8th International Conference
June 28th – 30th, 2014 | Geisenheim, Germany

Chinese consumer's perception of the image of German wines:

Opportunities and challenges of a less-known country of origin

Lishi Zeng
Geisenheim University, Germany
(lishi.zeng@hs-gm.de)

Gergely Szolnoki
Geisenheim University, Germany
(gergely.szolnoki@hs-gm.de)

◦*Purpose*
The information of country of origin (COO) plays an important role in the process of making decision during wine purchase among Chinese consumers. In the past decade, the well-known COOs, such as France, Australia, have dominates the import wine market. However, with the maturation of the market, will the less-known COOs draw more attention from the Chinese consumers? This research aims at evaluating the current image of a less-known country of origin (COO), taking German wines as an example, among Chinese wine opinion leaders and exploring the challenges and opportunities for these COOs in the future.
◦*Methodology*
A mixed method of seven qualitative interviews and sixty quantitative on-line surveys with wine opinion leaders were conducted between September 2013 and January 2014. The interviews and surveys focused on Chinese wine consumers' awareness of German wines, their perception of German wines and their views on the future German wine sales.
◦*Findings*
The results indicated that Chinese consumers have low familiarity of German wines, even the wine professionals defined in this research. They gain German wine information through more serious channels such as published wine books and wine magazines. The taste of German wines varies from their existing taste preferences. Increasing the exposure of the German wines is regarded the most important elements for German wine promotion.
◦*Practical implications*
The findings of the research provide wine marketers from less-known COOs an initial impression of future Chinese wine consumers, from the current opinion leaders' view. Supports from COO authorities through appropriate communication channels are still heavily valued in educating the market.

Key words: country of origin, China market, German wines, consumer behaviour

1. INTRODUCTION

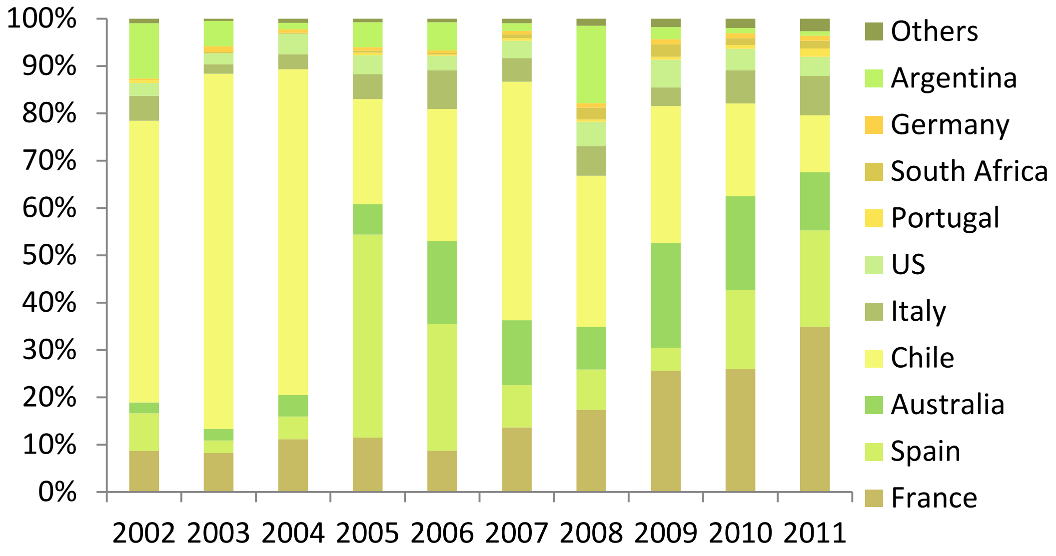
In 2012, Lockshin and Corsi (2012) reviewed 17 papers on the effects of the origin on wine consumers and concluded that COO is a key factor influencing wine choice. The importance of COO is moderated by other variables such as price, brand and awards and consumers' involvement and knowledge of wine (Perrouty et al. 2006; Remaud, Lockshin 2009; Famularo et al. 2010). As early as 1999, Duhan et al. already emphasized it is important for wine marketers to understand the influence of origin identity.

