GLOBAL WINE WAR

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Solution

WHO IS OUR TARGET MARKET?	WHAT KINDS OF WA WINES SHOULD BE SOLD IN CHINA & WHY?	HOW SHOULD WE MARKET THE WINE?
Young upper middle class urban population	Red White Sparkling	First in class experience Social media Physical marketing

Cost: 4 Million

Profit: 2 Million

UNCORK EXCELLENCE

S

- **rapidly developing, untraditional wine market**
- 900+ wineries
- 2nd largest premium wine producer in us

W

- only 5% of us market
- **poor brand recognition** → no “specialty” product (think napa valley cabernet sauvignon)
- **lacks identity**

O

- plenty of good land/ climate global expansion
- enhancing brand presence
- **creating an identity** for washington state wines

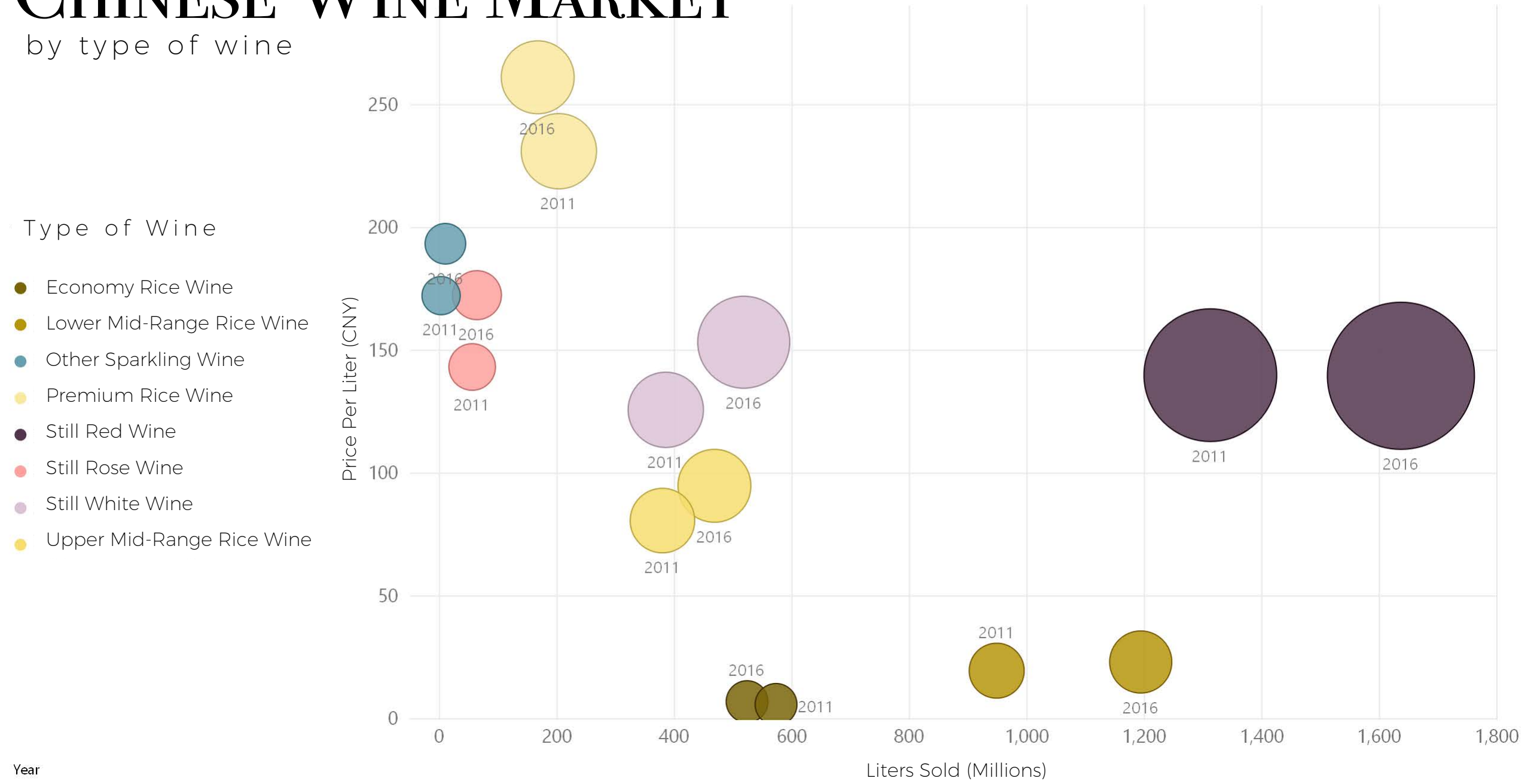
T

- other us-based wine producers
- global warming/environmental concerns

Chinese Wine Market

by type of wine

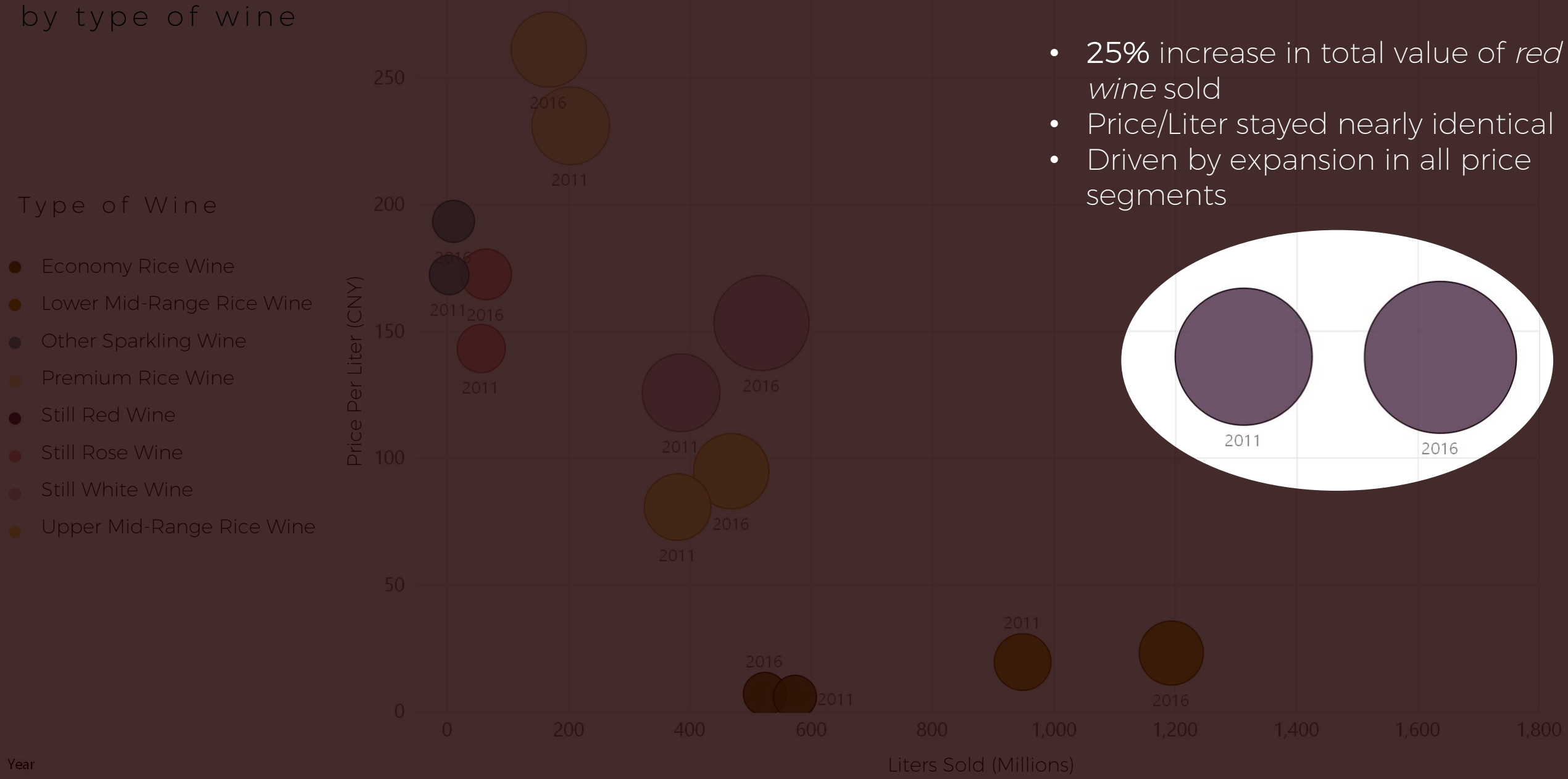
Source: Euromonitor International. (2017a, May) Wine in China



