%	1	0.83%	0	0.00%	11	12.94%

Source: own observation

In order to achieve an approximate idea of how Rioja wine is currently placed in the market 5 high end restaurant wine menus were surveyed. As can be seen in Table 6 (Page 29), the findings in 4 out of five of the restaurants were that French wines were the predominant accounting for approximately 40-50% of the total number of wine bottles on offer. The only exception was restaurant number 5, a Spanish restaurant which obviously had Spanish wines as main element of their wine menu. In all but the Spanish restaurant Spanish wines only accounted for about 2-10% of the wine menu and of those, Rioja wines were scarce and at most slightly less than 2% of the wine menu. Even in the Spanish restaurant Rioja wines accounted for just 13% of the total wine menu. These findings go to show that Rioja wine has not yet become well known.

Table 7) Average Price of wine categorized by country of origin in 2 restaurants in Beijing, China 2014 (prices in RMB)

		RESTAURANT 1					RESTAURANT 2			
	#	Wine Bottles	AVERAGE PRICE	nº RIOJA	AV. PRICE	#	Wine Bottles	AVERAGE PRICE	nº RIOJA	AV. PRICE
FRANCE	1	237	5298.82			1	226	3923.81		
USA	4	56	2694.07			2	46	3092.28		
SPAIN	5	40	2017.40	5	1428	4	24	1420.83	8	801.87
ITALY	6	33	1944.03			3	52	3022.60		
AUSTRALIA	2	24	3167.50			5	41	1131.10		
CHINA	10	17	803.88			11	13	432.69		
NEW ZEALAND	9	11	905.64			9	21	614.76		
SOUTH AFRICA	11	4	437.50			10	9	592.78		
PORTUGAL	8	3	943.33							
ARGENTINA	7	3	1433.33			8	13	664.23		
CHILE	3	3	2786.67			6	14	1048.93		
GREECE	13	1	340.00							
GERMANY	12	1	400.00							
URUGUAY	13	1	340.00							
AUSTRIA						7	8	695.63		
TOTAL		434					467			

Source: own observation

As illustrated in table 7 (page 30) Spanish wines were ranked at 5th and 4th most expensive wines after French, Australian, Chilean and US wines (in the case of restaurant number 1) and French, US and Italian (in restaurant number 2) respectively. If Rioja wines were considered separate to Spanish wines they would be ranked at 8th and 7th most expensive wines. The average price of Rioja wines was 1428RMB and 801.87RMB in restaurant 1 and

2 respectively. Rioja wine is priced on average below those wines from France, USA, Italy, Australia and Chile.

Supermarkets; Please refer to Appendix 5 (page 59)

As for Supermarkets and small specialized import stores, Rioja wine is still nowhere near the predominant variety. Rioja wine still remains a small percentage of total available wine and is not even the predominant variety amongst Spanish wines. Approximately 5-10% of all wines in both surveyed supermarkets were Spanish and less than 1% of what was observed was Rioja wine. In contrast to the HORECA channel, The Rioja wine was of a much lower price range; our sample average was of approximately 350RMB. This proves the point that the HORECA channel is the best way to distribute high end wines to Chinese consumers as wine drinking is not yet a daily habit and is mainly reserved for special occasions. If wine drinking were an everyday activity, the supermarket channel would have a better selection of high quality wines such as Rioja and there would be more room for the higher priced bottles that are for sale through the HORECA channel. The Predominant foreign wine was French. In both supermarkets there was an entire section reserved for French wines and in amongst the selection were the most expensive wines on offer. Other competitors for Rioja wines, with more similar prices and less expensive than the average French bottle were U.S wines, NZ wines, Chilean, Italian and South African wines, as can be seen in Appendix 5, table 1(page 61).

4.3 SWOT ANALYSIS: Rioja wine in China

Strengths

- Growing Economy, GDP, population
- Government promotion of wine drinking
- Continually growing exposure to western customs and trends
- Relationship between wine (especially red wine) and Health benefits
- Wine sophistication connotations
- Increasing amount of foreign business relations with toasts in wine

<u>Strengths for Rioja</u>

- Red wine predominates and is the favored type of wine by Chinese consumers

- Highly regarded denomination of origin
- Guaranteed quality
- Good value for money

Weaknesses

- Traditionally other types of alcohol are consumed
- Chinese people do not know too much about wine and wine culture
- Wine is more a symbol of status rather than a valued product for taste an quality
- Significant regional inequalities
- High customs and taxes

Weaknesses for Rioja

- Relatively high priced wine
- Lack of publicity and not yet as well-known as competitors
- Little trust in unknown products

Opportunities

- Growing demand in second tier cities
- High demand in first tier cities
- Decreasing tariffs on import wines
- HORECA channel and growing online sales
- Health care is a marketing opportunity
- Wine culture is more widely spread

Threats

- Increasing quality of domestic wines
- Counterfeit
- Marketing costs are huge
- Hard to maintain long term partnerships
- Complicated distribution channels

4.4 Summary and Conclusions

Choosing the right market to enter and selecting the market entry modes that adapt best to a company's internal resources and the external factors that shape a particular market and indicate its potential is crucial.

Potential markets should be evaluated and ranked demographically, culturally, geographically, politically, legally and economically in order to know whether the risks and challenges that need to be taken will be outweighed by the long term benefits of entering such market.

Once the market to enter has been chosen, the market entry modes are the next big decision. The degree of control and commitment desired by the company determine which mode of entry is more suitable as well as their financial allowance. Indirect exporting is the least involved market entry mode, there is less risk taken on as fewer investments are required and there is less commitment to the market. This tends to be the chosen market strategy by Rioja wineries as the market is still relatively new and local distributors have the expertise needed.

It is through the distribution channels that the wine reaches the Consumer. For foreign wines, Rioja wines included, the HORECA channel is the most commonly used followed by the retail channel. In the retail channel prices are multiplied approximately 3-4 times whilst in the HORECA channel it may be 7-8 times the original price. Rioja wines are still very much unknown in the market and overshadowed by competitors such as French wines, especially since they are part of the higher value added category. Therefore, Rioja wines are mainly present in the HORECA channel as there is a higher disposition to pay.

5. EXPERIMENTAL ANALYSIS: RIOJA WINE EXPORTS TO CHINA (INTERVIEW RESULTS)

5.1 Methodology, Objectives and limitations

In this study, a total eight Rioja wineries were interviewed about their personal experiences exporting wine to China. The information obtained is therefore qualitative in nature. All eight wineries were interviewed either through Skype using a semi structured questionnaire or through email with open ended questions. The objective was to recollect primary data about the wineries understanding and personal views of the Chinese wine market. China is a huge market and Rioja wineries must carefully analyze market entry strategies, the most suited distribution channels and they must also adapt to a completely different culture and way of doing business. Through the interviews I was able to gain further understanding of what doing business in China is like, what difficulties were faced and how these wineries had positioned their Rioja wines in the market.

A brief description of the eight wineries can be found in Appendix 6 (page 62)as can be the semi structured interview in Appendix 7(pages 63-66).The interviews were conducted with a total of four export directors, two export area managers, one export assistant and one sales director.

The main limitations to this study were that:

Only 8 Rioja wineries were interviewed. This is a relatively small sample if the fact that it is a fast growing market and many Rioja wineries are exporting to China is considered. There are currently 581 Rioja DO wineries so approximately only 1.3% of the market was interviewed (Rioja wine in Figures, 2013). Identifying new market entrants, however, is difficult as Rioja wine exports to China are growing so quickly.
Interviews to China based Import/distribution companies would have given a clearer idea of how the distribution process is dealt with. Some of the wineries said that they had little control over the distribution process once the wine had been imported into China.