The COO effect on wine choice is the most discussed topic in Chinese wine consumer studies. Undoubtedly, the COO element is important and influencing consumers with other combined attributes. Balestrini and Gamble (2006) investigated wine buyers from Shanghai and found that as an extrinsic cue, COO information is paid more attention when consumers buy wines for special occasions than for personal use due to the face culture. A later research (Hu et al. 2008) in Shanghai and Hangzhou added gift giving to the purchase motivations that affects the importance of COO. In another research in Beijing, Yu et al. (2009) examined the attributes affecting purchase decision under different consuming purpose including daily use, business dinner, private date and as a gift. In the results, it showed that typical consumers choose mainly Chinese wine for daily use, and they show preference to French wines for gifting and business dinner. Chinese consumers regard wines from abroad, or more specified from a certain COO, better quality (Kaynak et al. 2000); therefore it should be served on more public occasion than personal consumption due to the Chinese face culture. In a heterogeneous less-developed market like China where consumers have comparatively low familiarity of wine, when facing so many types of wines coming from abroad, consumers are likely to use decision heuristic which simplify the decision making focus on one or two characteristics of the product (Duhan et al. 1999; Chancy 2002) and reduce perceived risks.

Such importance is not only proved theoretically by academician but also supported by the actions of the authorities of many wine regions and countries. In China, Old World origins such as Bordeaux, Burgundy and Spain have been giving certified courses for many years as well as Australia in 2011. In 2013 California, New Zealand started to educate the Chinese wine professionals and consumers about wines from their own regions. In 2014, Germany and Portugal just joined this campaign. And there is a trend that such wine education focusing on origin is narrowing and drilling into smaller range, such as from Australia A+ to Barossa Wine School.

According to Euromonitor International, China's wine market size reached 2.1 billion litres by volume and 151 billion renminbi by value in 2012. Among this big cake, import wine accounted for more than 25%. Dating back to 2002, a decade ago, the import wine segment only contributed 2% of the total market. Figure 1 depicts the evolution of the COO distribution of import wine sector in the past decade. Notably, since 2009, the market share distribution has been more even and less monopoly. It might be one of the signs that the China wine market is entering into a more mature period after an explosive growth and, Chinese consumers are open to try something new rather than French wines.

Above all, will the new era of China wine market benefit the smaller origins like Portugal, South Africa, Germany, Argentina and so on?



Source: 2013 Euromonitor International

Figure 1 China import wine market share by countries of origin in volume 2002-2011

Therefore, in this research, wines of Germany was taken as an example to test the Chinese consumers' perception of the image of a less-known COO and, look for the chances and challenges ahead in a future mature market.

In the past decade, Germany has maintained a small but stable market share between one and two percent of import wine sector. According to Deutschen WeinInstitut (German Wine Institute, 2013), the export volume of German wines to China (3.4 million litres in volume and 13 million euro in value) kept increasing even when Germany reduced total wine export due to the continuously drop of production. The export unit price of German wines to China (close to 4 euro/litre) is far above the average export price or the export price of quality wines (Qualitätswein). For Germany, China is still a profitable export destination.

2. METHODOLOGY

In this research, a mixed method was chosen. A researcher collects both quantitative and qualitative data concurrently and separately. When the data is ready, the researcher runs statistical analysis on the quantitative data and general inductive content analysis of qualitative data, separately. The two approaches are connected by the merge of the results of these two data sets, followed by a further interpretation and summary.

2.1 Target participants

In this study, both quantitative and qualitative researches aimed at those who have high involvement in wines, such as wine trade, wine professionals. This target group is defined as wine opinion leaders.

Choosing the wine opinion leaders is for the following reasons. Firstly, the population of mass wine consumers in China is huge but unevenly distributes. Investigation on end consumers costs high efforts but low representation and efficiency. On contrary, inquiring one opinion leader is more likely to gain a summary description of more than one consumer. Secondly, these people act like gatekeepers for the China import wine market. End consumers can only buy what is available in the market. Thirdly, the popularity of social media and the heat of wine education, no matter at training centre or self-educating, provide platforms for the opinion leaders to spread out their voices. Following these professionals' idea offers those who have low familiarity of wine a sense of security. In another word, it is the effect of word of mouth. Fourthly, with the maturation of the market, consumers are supposed to have higher knowledge and involvement of wine. Studying consumers with higher wine knowledge and involvement might give clues to predict the future consumer behaviour.

Therefore, the insights from these people are regarded valuable and effective in this research.

2.2 Qualitative data collection

Face to face semi-structured interviews were mainly conducted in two wine fairs in September and November 2013. In total seven face-to-face interviews were done. The demographics of the interviewees are shown in Table 1.