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



Chinese Wine Market

by type of wine

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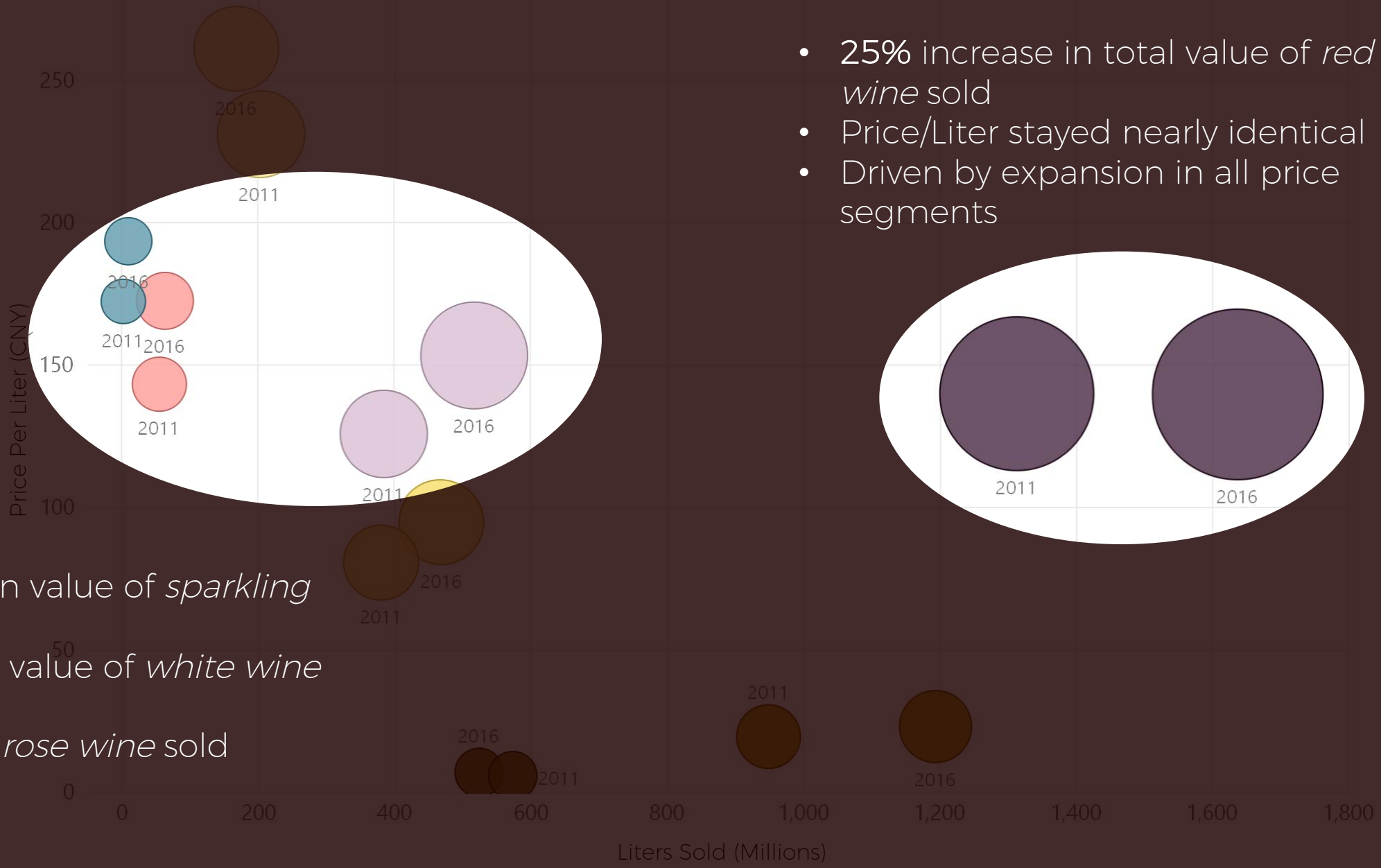
- Driven by expansion in all price segments

Type of Wine

- Economy Rice Wine
- Lower Mid-Range Rice Wine
- Other Sparkling Wine
- Premium Rice Wine
- Still Red Wine
- Still Rose Wine
- Still White Wine
- Upper Mid-Range Rice Wine

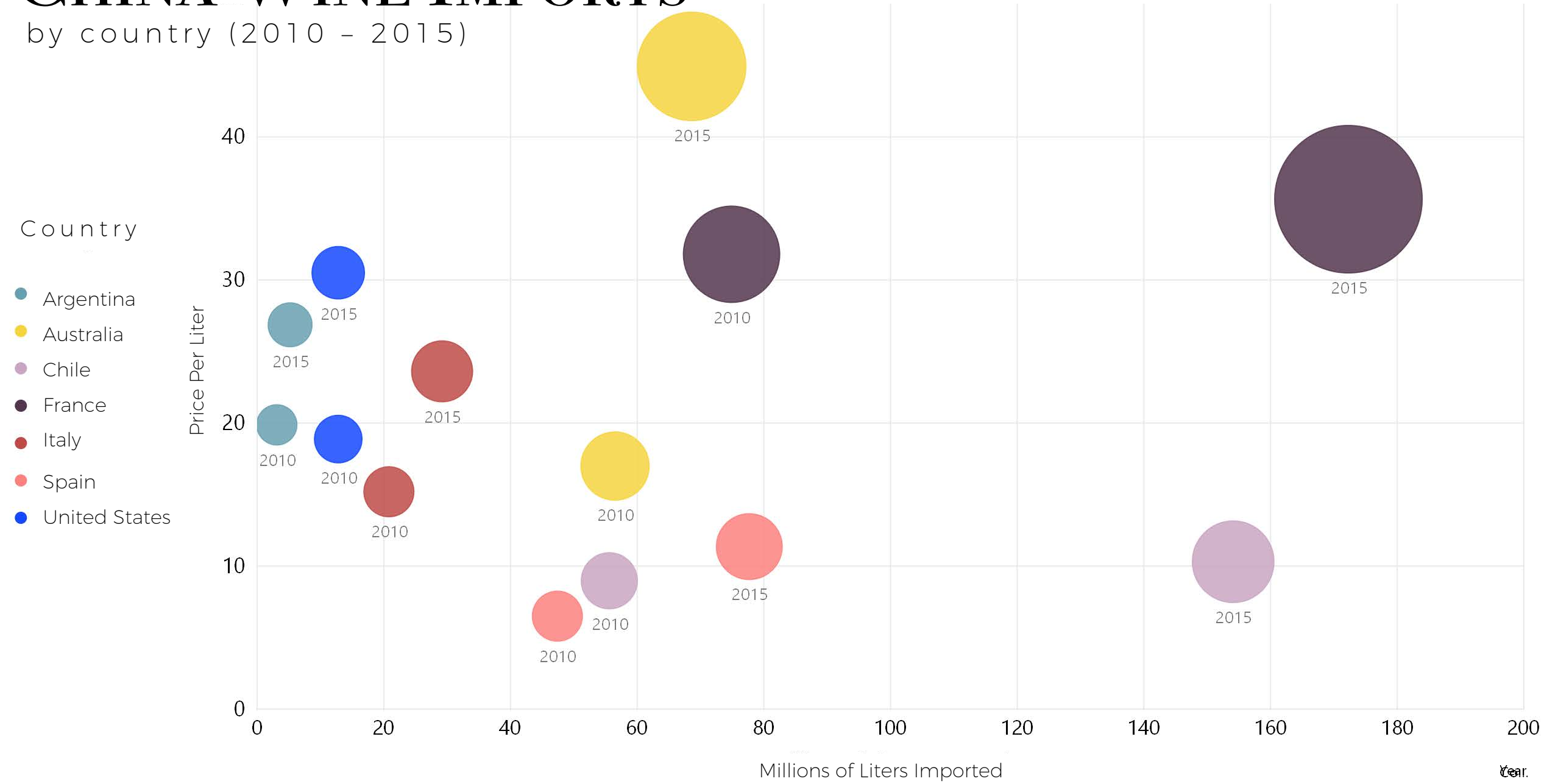


- 316% increase in value of *sparkling wine* sold
- 64% increase in value of *white wine* sold
- 38% in value of *rose wine* sold

China Wine Imports

by country (2010 – 2015)

