

# EXPLORING THE PERCEPTION OF LUXURY WINE IN CHINA

Yuan Yao<sup>17</sup>, University of Strasbourg  
Jiajia Pan, Founder and CEO of Institut MonoVino, Guangzhou, China

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## Introduction

According to VINEXPO research, the Chinese wine market is anticipated to reach a value of \$21 billion and will become the world's second largest wine market by 2020, with 6.1 billion liters of wine expected to be sold (Handley, 2017). At the same time, China takes a very important place in the global luxury goods market. McKinsey forecasts that by 2025, Chinese consumers will account for 44 percent of the total global luxury-goods market (Figure 1).

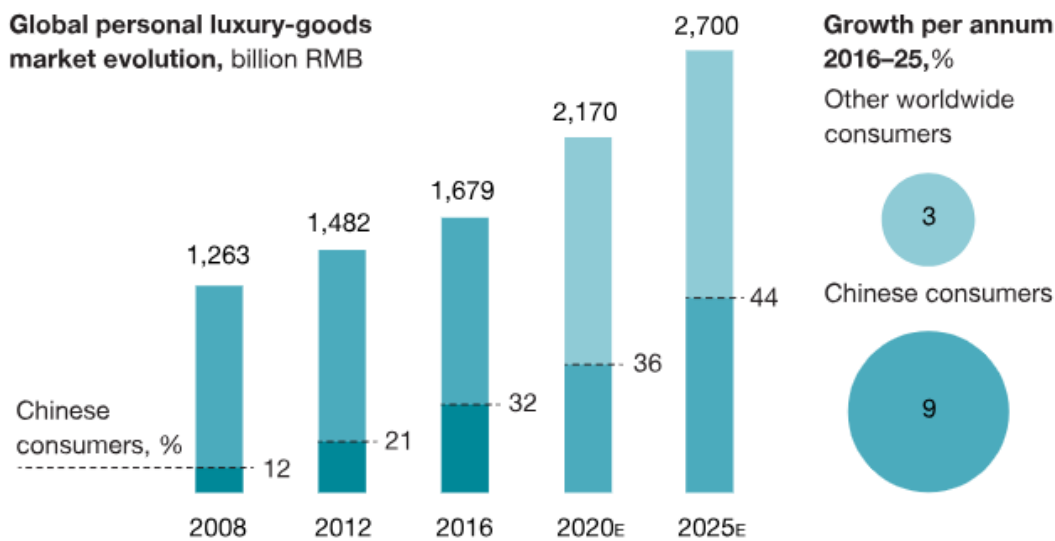


Figure 1: evolution of Global and Chinese luxury-goods market evolution

Source: McKinsey, 2017<sup>18</sup>

Meanwhile, we find that one of the main drivers of global luxury market is being spending on personal luxury and hospitality (ILTM International luxury travel market conference report, 2017). In catering and hospitality industry of China, luxury wine is typical luxury goods of personal consumption and of social occasion and Chinese consumers show strong interest on luxury wine products. However, lacking of consumption experience and culture of wine, consumers in China are not familiar with wine and luxury wine. They care probably different elements of product from consumers in other markets which hold longer history of wine consumption. And these specific elements will influence distribution strategies of wine in China. Hence, it is important to understand how Chinese consumers perceive luxury wine in this emerging market. This paper aims therefore to define the luxury wine in the eyes of Chinese consumers in China.

## Literature review

<sup>17</sup> Corresponding author

<sup>18</sup> Lambert Bu, Benjamin Durand-Servoingt, Aimee Kim, and Naomi Yamakawa, 2017, "Chinese luxury consumers: More global, more demanding, still spending", McKinsey Report

Researchers have conceptually or empirically explored the perceived values for luxury consumption (Tsai 2005; Sun et al., 2016) and summarized some dimensions of luxury goods: premium quality, aesthetics, expensiveness, history, perceived utility and uniqueness (Ghosh & Varshney, 2013; Thach & Olsen 2017). According to Heine et al., (2014), luxury wine shares some similar but different criteria: high price, quality, aesthetics, rarity, extraordinariness, and a high degree of non-functional associations. For luxury product in general, consumer's perception about the quality is more important rather than the “real” quality standard itself (Ghosh and Varshney, 2013). For the wine product, quality refers more precisely to the wine picking and processing, the official classification of its terroir, and the ratings by wine professionals (Heine et al., 2014). Furthermore, the business environment of luxury wine is more complex. Dollet et al., (2011) studied the case of Moët & Hennessy and they draw the conclusion that the current luxury business environment is not fully orchestrated in an integrated way, as companies prefer to focus on the internal processes and activities of design, creativity, innovation, marketing, and finance.

