

# TIER 1 TRENDS IN CHINA

There are signs that engaged Chinese consumers are looking beyond red wines from traditional regions. Jim Boyce reports.

Wine trends are slowly changing in Tier 1 cities such as Beijing and Shanghai

**f**inally, we sold a bloody bottle of rosé.” Matt Bahen, the Greater China sales general manager for De Bortoli, is feeling good about China.

De Bortoli excels in wine that is the “antithesis of the China wine market” and its general obsession with Bordeaux and big fruity New World reds. For De Bortoli reds, he says, think of Pinot Noir and other lighter styles, along with rosé, sweet wines and fortified. All under screw caps. Not exactly a list of “greatest hits” for wine in China. But things are changing, as that rosé sale indicates, especially in Tier 1 cities such as Beijing and Shanghai.

Bahen, who has also worked at distributors ASC and The Wine Republic, says his sweet wine sales are up 100%, that white sales are rising twice as fast as red, and that among the reds, Pinot is moving. He’s bringing in premium Moscatos and says his most exciting product is rosé. “I’ve always said that it’s silly to chase,” says Bahen. “We just have to be confident that as the market evolves, our styles will become popular.”

He’s not alone in seeing shifts in first-tier cities. Those aforementioned reds, ranging from cheap OEMs [original equipment manufacturer or private label wines] to très expensive big name brands, still dominate, especially among older buyers and the entertaining and gift-giving crowd. But “diversity” is now being heard among the trade.

## Changes afoot

“Consumers in Tier 1 cities, especially Shanghai and Beijing, are looking for very niche wines, boutique wines, specific terroirs and varietals,” says Charles Carrard, who joined Boisset as China general manager in 2017 following a decade-plus with importer and distributor Paradox. “People are ready to spend on quality, whereas second- and third-tier cities are more volume-driven.” He defines quality here as wines priced at Rmb200 (\$29) and up.

As for those doing the spending, they generally hail from the younger generation. Yiftach Bar, founding partner of wine agent Diva China, has seen a “major shift” over the past two years and says classes and tastings are trendy. “The market is shifting to young, educated, enthusiast drinkers,” says Bar.



Sommelier Li Meiyu is doing pairings of a dozen different oysters with wines at restaurant Oyster Talks.

These consumers navigate between bad wine at the low end and iconic labels at the high end – those sought by wealthier, older and risk-averse buyers. With Australian reds, for example, they don’t jump at jammy Barossa Shiraz, but seek other regions and grapes, Bar says. He sees Bordeaux losing share to Burgundy and interest growing in regions including Beaujolais and Ribera, Piedmont and Alto Adige.

Such consumers are also the focus of Isabella Ko from The Merchants, a wine bar, café, restaurant and gallery that opened in Beijing last year. Ko points to Millennials who might not see buying an apartment as an option but will spend \$150 for a one-hour luxury spa experience. And she sees Beijing as offering room for flexibility and creativity. The Merchants’ recent events range from a tasting with South African natural winemakers to a class by Opus One chief executive David Pearson, to a night devoted to wine made in Ningxia by Chinese MW student Ian Dai. With options for fine dining, a mug of coffee or viewing art, it’s wine blended with lifestyle.

“The market is diversifying just because people from every age, every income, are changing,” says Terry Xu, an educator and media personality. “One thing is for sure, people are getting more curious about the lifestyle represented by wine, which is slower, healthier and more focused on individual feeling.”

Youth, curiosity and – less romantically – income are cited by many as factors in shifting wine preferences. Oliver Zhou, who worked with online retailer Vinehoo until

recently, says that final factor is crucial. “The prerequisite of being able to drink better is being able to afford it,” he says. “And income levels are up across the board.”

## More money to spend

Citing the National Bureau of Statistics, newspaper China Daily reported Shanghai and Beijing as first and second in 2018 for disposable income per capita, at more than Rmb64,000 (\$9,300) and Rmb62,000 (\$9,000) respectively. The national average was about Rmb28,000 (\$4,000).

Testifying to this rising buying power is Alex Chen of Alexander Wines in Shanghai. His customers, typically aged 20 to 35, spend an average of Rmb168 per bottle. “Two years ago, we were lucky to break Rmb100,” says Chen.

Using his cell phone to check the most recent orders, he notes the latest three were for Sauvignon Blanc, Riesling and rosé, and says this reflects his buyers’ diverse tastes. “Before people were curious but hesitant to try,” he says. “Now people are braver. Instead of following, they are exploring.”

