

MARKET ENTRY ANALYSIS FOR MÜNZBERG IN CHINA

FOCUS ON WHITE WINE

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PEST Analysis

Knowing the Chinese Market

Politics



Rule of law:
Communist Party



Corruption control:
78/180



Governance:
0.52 (2019 data)

Economy



Currency:
Yuan



GDP:
13.13 trillions Euro

PEST Analysis

Knowing the Chinese Market

Social



Language:
Mandarin



Population:
1,444,812,274



Avg Wage:
29, 300 CNY

Technology



ICT Market:
Well developed



Internet Users:
989 million

Wine Market in China

Knowing the Chinese Market



Growth Rate:
14 %



Wine Consumption
(2020)
12.4 mil. hectoliters



Market Leader:
Australia, 37% Market



White wine
15% - 20 %



Second Lead:
France, 25 % Market

Trend Analysis

Current Trends in Chinese Market

High Online Retail



Strict Regulations



New Market: Tier 2, Tier 3 cities



Lucrative Market Chile, Georgia, South Africa, etc.



Youth powered market: 77% audience < 39 years



Key Trends

In the Chinese wine market

56% Chinese urban middle class tried white wine in last 6 months

29% says Riesling is their first choice followed by Sauvignon blanc and then Chardonnay

51% thinks Wine help them relax

56% agree wine is good for health

47% agree they like the wine taste

Entry Barriers

Entry Barriers in Chinese Market

Shop Local
trend



High Tariffs/
Fines



Government
Supporting
Local



History of
drinking Red
Wine

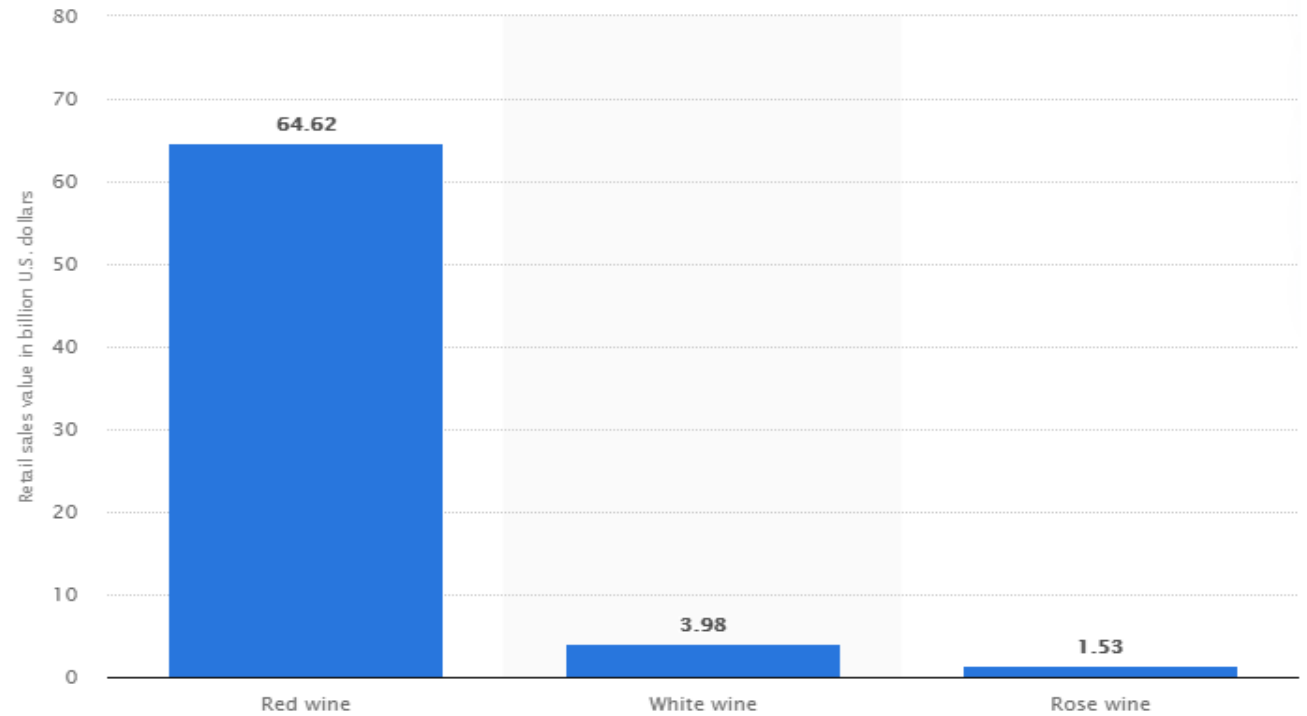


Local
Involvement



Market Analysis

Purchasing power



Purchasing power: Region wise



Southern Guangdong
US\$909 million



Shanghai
US\$735.5 million



Zhejiang
US\$189 million

Wine Preferences: Region wise

Region	Cities featured in Vinitrac® China	Preference for red wine	Preference for white wine
North	Beijing Shenyang Zhengzhou	Style: dry, fuller-bodied Flavour: blackcurrant, fresh Chinese wolfberry, dried Chinese red date	Style: Fuller-bodied, dry Flavour: mango, tropical fruit, apple
East	Shanghai Hangzhou	Style: rich, fruity, earthy Flavour: Chinese waxberry, blueberry, cranberry, raspberry	Style: light, crisp Flavour: vanilla, pomelo, creamy