5.2 Analysis of Results

5.2.1 Motives for entering the Chinese market and Future prospects

6 out of the 8 wineries mentioned the fact that the growing economic power of China and rising disposable income of the population had resulted in a growth in demand for foreign wines. Companies 1, 2, 5 and 6 all mentioned that the Chinese were becoming more and more interested in wine culture and that this proved to be a huge opportunity for Rioja wineries. Wineries 1,2,4,5 and 8 all thought positively about the future and assumed that there was market potential as the economy continues to expand and more people are becoming interested in premium quality wines.

"The main entry motives were that China is a very important market for high quality wines and that the Chinese economy is one of the largest in the world, if not the largest! We are confident that we will continue growing within this market because as purchasing power increases, so does wine culture and recognition of quality Rioja wines" Winery 1

"The reasons we chose China were the country's great economic potential and the Chinese's growing love for good wines. We believe and hope that our share in the market will continue to grow and things only continue as well as they have been going so far" Winery 5

Wineries 3, 6 and 7 however were generally uncertain about the future, a major drawback being that sales were not uniform during the year as wine was not yet consumed on a regular basis and reserved for festivities such as the Chinese New Year, the Moon Festival, etc.

"We are basically an exporting company and for us China seemed like a market with a lot of potential. The future is not predicable, it's a very unprofessional market and very much seasonal with punctual sales predominantly in the New Year, the moon festival and spring festival." Winery 6

High Taxes and difficulties in the process of distribution were mentioned by winery 3 as a major setback and winery 7 stated that they believed that there was saturation in the market for Rioja wines and that future growth was predicted to be slow. It is important to note, however, that winery 7 was also the only winery which considered their product to be of lower quality and low price range.

"China was a strategic growth market for our company since 2009, when we noticed that the Chinese had taken an interest to imported wines. The future is uncertain; the market needs to restructure tax systems and distribution systems." Winery 3

"The reasons we entered the market was the growth in demand but the market is starting to saturate and we think that future growth will be small." Winery 7

Although Spanish wine is not the favored by the Chinese and Rioja is still not the predominant even among other Spanish wines, 5 out of the 8 wineries mentioned that the promotional efforts made by the D.O had resulted in a growing interest in Rioja wines on behalf of the Chinese.

"*Spanish wine is not the preferred type of wine by Chinese and is still relatively unheard of as a high quality wine. However, there has been a growing interest towards Spanish wines, especially Rioja. In China the denomination of origin is doing a great job in promoting the wine." Winery 6*

In addition, two out of the 8 wineries mentioned that they were approached by Chinese importers/distributors with attractive business proposals and hence started exporting to China.

China is a huge market, the economy is growing at a very rapid rate and wine consumption is viewed as a huge opportunity for Rioja wines, especially because the Chinese are spending more on higher quality wines. The responses given by the wineries gave the impression that there was a non-systematic approach to market selection. China was chosen by many wineries because of the promising economic outlook of the country, the expanding middle class and the increasing demand for foreign wines. Perceived success of other foreign wines in China was another motivating factor to enter the market. Although the potential of this market is obvious, there is still a lack of understanding of the market and how business works. More market research could be very beneficial to these wineries and other wineries looking to export to China in the future.

5.2.2 Market entry strategy and selection

By and large, all wineries interviewed have adopted indirect exporting as their mode of entry into the Chinese market and were set to continue this way. This form of entry is limited in the amount of commitment and risk but also means there is less control and less profit potential in the value chain. This form of market entry is typical of companies starting in relatively new markets. The Rioja wineries rely heavily on the expertise of independent Chinese intermediaries in the forms of importers, distributors or combined importing and distributing companies.

The main reasons for choosing indirect exporting mentioned were:

1) Internal factors

- The novelty of China as an export market (4-15 years, average 7.375 years)
- That China still accounted for a relatively small percentage of total exports sales (≤5%) and hence profitability in setting up an overseas office in China would not be financially justifiable.
- 3 out of 8 respondents, were not sure about the future market potential for Rioja wine in China and were not certain that demand would continue to increase therefore making any other form of market entry a big financial risk.
- Rioja wines are known not to be the favored by the Chinese and would need to gain popularity in order for the wineries to look into other market entry strategies that require more investment. Most marketing efforts were therefore left in the hands of Chinese importers/distributors who have invested time and money in studying the Chinese market and hence know the best course of action to take when selling and promoting Rioja wine in China.

2) External Factors

- The main reason, that all respondents mentioned, was the lack of knowledge about the Chinese market and lack of experience due to the differences in culture. Finding local import companies/distributors with good reputation, good installations and a good client portfolio means that language and culture barriers are eliminated and local expertise is gained. Having a Chinese distributor opens many doors as they should have experience promoting other wines in local establishments and have a reputable client base. A distributor's client trusts their knowledge of wines when introducing new products into the market such as a Rioja. As it has been mentioned, Rioja is still an uncommon and relatively unpopular wine if compared to its French, Australian, Italian counterparts. Thus, a good spokesperson and representative is needed to convince potential buyers of Rioja. A local distributor has the contacts, speaks the language and is accustomed to dealing with Chinese clientele who have different cultural norms and do business very differently to the west.

- There is still little knowledge and understanding of quality wines on behalf of the Chinese. Much emphasis is made on presentation and packaging in sales. Having a reputable Chinese distributor adds credibility and reassures the buyer of the quality of the wine being sold.

"Chinese culture is very different to ours. Labeling and presentation are often more important to them than the quality of the wine and is what attracts them towards buying a particular bottle." Winery 2

Although all wineries are exporting through Chinese importers/distributors many wineries noted that it was difficult to find professional importers/distributors that were willing to add Rioja wines to their portfolios. These few large import and distributing companies carry a lot of wines under their names and receive many proposals from different wineries around the world. Therefore, their power of negotiation is high and poses a great difficulty when starting off in the Chinese market. A few of the wineries mention having made business with smaller distributors who are generally more flexible than the main distributing companies but can be very unreliable and hard to maintain as business partners. The high bargaining power of distributors was mentioned by most wineries as one of major challenges when entering the Chinese market.

"There are few professional importers/distributors and it is difficult to enter their portfolio." Winery 6

Out of all the wineries interviewed only one proved to have been interested in forming a joint venture in China. Most wineries mentioned the fact that they want to have control over their choice of distributors and do not find the need to commit financially and /or want to keep the business a family run business (winery 1&3). Winery 7, our lower quality winery, mentioned that although they have been trying to form a joint venture in China, they have not yet succeeded in finding a suitable partner. This entry mode would allow the company to have higher control in the distribution process and obtain higher margins in the value chain.

Export process

By and large, the export process described by the wineries is quite straightforward. The process is initially the same as it would be to export to any other country outside the EU. For the wine to leave the country, being a product with special tax requirements as an export product (taxes don't apply) it needs a supporting document for transportation and export purposes (usually DDA 500 and/or EMCS) alongside the invoice and packing list. Normally the transportation conditions are EXWORK, in other words the importer takes care of organizing all the transportation process from the winery till it reaches China. The wine is transported in full shipping containers or on separate pallets consolidated with other wineries. In some cases, when consisting of full ship containers the wine is packed into the container by hand in order to take full advantage of the container space and save costs. The wineries interviewed also mentioned that the containers must be temperature controlled to preserve the wine in optimal conditions as the wine is a certain quality standard and not bulk wine.

The Export process is described below

The winery receives an inquiry, the winery then confirms the conditions (labeling, boxes, payment form…) In the case that the payment has to be made in advance nothing is prepared until the payment has been received in full. Once the payment has been made, the client is informed about the pickup date and arrangements are made to organize the goods for loading. At the same time everything is organized to successfully export and then import the wine. China is one of the countries with stricter import requirements. Generally what is required is.

- The certificate of origin
- Sanitary certificate
- Wine analysis
- Bottling certificate and wine variety certificate
- Quality certificate and quantity of product
- Packing list…

Once the import has been made and the distributor has the wine, it is possible that they distribute it in their proximate environment or that the importer/distributor has a network of sub-distributors that sell the wine to the final consumers in different regions or cities. However more members there are in the value chain until the final customer, the more expensive the wine becomes.