Claudia Masüger, founder of the CHEERS wine chain, which has most of its 60 shops in Beijing, sees similar trends. “Requests for wines above Rmb150, above Rmb200, are increasing,” she says. Her key customers are 22 to 38 and buy more for personal consumption than gift giving. “More consumers want to know where the wine comes from and the story behind it,” says Masüger, with New World labels gaining much traction.

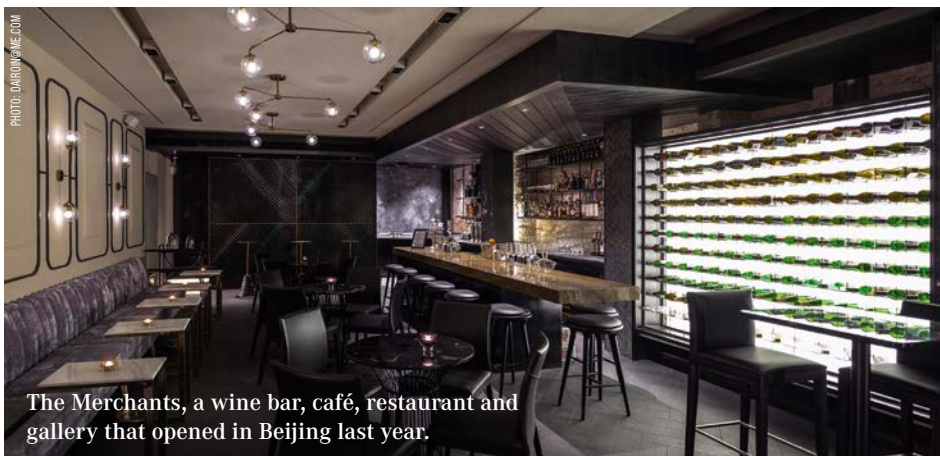


Claudia Masüger of CHEERS

CHEERS' commercial director, David Schaumann, can quantify this shift. "We decreased our Bordeaux listings by 30% over the past 18 to 24 months," he says. Taking their place are French options from Provence, Alsace, Côtes du Rhône and Burgundy, and New World ones from Chile, Australia, Argentina and South Africa.

## Not every trend works

Not everyone one is rosy about rosé and other new entrants to the Chinese wine market. Oliver Zhou, for example, is sceptical about both natural wines and Chinese wines. This might surprise some given Vinehoo has been near the forefront in catering to the changing tastes of consumer aficionados. Even several years ago, Zhou talked of demand from buyers for everything from Greek varietals to mead. But natural wines, he says, are mostly consumed by the trade, or by newcomers who try a few and decide that's what they're into.



The Merchants, a wine bar, café, restaurant and gallery that opened in Beijing last year.

Throw in wine geeks and he still isn't sure it's a trend.

He feels the same about Chinese wine, citing high prices and a lack of reputation among consumers. "Think about wine bars and retail outlets with knowledgeable staff [re local wines]," he says. "There are not that many, even in Shanghai, and without places for storytelling, people easily lean to imported wines." One area he does see potential? California. "Before it was mostly Bordeaux and Burgundy, now I start to see a group of emerging high-income drinkers in their 30s focusing on US wine."

While Zhou says Sonoma, Santa Barbara and other regions attract some interest, the overwhelming focus is Napa Valley and that veteran China favourite, Cabernet Sauvignon.

Perhaps some caution is warranted. But consider the statistics: bottled imports fell 8% by volume and were flat by value in 2018, according to China Customs data, a reversal of years of growth. Over the first two months of 2019 those figures dropped further year on year, by 13% and 18% respectively.

Local production is falling, too, even as Chinese wines rack up medals. Official stats peg it as back to 2012 levels, about half of its height. Add to this the flow of OEM wines, including lookalike brands (think Penfriends and Château Lafei), and economic qualms among many consumers, due partly to the US-China trade disputes.

Given all this, any diversification feels like sunlight through the clouds of uncertainty. There was a time not long ago when people worried that wine in general might be a trend, that consumers might move on to the next big thing.

The growing number of enthusiasts at least means the wine scene has put down real



Matt Bahen, pouring De Bortoli Noble One

roots and can withstand a storm or two. And it's growing stronger as niche projects pop up in big cities such as Beijing and Shanghai. Consider just a few bright spots.

Sommelier Li Meiyu, best known from her time at Park Hyatt in Beijing, is doing pairings of a dozen different oysters with wines at restaurant Oyster Talks, to find ideal matches.

Alberto Pascual of Pasion in Shanghai is importing cult Spanish wines, some with China allotments of a few hundred bottles, and building a circle of aficionados.

Influencers who reach a wider public continue to emerge, most notably Wang Shenghan, whose Lady Penguin online wine community claims more than one million followers.