Source: Euromonitor International. (2017a, May) Wine in China



China Wine Imports

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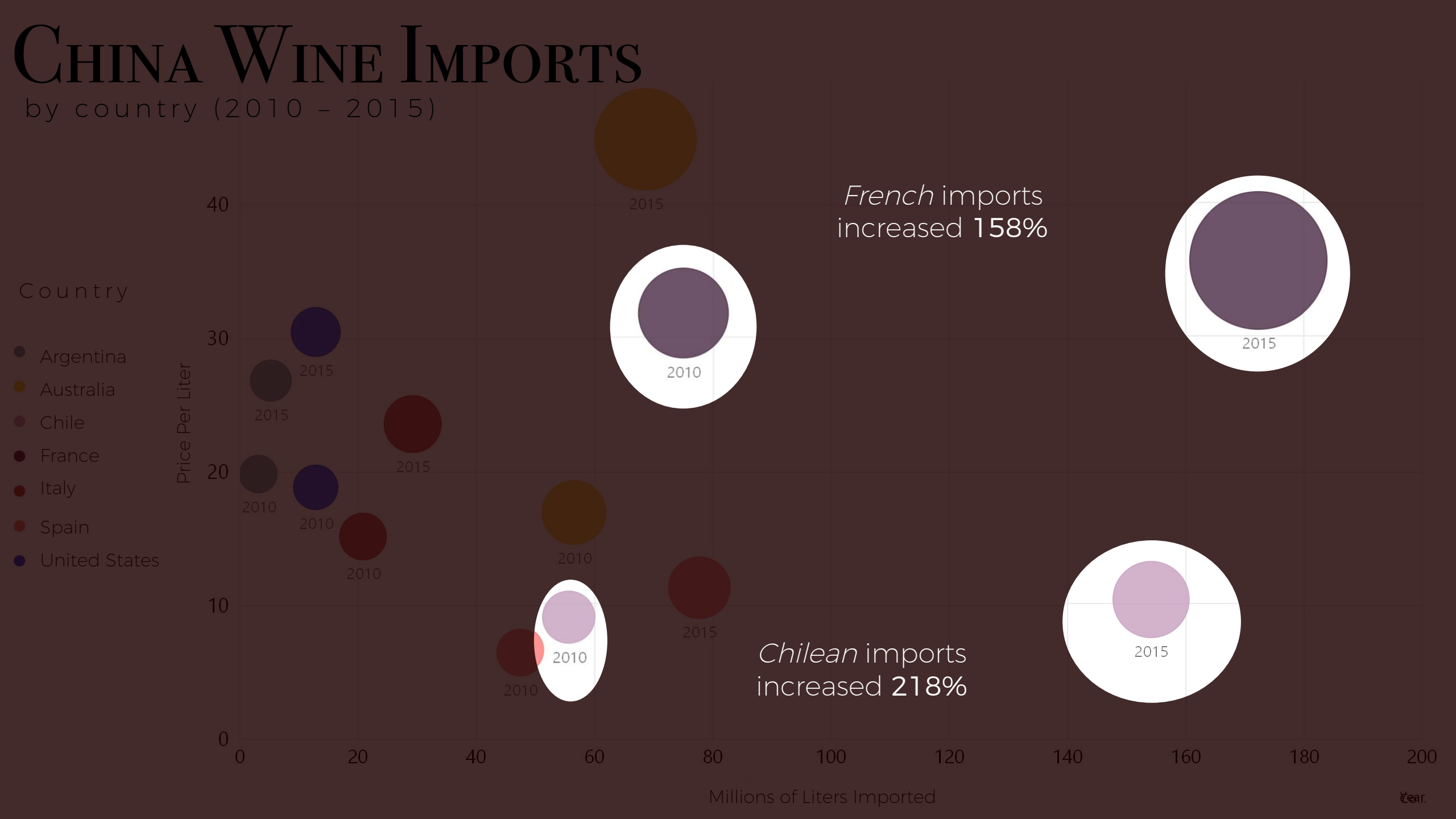


French imports increased **158%**

Chilean imports increased **218%**

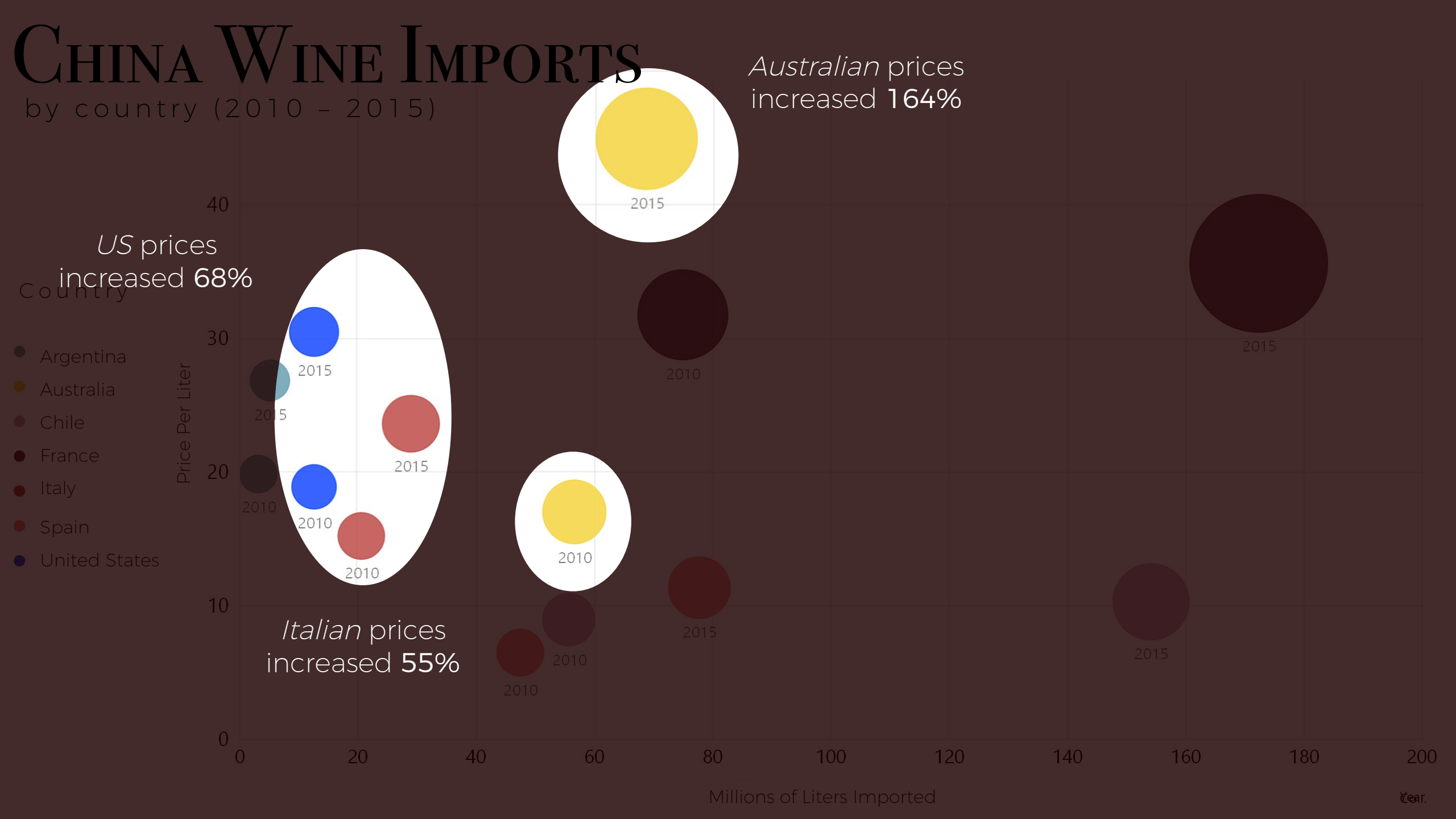
China Wine Imports

by country (2010 – 2015)