Three of the wineries interviewed (1,4&8) mentioned that they work with import/distribution companies based in Hong Kong and that the wine is then re-exported into China through an already established network. The other wineries have their wine shipped to ports such as Shanghai, Ningbo and Qingdao and then the wine is redistributed throughout china.

"We chose Hong Kong as our market entrance. We will continue with this strategy through our import company which has offices in Shanghai and Beijing that it re-exports to." Winery 8

All wineries chose to export indirectly to China through 1 or more Chinese distributors. The Chinese market is still very much unknown to Rioja wineries and so finding reputable distributors who already have the local expertise, speak the language and have network connections is crucial to succeed. Through indirect exporting less commitment and risk is taken, hence this proves to be the best mode of entry as China is still a small fraction of the total sales of these wineries. As Rioja sales continue growing in China other market entry modes may be considered as the financial risk will be more worthwhile taking. As time passes, the wineries will gain more experience in the market and may not need as much support from local distributors and importers.

5.2.3 Market entry location

When entering the Chinese market, specific target locations were mentioned by the 8 respondents. China is a huge country and cannot be targeted as whole, different areas and different cities were targeted by the Rioja wineries.

In table 8 (page 40), the cities targeted by the wineries and by how many wineries respectively can be seen.

Table 8) Chinese Cities Targeted by Rioja Wineries

City	Approximate Population 2013(million)	Tier	**winery**
BEIJING (inland, Capital)	18	1ST	1,2,3,4,5,6,7
SHANGHAI (coastal)	23	1ST	1,2,3,4,5,6,7
GUANGZHOU (coastal, near HK)	12.3	1ST	1,2,4,5,6,7
SHENZHEN (coastal, near HK)	12.3	1ST	1,2,4,5,6,7
HANGZHOU (coastal)	5.1	2ND	6
CHONGQING (inland)	11	2ND	3
CHENGDU (inland)	6.3	2ND	6
NINGBO (coastal)	2.6	2ND	3,6
QINGDAO (coastal)	3.6	2ND	6

Source: Interview results and population data from Nationsonline.org

All Rioja wineries mentioned first tier cities as their main target markets and only 4 out of the 8 wineries (1,4,6,8) had expanded into second tier cities. None of the eight wineries had chosen to enter second tier cities first and expand from there into larger cities.

Wineries 1,4 and 8 all mentioned that the wine was firstly exported to Hong Kong and then the local importer/distributor was in charge of getting the wine re-exported into China and distributed to mainly first tier cities. Wineries 4 and 8 stated having already introduced their wine into second tier cities, achieved by expanding from the first tier cities. Winery number 1 is also in the process of expanding into second tier cities surrounding the first tier cities their product is already available in.

The tendency to market Rioja wine into mainly first tier cities is clearly because the inhabitants of these cities are generally more educated, more affluent, have greater exposure to western culture and it is here where wine appreciation is growing at a faster rate. However, the remaining half of the interviewees mentioned second tier cities as having great potential, their economy also rising very quickly. These cities present some benefits that the larger first tier cities do not such as; less competition and that less investment has to be made to penetrate the market. On the con side finding distributors in second tier cities is more complicated than in first tier cities.

"We have our distributor target mainly first tier cities but we are also working towards targeting second tier cities." Winery 1

"Generally speaking we have experience exporting to the ports of Shanghai, Ningbo and Qingdao. We are trying to expand into other secondary cities but it's harder to find importers/distributors." Winery 6

When deciding which cities to distribute Rioja wines to, the wineries have to choose whether having an abundant market base, many distributors to choose from and more competition (in the case of first tier cities) is better than targeting smaller second tier cities where there is potentially less competition but distributors are harder to find. Most wineries have mentioned choosing first tier cities and expanding into second tier cities from there, after having made a name for themselves. The potential of second tier cities, however, should not be underestimated as foreign wine demand is on the rise and there may be fewer barriers to enter the market.

5.2.4 Distribution channels

Many of the distributors in China act as both importers and distributors and need a special license to legally import foreign wines. The most common channels of distribution are those of the so called visible channel: Hotels, restaurants and retailers but there is also an invisible channel which consists of corporate and governmental sales of wine. Most wineries stated that they chose their distributors after being approached in the winery directly or at international wine fairs. Distributors are then chosen according to their reputation, installations and product portfolio. What most wineries stated however, was that they had come across few professional distributors who were specialized or that were willing to bring new wines into their portfolio. 6 out of 8 wineries said that they had little or no control over the distribution process and that once the wine had been imported it was mainly up to the importer/distributor to decide where to sell it. Another issue with distributors was their eagerness to work exclusively as the sole distributor of a particular wine. None of the wineries granted exclusiveness and most of them were working with more than one importer/distributor at a time.

"The way of doing business is completely different in China than in other counties we work in. It is for this reason that it is crucial to count on an importer/distributor that knows and understands the business mechanisms in China". Winery 1

"There are few professional importers/distributors and it is difficult to enter their portfolio. Generally speaking the process of distribution is complicated, unprofessional and not specialized. From the winery it is hard to have control over the distribution process as in some cases the importer is an intermediary who sells to a regional distributor. Only in some cases is the importer also the distributor to the final customer."

High end restaurants and international hotels were the main channel for most of Rioja wineries. The target customer was generally described as being an upper class citizen or expat (small portion of the market) with western interests. Specialized stores were also mentioned by four of the wineries as being a major channel as wine was very often purchased as a gift on special occasions or at corporate events.

"Our importer companies have their own distribution network; high end restaurants and hotel chains and they also work very well in the corporate channel." Winery 1

"We only sell our wines in hotels and restaurants with certain quality standards and very high reputation." Winery 8

"Although there is no specific consumer prototype, in general we target the upper-class, who may or may not be knowledgeable about wine and drinks wine to position themselves socially. Wine consumption is associated to luxury lifestyles. The majority of the distributions is made through the HORECA channel and the gift channel." Winery 6

In this study, none of the interviewees considered supermarkets and hypermarkets as predominant distribution channels. Distributors were not considering these options as most of the wine is delivered through the other channels we mentioned before; hotels, restaurants and in a few cases specialized stores were used by distributors.

The lack of use of the supermarket/hypermarket channel can be explained through the observed consumption patterns of the target market. Seven out of the eight interviewed wineries were selling premium quality, premium price wines which are not consumed on a daily basis and are reserved for special occasions and/or business environment. Specialized stores were mentioned instead. These stores sell high quality wines for customers who buy mainly wine as a gift for others.

Although less common still, the online channel is proving to be an attractive alternative to the HORECA and retail channels. Three out of the eight wineries mentioned the online channel as a marketing opportunity and could be the future for wine sales in China.

"There is however, a growing tendency to use online channels." Winery 6

For Rioja wines, until there is more recognition of the high quality and hence higher prices, the HORECA channel seems to be the most feasible way to reach the type of upper class citizen that is willing to pay a higher price for a wine that is not as well-known as say a French wine in the same price category.

5.2.5 Target customer profile

The target customer is that of upper class citizens and expatriates who have higher disposition to pay for premium wines. As discussed before, these customers are reached mainly through the HORECA channel, specialty store and gift channels and/or the corporate channel. In general all wineries said that there was a major lacking of wine culture and wine knowledge among the great majority of consumers and wine was either bought as a gift or consumed as a sign of social status. Although this has been the trend up until now, wineries are aware that wine culture is growing, not only in first tier cities but also in second tier cities.

"We still have a long way to go and a lot of room for improvement. Consumer tendencies are changing as wine knowledge increases on behalf of the consumer." Winery 2

Consumption is generally considered seasonal and many wineries attributed this to the fact that wine is not yet a gastronomical staple like it is in wine producing countries. Wine is often consumed during Chinese New Year and other festivals like the Moon Festival. As for competition, all wineries were aware that Rioja was not yet dominant in the market. French wines, Australian wines and Chilean wines were some of the mentioned competitors by the wineries. The Rioja wines sold by the interviewed wineries (except for winery 7) were quality wines of higher than average price. In general, due to lack of wine culture and understanding, there is no image of high quality Spanish wine in the sense that there is French. According wineries 1,2,3,4,5,6 & 8 i this lack of knowledge in high quality Spanish wines is only justified to the Chinese if the wineries have a long, prestigious history, the wine has good presentation (gold and reds were noted preferences) and the wines had good punctuations and ratings in international and national competitions or wine fairs.