Table 1 Qualitative research interviewees' demographic

Interviewee	Region	Job position
A	North	Area manager, wine retailer,trading German wine
B	North	Marketing manager, négociant, trading German wine
C	South	Vice general manager, importer, trading German wine
D	East	General manager, importer
E	East	Project assistant, marketing consultancy
F	Southwest	Vice general manager, distributor
G	Southwest	General manager, wine website

The semi-structured interviews were carried out with designed open-end questions regarding the following topics:

a) awareness of German wines;
b) opportunities and challenges for German wines in China market;
c) Suggestions and improvements for German wine trade.

Interviews were conducted at fair venues or with appointments out of the fairs in Chinese Mandarin. All interviews were digitally recorded for making separated manuscript for the following content analysis. Strategies, know-how, experiences and practices are collected with emotions, tones, pauses. In some cases, explanation of the questions was given to the interviewers, included in the manuscript.

2.3 Quantitative data collection

An online quantitative questionnaire was set up to collect data between October 2013 and January 2014. Initially there were 60 respondents in total. After filtering by the German wine drinking frequency, 47 respondents who drink German wine at least once a year were left. The detail demographics of the respondents are shown in Table 2.

Table 2 Respondents' profile

Demographics	Frequency (n=47)	Percentage
Region		
East	14	29.79
North	17	36.17
South	10	21.28
Southwest	3	6.38
Northwest	2	4.26
Mid	1	2.13
Categories		
Importer and other mediators	15	31.91
Wine lovers	10	21.28
Sommelier, wine education, association, critics	7	14.89
Student	6	12.77
E-commerce	0	0.00
Wine media (magazine, website)	6	12.77
Retailer	2	4.26
HoReCa	1	2.13
Drinking frequency		
At least once a week	10	21.28
At least once a month	37	78.72
Gender		
Male	19	40.43
Female	28	59.57
Age		
18-25	13	27.66
26-35	22	46.81%
36-45	8	17.02%
46-55	2	4.26%
> 55	2	4.26%

The main concerns of the questions were summarized as below:

a) awareness of German wines;
b) perception of the image of German wines;
c) satisfaction of German wines.

Besides the designed semi-structure interviews with 7 interviewees and quantitative surveys with 47 respondents, comments from free conversations at the wine fairs and wine events, store checks, working experiences in a trade company and daily observation were collected. Notably, this part of data was not intended for scientific analysis, but they seemed to be useful to illustrate trends in the discussion part of this study or to offer possible explanations for the findings.

3 FINDINGS

3.1 Awareness of German wines

In the qualitative interview, the first three mentioned words when the interviewees were asked what they think of when mentioning Germany came out to be beer, car and white wine. Two out of seven interviewees claimed that “I think of Germany when I talk about Riesling, but not the other way round".

In the quantitative survey, respondents were asked to name the grape varieties, wine regions and brands of German wines. “Riesling” was the most mentioned word both in variety category and among all the mentioned words. Riesling and Spätburgunder were the most well-known varieties for German wines. Mosel and Rheingau were famous wine regions for the respondents. Weigut Joh. Jos. Prüm, Schloss Johannisberg and Dr. Loosen were pronounced brands in the respondents’ mind. By the observation of visiting the wine shops, supermarkets and online wine shops, all these frequent mentioned words come from the German wines which present in the China market. In another word, it is more common to find a bottle of German wine made by Riesling grapes than the one made by Sylvaner in China market. The respondents were asked also whether they know about Sekt and German red wines. The results show that 97.87% respondents knew about German red wine and 87.23% knew about Sekt.