Australian prices increased **164%**

US prices increased **68%**

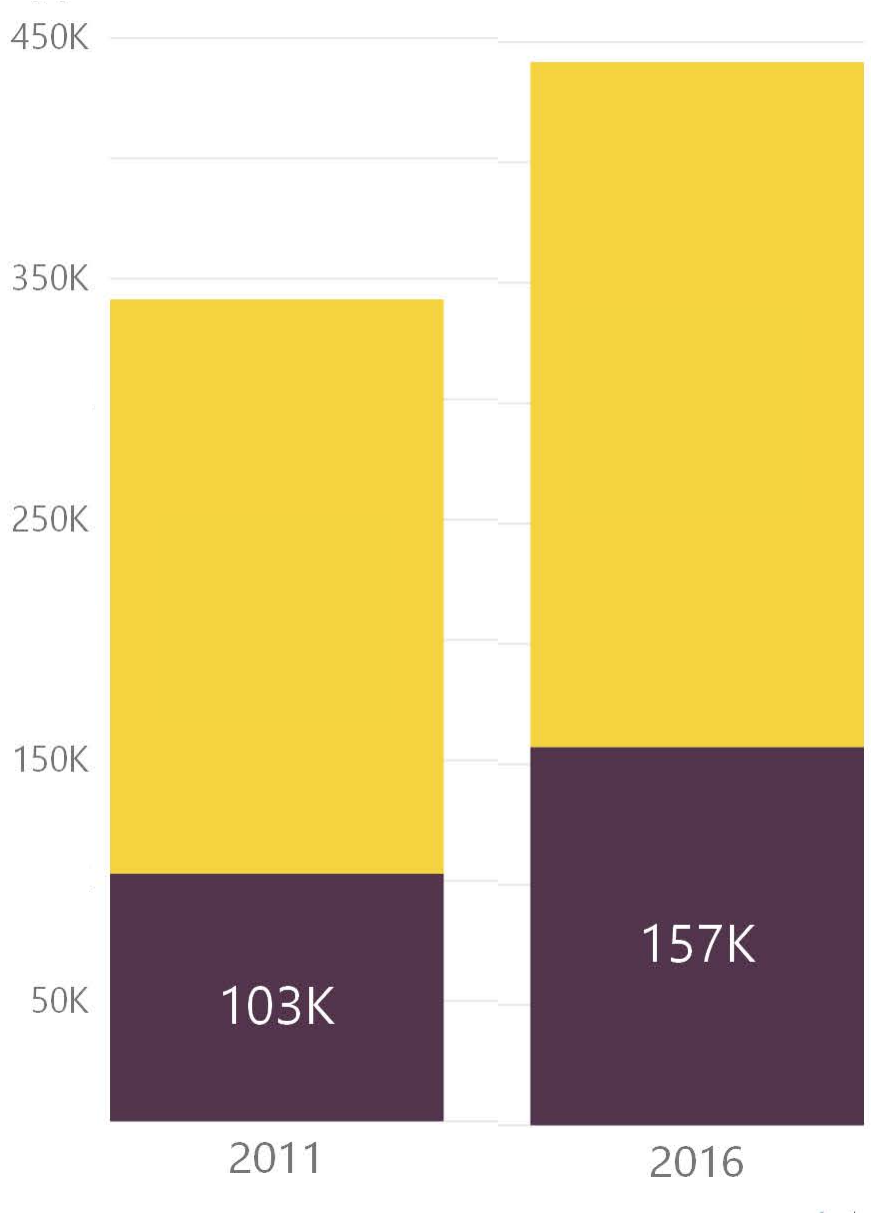
Italian prices increased **55%**



Value of Wine Sales

by trade type

Source: Euromonitor International. (2017a, May) Wine in China



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

Type: Off-Trade On-Trade

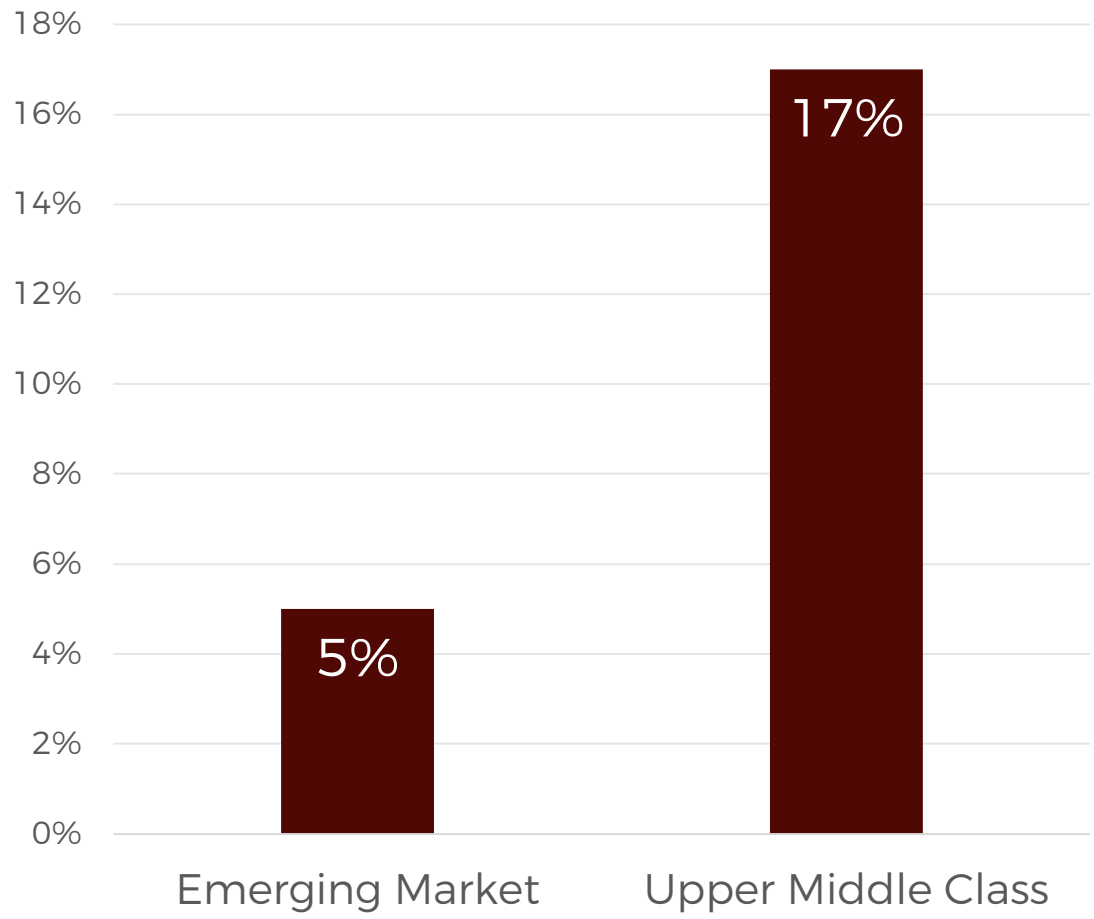
Forces Changing Chinese Consumer Behavior

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)