One advantage to Rioja wine, that proved as a great attraction to the Chinese is the fact that the wineries preferred wine variety was red wine. Red wine is generally much more popular than other types of wines as the Chinese usually associate the red color to prosperity and festivity. The Chinese usually prefer red wine to white wine but wineries 2 and 5 mentioned that there was a growing interest in white wines as wine culture expands. The predominant wine varieties sold to China by the Rioja wineries interviewed were Tempranillo wines. Generally Tempranillo is considered a very easy wine to drink, it is versatile and quite fruity and can easily be food matched. Most wineries said that they mainly sold Crianza wines and Reserva wines, more expensive and more aged wines. Only one winery, 7, said they sold young wines as they were following a low price strategy, different to all other wineries interviewed.

"From the point of view of a Rioja winery the main variety we work with is Tempranillo which, in my opinion, adapts very well to the Chinese taste pallet. It is probably one of the most versatile varieties in the world. The Chinese like smooth and elegant wines but that can be aged in bottle for a long time." Winery 1

"We mainly sell wines with denomination of origin, red wines aged in barrels. The Chinese are particularly into the historical component of the wine." Winery 3

"In our case, the most commonly exported wine variety is Tempranillo. The Chinese like fruity, not too tannic, easy to drink… The most successful wines in China to date are the French.". Winery 6

According to Euromonitor 2013;

"Rioja reds are characterized by being very balanced in their alcohol content, color and acidity, by having a body and structure offset perfectly by a gentle and elegant flavor and by being mainly fruity in nature when young and more velvety when aged. These characteristics make Rioja Wines highly versatile when combining with the most varied foods. This, together with the fact that it is a user-friendly, easy-to-drink wine, constitutes one of the keys to its success."

None of the Companies had changed their brand name in China. D.O Rioja wine has to be bottled in the wine region and none of the wineries had seen a change of name as something beneficial in any way. The general observation was that the Chinese wanted the product to be as authentic as possible.

"No. In principle, we have not modified our Brand name or image. We work the same design that we use in Spain. The only things we sometimes change is the presentation of the bottle in wooden boxes or adapt the label to the legal requirements in China. Our image is generally liked in China." Winery 6

"Our Brand is the same in China as it is anywhere else in the world. The Chinese prefer that the product be as original as possible." Winery 7

Customers were said to be attracted through a range of different marketing strategies. Most wineries had been involved in wine fairs and/or organized wine tastings in China. However, social networking on behalf of the local distributors, so called *"Guanxi"* was generally regarded as being the key to the market as word of mouth was considered crucial in promoting Rioja wines. Only three out of the eight wineries have a website in Chinese. This proves that much of the marketing is done on behalf of the distributors and in tastings and wine fairs held in China.

- Some promotional efforts were mentioned
- Through distributor and word of mouth
- In wine fairs and tastings held in China
- Specialized magazines and press
- Internet
- Special gift packaging
- Advertisements on buses (In Ningbo, only one winery)

Marketing efforts were mainly organized by the distributors but the wineries claimed to economically help distributors and give some ideas, as was the case with the bus advertisements in Ningbo.

Feedback on the wine was mainly given from the distributors, according to all the wineries, but also though the local press and comments on social networks (wineries 1, 3, 6) and in wine fairs and tastings in China (wineries 3, 6).

"We get feedback through fairs and food matching dinners ("maridaje"). We also pay special attention to comments on social networks but mainly through conversations with our business partners." Winery 3

Most of the wineries mentioned that historical attribute to wine was very important to the Chinese and that was what they used as an important pitch to their product as Chinese valued the historical component to quality wines.

To sum up this section, the target customer for Rioja wineries is part of the strengthening middle-upper class which has created a strong demand for foreign wines. Chinese wine drinkers are thought of as sophisticated, cosmopolitan and educated individuals and they are targeted mainly through the HORECA channel as wine is still reserved, in general, for special occasions or corporate events and is not yet consumed on a regular basis. Rioja has the advantage that it is predominantly of red variety, the preferred by the Chinese, and the tempranillo grape is thought of as very easy to drink and versatile which makes food pairing easy. On the other hand, the high price of Rioja wine and the fact that it is not well known in its category makes competing with wines like the French difficult. In my opinion, differentiation in the market should be sought globally, as Spanish wine, promoting an image of good quality wine with competitive prices. Among Spanish wines, there is increasing knowledge of denominations, Rioja and Ribera Del Duero being the most famous. Spanish wineries should differentiate themselves on a global scale from French, Australian, Italian wines and then once this differentiation has been made it will be easier to differentiate by denominations. For Rioja wineries, exploiting their historical prestige and obtaining good results at international ratings will draw more of the Chinese market to them. The key is to make wines that adapt to Chinese preferences in taste and image, of good value and of high quality. This will make the difference when it comes to a Chinese consumer having to choose between a Spanish wine or of another origin.

5.2.6 Doing Business in China and potential difficulties

This study identified that most of the wineries had come across cultural differences that meant doing business in China had to be approached in a different way than usual. Every winery mentioned that the cultural differences were the main obstacle when doing business with the Chinese. It was generally believed to be the lack of experience working in this market that limited the understanding of Chinese business relationships. Five out of the eight wineries mentioned that building trustworthy business relationships was the key to their success in the market and that more time was needed to develop these business relationships than with other nationalities. Another general observation was that Chinese business partners tended to be very inflexible and that to be successful, patience was required.

"To succeed with our Chinese partners we have to follow the contract arrangements religiously, follow their requirements 100%." Winery 1

When asked about the longevity of business relationships with Chinese partners wineries 1,4 and 5 considered the Chinese to be loyal partners but all other wineries mentioned that business relationships were hard to maintain and at many times business was done only once before the client would disappear never to be heard of again. For some of the wineries business relationships had been very durable at 8 to10years (wineries 4,5,6) for wineries 1,3,7 and 8 some business relationships had survived 4 years whilst others were more sporadic and unstable and sometimes consisted of only one import agreement.

"Commercial relationships are formed through trustworthy personal relationships, more so than in business relationships in Europe." Winery 2

"Being respectful towards their culture is crucial to avoid conflict. Business deals are often made at business dinners and it is habit to get drunk, there is always a certain degree of submission towards Chinese bosses and in general they are not as direct as the Europeans. It is important to know how to read between the lines." Winery 2

5.2.7 Pricing

One of the most common challenges mentioned by the wineries interviewed was the fact that the wines they were selling in China were in the high end price wise. There is a general lack of knowledge about high quality Spanish wines and French wines are still the preferred when it comes to buying quality foreign wines. As said before, the high prices of Rioja wines are only justifiable if the winery has a prestigious and long history, presentation is good and the wines have received good reviews.

The breakdown of the price of a bottle of Rioja in china was:

- 48% taxes
- 40-50% Importer
- 30-40% Distributor
- Up to 300% On Trade

If there was a higher volume of demand and more continuity, prices of Rioja in China could be better. When exporting indirectly there are more intermediaries involved. The more intermediaries there are in the value chain the more expensive the final product is. For Rioja wine prices to come down a restructuration of the mode of Entry is crucial. Direct exporting of forming a joint venture could potentially reduce the final price but for Rioja wineries the risk associated may not be worthwhile.

5.3 FINAL SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

From the information provided in the interviews to 8 Rioja wineries the Chinese market was selected mostly through a combination of intuition on behalf of the managers and because of the fact basic market research was conducted that showed that wine demand in China has been growing rapidly over the last 10 years. The growing economy and purchasing power of the wealthier Chinese proved to be the main motivator to start exporting Rioja wine into this huge country. Two out of the eight wineries also mentioned that they were approached by Chinese businessmen who made attractive proposals to them and hence started exporting to China.

