What influences the Chinese off-premise market choice?

This is a paper in a series presenting results from research funded by the GWRDC that examines decision influencers amongst trade customers and distributors on which wine to buy, promote and represent. The research is investigating distributors, and on- and off-premise buyers in Australia, China and the US. Previous papers presented results from Australian data (Goodman 2012) about what influences a distributor’s choice on which winery to represent, along with a brief review of the literature and background to the research, so it is not replicated here (links are provided at end of article). Data from Chinese distributors was presented in Goodman & Altschwager 2012 and this paper continues along the wine supply chain in China through looking at the influencers of the off-premise customers’ decision as to ‘which wine to stock’.

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DATA IN CHINA was collected from the three key wine cities of Beijing, Shanghai and Guangzhou, with approximately equal responses from each location. Pen and paper questionnaires were administered to distributors, retailers and on-premise wine buyers. This paper presents the off-premise data. Demographic and descriptive data were gathered and then a choice experiment using the ‘best:worse choice’ method was used (Cohen 2009). In that, respondents are presented with a series of tables comprised of a number of choices. In each table they are asked to nominate which one influenced their decision the most and which one influenced their decision the least. Not all attributes are in each table, but each is presented the same number of times and appears ‘against’ each other attribute evenly.

Analysis involves a count of the number of times an attribute (decision influencer) was scored as ‘most’ and then subtracting the number of times it was scored ‘least’. A standardisation technique is applied that converts the Best-Worse score into a scale of 0 to 100, where 100 is the number one influencing attribute, and the remaining scores essentially show the percentage comparison of the particular attribute being number one. It gives a comparison that shows the power of the various attributes on the decision being made.

Figure 1 shows the results from the
China sample, where ‘brand’ is the number one influencer on decision, followed by ‘retail price-point’ and ‘customer request’, then ‘margin’ and ‘point-of-sale (PoS) material’. This gives a unique insight for Australian wine exporters; for example, it is worth investigating what price-points your target retailers are trying to meet, especially when the customer request (demand) is a powerful influence.

The importance here of PoS sends a message to wine exporters that you may want to go that little bit further than getting your translation done by the distributor. Look at getting your ‘shelf-talkers’ and material put together at the winery level where you can provide Chinese language tasting notes, which relate to the customer. Rather than talk of ‘slow-cooked lamb’, etc, you might need to engage someone with local knowledge that can put PoS that engages the local consumer and retail customer.

The influence on decision of ‘aged/vintage wine’ offers an opportunity for Australian wineries to work with retailers to deliver wines ready for immediate sale that have been aged at the winery. This, in itself, gives the opportunity to develop offers that involve ‘authenticity’ and ‘provenance’ to be offered to the Chinese consumer, such as: How nice to know the six-year-old McLaren Vale Grenache has been aged in the winery’s own cellar.

Figure 2 shows the differences in influencers for the different response locations. Beijing is much more driven by ‘retail price-point’, ‘customer request’ and ‘margin’, while Ghuangzhou and Shanghai are more influenced by ‘brand’ and ‘vintage/aged wine’.

This highlights the need to understand where the retailers are that you are attempting to sell to. Efforts to tailor the offer, ramp up support, develop point-of-sale or offer aged wines need to be matched to the location of the retail market.

As a winery would expect, there are differences in influencers amongst supermarkets, retailers and fine wine stores. The interesting result from empirically examining this is we actually see what is, rather than draw upon ‘gut-
feel’ or experience. More so we see signals that might assist us in designing what we take to the customer based on the type of retailer they are.

Independent stores are much more driven by the retail price-point. So, if you are looking to sell to these types of customers, talk with them and find out what price-points they are trying to hit. Interesting in this is that buyers from supermarkets are more influenced by requests from customers and PoS material.

If you are looking to target Chinese supermarkets, then you have the opportunity to work with direct-to-consumer marketing and pull demand up your supply chain (see Goodman 2012a for discussion of this approach).

The higher influence of PoS material begs the question, ‘how many wineries offer PoS to Chinese supermarkets?’ There is an opportunity, no matter how big or small your winery is, to develop PoS specifically for the Chinese supermarket segment. You have the opportunity to work with supermarkets in an emerging (and growing) wine market to assist them make better offers to their customers.

When we think of China as a market, we usually think in terms of big numbers. The fact is, though, in an emerging wine market there are a plethora of retailers selling smaller quantities of wine. Add these retailers up, include scope for future growth and it is a sizeable area to consider.

The results of this research highlight that if you are targeting smaller volume (arguably ‘niche’) retailers, there is a difference in the influencers of the decision. Lower volume retailers are influenced twice as much by the retail price-point – again, highlighting the need to know your customer.

You also need to know who the customer of your customer is. Just like supermarkets, and possibly counter intuitively, smaller volume retailers are more influenced through customer requests and PoS, which offers the opportunity for the entrepreneurial and marketing skilled winery to work with customers that are in the early stages of their own business.

Time and time again, empirical marketing research shows us there are differences among consumer and customer groups. As an experienced marketing practitioner, these results show me the need to actually get to know who my customer is, to understand how they approach their customer and what they are striving to achieve in their business.

The results from this GWRDC-funded research shows us that there are signals that offer the ‘marketing entrepreneurial’ winery an opportunity to, relatively simply, develop their offer so that it is more in line with the expectations, and decision influencers, of their target customer.

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References


Goodman, S (2012a), Principles of Wine Marketing, Winetitles, Adelaide

Figure 3. Differences between establishment type – supermarket (n=204), independent (n=123), fine wine (n=38).

Figure 3. Differences between high (26+ cases per week n=166) and low volume (<26 cases per week n=199) retailers.