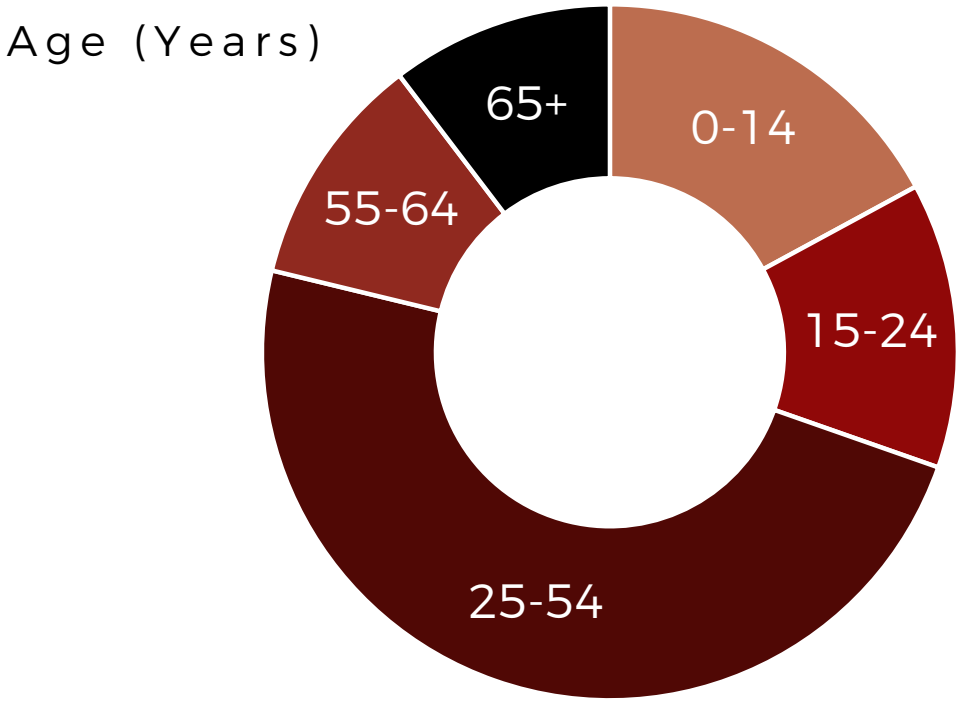


Source: World Economic Forum, BCG Analysis 2016

Forces Changing Chinese Consumer Behavior

RISE OF THE UPPER MIDDLE CLASS

EMERGENCE OF THE NEW GENERATION



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

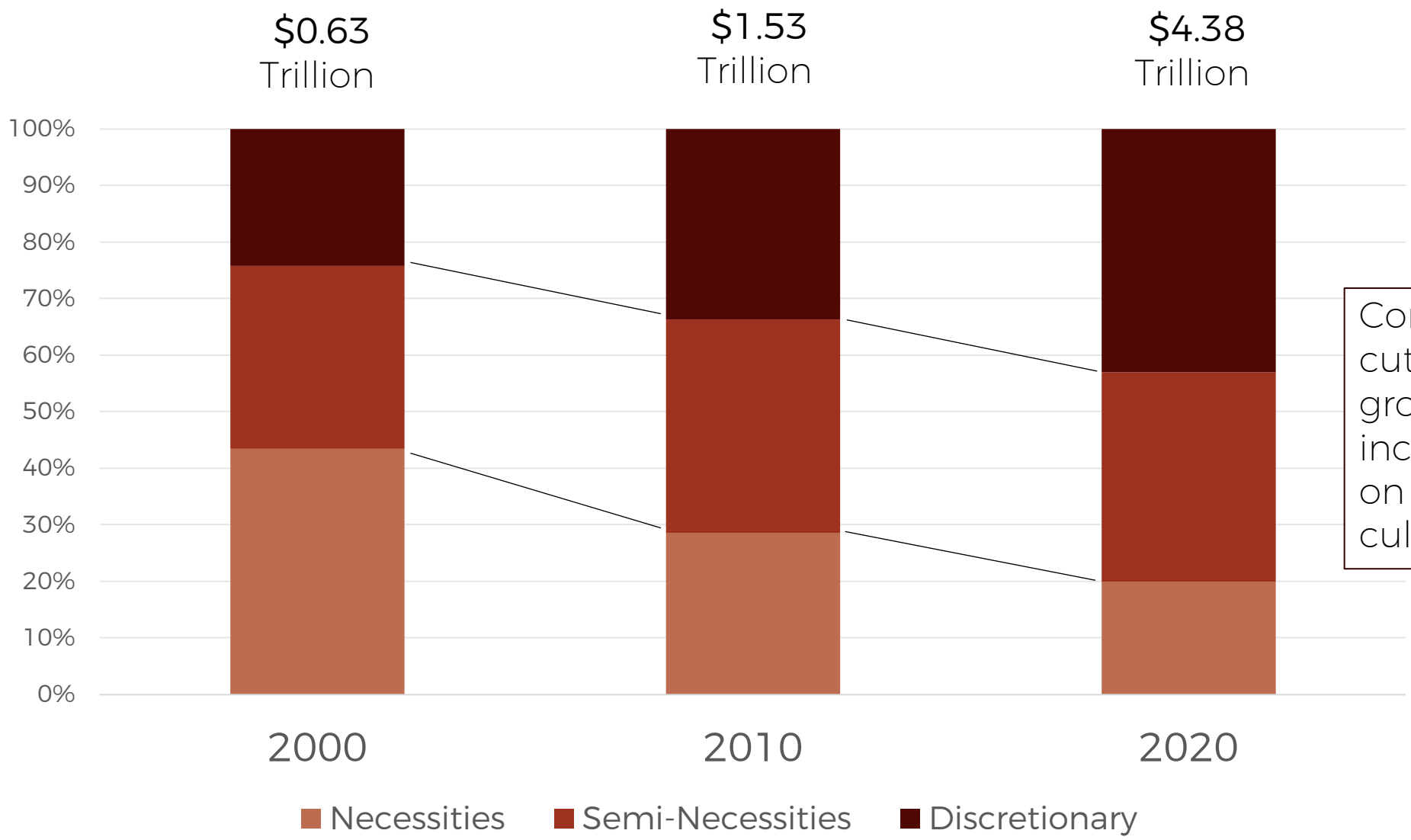
GROWING ROLE OF E-COMMERCE

Online consumption is projected to surge by 20%

Consumers shop for 29% more categories than in-store

Source: World Economic Forum 2012

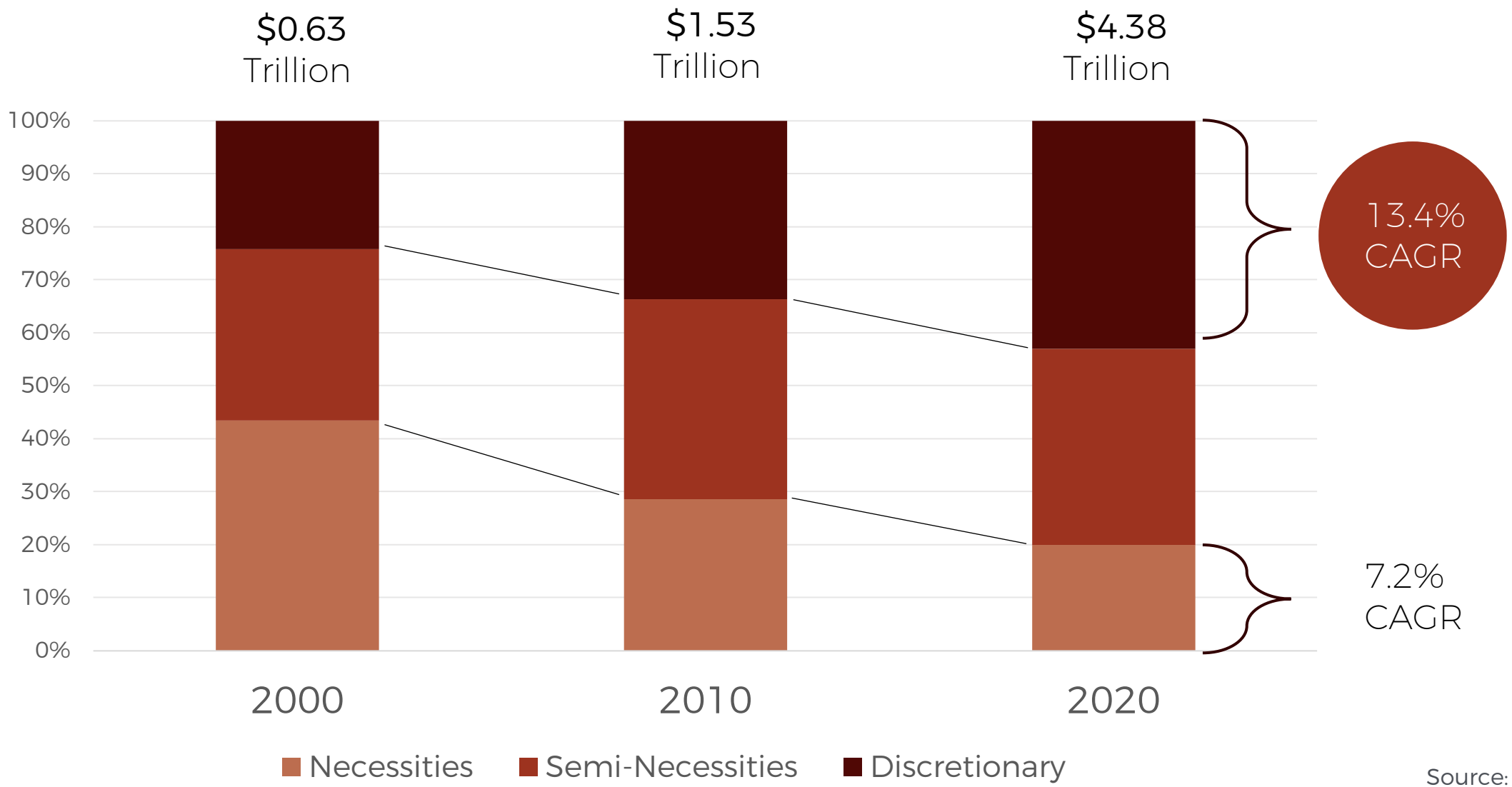
Increase in Discretionary Spending



Consumers are cutting back on grocery budget but increasing spending on recreational / cultural activities