All wineries chose to export indirectly to China through 1 or more Chinese distributors. This market entry strategy goes to show that the Chinese market is still very much unknown to Rioja wineries and so finding reputable distributors who already have the local expertise, speak the language and have network connections with representatives of the distribution channels is crucial to succeed. Also, by using indirect export methods wineries have more flexibility, have less commitment, risk less and don´t need to invest as much money in the market. In this current moment, indirect exporting is the ideal way to do business in China for these wineries as China is still a very small market for them in percentage terms of their export sales. Most wineries noted that China only accounts for at most 5% of exports. In the case that Rioja sales continue growing in China other market entry modes may be considered as the risk will be more worthwhile taking.

All wineries stated that they had targeted mainly First tier cities although a few of the wineries had already started distributing wine to Second tier cities. The reason for targeting consumers in first tier cities is simply because this is where most of the middle class to higher class citizens live. These upper-class Chinese are the ones who are continually buying more and more wine as they tend to be more educated, better travelled and exposed to western culture and customs such as drinking wine. However, second tier cities are a very attractive market opportunity for Rioja wineries because even with demand rising, there is still less competition. Finding suitable distributors in second tier cities is more complicated and may be the main drawback of this strategy.

To successfully export Rioja wine into China one of the most important factors is the selection of distribution channels. Seven out of the eight wineries interviewed were marketing high quality wine that would mainly be sold in the HORECA channel, the corporate channel and in some cases in specialized stores, all through distributors in China. The kind of customer who frequents high end restaurants and hotels and/or buys expensive foreign wines as gifts or for corporate events is the kind of customer that the Rioja wineries are targeting. One of the main drawbacks mentioned by the wineries interviewed was that consumption, although on a rising trend, is still generally seasonal with the bulk of sales on Chinese New Year and other similar festivals. Also, being a high end wine, there is still preference towards purchasing French wines as they are better recognized by the Chinese as quality wines.

Suitable business partners were evaluated on their reputation and installations but finding suitable distributors was not always easy as they tend to have very exclusive portfolios. Dealing with smaller distributors had the advantage of more flexibility but some wineries stated that they could be very unprofessional and unreliable, sometimes only making business once. Therefore building strong and trustworthy relationships is crucial and in general more time is spent getting to know Chinese business partners than with other distributors in other countries.

To sum up, this study revealed that there are many challenges faced by Rioja wineries exporting to China. China is still relatively unknown territory for Rioja wineries, the culture is very different and so the wineries rely greatly on local distributors to promote their wines and use their networks to familiarize the market to a particular wine. The next big challenge is finding these suitable Chinese distributors, who are very often fastidious with their portfolios and inflexible if they are less well known. Very often they are described as unreliable and unprofessional. Another challenge is that Rioja wines are still relatively unknown and Chinese are more inclined to pay for competing wines that are better known to them. Lastly, consumption of wine in China is still seasonal and very much associated with special occasions or business matters and many Rioja wineries were not sure about future growth prospects. On the plus side, Rioja wines are generally red in nature, the preferred variety by the Chinese. Historical prestige and high ratings in international competitions alongside the promotional efforts made by the D.O in China are making a name for Rioja wines and they are increasingly being recognized for their high quality and versatility. There is still much room for improvement but the statistics indicate that there is major growth potential still.

Recommendations

- Make more frequent visits to China and interact with the distributors to gain a better understanding of the market and distribution channels in China. This will allow the wineries to have more of an input to the distribution channels.
- Strive to maintain and improve business relationships with current partners and learn to embrace the way of doing business of the East. Take things slowly, be patient and invest time in building trust with business partners.
- Invest more in marketing Rioja wines in China; this can be done jointly with distributors, through wine fairs in China and also through the DO Rioja. Educating both Chinese distributors and potential customers about Rioja wine will in turn give it a boost in the market as it gains recognition.
- Look into expanding into second tier cities; the economy is growing very quickly and so is demand for quality foreign wine. Although finding suitable distributors may be harder, there is less competition and potentially less investment required.

APPENDIX 1

TABLE 1) World production of wine by countries in volume (tonnes)

rank	Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	France	5000000	4749060	5910694	5344170	5349333	4711600	4268899	4679170	4531671	5106761	5286414
2	Italy	4460413	4408611	5313517	5056648	4963297	4251383	4609554	4624500	4580000	4673400	4089000
3	Spain	3454000	4246241	4280433	3643700	3890731	3520870	3736690	3250610	3610000	3339700	3150000
4	USA	2286000	2415000	2466000	2888000	2360000	2488000	2530000	2730000	2650000	2780000	2820000
6	China	1120000	1200000	1300000	1350000	1400000	1450000	1500000	1550000	1600000	1600000	1650000
7	Argentina	1269500	1322500	1546400	1522200	1539600	1504600	1467642	1213547	1625077	1547300	1177800
8	Australia	1150900	1085985	1471228	1433827	1429788	961972	1244780	1142297	1133856	1109000	1155000
9	Chile	562323	668222	630073	788551	802441	791794	868297	1000900	1307483	1518335	1086500
10	South Africa	718831	885324	927920	840649	939779	978269	1016484	998660	921700	965500	1010000
11	Portugal	778900	714906	725720	706373	733784	586676	547962	571072	694612	546626	585700
12	Germany	988500	811000	1000700	945300	891600	1026100	999100	922800	690600	913200	528515
13	Greece	347700	387046	443305	376866	454051	350028	400409	386910	336500	295000	295000
14	New Zealand	89000	55000	119200	102000	133200	147600	205200	205000	190000	235000	240000
15	Austria	259908	252989	273456	226402	225630	262803	299372	235188	173745	281476	215475
16	Hungary	333297	388002	527183	310328	314432	322000	344876	334368	181279	164634	187400
17	Romania	546100	545700	707072	260220	501401	535514	554182	495732	328724	405817	123450
18	Bulgaria	114509	143835	194804	169446	173595	136953	230046	164525	150083	122687	104000
	World (Total)	**25989410**	**26864415**	**30740381**	**28509509**	**28584247**	**26602179**	**27406346**	**27067569**	**27541457**	**28275746**	**26404435**

Source: FAOSTAT, 2014

APPENDIX 2

Table 1) Apparent consumption of wine per country (million hectoliters)

#	COUNTRY	2008	2009	2010	2011	2012	% change
1	USA	29.71	34.18	32.85	33.78	38.10	22%
2	France	35.461	40.18	37.30	34.90	32.85	-8%
3	Germany	20.65	20.23	17.68	21.10	20.24	-2%
4	Spain	17.63	26.92	22.04.	11.65	18.54	5%
5	Italy	28.77	27.11	25.67	20.55	18.43	-56%
6	Argentina	10.38	13.16	13.80	13.68	12.65	18%
7	UK	11.24	11.45	12.15	12.58	12.14	7%
8	Russia	8.14	9.71	12.82	11.89	11.03	26%
9	Australia	6.01	-	3.94	4.29	6.00.	0%
10	Chile	2.83	3.19	1.82	3.83	5.07	44%
11	South Africa	3.30	3.76	3.88	4.58	4.60	28%
12	Romania	1.32	1.48	1.11	2.01	3.93	66%
13	China	1.59	1.71	2.84	3.63	3.92	59%
14	Portugal	4.93	5.33	5.06	5.74	3.61	-37%
	Others	36.82	35.17	33.74	36.53	33.59	-10%
	Total	**218.87**	**233.66**	**226.39**	**220.79**	**224.75**	3%

Source: Euromonitor International, 2014

Table 2) Main wine importing countries in volume (tons) and value (1000$)

(Ranked in value)