Central	Wuhan Changsha	Style: mellow and rich, smooth Flavour: strawberry, berries, Chinese black tea	Style: refreshing, smooth, heavy(-bodied) Flavour: lemongrass, tropical fruit, pear
West	Chengdu Chongqing Guiyang	Style: light, sweet Flavour: blackberry, raspberry	Style: fruity, crisp, sweet Flavour: honeydew melon, nutty aromas
South	Guangzhou Shenzhen	Style: fresh, juicy, oaky Flavour: strawberry, vanilla, clove	Style: soft, juicy, sweet Flavour: honey, jasmine tea, citrus

Marketing Mix: Packaging



Bottle

Label

Glass bottle

Bottle size usually 0.75 l



Gift Packaging

Sustainable material

Handle with care
mentioned on the
box



Label

Name/brand of product

Ingredients list

Net volume (ml)

Alcohol content (% vol)

Production date

Mandatory Warning

Statements in Mandarin

Marketing Mix: Price

The price of the wine would be determined by considering the import taxes, delivery costs and margin

- VAT: 17%
- Custom duty: 14%
- Excise tax: 10%

Age group	Average purchasing power
Young people between the ages of 20 and 30	7 to 12 Euros
Chinese wine consumers between the ages of 30 and 45	12-15 Euros and prefer red wine
Consumers more than 45 years of age are mostly connoisseurs and wine lovers	21 to 26 Euros

Marketing Mix: Promotion



Company Website,
Blogs



Social Media



High end clubs, hotels
tie up (flyers etc.)



Tie up with celebs,
Magazines



Wine Fairs



Events, festivals

Marketing Mix: Place

- Super markets / Hypermarkets
- E-commerce
- Wine bars and Restaurants



Distribution Channels

WHOLESELLER

OFF-TRADE

DIRECT SALES

ON-TRADE

SUPERMARKETS

CONVENIENCE
STORES

CORPORATE

INDIVIDUALS

RESTAURANT/BARS

Distributors



Wine Sale in China

Local importer

- Regulations / Documentation: Signing agreement, product registration, state certification, General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) along with the Guobiao standards (GB) and Certificate for approval

Company establishment

- The principal form of business open to foreign investors in China is wholly foreign owned enterprises (WFOE)

Sales Office set-up

- PEO (Professional Employment Organization) or Employer of Record (EOR) model which is a cost-effective method of entering Chinese market