Luxury products are often considered as multi-dimensions of the material, the individual and the social value (Shukla, 2012, Sun et al., 2016). Like many other western-originated products, the wine is preferred by Chinese consumers for its social and symbolic benefits, to show the modernity and status (Yang & Paladino, 2015). Capitello et al (2015) figured out that the trends in the Chinese customers' perspective towards luxury wine: new consumers are searching for differentiation, brand and origin reputation, luxury goods and status symbols, and they participate in conspicuous consumption, and these trends derive from the Chinese social evolution. For general wine consumers in China, most of them are price-insensitive, meaning that they value the consumption as a sense of accomplishment, honor, and fashion in their buying decisions (Tang, 2006). Xu et al., (2014) pointed out that Chinese consumers consider price in opposite ways when purchasing wines for own consumption and gift purposes: for own consumption, consumers derive extra utility from less expensive wines; for gift occasions, consumers prefer more expensive wines. Chinese wine consumers are primarily interested in purchases that convey a level of prestige, status and respect, all of which are important components of Chinese culture (Muhammad et al. 2014). Meanwhile, the embedded Western origin and associations are highly admired by Chinese consumers, allowing them to project prestigious social status, to express aspirations toward Western (especially French) values and lifestyles, to show good face, and to please significant parties (e.g., the recipient) (Yang & Paladino 2015). In order to show good face (mianzi), products with a more favorable perceived product image are often preferred by Chinese consumers (Yang & Paladino 2015). And Chinese consumers demonstrate a strong “follower” tendency, in that they were willing to behave in a certain way in order to conform to the expectations of the people around them whom they perceived as being important (Deng, 2013). Consequently, quality wines, especially quality imported wines have become the choice of many high-end consumers.

### **Main Research Hypotheses**

The luxury wine in China is defined by: (1) Wine's quality, price and rarity; (2) Inherent features: type and origin country; (3) Aesthetics: design and packaging; (4) Brand influence and authenticity.

### **Research Methodology**

Sample data were collected through online surveys by 264 Chinese wine consumers living in south and east of China, which are top two wine importation regions in China. The statistical analyses are carried on by EXCEL. The wine knowledge of respondents are verified from normal wine consumers to wine professionals, with age range varied from 18 to 69 years old, in which 18-29 years old takes 60,61 percent and 30-39 years old takes 27,27 percent.

## Preliminary findings

(1) What is your definition of luxury wine?

The results show ten key words to define luxury wine: quality, vintage, price, brand, yield, value for collection, region, a represent of life quality, history and package.

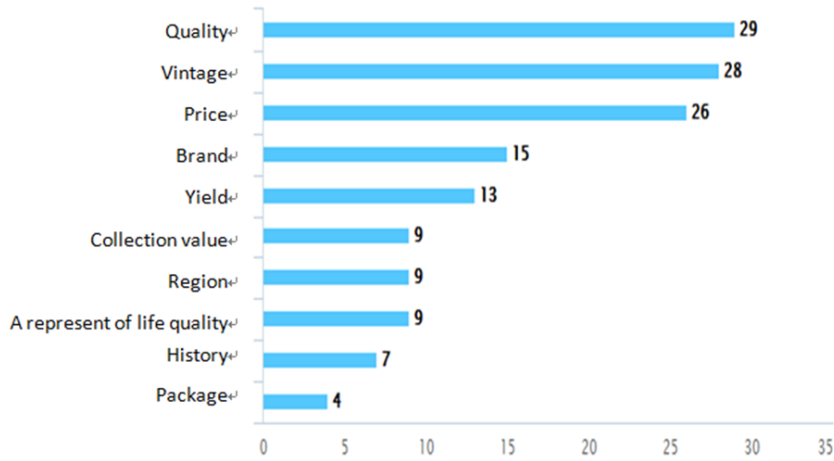


Figure 2. Key words to define luxury wine in China

(2) Luxury wine brands

Ten luxury wine brands are identified from sample data.