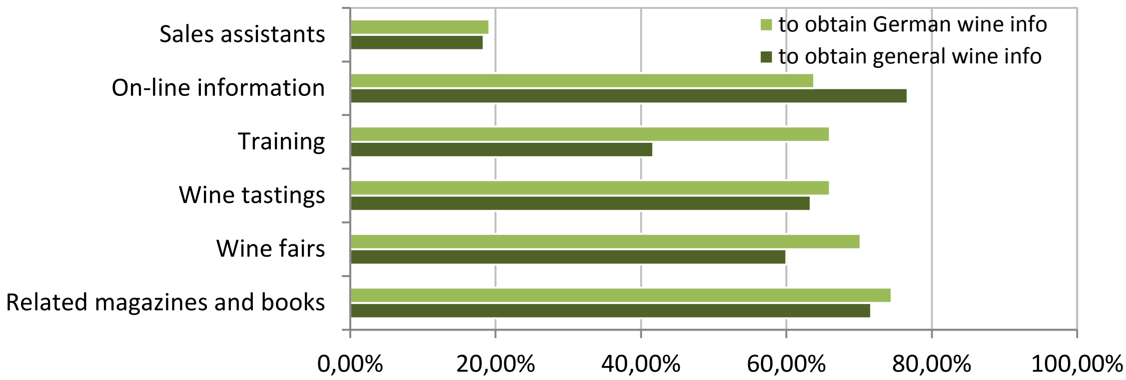
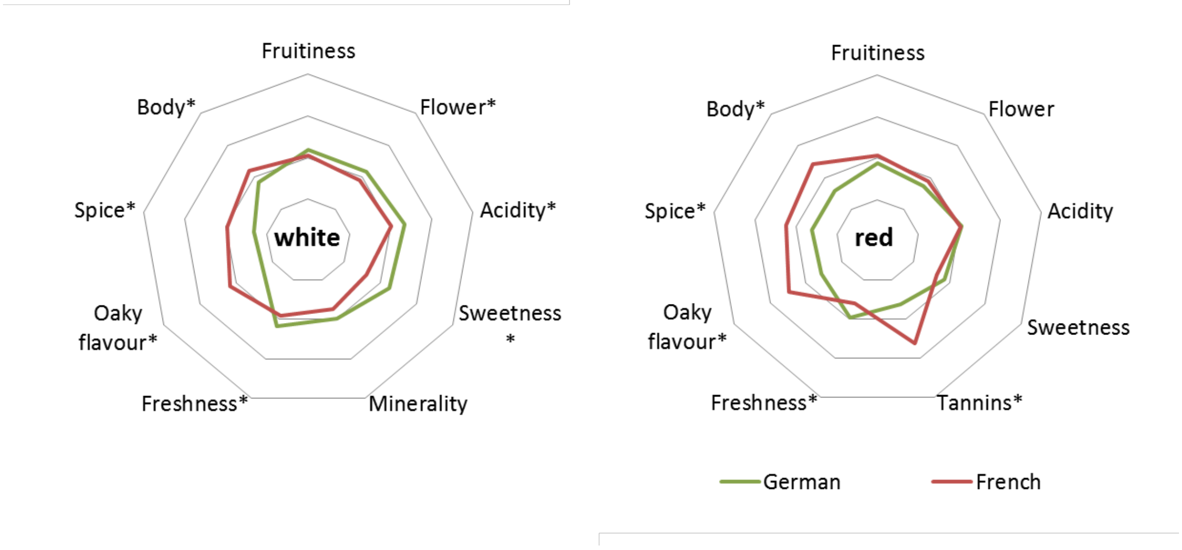


Figure 2 Preferred channels to obtain German wine information

Figure 2 shows the information channels that the respondents expected to gain general and German wine information. When they need general wine information, they preferentially turn to on-line sources but when they are looking for specifically German wine information, they expected to find it on wine magazines and books in priority, or wine fairs, German wine tastings or a training course where it is more certain to find German wines or German wine experts.

3.2 Perception of German wines

The respondents were asked to use Just About Right (JAR) five-point scale to evaluate the memorized sensorial attributes of German white, French white, German red and French red wines separately. Then the results of German and French wine were put together to compare.



*significantly difference exists between German and French wine ($P<0.05$)

Figure 3 JAR evaluation on the sensorial attributes of German and French wine

Figure 3 indicates that generally, French white wine was close to respondents' "right" standard in nearly all sensorial aspects. German white wine has too much fruitiness, floral flavour, acidity, sweetness and freshness but too little oaky flavour, spice and body. For red wine, neither German red nor French red is close to the respondents "right" line, especially in the aspects of body, spice, oaky flavour and tannins.

3.3 Satisfaction of German wines

In the quantitative survey, among the total 47 respondents, 43 of them claimed that they had brought/sold German wines before. These respondents continued the satisfaction test of German wines that they brought/sold. The respondents valued the satisfaction and importance of a series of attributes using a five-point scale from very dissatisfying/very unimportant (1) to very satisfying/very important (5). The attributes are located on a two-dimensional map as Figure 4. The red dots highlight the attributes which are not satisfying (mean between -0.25 and 0.25 on x-axis) but important (mean above 0.25 on y-axis).