Cultural Aspects: Hofstede



Power Distance

Subordinate – Superior relationship is highly polarized
Ranks play a big role and should be accepted

Individualism

People act more in the interest of the group
Strong preference and cooperation for “in-groups” vs. “out-groups”

Masculinity

Work is more important than leisure time
Very success driven

Uncertainty Avoidance

Pragmatic, adaptable
Ambiguous: Can be difficult to understand what they mean

Long Term Orientation

Adapt to situation, context and time
Propensity to save and invest

Indulgence

Tendency to cynicism and pessimism

Cultural Aspects: General Overview



Confucianism

Guiding philosophy

Healthy human interactions are important

Implementation of clearly defined hierarchy

Importance of family



Guanxi

Person's network & connections

Core values: solidarity, loyalty, modesty and courtesy

Connections are used for favours that are expected to be reciprocated



Zhōngguó

Middle Kingdom

People are very proud of their history and culture



Mianzi

Face

Preservation of honour, dignity and reputation are very important

Safety and respect in order to do so

Business Context:

Initiation & Maintenance of *Guanxi*



Well-connected intermediary, e.g., the German Chamber of Commerce, for initiation of business



Have business meetings also in private contexts, e.g., sport events, home dinner, drinks



Be aware of Chinese holidays and send greetings



Bring something to the table that is interesting for your business partner

Business Context:

Hierarchy



Meet with people of equivalent positions of power



Let the person with the highest rank introduce the rest of the team



Nod your head or even bow when meeting someone new, wait for them to extend their hand



Enter and leave the room in order of rank



Use proper titles when addressing people and pay attention to their rank

Business Context:

Preparation



Be punctual and well dressed: conservative suits, nothing too colourful



Inform yourself about Chinese history and culture, and learn a few words in Chinese



Bring a small, not too expensive gift and, hand over the gift with both hands and accept gifts with both hands



Have enough business cards prepared – in English and with a proper Chinese translation



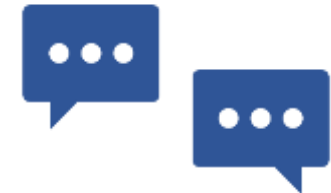
Come well prepared with high quality information in English and Chinese and enough copies for everyone, printed on high quality paper and avoid bright colours

Business Context: Communication



Indirect Communication:
Be polite, respectful,
friendly and avoid conflict

Mostly
conversational talk



Safe topics:
Weather, travel, food,
positive impressions of
China

Topics to avoid:
Politics, human rights,
censorship



Business Context: Meals



•Wait for host to sit down, then sit down in hierarchical order



Leave something on the plate and don't eat too much at the beginning



Learn to use chopsticks, but never put them upwards in a bowl of rice



First toast is done by host, but then reciprocated
→ Usually a lot of drinking



When you have been invited to a meal you are expected to invite next time



Do's

Be polite and punctual

Pay attention to hierarchy all the time

Come well prepared

Be patient and don't pressure your business partner to take a decision

Bargaining is important – if not done it is seen as sign of weakness

Use the numbers 8 (luck) and 6 (blessing for smoothness)



Don'ts

Don't answer courtesy questions like "are you hungry" or "how was your trip" in detail

Do not directly disagree, instead say "I may need some time to think about it"

Don't have eye contact for too long as this may be interpreted as a challenge

Don't point your finger, better with open hand or eye communication

Don't interrupt the speaker

Don't use the numbers 4 and 14 (they mean death and want death), 73 (funeral) or 84 (having accidents)

Planning



Visa

Long application process,
several documents required,
Visa Service recommended



Flight & Transport

Recommended flight route,
flight prices based on date,
class and route, use of
subway in cities



Accommodation

In Beijing (4 nights, 1 room,
incl. breakfast): 300-600€
In Shanghai (5 nights, 1 room,
incl. breakfast): 500-900€



Translator

Bring your own translator &
brief him in detail, especially
about very technical or legal
aspects





Thank you!