DIGITAL MEDIA TECHNOLOGY & WINE SERIES

INTRODUCTORY SEMINAR (Prodi)
• Mr. Shao Li, First Secretary, Department of Foreign Trade, Ministry of Commerce of the People’s Republic of China
• Mr. Xuwei Wang, Secretary General, China Association for Importers & Exporters of Wine & Spirits
• Professor Giorgio Prodi, University of Ferrara (ALMA Graduate School)
• Pierpaolo Cielo, Marketing & Export Manager of Cielo e Terra S.p.a.
• Mr. Anthony Zhang, Manager Hoonay Wines
THE CHINESE WINE MARKET: STATISTICS AND NEW REGULATIONS - WHAT IS THE FUTURE FOR ITALIAN WINES IN CHINA?

«if we could persuade every person in China to lengthen his shirttail by a foot. We could keep the mills of Lancashire working around the clock»

An English merchant 1840

“There is nothing mysterious about China once you understand her”

Zhou Enlai
China facts:

- Second largest economy in PPP
- First in 2050, 2040, 2025, 2020, …, 2018?
- Still a medium income country (risk of medium income trap?)
- Space for more growth
- Great opportunities but with “Chinese characteristics”
- Problems: growth model unbalanced (too many investment), pollution, economic and social unbalances, corruption, etc.
Consumers and market

- **Northwest China**
  - 5 provinces
  - 7% of population
  - 5% of GDP

- **North China**
  - 5 provinces
  - 12% of population
  - 14% of GDP

- **Northeast China**
  - 3 provinces
  - 8% of population
  - 8% of GDP

- **Northwest China**
  - 5 provinces
  - 15% of population
  - 8% of GDP

- **Middle China**
  - 3 provinces
  - 16% of population
  - 12% of GDP

- **South China**
  - 3 provinces
  - 12% of population
  - 14% of GDP

- **East China**
  - 7 provinces
  - 29% of population
  - 38% of GDP

- **283 prefecture-level cities**
- **368 county-level cities**
- **More than 50,000 towns**

Source: China Statistical Yearbook 2010
➢ **One billion people** will live in China’s urban centers by 2030.

➢ **350 million people** will be added to China’s urban population by 2025, of which 240 million will be migrants.

➢ **By 2025**, China will have **219 cities** with population exceeding one million and **24 cities with more than five million inhabitants**.
Chinese luxury consumers are not homogeneous

<table>
<thead>
<tr>
<th>Age</th>
<th>Aspirants</th>
<th>Fashion addicts</th>
<th>Wealthy to be educated</th>
<th>Core customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-40</td>
<td>65</td>
<td>18-40</td>
<td>65</td>
<td>65</td>
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</tbody>
</table>

**Typical profile**

<table>
<thead>
<tr>
<th>Aspirants</th>
<th>Fashion addicts</th>
<th>Wealthy to be educated</th>
<th>Core customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male &amp; female</td>
<td>Mostly female</td>
<td>Mostly male</td>
<td>Male &amp; female</td>
</tr>
<tr>
<td>Annual income: ~RMB 100-300K</td>
<td>Annual income: ~RMB 150-500K</td>
<td>Annual income: &gt;RMB 500K</td>
<td>Annual income: &gt;RMB 800K</td>
</tr>
<tr>
<td>Middle class; White collars</td>
<td>White collars; House wives</td>
<td>Wealthy individuals; entrepreneurs</td>
<td>Executives, rich Taitai, rich 2nd generation,</td>
</tr>
<tr>
<td>From tier 1/2/3 cities</td>
<td>Tier 1/2 cities; Like to travel</td>
<td>entrepreneurs; gov't officials and</td>
<td>entrepreneurs, gov't officials and socialites</td>
</tr>
<tr>
<td></td>
<td></td>
<td>socialites</td>
<td>Tier 1 cities; Often travel around the world</td>
</tr>
</tbody>
</table>

**Purchase occasion**

- Self-use
- Gifting

**Fashion motto**

- “To stand out from crowd”
- “Afraid to be outdated on fashion”
- “Love logos”
- “Enjoy sophisticated luxury lifestyle”

**Average spending**

- Aspirants: ~50%
- Fashion addicts: ~5%
- Wealthy to be educated: ~30%
- Core customers: ~15%

**Group size**

- Aspirants: ~50%
- Fashion addicts: ~5%
- Wealthy to be educated: ~30%
- Core customers: ~15%

Source: Brand interviews; Dept store interviews; Bain Survey of Luxury Goods Consumers in Mainland China 2012 (n=4,616)
Export import and trade balance with China
<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>REPORTER</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FRANCE</td>
<td>15,829,433</td>
<td>148,221,930</td>
<td>277,269,212</td>
<td>546,572,755</td>
</tr>
<tr>
<td>ITALY</td>
<td>4,678,388</td>
<td>19,598,881</td>
<td>40,714,670</td>
<td>76,992,158</td>
</tr>
</tbody>
</table>
Small facts

How is important China on total export

- France 3,2%
- Italy 2,6%
- Germany 6,1%

Wine on total export to China

- France 3,6%
- Italy 0,9%

China on total export of wine

<table>
<thead>
<tr>
<th>% cn on tot</th>
<th>2002</th>
<th>2005</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>0,09%</td>
<td>0,28%</td>
<td>7,05%</td>
</tr>
<tr>
<td>Italy</td>
<td>0,28%</td>
<td>0,16%</td>
<td>1,52%</td>
</tr>
</tbody>
</table>

% HK on tot

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2005</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>0,56%</td>
<td>0,64%</td>
<td>5,97%</td>
</tr>
<tr>
<td>Italy</td>
<td>0,13%</td>
<td>0,15%</td>
<td>0,51%</td>
</tr>
</tbody>
</table>

EU sell to China mainly technologies (machinery, aircrafts, etc.)
Consumer goods are still a small % but in absolute value not negligible.
Focus points

• Market understanding (fast changes)
• Brand
• Institution (don’t ask too much – ask what they can deliver)
• Cooperation (small is not beautiful in China)
• Distribution
• Long term view