		2007				2009				2011	
RANK	Area	Quantity	Value	RANK	Area	Quantity	Value	RANK	Area	Quantity	Value
1	**UK**	1178888	5010178	1	**UK**	1102908	4315072	1	**USA**	1015121	5046034
2	**USA**	845234	4856118	2	**USA**	926883	4189623	2	**UK**	1321398	4781924
3	**Germany**	1418522	2697134	3	**Germany**	1411069	2759222	3	**Germany**	1598731	3252589
4	**Canada**	311784	1470082	4	**Canada**	328224	1463845	4	**Canada**	358376	1915693
5	**Belgium**	311152	1425679	5	**Belgium**	306124	1253897	**5**	**China mainland**	**365535**	**1436334**
6	**Japan**	166664	1244057	6	**NLDs**	360901	1142582	6	**Japan**	208345	1305957
7	**NLDs**	342598	1032887	7	**Japan**	180740	1058606	7	**Belgium**	316117	1290531
8	**Switzerland**	185869	998578	8	**Switzerland**	189198	1015231	8	**Hong Kong**	48197	1259268
9	**France**	526227	734173	9	**France**	576715	729433	9	**Switzerland**	188073	1192158
10	**Denmark**	186760	720407	10	**Sweden**	148520	633721	10	**NLDs**	382905	1150495
11	**Sweden**	142321	601899	11	**Denmark**	189458	626403	11	**Russia**	678423	996589
12	**Russia**	399595	578715	12	**Russia**	471736	586905	12	**France**	684113	849998
13	**Italy**	172400	473015	13	**Hong Kong**	34837	519861	13	**Denmark**	194028	725122
14	**Singapore**	23507	398254	**14**	**China, mainland**	**172881**	**457357**	14	**Sweden**	189539	707301
15	**Ireland**	72385	370424	15	**Australia**	61596	365121	15	**Australia**	76036	546638
16	**Australia**	44072	341613	16	**Italy**	143207	348641	16	**Singapore**	26824	478861
17	**Norway**	72633	315045	17	**Norway**	77223	340176	17	**Italy**	231519	401854
18	**Spain**	58850	286615	18	**Singapore**	20508	277517	18	**Norway**	81422	401732
19	**China, mainland**	**148240**	**256963**	19	**Ireland**	62386	273448	19	**Ireland**	70598	314353
20	**Austria**	77041	235583	20	**Austria**	62238	222364	20	**Brazil**	77629	294665

Source: FAOSTAT, 2014

Table 3) Main wine exporting countries in volume (tonnes) and value (1000 $)

(ranked in value)

	2007				2009				2011		
	Area	Quantity	Value		Area	Quantity	Value		Area	Quantity	Value
1	France	1492933	9254180	1	France	1215987	7694175	1	France	1532748	9941495
2	Italy	1826635	4741609	2	Italy	1918407	4843769	2	Italy	2385904	6075404
3	Australia	781419	2488462	3	Spain	1457607	2293668	3	Spain	2275392	3029481
4	Spain	1433966	2395881	4	Australia	771949	1817686	4	Australia	655240	1808943
5	Chile	601734	1251000	5	Chile	691823	1374242	5	Chile	661302	1683455
6	Germany	344412	990021	6	Germany	349530	1015283	6	Germany	412828	1352461
7	USA	423118	902852	7	USA	397397	876006	7	USA	421040	1343171
8	Portugal	341935	818494	8	Portugal	230903	760776	8	Portugal	294095	907464
9	South Africa	420544	668629	9	South Africa	429299	716277	9	UK	68077	855714
10	NZ	84171	559343	10	NZ	128555	643242	10	Argentina	319158	848626
11	Argentina	365075	496837	11	Argentina	297060	631673	11	South Africa	373953	755571
12	UK	45130	382942	12	UK	43815	490072	12	NZ	118443	639534
13	Belgium	33952	302070	13	Singapore	10585	193137	13	Singapore	13849	358476
14	Singapore	11616	285326	14	Belgium	25749	181501	14	NLDs	29409	260282
15	NLDs	35691	200460	15	Austria	71854	167593	15	Hong Kong	18491	245695
16	Switzerland	1982	153076	16	NLDs	18518	166834	16	Switzerland	2146	216554
17	Austria	56555	144628	17	Republic of Moldova	95715	128189	17	Austria	49559	177252
18	Denmark	34066	120025	18	Denmark	35884	114894	18	Belgium	24772	162886
19	Bulgaria	113913	118073	19	Hong Kong	8493	98047	19	Republic of Moldova	119838	131624
20	Hungary	68581	90180	20	Switzerland	1970	89671	20	Latvia	37708	126739

Source: FAOSTAT, 2014

APPENDIX 3

Table 1) Forecast Sales of Alcoholic Drinks by Category: Total Volume 2012-2017 (Million litres)

	2012	2013	2014	2015	2016	2017
Beer	50,042.0	52,565.5	55,239.2	58,027.3	60,942.9	64,027.2
Others	1.6	1.8	1.9	2.1	2.3	2.5
Spirits	5,014.0	5,446.9	5,886.7	6,330.4	6,775.2	7,218.3
Wine	4,268.3	4,713.1	5,190.9	5,700.1	6,240.5	6,805.3
AlcoholicDrinks	59,325.8	62,727.2	66,318.8	70,059.9	73,960.8	78,053.2

Source: Euromonitor International, 2013

Table 2) Forecast Sales of Alcoholic Drinks by Category: % Total Volume Growth 2012-2017

.	2016/17	2012-17CAGR	2012/17Total
Beer	5.1	5.1	27.9
Cider/Perry	4.1	5.2	28.8
RTDs/High-StrengthPremixes	10.2	9.4	56.7
Spirits	6.5	7.6	44.0
Wine	9.1	9.8	59.4
AlcoholicDrinks	5.5	5.6	31.6

Source: Euromonitor International, 2013

Table 3) Forecast Sales of Alcoholic Drinks by Category: % Total Value Growth 2012-2017

	2012-17 CAGR	2012/17 Total
Beer	8.5	50.7
Cider/Perry	5.8	32.3
RTDs	10.1	61.6
Spirits	12.1	76.8
Wine	14.0	92.4
AlcoholicDrinks	11.3	70.9

Source: Euromonitor International, 2013

APPENDIX 4

Table 1) China wine Imports by country of Origin in Volume (Million Litres)