The annual Black Wine Guide tastings, headed by Jean-Marc Nolant, charge \$100 for access to 900 wines, from top-end French labels to New Zealand natural wines to single vineyard labels from Uruguay. Distributors at the most recent Beijing event said the well-off attendees were placing orders.

And, despite sales struggles, Chinese fine wine is far more visible than a few years ago, building on the efforts of long-time supporters like Temple Restaurant Beijing.

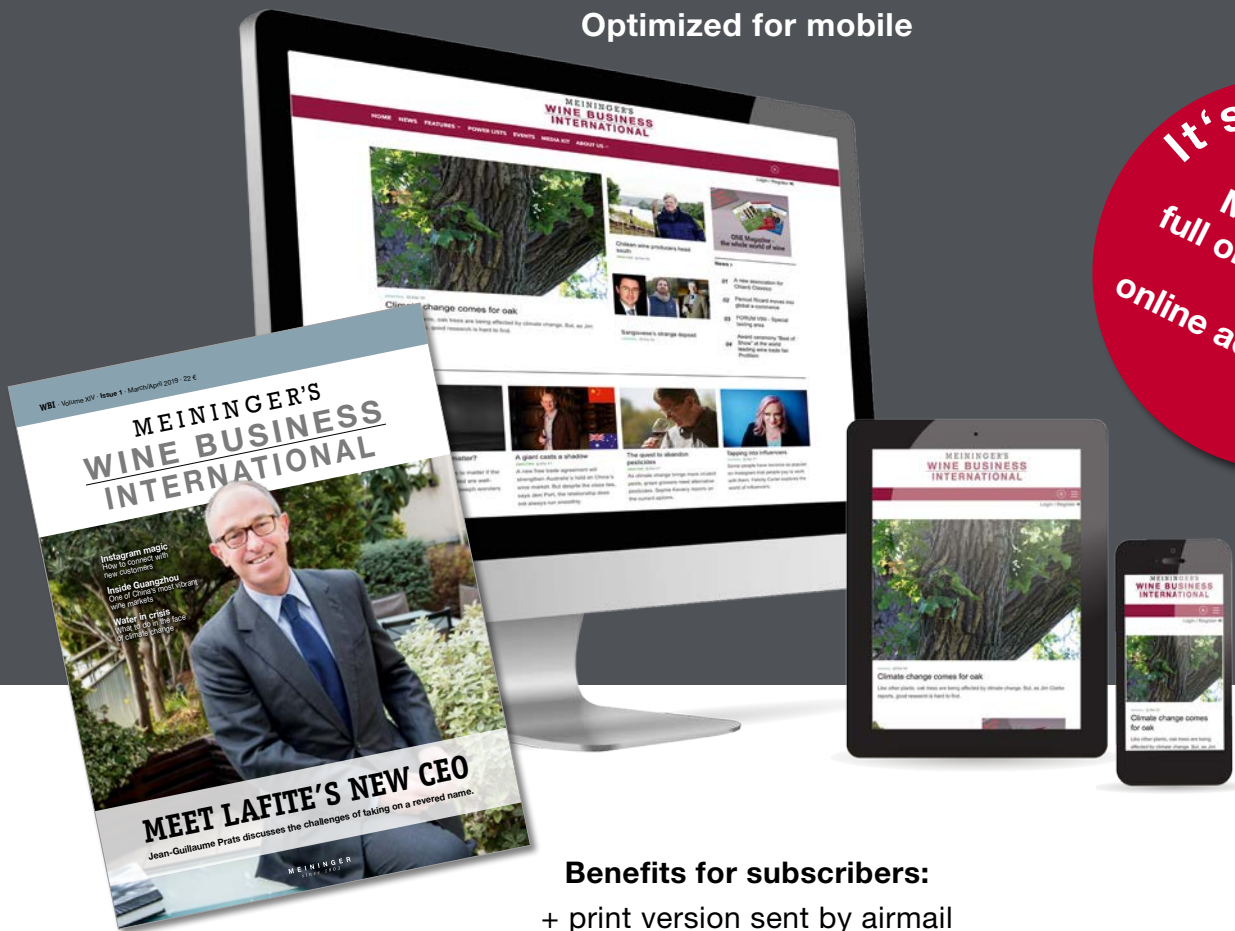
These might seem like drops in the sea of a billion-plus consumers but symbolise the latest wave of enthusiasm buoying the China wine scene. No doubt, someone somewhere will soon make Bahen smile by buying a second bottle of his De Bortoli rosé.

When Masüger of CHEERS heard the news, her eyes lit up. "Rosé? Yes! We have four or five new rosés on the way right now!"

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