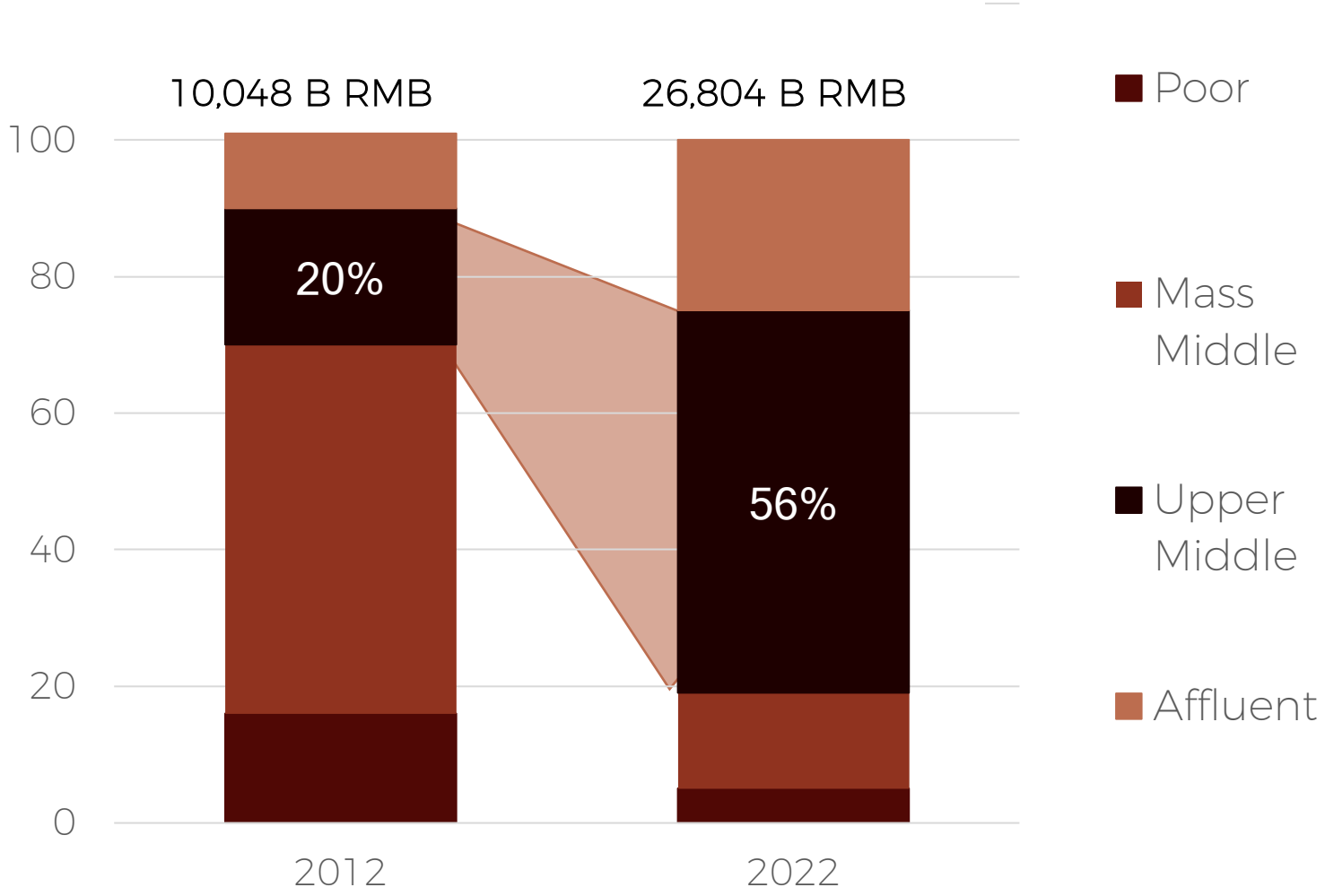
Source: McKinsey 2012

Increase in Discretionary Spending



Source: McKinsey 2012

Urban Private Consumption (%)



KEY TAKEAWAY

Young upper middle class in China is growing rapidly and willing to spend more

Source: McKinsey 2013

Young Upper Middle Class

what consumers search for in products

QUALITY

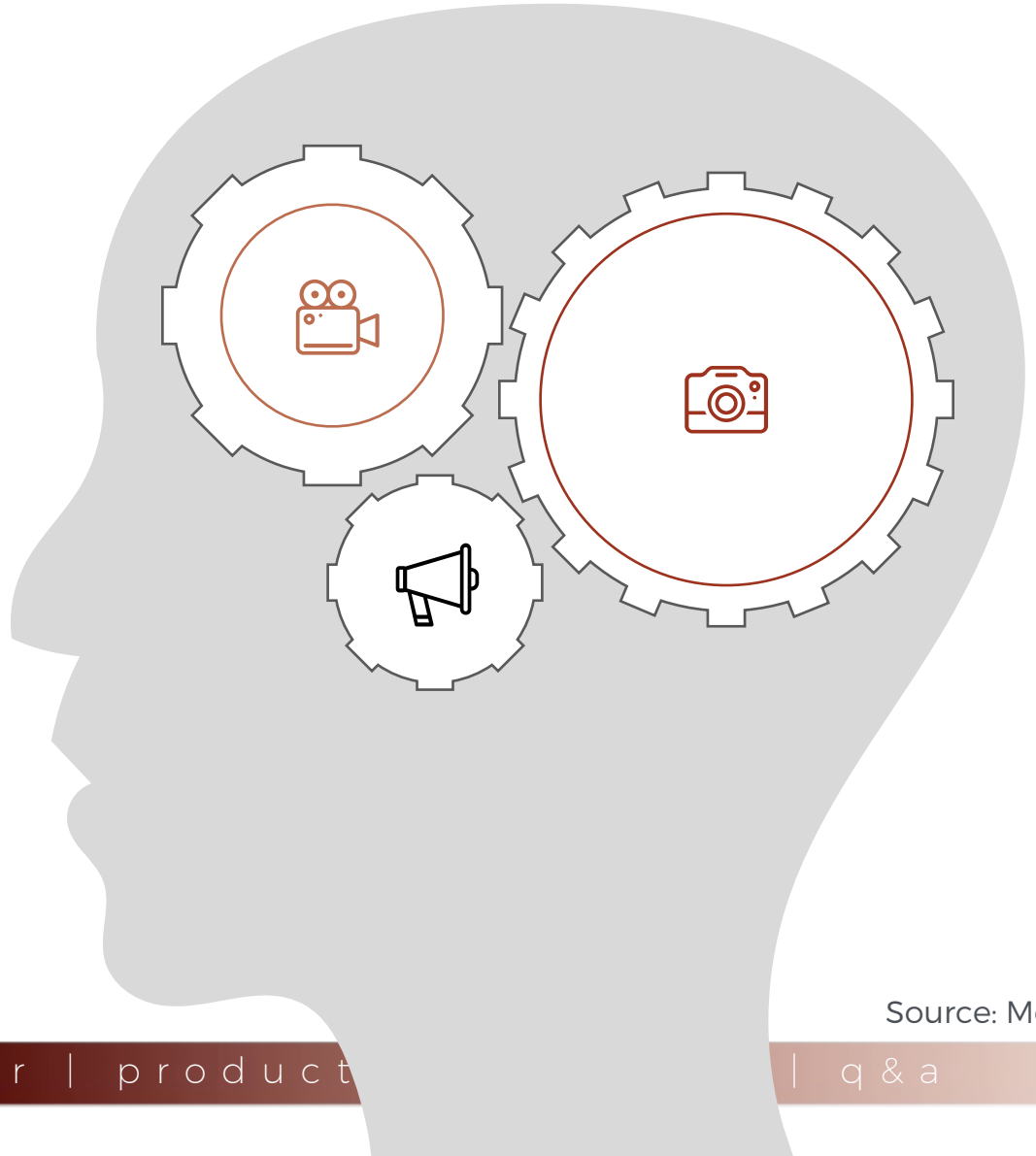
Intrinsically associate
expensive products as better

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

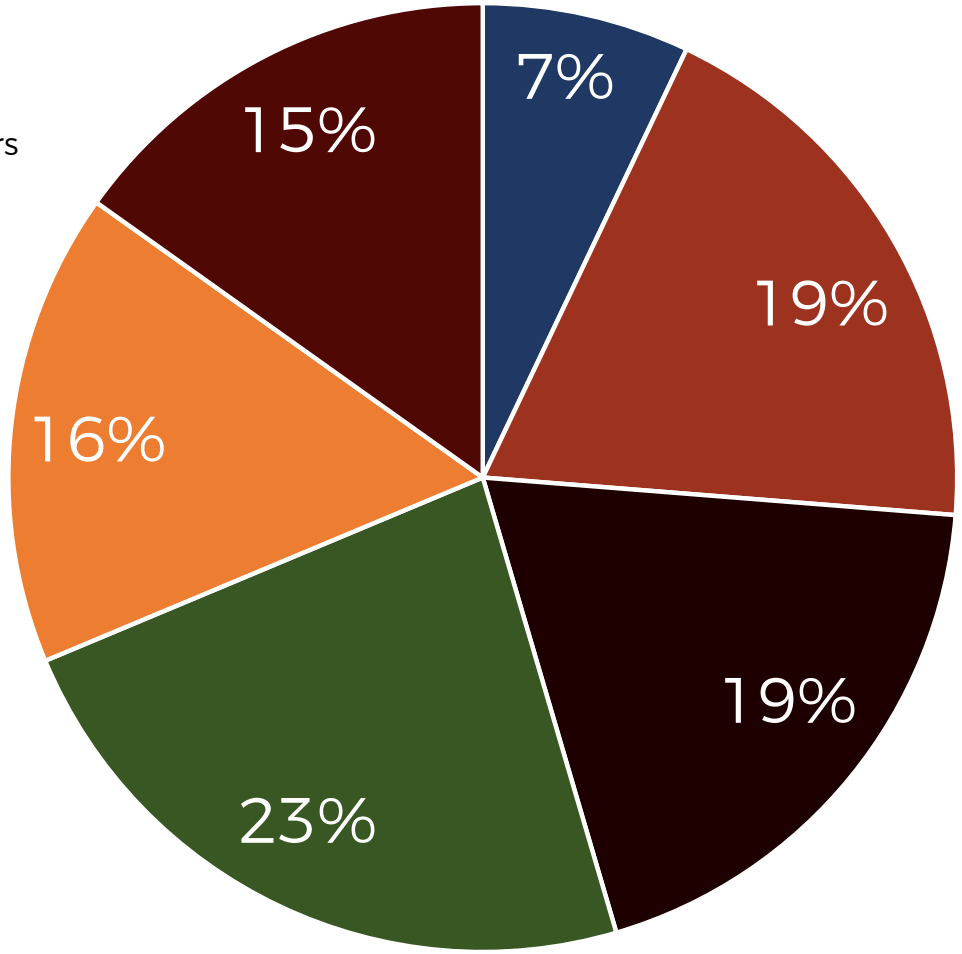
- Low-engagement, infrequent wine drinkers
- Drink to celebrate special occasions
- Price conscious

