

BUSINESSFOCUS

Italian wines see rosy future in China

Growing appetite for new varieties prompts consumers to look beyond traditionally popular French and Australian offerings

By ZHU WENQIAN in Beijing and YANG JUN in Guiyang

In the past, Chinese consumers tended to be less familiar with Italian wines than their French and Australian rivals, which entered the Chinese market earlier. Now, quality-conscious drinkers are taking an interest in a more diversified range of wines, driven by growing incomes and increasingly sophisticated tastes.

Italy, with more than 60,000 wineries, produces more than a quarter of the world's wine. It is continuously pushing ahead with promotion of its wines in China, as it is bullish on the significant growth potential.

Most Italian wines are sold in Fujian, Zhejiang, Jiangsu, Hebei, Sichuan and Liaoning provinces, as well as Shanghai and the Inner Mongolia autonomous region. Products made in southern Italy have been better-received in China, Italian winemakers observed.

Wines made in southern Italy taste less sour and bitter and more fruity. They carry a reasonable price tag, with many products selling for about 100 yuan (\$14) per bottle, said Fabio Marini, export manager of Cherri, a winery in Italy.

"Most wineries in Italy are not big, and they have different focuses. Italian wines are relatively fresh for Chinese consumers. Most Chinese prefer strong wines with high alcohol content, and Italian wines cater to that appetite. While the costs and taxes they face in China are relatively high, we hope there will be improvement in that regard," Marini said.

Generali Agricoltura SpA, or Genagricola, one of the largest wine distillers in Italy, established its subsidiary company SinoDrink in China in 2008, and now it sells nearly 1,000 Italian wines from more than 50 Italian suppliers to Chinese consumers. It also sells other products such as mineral water, coffee and wine drinking utensils.

Last year, SinoDrink sold 1.3 million bottles of Italian wine in China, and it's sales have seen an annual growth rate of 30 percent in the past few years.

"We mainly sell our products to



Liu Qiang (right), general representative of Genagricola in China, talks to an Italian exhibitor during the 9th China (Guizhou) International Alcoholic Beverages Expo in Guiyang, capital of Guizhou province, on Oct 10. YUE WANG / FOR CHINA DAILY

business people, large-scale banquets and high-end restaurants. But we have seen pretty good sales at some hot pot restaurants as well. Over half of our products were sold through dealers in China," said Liu Qiang, general manager of Genagricola in China.

"E-commerce platforms are a new form of sales channel and we have launched our flagship store on Tmall. Yet, wine is a relatively special product, as it embodies unique culture and needs to be appreciated and tasted personally," he said.

"Some wines that are widely promoted and have strong brand impact in China will be better sold through e-commerce channels. Other niche products from various

wineries have certain disadvantages online," he said.

Chengdu Two Lions Trading Co Ltd, a dealer for an Italian winery in Chengdu, Sichuan province, said in the past three years, the company saw its sales revenue in China increase by 20 percent annually. Its main consumers are those aged between 25 and 40.

"We plan to invest 3 million yuan in the promotion of Italian wines in China, in areas including product development, advertising, and staff training. Next year, we plan to cooperate with major e-commerce platforms JD and Tmall to sell our wines," said Augusto Bordini, general manager of Chengdu Two Lions Trading Co Ltd.

Last year, the total export value of Italian wine reached 6.2 billion euros (\$795 million), and the bilateral trade value between China and Italy reached \$54.24 billion, up 9.1 percent year-on-year.

"China has entered a period of accelerated consumption upgrading, and the consumption structure has improved from survival to growth and enjoyment. Wine is undoubtedly an enjoyable consumer product in China, and such consumption trends have brought greater opportunities to Chinese and Italian wine companies," said Massimo D'Alena, former Italian prime minister.

"Guizhou province, a liquor-making region, has rich resources, a

pleasant climate, and huge potential for development. It is attractive to investors. Guizhou has many similarities with Italy, and there are many areas available for potential cooperation," he said.

From January to July, retail sales of consumer goods nationwide achieved 22.8 trillion yuan, jumping 8.3 percent year-on-year. In July, the retail sales value of tobacco and liquor products increased by 10.9 percent over June, according to data from the Ministry of Commerce.

"The global wine industry as a whole is on the rise, and opportunities coexist with challenges. The wine industry in China should continue to explore new technologies and operating models, and strength-

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Fabio Marini, export manager of Cherri, a winery in Italy

en cooperation with global firms to achieve high-quality growth," said Qian Keming, vice-minister of the Ministry of Commerce.

In China, supermarkets remain the main sales channel for wine purchases, followed by liquor stores. Consumers of wine have become increasingly younger, according to consultancy Frost & Sullivan.

Last year, consumption of liquor compared to wine globally was half-and-half, while in China it was seven to one, indicating significant room for growth for wine in China. The average per capita consumption volume of wine in the United States has been more than 10 liters a year, while the number is lower than 1.5 liters in China, Frost & Sullivan found.

