Solution

WHO IS OUR TARGET MARKET?
Young upper middle class urban population

WHAT KINDS OF WA WINES SHOULD BE SOLD IN CHINA & WHY?
Red White Sparkling

HOW SHOULD WE MARKET THE WINE?
First in class experience
Social media
Physical marketing

Cost: 4 Million
Profit: 2 Million

UNCORK EXCELLENCE
- Rapidly developing, untraditional wine market
- 900+ wineries
- 2nd largest premium wine producer in US
- Only 5% of US market
- Poor brand recognition → no “specialty” product (think Napa Valley cabernet sauvignon)
- Lacks identity

- Plenty of good land/climate global expansion
- Enhancing brand presence
- Creating an identity for Washington state wines
- Other US-based wine producers
- Global warming/environmental concerns
Chinese Wine Market
by type of wine

- 25% increase in total value of red wine sold
- Price/Liter stayed nearly identical
- Driven by expansion in all price segments

<table>
<thead>
<tr>
<th>Price Per Liter (CNY)</th>
<th>Liters Sold (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Wine</td>
<td></td>
</tr>
<tr>
<td>Economy Rice Wine</td>
<td></td>
</tr>
<tr>
<td>Lower Mid-Range Rice Wine</td>
<td></td>
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<tr>
<td>Other Sparkling Wine</td>
<td></td>
</tr>
<tr>
<td>Premium Rice Wine</td>
<td></td>
</tr>
<tr>
<td>Still Red Wine</td>
<td></td>
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<tr>
<td>Still Rose Wine</td>
<td></td>
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<tr>
<td>Still White Wine</td>
<td></td>
</tr>
<tr>
<td>Upper Mid-Range Rice Wine</td>
<td></td>
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</tbody>
</table>
Chinese Wine Market
by type of wine

- 25% increase in total value of red wine sold
- Price/Liter stayed nearly identical
- Driven by expansion in all price segments

- 316% increase in value of sparkling wine sold
- 64% increase in value of white wine sold
- 38% in value of rose wine sold
China Wine Imports by Country (2010 - 2015)

Country:
- Argentina
- Australia
- Chile
- France
- Italy
- Spain
- United States

Price Per Liter

 Millions of Liters Imported

**CHINA WINE IMPORTS**
by country (2010 - 2015)

- **French imports** increased 158%
- **Chilean imports** increased 218%

- **Argentina**
- **Australia**
- **Chile**
- **France**
- **Italy**
- **Spain**
- **United States**
**China Wine Imports**

*by country (2010 - 2015)*

- **US prices increased 68%**
- **Australian prices increased 164%**
- **Italian prices increased 55%**
**Value of Wine Sales**

by trade type

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<table>
<thead>
<tr>
<th>Year</th>
<th>Off-Trade</th>
<th>On-Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>103K</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>157K</td>
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</tr>
</tbody>
</table>

**KEY TAKEAWAYS:**

1. **Aggressive Market Growth** especially with white & sparkling wine
2. Competitors build a **brand presence**, then pump up sales
3. Dramatic growth of **off-trade** wine sales

Forces Changing Chinese Consumer Behavior

**RISE OF THE UPPER MIDDLE CLASS**

**Emerging Market =**
$10,000 - $24,000

**Upper Middle Class =**
$24,000 - $46,000

(will double to 100 M and account for 40% of urban population)

Young generation of Chinese consumers is growing at a 14% annual rate, 2x the purchasing power of the older consumers.

Younger consumers demonstrate 40% higher spending.

Source: Index Mundi 2016
Forces Changing Chinese Consumer Behavior

- Rise of the Upper Middle Class
- Emergence of the New Generation
- Growing Role of E-commerce

Online consumption is projected to surge by 20%.

Consumers shop for 29% more categories than in-store.

Consumers are cutting back on grocery budget but increasing spending on recreational / cultural activities.
INCREASE IN DISCRETIONARY SPENDING

Source: McKinsey 2012
Young upper middle class in China is growing rapidly and willing to spend more.
QUALITY
Intrinsically associate expensive products as better

OPINION
Most likely to check the Internet for peer reviews

NICHE MARKETS
Seek emotional satisfaction & are loyal to trusted brands

Source: McKinsey 2012
Customer Profiles

FRUGAL OCCASIONALISTS
- Low-engagement, infrequent wine drinkers
- Drink to celebrate special occasions
- Price conscious

HEALTH SIPPERS
- Narrow wine repertoire
- Drink occasionally for health benefits
- Price conscious

SOCIAL NEWBIES
- Younger
- New to wine
- Learning as interesting & social drink

ADVENTUROUS CONNOISSEURS
- High-spending & frequent drinkers
- Confident in wine knowledge
- Broad wine repertoire

PRESTIGE-SEEKING TRADITIONALISTS
- Conservative & high-spending
- Favor French wine
- Choose imported for symbolism of prestige