	2006	Market %	2007	Martket %	2008	Market %	2009	Market %	2010	Market %	2011	Market %
France	**10.5**	9.08%	**20.9**	14.06%	**29.2**	17.69%	**44.6**	25.77%	**74.9**	26.16%	**127.9**	34.96%
Spain	**30.7**	26.56%	**13.2**	8.88%	**14.1**	8.54%	**8.4**	4.85%	**47.4**	16.56%	**73.9**	20.20%
Australia	**20.2**	17.47%	**20.2**	13.58%	**14.8**	8.96%	**38.1**	22.01%	**56.5**	19.73%	**44.7**	12.22%
Chile	**32.0**	27.68%	**74.3**	49.97%	**52.2**	31.62%	**49.6**	28.65%	**55.6**	19.42%	**43.5**	11.89%
Italy	**9.6**	8.30%	**7.7**	5.18%	**10.5**	6.36%	**7.3**	4.22%	**20.8**	7.27%	**31.2**	8.53%
US	**3.5**	3.03%	**5.4**	3.63%	**8.4**	5.09%	**10.0**	5.78%	**12.8**	4.47%	**14.8**	4.05%
Portugal	**0.3**	0.26%	**0.8**	0.54%	**0.8**	0.48%	**1.1**	0.64%	**2.3**	0.80%	**6.4**	1.75%
South Africa	**0.4**	0.35%	**1.2**	0.81%	**4.1**	2.48%	**4.5**	2.60%	**4.1**	1.43%	**5.8**	1.59%
Germany	**0.7**	0.61%	**1.2**	0.81%	**1.5**	0.91%	**1.8**	1.04%	**3.3**	1.15%	**4.2**	1.15%
Argentina	**6.8**	5.88%	**2.4**	1.61%	**26.7**	16.17%	**4.5**	2.60%	**3.1**	1.08%	**3.5**	0.96%
New Zealand	**0.2**	0.17%	**0.3**	0.20%	**0.5**	0.30%	**1.1**	0.64%	**1.4**	0.49%	**2.0**	0.55%
Macedonia	**0.0**	0.00%					**0.0**	0.00%	**0.2**	0.07%	**1.5**	0.41%
Moldova	**0.1**	0.09%	**0.1**	0.07%	**0.2**	0.12%	**0.2**	0.12%	**0.5**	0.17%	**1.1**	0.30%
Romania	**0.1**	0.09%	**0.2**	0.13%	**0.9**	0.55%	**0.4**	0.23%	**0.9**	0.31%	**0.8**	0.22%
Canada	**0.1**	0.09%	**0.1**	0.07%	**0.1**	0.06%	**0.3**	0.17%	**0.4**	0.14%	**0.8**	0.22%
Greece	**0.0**	0.00%	**0.0**	0.00%	**0.0**	0.00%	**0.1**	0.06%	**0.2**	0.07%	**0.7**	0.19%
Hungary	**0.1**	0.09%	**0.1**	0.07%	**0.2**	0.12%	**0.3**	0.17%	**0.4**	0.14%	**0.6**	0.16%
Slovenia	**0.0**	0.00%	**0.0**	0.00%	**0.0**	0.00%	**0.0**	0.00%	**0.4**	0.14%	**0.5**	0.14%
Georgia	**0.0**	0.00%	**0.1**	0.07%	**0.1**	0.06%	**0.1**	0.06%	**0.2**	0.07%	**0.4**	0.11%
Bulgaria	**0.1**	0.09%	**0.1**	0.07%	**0.0**	0.00%	**0.1**	0.06%	**0.2**	0.07%	**0.4**	0.11%
Austria	**0.0**	0.00%	**0.1**	0.07%	**0.0**	0.00%	**0.1**	0.06%	**0.2**	0.07%	**0.2**	0.05%
Ukraine	**0.1**	0.09%	**0.0**	0.00%	**0.0**	0.00%			**0.0**	0.00%	**0.2**	0.05%
Russia			**0.0**	0.00%	**0.0**	0.00%	**0.0**	0.00%	**0.0**	0.00%	**0.1**	0.03%
Montenegro			**0.0**	0.00%	**0.0**	0.00%	**0.0**	0.00%	**0.1**	0.03%	**0.1**	0.03%
Uruguay			**0.1**	0.07%	**0.2**	0.12%	**0.0**	0.00%	**0.0**	0.00%	**0.1**	0.03%
Others	**0.0**	0.00%	**0.1**	0.07%	**0.3**	0.18%	**0.4**	0.23%	**0.4**	0.14%	**0.5**	0.14%
Total	115.6		148.7		165.1		173.1		286.3		365.8	

Source: Euromonitor International, 2013

Table 2) China wine Imports by country of Origin in Value (Million RMB)

	2006	Market %	2007	Market %	2008	Market %	2009	Market %	2010	Market %	2011	%
France	312.5	28.25%	746.5	37.99%	1,039.00	39.23%	1,348.10	43.12%	2,495.40	46.08%	4824	51.91%
Australia	217.8	19.69%	344.5	17.53%	413	15.59%	664.1	21.24%	1,005.70	18.57%	1397	15.04%
Chile	169.9	15.36%	354.2	18.02%	396.5	14.97%	376.1	12.03%	522.6	9.65%	672.1	7.23%
Spain	158.4	14.32%	132.1	6.72%	133.5	5.04%	111.1	3.55%	322.6	5.96%	646.9	6.96%
Italy	97.8	8.84%	156	7.94%	189	7.14%	172.5	5.52%	331.1	6.11%	604.3	6.50%
US	54.5	4.93%	83.4	4.24%	134.2	5.07%	176	5.63%	253.1	4.67%	371.5	4.00%
SouthAfrica	8.4	0.76%	18.2	0.93%	38.5	1.45%	48.9	1.56%	69.1	1.28%	137.4	1.48%
Germany	21	1.90%	41.8	2.13%	60.1	2.27%	54.8	1.75%	94.1	1.74%	128.1	1.38%
NewZealand	10.5	0.95%	14.4	0.73%	30.3	1.14%	54.8	1.75%	75.6	1.40%	119.2	1.28%
Argentina	32.4	2.93%	24.4	1.24%	132.2	4.99%	44.2	1.41%	64.6	1.19%	93.3	1.00%
Portugal	7.7	0.70%	14.7	0.75%	17.9	0.68%	19.9	0.64%	50.2	0.93%	87.4	0.94%
Canada	4.8	0.43%	14.4	0.73%	16.5	0.62%	23.9	0.76%	38.7	0.71%	51.1	0.55%
Romania	0.7	0.06%	2.6	0.13%	21.1	0.80%	6.2	0.20%	17.9	0.33%	19.6	0.21%
Moldova	1.5	0.14%	1.5	0.08%	3.2	0.12%	3.5	0.11%	8.8	0.16%	19	0.20%
Hungary	2.5	0.23%	2.1	0.11%	3.2	0.12%	3.6	0.12%	11.1	0.20%	17.8	0.19%
Macedonia	0	0.00%	-	-	-	-	0.1	0.00%	2.1	0.04%	15.6	0.17%
Greece	0.2	0.02%	0.3	0.02%	1.5	0.06%	2.3	0.07%	4.7	0.09%	14.1	0.15%
Slovenia	0.4	0.04%	0.3	0.02%	0.4	0.02%	0.8	0.03%	6.6	0.12%	12.7	0.14%
Georgia	0.6	0.05%	3.6	0.18%	1.7	0.06%	2.6	0.08%	3.5	0.06%	12.2	0.13%
Austria	1.2	0.11%	3	0.15%	3	0.11%	3.2	0.10%	7.5	0.14%	11.1	0.12%
Bulgaria	1.9	0.17%	1.9	0.10%	0.9	0.03%	2.8	0.09%	3.3	0.06%	6.8	0.07%
Montenegro	-	-	1.3	0.07%	0.5	0.02%	0.9	0.03%	2.1	0.04%	6.4	0.07%
Ukraine	1	0.09%	0	0.00%	0	0.00%	-	-	0.6	0.01%	3.2	0.03%
Switzerland	0	0.00%	0.4	0.02%	0.8	0.03%	0.1	0.00%	0.6	0.01%	2.4	0.03%
Others	0.4	0.04%	2.8	0.14%	10.1	0.38%	6.1	0.20%	22.7	0.42%	15	0.16%
Total	1,106.00		1,965.10		2,648.60		3,126.70		5,414.90		9293	100.00%

Source: Euromonitor International, 2013

APPENDIX 5

<u>RIOJA WINES IN TWO SUPERMARKETS, BEIJING, CHINA 2014</u>

Loriñon Gran Reserva ; PVP Spain 16,63€ (tuvinoencasa.com) ; PVP China 53,90€ aprox.
Price ↑ 324%
Ibericos Crianza ; PVP Spain 8,65€ (rioja.univinum.es) ; PVP China 26,85€ aprox. .
Price ↑ 310%

<u>OTHER SPANISH WINES</u>

Finca Caballero , Bodegas Emilio Clemente , **<u>Castilla La Mancha</u> 128RMB**
Valdevira, **<u>Castilla La Mancha</u> 138RMB**
Sangre de Toro, Bodegas Torres**, <u>Catalunia</u> 168RMB**
Altozano, **<u>Castilla La Mancha</u> 168RMB**
Mas La Plana, Bodegas Torres, **<u>Penedes</u> 778RMB**

French Wines are by Far the predominant variety amongst foreign wines. In both supermarkets there was an entire section exclusively for French wines and the most of the more expensive bottles on offer were French.

