卡慕远流
CAMUS YUANLIU

Industry Insights on Whiskey Development In China Market

Sharon Chen

目录 CONTENTS

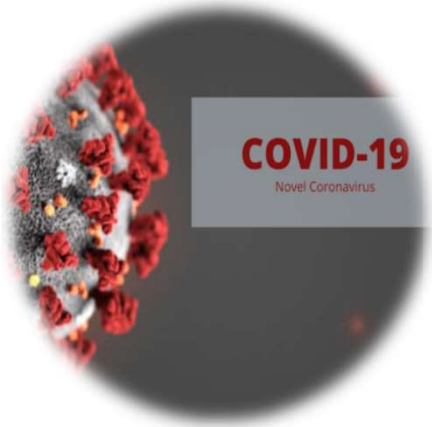
卡慕远流
CAMUS YUAN LIU

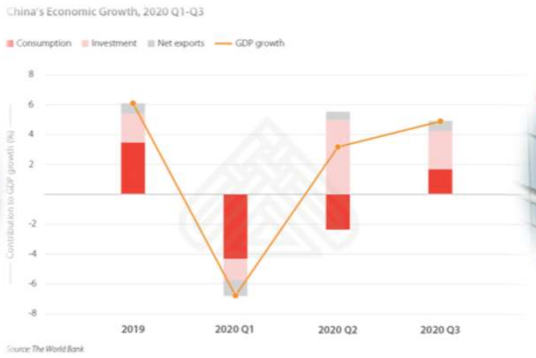
CHINA MARKET TREND

CONSUMER PROFILE

CHANNEL DEVELOPMENT

CHINA: KEY ECONOMIC TRENDS





First Hit by Covid-19, also first to recover

GDP Growth Rebounds already by Q3, 2020.

Trade tensions between US likely to continue, China will still face strong headwinds impact mostly on working class

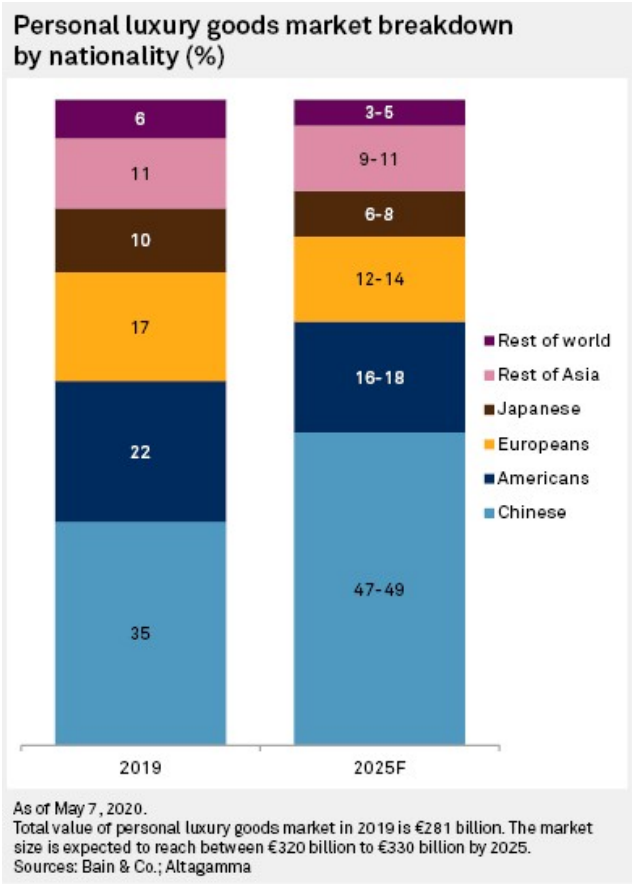
Premiumization continue to be strong cross multiple categories. Less but better!

https://news.cgtn.com/news/2020-10-17/IMF-s-latest-assessment-of-China-s-economy-is-not-surprising-UFbMDXsNJC/index.html
https://www.bloomberg.com/news/articles/2020-09-22/china-luxury-spend-seen-to-jump-30-this-year-in-industry-relief
https://www.theguardian.com/world/2020/oct/19/china-economy-covid-crisis-beijing
https://www.china-briefing.com/news/china-2021-economic-outlook-foreign-investor-expectations/

CHINA WILL CONTINUE TO BE THE MAIN MARKET FOR LUXURY

- In 2019, china represents about **35%** of the global luxury goods market
- By 2025 this ratio is projected to be almost **50%**.

https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/covid-19-accelerates-repatriation-of-chinese-luxury-goods-spending-59866013



5 KEY CHALLENGES IN CHINA MARKET

1. **China is one market but a diverse one**

- 23 provinces, 56 ethnic groups, 7 major dialects
- 14 major cities, and 4 tier one cities

2. **Different and also detached from the rest of the world**

- local distribution networks & regulatory requirements are different

5 KEY CHALLENGES IN CHINA MARKET

3. Behavioural change may take time

Introducing a new and unfamiliar product to Chinese consumers may take a long time to establish new set of behaviors.

