

# ENGAGING ASIAN WINE DRINKERS

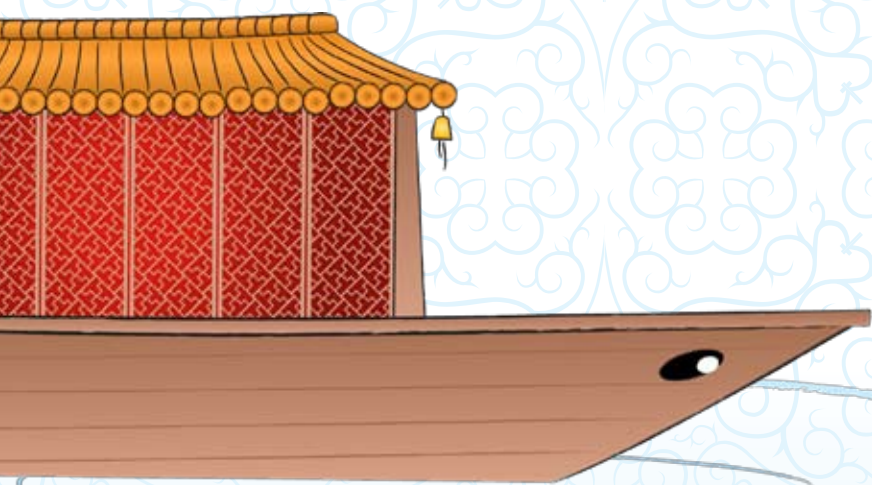
WITH ASIA INCREASINGLY BEING REGARDED AS THE COLOSSAL WINE MARKET, WHAT SHOULD WINE PRODUCERS BE FOCUSING ON TO ENSURE SUCCESS IN A VAST REGION? **LIM HWEE PENG, CSW** PUT ON HIS MARKETING HAT AND TOOK THIS ENORMOUS TASK BY THE HORN TO SHARE HIS FINDINGS.

If the picture painted through statistics and figures, established by various research firms, were accurate, our continent has apparently become the new darling for the wine world. According to the latest authoritative survey conducted by International Wine & Spirit Research (IWSR) for Vinexpo, consumption of grape-based wine in Asia Pacific region reached 111.63 million cases (nine-litre) in 2008, an increase of 52 percent compared to 2004; the continent's wine consumption is further predicted to increase by another 25 percent between 2009 and 2013. The key driver of this growth is, no surprises, China, regarded by the wine and spirits industry as Asia's most attractive market, and in the not so distant future to rival United States, the current top wine consumer market in the world. China and Hong Kong accounted for 68.9 percent of all Still Light Wines consumed in Asia in 2008, and three percent

of total world wine consumption. Unsurprisingly, judging from all authoritative forecast, that consumption rate will only head further northwards. Recent figures, from IWSR released in January 2011, further testified to the huge potential of growth in China and Hong Kong, with more than 100 percent increase between 2005 and 2009, from 46.9 million to 95.9 million cases. Despite the tongue dropping consumption data, annual consumption per capita remains low. At recent count, it stood at 3.5 litres in Hong Kong and 2.1 litres in Singapore, (both considered by many as developed Asian markets, and also a good litmus testing bed for wine growth in Asia). This per capita information, when compared to the more established wine consumer markets in North America and Europe, implies that Asia offers tremendous growth potential.

## Wines That Captivate Asian Wine Drinkers

Anecdotally, it was observed that Asians, from North Asia to South East Asia, were indeed fixated with wines, especially those of European origin from a top growth or grand cru pedigree. Of the Old World wine producers, France and Italy were the wine nations that stood proudly at the forefront of Asian wine popularity chart. France, regarded as the capital of gourmet food and fine wines, is not a surprise candidate to top the podium, since haute French cuisine and famed regional wines were much admired and well-received in many Asian cities. Italian wines advanced along a slightly different route, aided by the popularity of Italian eateries. Italian comfort food, such as pasta, risotto and the curiously charming pizza, struck a familiar note with Asia due to some similarities in their staple food. Eager and successful Asians also prefer European wines as it captivates them with cultural and heritage elements. More importantly, those wines were perceived to exhibit world-class quality, and were regarded as a benchmark for other wine producers.



