

SPARKLING MOMENTUM IN CHINA

A Chinese dislike of cool liquids, not to mention an aversion to bubbles, has made sparkling wine a tough sell. But, as Jim Boyce reports, Champagne's cachet is opening the market and even Chinese wineries are making bubbly.



Chateau Changyu-
Castel in Yantai, China

Bubbly remains a distant competitor to still wines in China, a modest spumé in the glass of total consumption, an effervescent afterthought. But as the market grows and more drinkers move from away from their usual choice – notably reds from France – opportunities are increasing for sparkling wine. This has not gone unnoticed by producers in China: companies involved in new projects include a global drinks giant, the country's top family-owned winery, and a top-three domestic player.

Sparkling by numbers

First, some numbers. Sparkling wine imports more than doubled from 2.7m L in 2010 to 6.3m L in 2012, according to statistics from China Customs. France took top spot by volume last year, with 35.5% of the market, followed by Italy at 31.2%. Rounding out the top six: Australia (10.5%), Spain (6.9%), Germany (6.4%) and the US (2.3%).

But in terms of value – sparkling wine totaled €47m (\$63.7m) in 2012 – France shines. Here it grabbed a 73.2% share, with Champagne being crucial to the mix, compared to Italy's 12.2%. The only others over 2% were Australia (5.7%), Spain (3%) and Germany (2.2%).

This overall growth is eye-popping but requires context: Sparkling wine represented just over 2% by volume and just under 5% by value of bottled still wine imports in 2012. This raises the question of why consumption is so relatively low. There is no shortage of reasons. Price is a major factor, especially for Champagne, as there are far cheaper still wines available. And even among those flush with cash, red still wine, especially from France, carries more cachet when it comes to splurging on a bottle. This is a key factor in a country where so much wine is bought for reasons of status, such as for gifts or special occasions, or for use at official functions where it tends to be poured from beakers, rather than bottles, and tends to be red.

Add to this issues of temperature, taste and tradition. Professor Ma Huiqin of China Agricultural University notes a longstanding habit of shunning cold drinks, with a preference for “hot water and room-temperature beer” widespread. Consumers can find the texture (bubbles) and flavour (especially in cases of higher acidity) of sparkling wine unusual and, at times, unpleasant. And, of no small importance, consumers see a strong link between red wine and health. Not surprisingly, most experts expect modest growth.

“As the whole wine market grows in China, Champagne and sparkling wine will grow accordingly,” says Wang Wei, China director for Comit Interprofessionnel du Vin de Champagne (CIVC). “But since most Chinese consumers still do not know Champagne very well, the growth will continue to trail that of Bordeaux.” Wei notes the Champagne market is focused in key cities like Shanghai and Beijing, where foreigners buy it in restaurants or for home use, while Chinese white-collar workers tend to indulge at clubs. But she says the market is diversifying. “More and more connoisseurs drink Champagne whenever they like,” she says. “There are high-level consumers who are keen for luxury products. Those from the younger generation, who have been living and studying abroad, will be the new customers because they are quite influenced by Western lifestyles and know how to drink Champagne.”

Professor Ma agrees. “The younger generation is more open to trying new things and cares less about what others think,” she says. Thus a factor such as coldness for sparkling wine is less relevant, evident by the number of young people who drink iced coffee, chilled soft drinks or cold beer.

Patricio de la Fuente Saez of importer and distributor Links Concept, which handles Champagnes Louis Roederer and Billecart-Salmon and sparkling wine from Argentina, Italy, New Zealand, Spain, and the US, also has modest expectations. “When we look at the sparkling wine market, it would be mostly Champagne that we are talking about,” he says, citing hotels, restaurants and clubs in first-tier cities as the drivers, since they aspire to provide customers with a quality wine list. He calls Prosecco “the favourite alternative to Champagne” and says it is helped by the Italian restaurants found throughout China, while Cava has less cachet but is getting a boost from Spanish eateries.

But he cautions against using import statistics as a measure of sales. Thousands of new and largely inexperienced importers have popped up

over the past five years and there is widespread belief of an oversupply of wine in the market. "Shipments of sparkling wine are not an indication of growing consumption but more of the growing number of importers," he says.

Even so, the scale of the China market means even modest growth can translate into significant sales. "The China wine market has grown dramatically over the last 10 years to over 120m cases, with strong development for premium wines," says winemaker Gloria Xia of the Moët-Hennessy project in Ningxia. "Even with a low percentage of sparkling wine, this still represents a large market opportunity."

