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Title

The Millennial Chinese preferences on domestic against imported wines.

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Keywords

Millennial; Chinese; WTP; consumption preferences; domestic wines; imported wines; tasting experiment; self-evaluated knowledge level

Research Question

What are the wine consumption preferences and WTP of Millennial Chinese?

Are there any preferential differences on domestic and imported red wines for Millennial Chinese?

Methods

224 Millennial Chinese joined tasting experiments in Shanghai, Chengdu and Shenzhen in May 2017. The participants' preferences and WTP for four wines were recorded and data was then statistically analysed.

Results

In both blind-tasting and COO-tasting conditions, the WTP and sensory preferences for Millennial Chinese towards the imported wines were to be found higher than that of the domestic wines.

Abstract

The Millennial Chinese preferences on domestic against imported-wines.

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ABSTRACT

China's wine consumption, as the emerging wine market to the world, has gained international recognition (Vinexpo, 2014). With the biggest volume and highest dollar value of imports in China, French wine has been preferred over wines from other countries (Corsi, Cohen, & Lockshin, 2014; Ng, 2016; OIV, 2016). According to the latest sales figure reported for June 2017 by Les Douanes (Les Douanes, 2017), over 10% by dollar value of premium Bordeaux wine priced over Euro 15 was purchased in China. This consumption level and preference are also not created by the government, as currently there is also no preferential price for French wines in China, unlike wines from Australia, Chile, Georgia and New Zealand, which are duty free (ChAFTA, 2015, Boyce, 2012; NZ Trade and Enterprise, 2015). Chinese consumers are not confident in the quality of the Chinese domestic wines (Phillips, 2016; Wang, Zhao, Liu, & Fu, 2010) and because of this, it is believed that the sales of imported wines will continue to increase in China (Lee, Huang, Rozelle, & Sumner, 2009). French consumers, on the other hand, respect their own wine culture and tradition. They are loyal to their domestic wines. Burgundians and the Bordelais prefer domestic wines and do not appreciate wines from other regions (Yip, Song, & Charters, 2017).

Millennial wine consumers across all countries have become the target segment for most retailers due to their increasing frequency of consumption, volume of consumption, willingness to pay for more expensive wines, and open-minded attitude towards imported wines (Fountain & Lamb, 2011; Mueller & Charters, 2011). In the USA, the Millennials have been the biggest segment among all age groups consuming the largest volume of wine (Hernandez, 2016). Several studies concluded that Millennials are new comers to the wine market although they generally lack of knowledge and experience in wine (de Magistris, Groot, Gracia, & Miguel Albisu, 2011; Li, Jia, Taylor, Bruwer, & Li, 2011).

Bordeaux is the biggest production region in France with 25% of the total market production in France (CIVB, 2016). Forty-two percent of the wine produced in Bordeaux was exported, while, 58% was consumed domestically in 2013-2014 (CIVB, 2016). In comparison, China is the fastest growing wine importing nation and it is also among the top 3 countries in the world by area under vine (OIV, 2015). As one of the top wine importing regions in the world, the current sales composition is 30% imported wines against 70% domestic wines (Decanter China, 2016; Ng, 2016; Wang, 2017). While it is obvious that domestic wines and the domestic wine industry are important, there is hardly any study focusing on the Chinese domestic wine market (Li & Bardaji, 2016; Wang & Huang, 2009).

While the volumes of imported and domestically produced wines in China continue to increase, it is believed that the knowledge level of Chinese consumers about wine is continuously increasing, too. China currently was ranked the 2nd biggest WSET learners' market in the world after the UK. The number of candidates in mainland China increased by over 40% in 2016 compared with 2015, with a total of 12,813 candidates attending the WSET exams. Mainland China, ranked 2nd after the UK, represents 15% of the WSET candidates in the world (Wine & Spirit Education Trust, 2016). Better knowledge and understanding of wine helps consumers to better assess the sensory characteristics of the wine, rather than relying solely on the objective characteristics (Gergaud & Livat, 2007; Lecocq & Visser, 2006).

It is obvious that due to physical distance, the understanding of Chinese consumers on locally made wines (domestic wines) will be greater than imported wines (Alba & Hutchinson, 1987; Ghemawat, 2001). It is the same for cultural distance, as domestic wines use language and identity that is appreciative to the local community (Ghemawat, 2001). Li & Bardaji (2016) studied the Chinese preferences, towards imported wine due to changes in market structure. Moving from planned economy to market economy has changed the mindset of Chinese to demand convenience and quality, making them prefer imported goods (Hingley, Lindgreen, & Chen, 2009).

GAP

This research tries to close the widening gap between the growing interests in Chinese consumers' wine preferences by practitioners and the lack of research in this area (Balestrini & Gamble, 2006; Y. Li & Bardaji, 2016;

Yu, Sun, Goodman, Chen, & Ma, 2009 & Li et al, 2011). Many publications in the past mainly focused on how the demand for wines is affected by the price and other objective factors of wines (de Magistris et al., 2011; Mueller & Charters, 2011) using the secondary data without much attention paid to the data collected through tastings.

From a managerial point of view, Mainland Chinese consumers' WTP is a subject worth of studying for international wineries, importers, as well as domestic Chinese wine producers. This paper, therefore, designs to assess the Millennial Chinese consumers' WTP on four wines, focusing particularly on their sensory preferences through a tasting experiment. From the existing literature, Chinese consumers are believed to have improved their knowledge on wine significantly, especially for the millennial segment. And because of this, segment heterogeneity by three levels of knowledge will be studied.

METHODS

This paper is based upon the data collected for an on-going wine consumer research. 224 Chinese millennial joined the tasting experiment in three major cities - Shanghai, Chengdu and Shenzhen. The participants' preferences and willingness to pay for four wines were recorded in the tasting and the data was then statistically analysed. The first Chinese wine and French wine pair were tasted-blind and the second pair were tasted with a known country of origin (Balestrini & Gamble, 2006; Keown & Casey, 1995). This sample included an approximately equal proportion of working adults and university students. The purpose is to study how varying wine knowledge may affect millennial Chinese consumers' wine consumption patterns and WTP. Similar questions asked by Frøst & Noble (2002) have been used to assess the current level of knowledge of the Chinese participants. Based on the self-evaluated knowledge level, the millennial Chinese consumers were separated into three levels of knowledge: below average, average and above average. Chinese millennials' consumption pattern and willingness to pay (WTP) for the Chinese and French wines are studied and presented.

PRELIMINARY RESULTS AND CONCLUSIONS

The summary statistics of the sample are: among the participants, 73% of them are female, 70% university graduates, with a mean of 2.8 years of wine consumption experience. 65% of the respondents are wine educated and 74% are not working in a wine-related industry. The Chinese Millennial usually spends 25 Euros on a bottle of wine, and on a monthly basis they purchase 1.6 bottles of wine. In the blind-tasting and the tasting where the country of origin condition was revealed, the WTP and sensory preferences towards the imported wines are to be found higher than that of the domestic wines.

The full statistical analysis of the two wine pairs according to the knowledge segment on their consumption pattern will be presented at the conference.

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