Supermarket 1: French wine section

Supermarket 2: one out of three sections reserved for French wines

In both supermarkets, the most available foreign wines were French followed U.S, N.Z, Chilean, Australian, and then, Spanish, Italian, South African, Argentinian & others in smaller proportion.

TABLE 1) COMPETITION FOR RIOJA

FRENCH WINES : From 135RMB to 1788RMB

U.S.A : 199RMB **N.Z: 220 RMB** **ITALY: 230RMB** **CHILE:225RMB**

AUSTRALIA: 338RMB

SOUTH AFRICA: 138RMB

Source: Own observation

APPENDIX 6

TABLE 1) Description of the wineries Interviewed

The names of the wineries are confidential information and cannot be reveled in this study.

# Winery	Legal form	Date funded	Number of Employees	Income in Million €	Years in China	China Sales (aprox)
1	S.L	1932	n/a	n/a	15	5% of total Sales
2	S.L	1985	40	41.6 (2012)	6	20% of Exports
3	S.A	1975	45	14.9 (2012)	7	5,6% Total volumen exported
4	S.A	1890	86	24.9 (2012)	9	1,1% Total Sales
5	S.A	1981	67	10.9 (2012)	10	n/a
6	S.L	1985	25	19.6 (2013)	4	300000€, 25% more tan previous year
7	S.A	1973	45	19.7 (2008)	4	7000000, <1% total sales
8	S.A	1989	17	1.9 (2012)	4	2% of total sales

Source: SABI Database & Information provided through interviews

APPENDIX 7
INTERVIEW QUESTIONAIRE EXAMPLE (In English)

Introductory Questions

1. When was the company founded and how many years has it been operating? When did it begin to do business and/or begin to export to China?
2. What are the annual sales and what proportion of those are attributable to China? Has there been a tendency to grow sales since entering the Chinese market?
3. What were the main motives for commencing exports to China? How do you see the future of your company in this market? Do you expect that it will tend to follow the same pattern as previously?
4. What are the most important types of wine exported to China? Do you have any observations on consumer choice in China? What are their general preferences and what are the most successful types of wine in the Chinese market?
5. Do you export wine in bottles or in bulk? Do you consider your wine to be of high/medium/ or low quality?
6. What are the areas in China to which you export the most ? Are they first tier cities such as Beijing and Shanghai, or second tier cities such as Nanning?

Distribution and Export

1. How do you export to China? By what means do you transport the wine?
2. Please describe the logistic process from the bottle leaving the bodega until it reaches the Chinese consumer. E.g. Bodega→Spanish distributor→Chinese distributor→Consumer
3. What are the cities or areas in China where you transport most of your wine? Are the sales areas expanding or are you simply concentrating on cities where you are already established and which have produced good results?
4. How would you describe the typical Chinese consumer? Through what distribution channels do you reach them? (HORECA, Supermarkets, specialist shops, flagship stores)?
5. How is the distribution process in China? How do you choose your distributors?
7. Do you think that the way of doing business in China requires special techniques or do you think it is similar to doing business elsewhere? Do you consider that you

understand consumer behaviour, consumer preferences .and that the Chinese market is easy to manage?

8. What are the keys to success in the Chinese market?
9. What challenges or problems have you had to overcome or deal with when doing business in China?
10. How are your business relations with Chinese entrepreneurs? Is there any major cultural difference or one which might create tension on some occasions?
11. Are business relationships difficult to maintain or are they long lasting?
12. What kind of business relationship do you actually have in China and how long has it been established?
13. How do the distribution rights work?
14. Have you considered entering a joint venture? If so how has it gone? If not, why not?

Marketing

1. How do you attract or try to attract the Chinese consumer?
2. How do you obtain feedback?
3. How do you differentiate your product from other competitors in the Chinese market? What advantages does your product have over others in the market?
4. Where do you find the typical consumer and how do you take this into account?
5. How are you developing your brand? Have you changed the brand name in China?
6. How do you publicise your product or brand?

Pricing

1. Are there good sales margins in China?
2. Have you had any difficulty selling the product?
3. Are you paid in advance or not? On average how long do you have to wait before being paid?
4. What is the difference in price between China and Spain for the same bottle? How does this difference in price break down?

INTERVIEW QUESTIONAIRE EXAMPLE (Original Spanish Format)

Preguntas Introductorias

1. ¿Cuáles son las ventas anuales y que porción de ventas se destina a China? ¿Ha habido una tendencia de crecimiento en ventas desde que comenzó la comercialización en este país?
2. ¿Cuáles fueron los principales motivos al empezar a exportar a China? ¿Cómo ven que será el futuro de vuestra empresa en este mercado? Seguirá la misma tendencia que ha habido hasta el momento?
3. ¿Cuáles son las variedades más importantes de vino que se exportan a China? ¿Alguna observación en cuanto a la tendencia de consumo de los chinos? ¿Preferencias generales y vinos con más éxito en el mercado Chino?
4. ¿Se exportan botellas o vino a granel? ¿Se considera vino de gama alta/media/baja?
5. ¿A qué lugares de China se exporta la mayoría del producto? (First tier cities such as Beijing and Shanghai, second tier cities such as Nanning…)

Distribucion y Exportación

1. ¿Cómo es el proceso de exportación a china? ¿Qué medios se emplean para transportar el vino?
2. Describa por favor (resumidamente) el proceso logístico desde que sale la botella de la bodega hasta que llega al consumidor chino. (ejemplo: BODEGA-DISTRIBUIDOR ESPAÑOL-DISTRIBUIDOR CHINO-CONSUMIDOR)
3. ¿Cuáles son las ciudades/zonas de China donde se transporta la mayoría del vino? ¿Se están expandiendo las zonas de comercialización o simplemente se están concentrando en las ciudades donde ya se han establecido y han tenido resultados positivos?
4. ¿Cuál es el tipo de Consumidor Objetivo en China? ¿A través de que distribuidores llegáis a ellos? (HORECA, supermercados, tiendas especialidades, flagship stores)?
5. ¿Cómo es el proceso de distribución en China? ¿Cómo eligen a sus distribuidores?
6. ¿Considera que la manera de hacer negocios en China requiere cierta atención especial o es similar a la de otros países? ¿Considera que entiende el comportamiento del consumidor, sus tendencias de consumo y se maneja con facilidad en el mercado Chino?
7. ¿Claves de Éxito para comerciar en el mercado Chino?
8. ¿Qué retos / problemas ha superado o ha tenido al hacer negocios en China?

9. ¿Cómo son las relaciones de negocios con empresarios Chinos? ¿Alguna diferencia cultural predominante o que haya creado tensiones en algún momento?
10. ¿Las relaciones de negocios son difíciles de mantener o son duraderas?
11. ¿Qué tipo de relación de negocios mantiene actualmente en china y cuánto tiempo lleva establecida?
12. ¿Cómo funcionan los derechos de distribución?
13. ¿Ha considerado establecer una alianza comercial (joint venture)? Si es que si, ¿cómo ha ido? y si es que no, ¿por qué no?

Dirección Comercial y Marketing

1. ¿Cómo atraen/pretenden atraer a la clientela china?
2. ¿Cómo consiguen Feedback?
3. ¿Cómo os diferencias en el mercado Chino de los demás productos competitivos? ¿Qué ventajas presenta vuestro producto en comparación con otros del mercado?
4. ¿En qué tipo de ambientes se mueve el consumidor Objetivo y de que forma lo tomáis en cuenta?
5. ¿Cómo están desarrollando su Brand Identity? ¿Han cambiado el nombre de la marca en China?
6. ¿Qué medios utilizan para dar publicidad a la marca/producto?

Precios

1. ¿Los márgenes de venta en China son favorables?
2. ¿Ha habido alguna dificultad para vender el producto?
3. ¿Reciben los pagos por adelantado o no? ¿Cuánto tiempo se espera de media en recibir los pagos?
4. ¿Cuál es la diferencia de precio de la misma botella en España que en China? ¿Cómo se desglosa la diferencia en el precio si es que la hay?

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