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## Importance Of Asia To Wine World

In a report published by European Commission (EC), between 2008 and 2009, exports of still and sparkling wines from European Union (EU) increased in volume by 22 percent to reach total sales equivalent to US\$5.8 million, thus, making wine the leading European food export. In 2010, wine was the main contributor to the increase in food exports, which resulted in the first positive food trade balance for the 27 member strong EU that year. Although it was mentioned that United States, Switzerland, Canada, Japan and China were the main markets for European wines, the latest IWSR Forecast Report 2010 to 2015 highlighted that Asia Pacific region will see the strongest growth in wine consumption, as countries with traditionally high consumption rates will lose volume, while consumption in many of the major wine-producing countries, such as Italy, France, Argentina and Spain, is expected to decrease dramatically.

## The Competitors

When wine popularity started in the mid to late 1990s in Asia, wine drinkers lapped it up for many reasons, ranging from image and luxury reasons to the 'French Paradox' effect. Despite all those supporting rationale, the surging popularity has to be credited to the globalisation phenomenon, which played a key role in spreading the gospel of wines. However, commercialisation also brought along keen rivalry in the wine arena; as competition intensifies, it became apparent that wine producers have to do more in their quest for success in Asia. Rabobank, in a 13 July 2011 online report, cited global exports of wine picking up at a brisk pace, with major wine exporters such as Spain, France, Italy, Chile and Argentina seeing significant growth in export volumes. Excluding the French Great

Growth, grand crus, and other notable premium wines (due to limited supply and continued high demand), European wines are facing strong competition from producers in Argentina, Chile, South Africa, New Zealand, United States (specifically California) and Australia, collectively known as the New World. New World wine producers, however, were not the only competitors European wines have to contend with. Increasingly, Brazil will also samba their way into the 'battle field' together with New Latitude wine regions, such as Thailand. Domestic wine producers in India and China (the New New World?) were also strong contenders for market share in their own backyard. Detractors may discount the competitive edge of producers from both New Latitude and New New World; however, one will only need to hark back a few decades ago to reconsider their option. In the 1970s, when United States, Australia and other New World wine regions were subservient to European wines and regions, in less than half a century, with advanced technology, creative and trailblazing spirit, enhanced by a keen sense of marketing, the New World players progressed spectacularly to helm a platform equal, and at times stronger than the Europeans'. Optimistic commentators have even speculated that Asian wine producers will likely claim a rightful place in the wine world within a much shorter time frame than the New World wine producers. Yet, in the face of such fiercely competitive landscape, casual and non-essential strategies were being introduced, such as creative bottle design or simplifying wine labelling to distinguish one bottle from another. Those measures were being viewed as insufficient, lacking in depth of strategy and unserious. Notably, European producers should seek out ways in reaching out to their targeted market through considerate and sensible strategies. More critically, European producers have to acknowledge that in a vast, diverse and complex region, each Asian market is unique and grows at different paces with different needs. We have highlighted three key concerns that were regarded as significant in the growth of European wines' presence in Asia.

## Managing Low Awareness & Related Ills

According to two reports published by *Wine Intelligence*, the hurdles to growth in Asian markets, especially in China, is a dearth of information and awareness. One worthy consideration to assuage that snag is to invest in structured wine education. As much as some detractors will vehemently disagree, awareness through wine education is indeed the sustainable way forward, benefitting both trade professionals and consumers, and more importantly, an effective soft tool that builds brand loyalty for the long run. Perhaps the effectiveness of this strategy can be validated by a Chinese idiom - "水涨船高" (in an increasing sea tide, all boats will float inevitably). For example, when favourable elements are increasingly introduced and adopted, the market and all stakeholders will benefit from those initiatives. Additionally, education and awareness, enhanced by regulations, could also be another effective antidote to counter the fake wine phenomenon plaguing the major wine markets in Asia. Of the top three European wine producers, at present, Bordeaux and Burgundy trade boards have accredited wine educators throughout the key Asian markets. However, to achieve a complete picture of Bordeaux and Burgundy, awareness should also be created for the lesser-known sub-regions in both French wine regions. Spain has started its own educational effort, although it was spearheaded by an individual (Pancho Campo MW), rather than a trade board. Italy, on the other hand, seems to be lagging behind such an initiative.