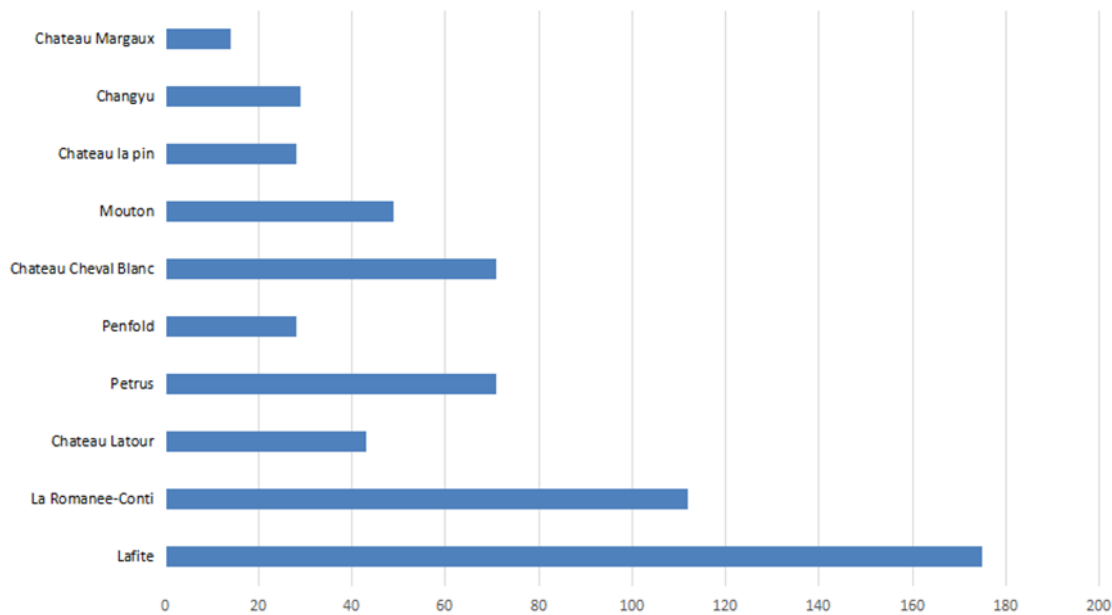


Figure 3. Luxury wine brands to Chinese customers

(3) Eight elements related to luxury wine are identified: price, quality, rarity, aesthetics, history, brand impact, authenticity, and distribution channel.



Figure 4. Elements related to luxury wine in China

(4) Eight factors influence the purchasing of luxury wine are identified: quality, price, rarity, brand influence, history, brand authenticity, distribution channel.

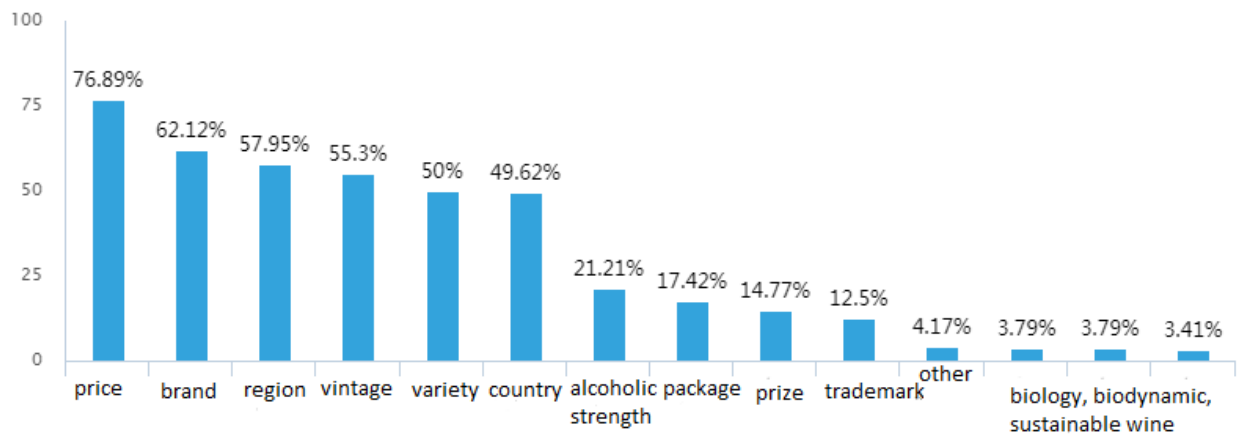


Figure 5. Factors influence luxury wine purchasing in China

(5) French and Italian wines are highly considered as origin country of luxury wine. Results show that wine from Canada, Hungary, Argentina and South Africa holds very low rate recognition.

Country	Number	Percentage
France	257	97.35%
Italy	119	45.08%
Germany	47	17.80%
Spain	37	14.02%
America	33	12.50%
Australia	27	10.23%
Portugal	26	9.85%
New Zealand	19	7.20%
Chile	16	6.06%
China	15	5.68%
Canada	10	3.79%
Hungary	6	2.27%
Argentina	5	1.89%
South Africa	4	1.52%

Figure 6. Preference of origin country of luxury wine in China

### Conclusions and managerial implications

This paper could help researchers and managers to clarify how Chinese consumers understand the luxury wine, which hasn't been studied in previous researches. The specificities will be useful to understand better the purchasing criteria of luxury wine in China and help wine distribution companies to adapt distribution strategies.

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