Chinese production

Some producers based in China hope to take advantage of that opportunity, including Xia, who has also worked at the Huadong-Parry winery in the coastal region of Shandong. In fact, when it comes to locally produced sparkling wine, the Chandon project in Ningxia is the shiniest object around. Set up in 2011 just east of the Helan Mountains, and a sibling to Chandon operations in the US and Australia, the facilities at this 66 ha operation officially opened in July. The first wines will be released next spring, a Chardonnay-heavy blend with Pinot Noir made using grapes from 10-year-old vines, says Xia. Blending trials will determine the exact percentages to come. While Xia did not disclose a price, she said "Chandon China will be positioned as a premium sparkling wine," as in other countries.

While Chandon attracts the attention, a smaller project is also set to sparkle. Shanxi's highly regarded Grace Vineyard turned its attention to sparkling wine four years ago, with winemaker Ken Murchison writing in his vintage notes: "Of special interest from 2009 (and a lot of excitement in the winery), will be our first sparkling wine, a Blanc de Blancs in the Methode Champenoise."

That wine, says CEO Judy Leissner, is still on lees today and will be launched next year along with one made from Chenin Blanc. Don't expect it to flood supermarkets, as annual production will be from 3,000 to 6,000 bottles per year. And don't expect it to be cheap, with Leissner considering a price of rmb 300 to rmb 400 (\$49.00 to \$65.00), firmly in Champagne territory. "I think consumers will find it quite fine - mineral and crisp", she says. She plans to sell it via online subscription, as she did with another wine

called Sonata, and to hotels and restaurants through long-time distribution partner Torres.

Not to be forgotten are the big three - Dynasty, Changyu and COFCO - that take about half of domestic wine share in China and dabble in sparkling wines. General manager He Jiaku of Chateau Sungod says COFCO, which owns the major brand Great Wall, first initiated a sparkling wine program in 1990. The current wines, mostly Chardonnay, use grapes from the Shacheng wine region just north of Beijing in Hebei province, are priced at rmb 228, and seem particularly ambitious given the most recent update to packaging.

But just as sparkling wine faces challenges on the consumer side, so, too, does it in terms of production. The traditional method of making sparkling wine is time-consuming, labour-intensive and requires new skill sets, says He. The result: prices that, as noted above, are often considered too high. There is also a dearth of Pinot Noir grapes in China that limits options for winemakers.

Even if the grapes are available, there is still the issue of quality, says Xia of Chandon. "Although Ningxia is a good place for growing vines, the management skills at the vineyard varies greatly," she says. "Chandon has a joint venture vineyard with Nongken Group [maker of Xixia King wines], solely managed by Chandon, to secure our quality fruit supply."

Best markets

Despite these challenges, there is still something to celebrate about sparkling wine in China. Literally. Social events are among the likeliest areas of growth for bubbly. That isn't to say there aren't other angles to consider. CIVC's Wei cites southern cities such as Jiangsu, Zhejiang and Fujian, where a hotter climate and a diet heavier in seafood means higher white wine consumption, something that might be leveraged to help push bubbly. And in a country with such high luxury goods spending, there are high hopes for the world's top Champagnes. But given the focus on gift giving and social drinking in China, events provide already fertile ground.

"I think sparkling wine has such a strong association with celebration," says Leissner. "And Chinese like to celebrate. Ribbon-cuttings, dinner events, anniversaries - there are so many occasions to drink sparkling wines."

"Right now we can see that the big sales can be found at major nightclubs and hotels that offer Sunday brunch," says de la Fuente



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Saez. "It's all about the occasion, and just like in Europe where it's nice to start a dinner with a glass of bubbly, this will come one day in China."

Leissner is optimistic that day will be pushed ahead via promotion by major Champagne companies, with de la Fuente Saez also citing the "aggressive pricing and sponsorship deals" of the big players. "MHD and Pernod Ricard are investing a lot of money in promoting their Champagne houses in China and I believe in the long run this will definitely benefit all of us," he says.

He predicts the sparkling wine market will grow by about 50% over the next five years. "As the Chinese people's living standard rises, the idea of consumption also changes. Not only do they pursue a life of wealth but they have a desire to enrich their spiritual side," he says. "Nowadays, sparkling wine is associated with modernity and fashion. When you attend a party or wedding, and drink sparkling wine, it is part of a lifestyle."

Many weddings in Beijing involve not only bottles of red wine on the table, but also a much-photographed ceremony of the bride and groom filling a pyramid of Champagne glasses. There they stand, together pouring bubbly - it tends to be sparkling cider - into the top glass as the cameras click and record a key moment in their lives. If only someone could get them to switch to a nice sparkling wine and get everyone to grab a glass. After all, there are 10m weddings in China every year. ■