DEVELOPING DRINKERS
- Developing habit
- Like the taste
- Growing interest

Source: Wine Intelligence, Vinitrac China 2015
PRODUCTS

FORTUNE

HAPPINESS

LONGEVITY

PROSPERITY
Red represents luck, celebration, and vitality

Elegant & robust notes

Lowest Priced ($15), Developing Drinkers & Frugal Occasionalists
Happiness

Yellow represents warmth, freedom, support

Bright & crisp notes

Mid-Priced ($20). targeting Social Newbies & Developing Drinkers

Riesling
Rattlesnake Hills
Silver Lake Winery
2015
Longevity

Purple represents healing, strength, & abundance

Revitalizing & earthy notes

Mid-Priced ($30), targeting Health Sippers & Frugal Occasionalists
Prosperity

Gold represents completeness, wealth, & prestige

Dynamic & unexpected notes

Premium priced ($40). targeting Adventurous Connoisseurs & Prestige-Seeking Traditionalists
QR Codes

ONE SIMPLE SCAN OF A BOTTLE LABEL LEADS TO:

- **Track My Journey**: See the origin of a wine and its import journey.
- **Re-Order Me**: Easily order the exact same bottle, with delivery available.
- **Suggested Pairings**: See recommended pairings, catered to local cuisine.
- **Try New Flavors**: Want more? Look at options based on preferences.

COLUMBIA VALLEY
Eaglemount Wine & Cider
Marketing in China

- **206 MINUTES / DAY**: Avg time per day spent on mobile phones, ages 15 - 64
- **84.2%**: Increase in time spent on the internet since 2013 by Chinese consumers
- **90.4%**: Percentage of Chinese consumers 15 - 44 who own a smartphone

Estimated Total Media Ad Spending, 2020: **$122.63 B**

Estimated Mobile Media Ad Spending, 2020: **$70.43 B**
## Dynamic Social Media Marketing

- Use WeChat KOL program to enable personalized, high-yield marketing
- Allow customers to share their experiences directly & interact with firm
- Leverage Chinese broker to publish content

## Physical Marketing

- Pop-Up Tasting Rooms in major cities
- Use established method in wine shows to further raise awareness

## Create First-in-Class Customer Experience

- Partner with e-commerce broker to create WeChat service account
- Create custom in-app space for Washington wine producers
- Allow customers to share their experiences directly & interact with firm

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**UNIQUE VALUE PROPOSITION**

**BUILD EXCITEMENT**

**CREATE FOUNDATION FOR GROWTH**
Distribution Cycle

- **WA Wine Commission**: Provides labels
- **WA Wine Producers**: Send wine
- **Quality Facility**: Check product
- **Chinese Distributors**: Ship finished product
- **Chinese Consumers**: Buy product & Interact w/firm
IMPLEMENTATION

**BEIJING**
- Urban Population: 21.5 M
- Upper Middle Class: 11 M
- Wine Market: $30 M

**SHANGHAI**
- Urban Population: 24.5 M
- Upper Middle Class: 19 M
- Wine Market: $51 M

**GUANGZHOU**
- Urban Population: 21 M
- Upper Middle Class: 24 M
- Wine Market: $63 M
IMPLEMENTATION

BEIJING
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Implementation

23 M
total bottles of wine sold in Guangzhou / year

230 K
addressable market

17 M
Red

5 M
White

1 M
Sparkling
# Implementation

## Revenue Sensitivity

<table>
<thead>
<tr>
<th></th>
<th>0.25%</th>
<th>0.50%</th>
<th>1.00%</th>
<th>1.25%</th>
<th>1.50%</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$18.75</td>
<td>$22.50</td>
<td>$26.25</td>
<td>$30.00</td>
<td>$33.75</td>
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<td></td>
<td>$1,059,036</td>
<td>$1,270,843</td>
<td>$1,482,650</td>
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<td>$2,118,071</td>
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<tr>
<td></td>
<td>$4,236,142</td>
<td>$5,083,371</td>
<td><strong>$5,930,599</strong></td>
<td>$6,777,828</td>
<td>$7,625,056</td>
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<tr>
<td></td>
<td>$5,295,178</td>
<td>$6,354,213</td>
<td>$7,413,249</td>
<td>$8,472,285</td>
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<tr>
<td></td>
<td>$6,354,213</td>
<td>$7,625,056</td>
<td>$8,895,899</td>
<td>$11,437,584</td>
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**$5.9 M Revenue**
## Profit Potential

<table>
<thead>
<tr>
<th>WASHINGTON STATE WINE COMMISSION</th>
<th>PRODUCERS &amp; SUPPLIERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Expenses</td>
</tr>
<tr>
<td>$593,060</td>
<td>$506,078</td>
</tr>
<tr>
<td>Net Profit:</td>
<td></td>
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<tr>
<td>$86,982</td>
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<tr>
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<td>$5,337,539</td>
<td>$3,516,727</td>
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<tr>
<td>Net Profit:</td>
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<tr>
<td>$1,820,812</td>
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WASHINGTON STATE WINE COMMISSION PRODUCERS & SUPPLIERS

Revenues Expenses

$593,060 $506,078

NET PROFIT: $86,982

Revenues Expenses

$5,337,539 $1,059,600

NET PROFIT: $4,277,939

TOTAL PROFIT: $2,000,000
Conclusion

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Young upper middle class urban population

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Red White Sparkling

HOW SHOULD WE MARKET THE WINE?
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