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

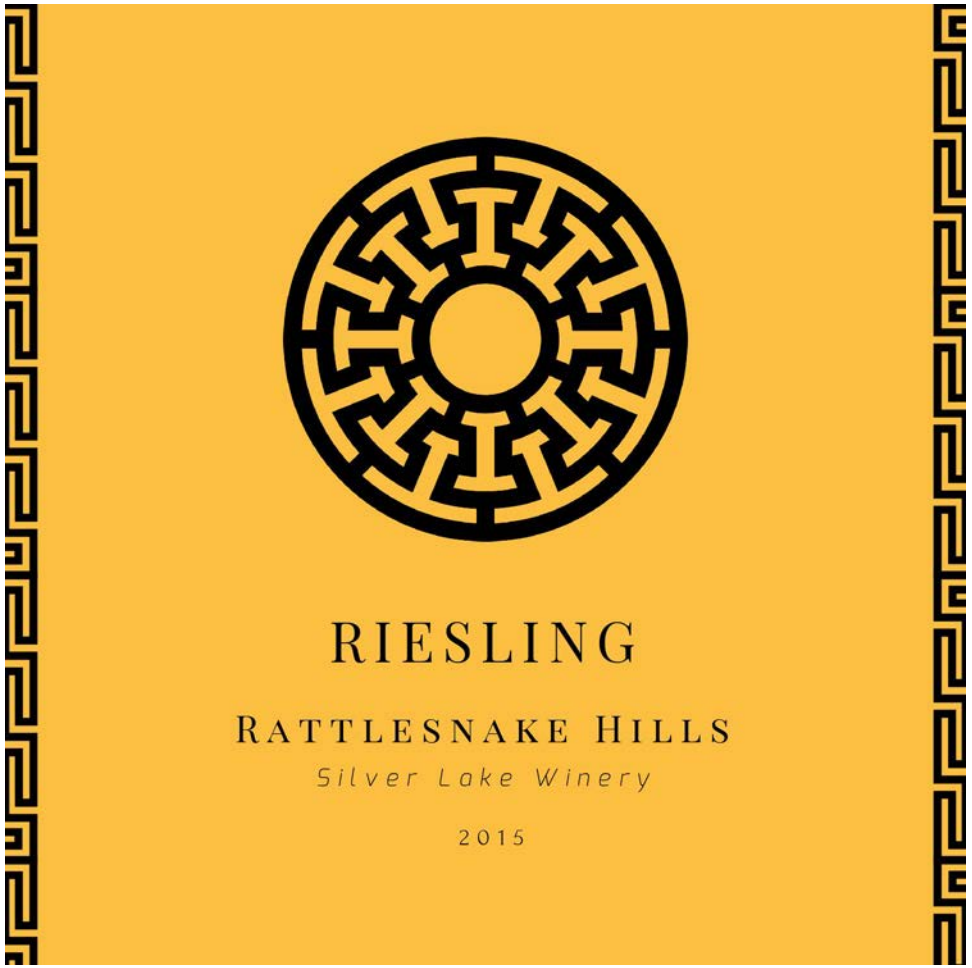
Fortune

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

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

Source: eMarketer

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

$122.63 B

Estimated Total Media Ad Spending, 2020

$70.43 B

Estimated Mobile Media Ad Spending, 2020

Marketing

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

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

UNIQUE VALUE PROPOSITION → BUILD *EXCITEMENT* → CREATE *FOUNDATION* FOR GROWTH

Marketing

Create First-in-Class Customer Experience

Dynamic Social Media Marketing

Physical Marketing

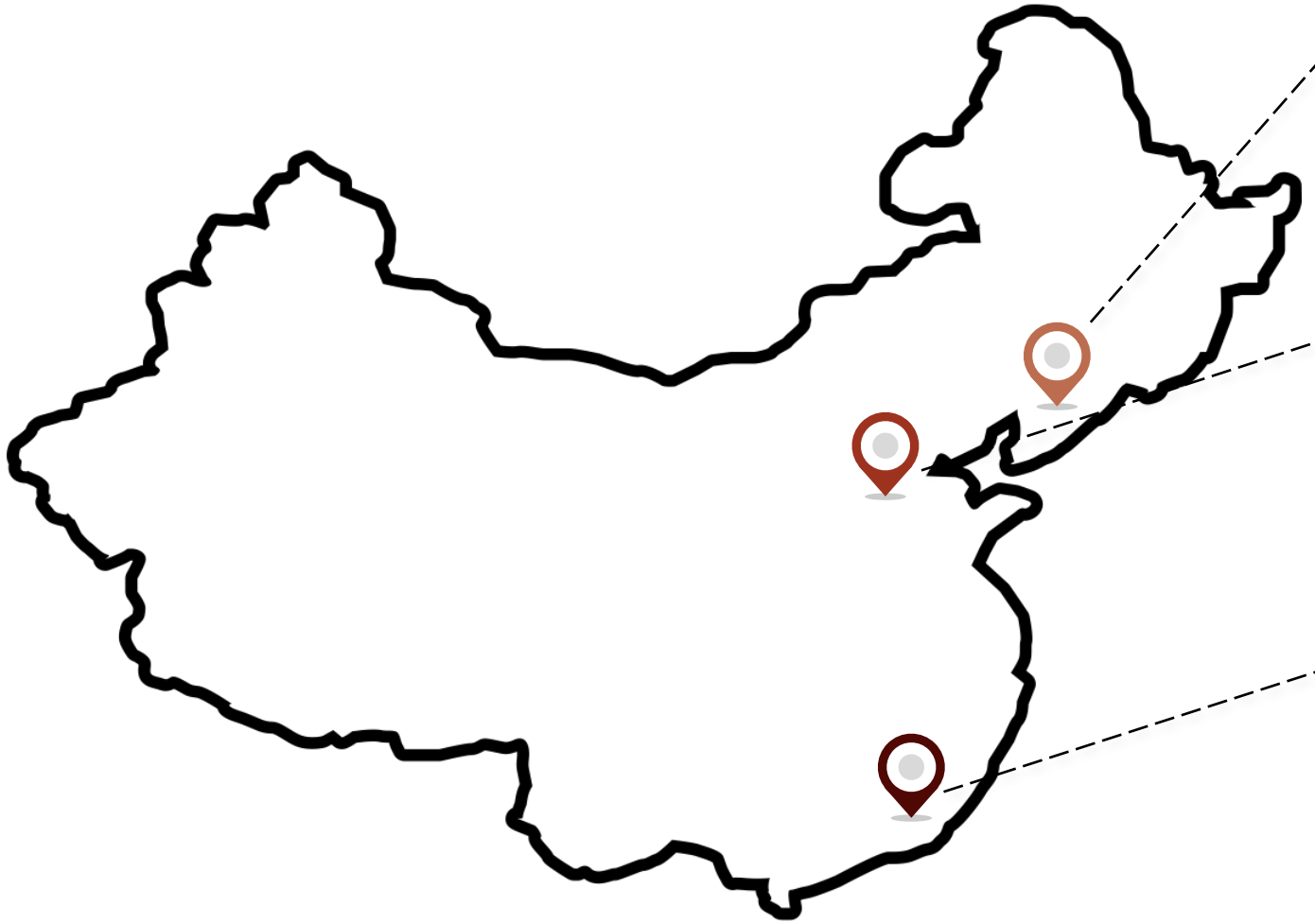
Marketing Cost: $250,000

UNIQUE VALUE PROPOSITION → BUILD *EXCITEMENT* → CREATE *FOUNDATION* FOR GROWTH

Distribution Cycle

WA WINE COMMISSION	WA WINE PRODUCERS	QUALITY FACILITY	CHINESE DISTRIBUTORS	CHINESE CONSUMERS
Provides labels	Send wine	Check product	Ship finished product	Buy product & Interact w/firm