### A Clear & Defined Brand Through Synergy

No market remains at their emerging status permanently. Through exposure and involvement, it is expected that Asian wine drinkers will eventually become enlightened and savvy. Some punters have even predicted that such positive outcomes will take place within the next five years. Asian wine drinkers will expectedly move away from purchasing wines out of image or 'face' value, and start making purchases through knowledge, preference and quality standpoints. Thus it will be a wise move in advocating a clearly-defined branding approach at targeted segments of the market. As an illustration, China may be a nation, but it is certainly not a single market. Economy performance, population growth, income distribution, climatic condition and even cuisine style in various Chinese provinces are as starkly different as chalk and cheese. Those unique dynamics should be considered before deciding on introducing suitable brands to the market. Brand strategies must also be tailored to the needs of the local wine drinkers for effective engagement and understanding. Also, since tax and duty structure in Asia is vastly complex and different, it is also critical to communicate and position the brand at the right price point. As sound as those approaches are, investment of such scale in an immensely huge region, admittedly, can be hefty. Thus, sharing resources and working closely together make good business sense. Similar sentiment was shared by Robert Beynat, chief executive of VINEXPO, who spoke during the opening of the 2011 edition in Bordeaux; he was inspired by the increasing cost of investment in new markets, and highlighted that although "the (wine) industry has never been more global" it has also become "more consolidated". More appropriately, the VINEXPO chief concluded that wine, these days, "...is not just an agricultural product, it is a global industry" and there is surely an urgent need to work hand in hand to be successful.

### Engaging Locals

Asia is a melting pot of massive cultures with huge differences in ethnic profiles across the regions, thus, it is sound and sensible to adopt a focused concept in brand marketing. In late June 2011, Andy Fennell, Diageo's chief marketing officer told an audience at the Cannes Lions Festival, "strategies for emerging markets need to become more grass-roots and locally oriented". Fennell's sharing stemmed from Diageo's goal to realise the huge potential growth in emerging markets, including Asia. The enlightened chief marketing officer was clearly aware in not blindly adopting branding strategies that were proven elsewhere and willfully transplanting them across markets with different cultures and dynamics. "You need to go there, employ local people, and get local ideas." Fennell enlightens, and provided several successful examples of such an approach. One such example was the "House of Walker" - a flagship outlet for Diageo brand Johnnie Walker established this year in Shanghai, where it offers exclusive purchases and ties its brand identity with the Chinese idea of progress and appreciation of status symbols. The launch was promoted by successful local celebrities and social media figures to support the brand identity in Shanghai market. Declan MacFadden, president (Asia Pacific), Symrise Asia Pacific, a leading purveyor of flavourings for food industry, commented in a *Business Times Weekend* interview that as China, India and South East Asia mature, it is important for brands to be clever in positioning suitable products to specific market segment so as to capture a larger consumer base. 'The challenge is to move away from the 'one size fits all' concept of production, and focus on tastes that appeal to the different demographics (of a market). It is all about making consumers feel like the product was made just for them" concluded MacFadden. Engaging locals on their own terms is obviously vital for a brand. If we cut to the chase, it is all about allowing the brand to create comfort and familiarity for local community.

### In Conclusion...

In the current development, Asian wine drinkers frequently regard wines (of various origins) with a commercial view. Since a commercial relationship is easily replaceable, lacking the will to genuinely engage a huge and diverse Asia Pacific region, and reluctance in seeking ways to build and deepen the rapport will only be disadvantageous to any wine producer seeking greater market share. The Chinese saying "放长线, 钓大鱼" (fishing with a long line will lead to a big catch) must surely be the cornerstone for serious wine producers in conducting their business in Asia. LHP

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