

Transformation of Chinese wine market

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Australian wine exports reached a value of \$2.2 billion in 2023-24, marking a 17 per cent increase and the highest level since September 2021. The volume of exports remained stable at 619 million litres. The spike in value was primarily due to increased exports to mainland China in the last three months of the financial year. This surge followed the removal of duties on Australian bottled wine in late March 2024.

According to Wine Australia's Export Report, exports to mainland China saw a significant rise in volume, from 1 million litres to 33 million litres. Additionally, the value increased by \$392 million to reach \$400 million compared to the previous financial year. However, it's worth noting that these figures are still a small portion of historical peaks achieved in the market.

The Chinese wine industry has undergone substantial changes over the past two decades. Initially experiencing rapid growth, it later faced a gradual decline. While China emerged as an attractive market for international wineries in the early 2000s, driven by increasing consumer wealth and the perception of wine as a symbol of sophistication, per capita wine consumption peaked around 2012. Since then, imports have stabilised, and the market has contracted significantly in recent years. The COVID-19 pandemic further impacted wine sales due to restrictions on social gatherings.

China Customs data indicates a significant decline in China's wine imports for 2023, with a 26 per cent decrease in volume and a 15.2 per cent decrease in value. This downturn resulted in the lowest volume of wine imports since 2009 and the lowest expenditure since 2010. This decline is particularly noticeable when compared to the peak figures of 2017.

In 2023, the import value of brandy surged to \$1.76 billion, surpassing the total of all wine imports since 2018. This shift indicates a rising preference for spirits over wine among Chinese consumers, possibly influencing the market's upward trajectory.

France emerged as China's top wine supplier in 2023, with annual wine exports valued at approximately \$559.73 million. Following France, Chile held the second position in terms of wine export value to China.

Italian wines have gradually gained prominence in the dynamic Chinese market through strategic branding and targeted marketing efforts. VM Fine Wines, for instance, serves as the exclusive importer and distributor of approximately 250 Italian wine labels across China, showcasing the country's diverse regional offerings. This approach reflects Italy's renowned quality-to-price ratio and extensive grape variety selection, resonating strongly with Chinese consumers who value authenticity and craftsmanship. The success of Italian wines in China is underlined by their ability to leverage storytelling and cultural appeal, emphasizing unique terroir, traditions, and meticulous winemaking processes to captivate Chinese enthusiasts.

From 2019 to 2023, China's wine import landscape underwent notable changes, influenced by escalating trade tensions with the US and the COVID-19 pandemic. Throughout this period, baijiu remained the dominant alcoholic beverage in China, followed by beer, with wine playing a smaller but increasingly intricate role. While the import of bottled wine saw consistent declines, occasional growth was observed in sparkling wines, wine coolers, and bulk wine categories.

At present, even with the prevalence of online sales, many competitors in the wine market are adopting a hybrid approach, which involves combining online and offline retail strategies to improve product availability for consumers. This dual presence enables retailers to reach a wider audience. Moreover, there is a growing trend of retailers offering educational programs for new wine drinkers and hosting wine tastings. These initiatives allow Chinese consumers to directly engage with wine retailers and distributors, which helps in building customer loyalty and *guanxi* - an important concept in Chinese culture that emphasises the value of relationships and networks in business.

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