Implementation



BEIJING

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

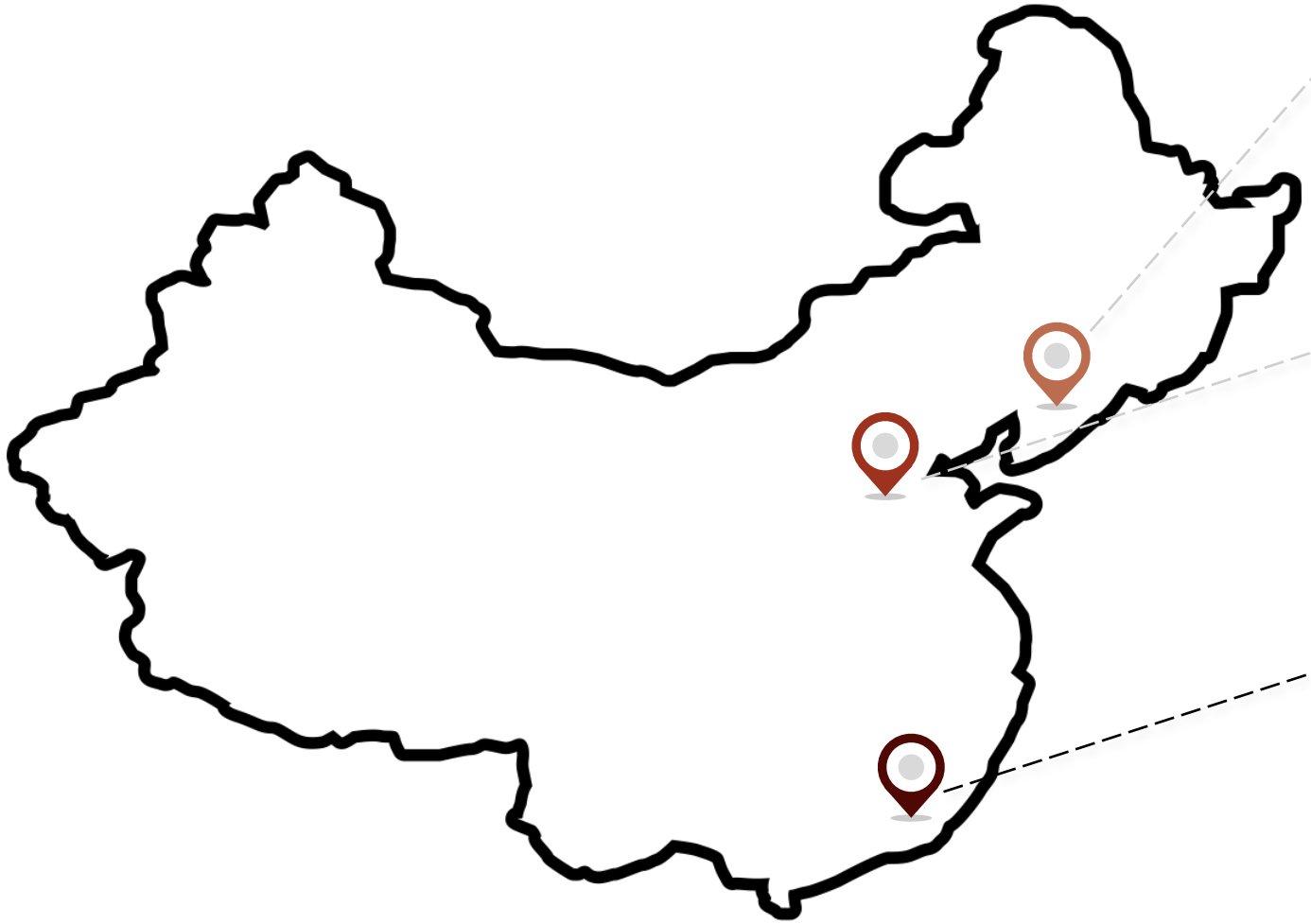
SHANGHAI

- 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



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GUANGZHOU

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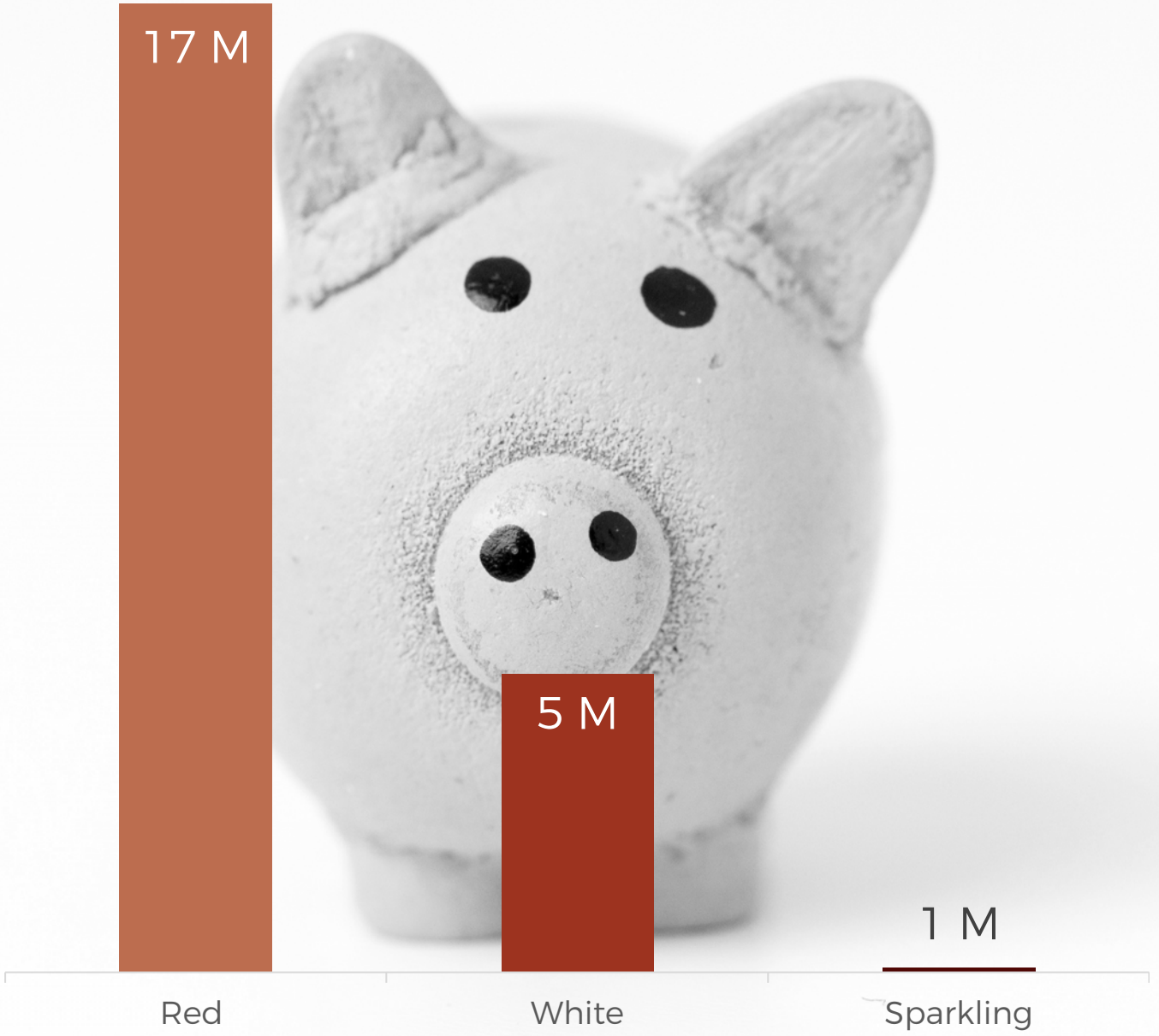
Implementation

23 M

total bottles of wine sold
in Guangzhou / year

230 K

addressable market



Implementation

REVENUE SENSITIVITY

	0.25%	0.50%	1.00%	1.25%	1.50%
$18.75	$1,059,036	$2,118,071	$4,236,142	$5,295,178	$6,354,213
$22.50	$1,270,843	$2,541,685	$5,083,371	$6,354,213	$7,625,056
$26.25	$1,482,650	$2,965,300	$5,930,599	$7,413,249	$8,895,899
$30.00	$1,694,457	$3,388,914	$6,777,828	$8,472,285	$10,166,742
$33.75	$1,906,264	$3,812,528	$7,625,056	$9,531,320	$11,437,584

$5.9 M

REVENUE

Profit Potential

WASHINGTON STATE WINE COMMISSION

Revenues	Expenses
$593,060	$506,078

NET PROFIT:
$86,982

PRODUCERS & SUPPLIERS

Revenues	Expenses
$5,337,539	$3,516,727

NET PROFIT:
$1,820,812

Profit Potential

WASHINGTON
WINE COM

UCERS
PLIERS

Revenues

$593,060

Expenses

$1,059,600

NET PR
$86,9

PROFIT:
,277,939

$2 M

TOTAL PROFIT

Conclusion

WHO IS OUR TARGET MARKET?	WHAT KINDS OF WA WINES SHOULD BE SOLD IN CHINA & WHY?	HOW SHOULD WE MARKET THE WINE?
Young upper middle class urban population	Red White Sparkling	First in class experience Social media Physical marketing

Cost: 4 Million

Profit: 2 Million

UNCORK EXCELLENCE

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MISCELLANEOUS

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