"Support from the German wine supplier" was very important but with the least satisfaction. "Promotion of the wine image by the country" and "popularity of German wine" were not so satisfying either. Besides, German wines were not so profitable from the wine trade's point of view. On contrary, the quality of German wines performed well in the satisfaction test. Other items like bottle design, pairing with Chinese food and variety were satisfying but with lower importance. Cost, label design and packaging also needed to be improved.

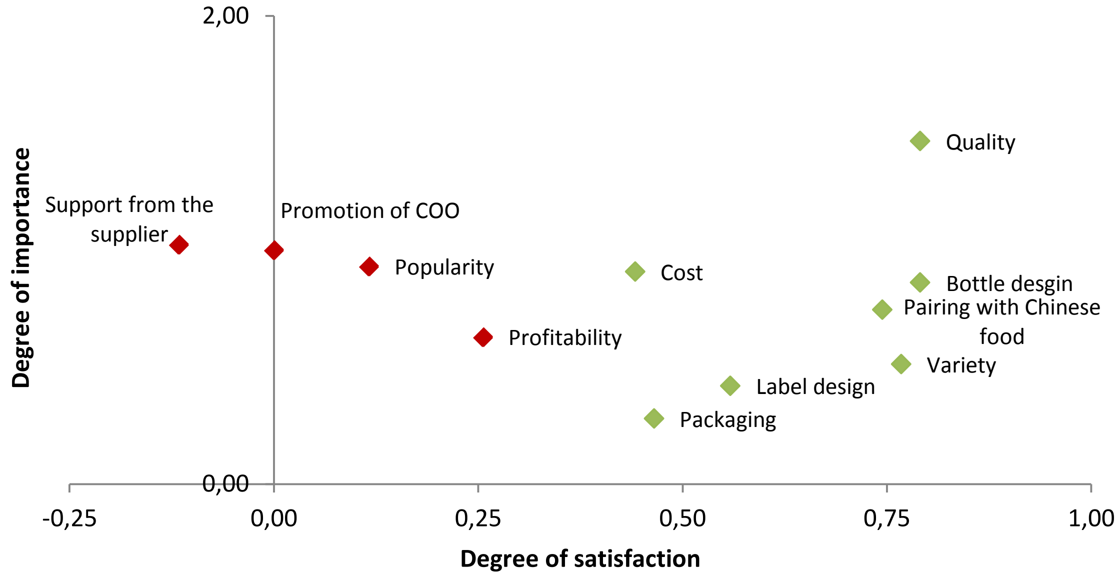


Figure 4 Satisfaction test of German wine

3.4 Chances and Challenges

Table 3 records the main arguments of the opportunities and challenges of German wine. Riesling and Sekt are the ground-breaking points. Riesling is already well-known among the opinion leaders and it requires further push to expand its reputation in China market. Low price Sekt is favoured by wine merchants since its freshness and easy drinking features make it friendly accepted by those who just start drinking wine or young people with the existing celebration and happy image from Champagne. With the growing Chinese economy, people are more likely to afford German wine. Unlike wines from other COOs, the market share of German wines has maintained around 1-2% for the past years, suggesting German wine sector grew steadily and synchronously with the total China wine market. This rational growth will continue, predicted by interviewees.

Table 3 Arguments of the opportunities and challenges of German wine

	Main opinions
Chances	Sekt has chance among the young generation; Riesling is getting popular, especially among the young; increasing disposable income boost the sales of German wine; a promising sophisticated wine market is arriving; the annual growth of German wine has been rational and will continue.
Challenges	lack of promotion of the grand image of the country; low recognition; the uniqueness of German wine is not well expressed; low production risk at satisfying the big market;

However, interviewees kept repeating the challenge of low recognition of German wine. One of them explained that “there is no doubt that German wines are with good quality. But to pay the same price, the consumers are more intended to go for well-known brand or COO. Recognition and reputation make the combination of high quality and high price accepted”. Therefore, without the possibility to lower the price, German wine needs to speak out louder for its good quality. Interviewees required more promotion of German wines by the nation in the future. One of the interviewees was worried about the limitation of the low production which might ruin a succeed brand if they are not able to reach the demand continuously. But another interviewee argued that the consumers need to be informed or educated the relationship between quality and quantity. The promising mature wine atmosphere in the future will reduce this concern.

4 DISCUSSION

4.1 Discussion and conclusion

Chinese consumers have very low awareness of German wines, even the wine professionals defined in this research. Their knowledge about German wines including grape variety, wine region, brands is limited by what are available in the market. A market share of 0.3% means it is rare to find German wines in China. Germany, as a COO, doesn't immediately recall consumers' reflection of wine. In short, Germany is not a well-known wine COO.