"With continuously growing incomes in China, more consumers are pursuing healthy and quality lifestyles. More people are expected to purchase wine as part of their daily lives, the wine industry is facing rosy prospects. Local distinctive wines made in smaller producing areas have become more recognized by Chinese consumers and they will embrace more growth opportunities," said Neil Wang, president of Frost & Sullivan in China.

Wang Jin and Zhao Yandi contributed to this story.

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Kweichow Moutai to boost investment, exports to BRI economies

By ZHU WENQIAN in Beijing and YANG JUN in Guiyang

Kweichow Moutai Co Ltd, China's high-end distiller from Maotai town in Southwest China's Guizhou province, said in the next few years, it will make more investments and aims to export more products to Belt and Road economies.

By September, the company had sold its products in 44 countries and regions involved in the Belt and Road Initiative, and its main export product is the 500-milliliter bottle of its classic Feitian 53 percent liquor. This kind of liquor that left the factory last year now retails at 1499 yuan (\$212) on online shopping platform Tmall.

Moutai started to export its products in 1993 when the export volume was 45 metric tons. Last year, the volume stood at 2,177.47 tons, which created sales revenue of \$469 million.

"In some mature overseas markets such as the United States, Australia and France, we sell our products through mainstream channels such as large supermarket chains, liquor stores, and luxury hotels. Some local consumers have started to buy Moutai products, but the main consumer group is still Chinese," said An Huailun, president of Kweichow Moutai Import and Export Co Ltd.

"In some emerging markets such as Africa, South America and Eastern Europe, we sell Moutai products through local Chinese supermarkets and restaurants, as well as local bars and hotels. The development of the Belt and Road Initiative has attracted more Chinese-funded institutions and overseas Chinese to buy more products of Moutai," An said.

Compared with foreign liquor brands, some overseas consumers are not used to the unique taste of Moutai, or Chinese baijiu. The com-

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An Huailun, president of Kweichow Moutai Import and Export Co Ltd

pany is trying to mix Moutai spirits with other drinks to make cocktails and promote it in bars.

Meanwhile, the distiller is making efforts to sell more Moutai products at mid-end and high-end overseas Chinese restaurants, as the company would like to attract more local consumers to drink Moutai as an accompaniment to Chinese food.

The Shanghai-listed company's market capitalization now stands at more than 1.4 trillion yuan. In June, it became the first stock to see its share price exceed 1,000 yuan per share after 27 years. It became the most expensive stock in the A-share market, boosted by continuously growing demand and good earnings.

The company said it also faces many restrictions when developing overseas markets. It needs to consider market growth potential, cultural differences, and laws and regulations.

Last year, overseas sales of Moutai



Visitors watch a robot making Moutai cocktails at an international investment and trade fair in Southwest China's Chongqing municipality on May 16. SUN KAIFANG / FOR CHINA DAILY

and its series of products in Asia accounted for 44.87 percent of the total, followed by Europe and North America, with 21.57 percent and 10.91 percent respectively, according to the company.

"The sales of our products have not jumped out of the East Asian cultural circle yet, we still need to increase efforts to cultivate more foreign consumers in Western markets, in addition to putting more investment into emerging markets," An said.

Besides Moutai, Guizhou, a spirit-producing area, has about 5,000 spirit makers, including more than 600 registered companies. Among them, 128 distillers have seen their annual sales revenues exceed 20 million yuan, and 48 companies have achieved annual sales revenues of more than 100 million yuan.



Moutai bottles being packed at a facility of Kweichow Moutai in Maotai town of Guizhou province. XINHUA

Guizhou Xiongzhen Liquors Group is one of the major white spirit distillers based in Maotai. Founded in 2000, the company has seen its

business grow rapidly in recent years.

Last year, it started to export its products — mainly three kinds of

liquor that retail for 289 yuan to 699 yuan per bottle — to the United Kingdom.

"Our target consumers are aged between 30 and 50. We sell through food shows as well as some major channels like supermarkets. Local consumers are curious about Moutai-type liquor and they like the taste of our products," said Zhang Zaibin, president of Guizhou Xiongzhen Liquors Group.

"The domestic market will still be our dominant market. We also plan to expand into some overseas markets near the UK; the local foreign markets still need more cultivation and brand promotion. Besides, the company faces challenges such as trade tariffs and the management of goods delivery systems overseas," he said.

Last year, the production volume of spirits in Guizhou accounted for 3.5 percent of the national total, but the profits yielded from Guizhou enterprises made up 43 percent of the total, according to the local government.

"With annual production volumes of over 300 million liters, spirit making has become a 100 billion yuan-level sector in Guizhou. It stands as an important pillar industry for the province," said Chen Yiqin, governor of Guizhou province.

"We will protect the ecology of spirit making, and continuously optimize the industrial layout and development pattern. We will further extend the industrial chains to raw material planting, packaging and printing, logistics and transportation, and e-commerce, and promote the integration of primary, secondary and tertiary industries of spirit distilling," she said.

Dong Xianwu contributed to this story.

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