Chinese consumers prefer obtaining German wine information through wine related printed material to searching on-line sources which is the most popular way to gain general wine information. The reason behind might be that wine press and wine fairs present authoritative German wine information in a theoretical and systematic way and wine tastings provides direct perception of the products. This kind of stereo information cannot be provided by internet or a casual visit in a wine shop where there is probably no German wines presenting.

The sensorial evaluation of German wines was comparatively far away from the "right" taste preference of Chinese consumers. However, this "right" line may be formed by French wines and Chinese wines since they occupy over 80% of the total China market share. When the market is poured in more types of wine, consumers' taste preference may change.

The main problems that German wines are facing were the low support from both wineries and Wines of Germany. Low promotion and low availability made German wines receive less popularity. Cost and packaging need to be improved as well. German wines have maintained a small but stable market share for the past decade. Riesling is getting popular in China and Sekt is favoured by the young. With the arriving mature market and the independence of the young generation, people are more willing to try new things. In conclusion, wines of Germany are facing a positive future.

As seen from market statistics and the results, China wine market is marching into a more stable era. Marketers from the less-known COOs might have an initial impression of the future Chinese wine consumers through these opinion leaders' ideas.

4.2 Limitations and future study

In this research, it only took the example of wines of Germany. It is not representative enough for the general less-known COO. Conduct the same research of other COOs who occupy small market share, such as Portugal, South Africa and Argentina then make a cross comparison with the results to conclude the characteristics of less-known COO.

The sample sizes for both qualitative research and quantitative research are not enough for validation from a statistical point of view. However, the interviewees and the survey respondents are not randomly picked consumers, indeed they are defined as opinion leaders, which makes the obtained results more representative than examining just end consumers.

In this paper, the data from quantitative survey was broken down into different regions and it showed difference exists. However this part of the analysis was not included in the result of the research because the sample size in this research was not big enough and the samples from different regions were not even. Anyway, diversities within regional markets in China should be taken into account in the future studies.

REFERENCE

Balestrini, P. and Gamble, P. (2006), “Country-of-origin effects on Chinese wine consumers”, British Food Journal, Vol. 108, No.5, pp. 396–412.

Chancy, I.M. (2002), “Promoting Wine by Country”, International Journal of Wine Marketing, Vol.14, No.1, pp. 34–40.

Duhan, D.F., Kiecker, P.L., Areni, C.S., Guerrero, C. (1999), “Origin Information and Retail Sales of Wine”, International Journal of Wine Marketing, Vol.11, No.3, pp. 44–57.

Famularo, B., Bruwer, J., Li, E. (2010), “Region of origin as choice factor: wine knowledge and wine tourism involvement influence”. International Journal of Wine Business Research, Vol.22, No.4, pp. 362–385.

German Wine Institute (2013), “Deutscher Wein Statistik 2013/2014”, available at: http://www.germanwines.de/icc/Internet-EN/med/108/108408b3-d74a-0411-3073-d7344755dbd7,11111111-1111-1111-1111-111111111111.pdf

Hu, X., Li, L., Xie, C., Zhou, J. (2008), “ The effects of country-of-origin on Chinese consumers' wine purchasing behaviour”, Journal of Technology Management in China, Vol.3, No.3, pp. 292–306.

Kaynak, E., Kucukemiroglu, O., Hyder, A.S. (2000), “Consumers’ country-of-origin (COO) perceptions of imported products in a homogenous less-developed country”, European Journal of Marketing, Vol.34, No.9/10, pp. 1221–1241.

Lockshin, L., Corsi, A.M. (2012), “Consumer behaviour for wine 2.0: A review since 2003 and future directions”, Wine Economics and Policy, Vol.1, No,1, pp. 2–23.

Perrouty, J.P., d'Hauteville, F., Lockshin, L.(2006), “The influence of wine attributes on region of origin equity: An analysis of the moderating effect of consumer's perceived expertise”, Agribusiness Vol.22, No.3, pp. 323–341.

Remaud, H. and Lockshin, L. (2009), “Building brand salience for commodity-based wine regions”, International Journal of Wine Business Research, Vol.21, No.1, pp. 79–92.

Yu, Y., Sun, H., Goodman, S., Chen, S., Ma, H. (2009), “Chinese choices: a survey of wine consumers in Beijing”. International Journal of Wine Business Research, Vol.21, No,2, pp. 155–168.