International successful brands can often fail in China if deep rooted purchase motivation not understood enough.

4. Changing consumer preferences

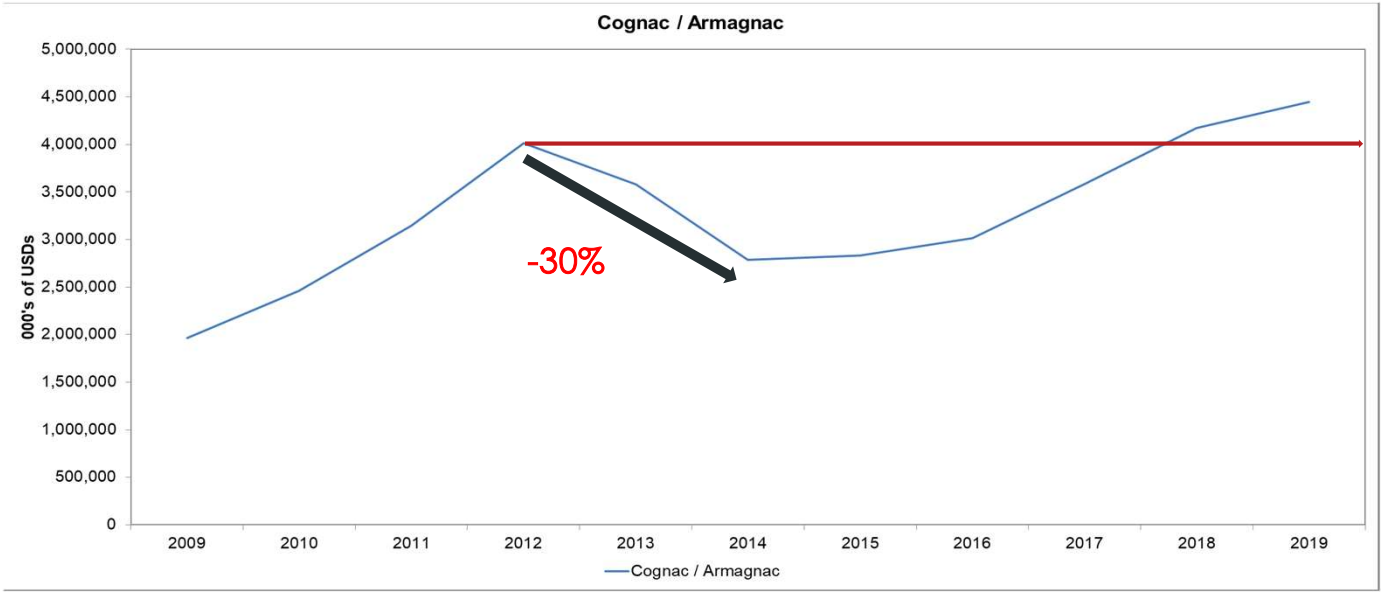
The market and brand choices are more diverse these days. Local brands through improved quality and marketing are getting more competitive

Chinese consumers drinking national spirits “Baijiu”

5 KEY CHALLENGES IN CHINA MARKET

5. Government Policy Overrules

Businesses can be severely impacted by Government policy. In November 2012, the anti-extravagance policy was introduced which aims to restrict corruption in the political and corporate environments. As a result, Cognac SALES plummeted in 2013/14 in China, and took 5 years to resume.



https://www.thespiritsbusiness.com/2014/08/global-cognac-sales-plummet-10-as-china-bites/
https://www.ft.com/content/902a980c-554c-11e4-89e8-00144feab7de

POST COVID-19 – EXISTING TRENDS BEING “FAST FORWARDED”

Digitalization
Digital engagement became mainstream

Reduced international mobility
Increase in
domestic market spending

Consumers more prudent
More cautious in spending

Private sector step up:
WeChat had to support government initiative

Intense competition
Big local brands increase investment to gain share and upgrade

Fast forward China: How COVID-19 is accelerating 5 key trends shaping the Chinese economy by McKinsey & Company
Understanding Chinese Consumers: Growth Engine of the World: McKinsey & Company

OVERALL TREND OF WHISKY EXHIBITION

1. Base on the whisky category fast grow these 2 years, more and more whisky exhibition in different region: (key region still focus on South, high potential in West)

   Key & 1st tier City: Shanghai, Beijing, Shenzhen

   Active and high potential City: Xiamen, Chengdu, Changsha

2. Good brand image building and effective for distributor to find new trade and private customers

3. Good opportunity for brand to build image, present the brand to target consumer; also good for CYL to support distributor for local channel development and sales consumption

WHISKY: SCOTCH DOMINATES THE WHISKY MARKET

- Blended Scotch should have recovered by the end of 2021 and continue to grow thereafter, driven by growing consumption in smaller bars and off-premise.
- Malt Scotch will continue to grow strongly, with supply constraints the main limitation.

US Whiskey:

Bourbon grows quickly, only for cocktail blending (80% internal consumption)

Irish Whiskey:

Big potential (original, 3 distilled, value-for-money) smooth and light, easy for young consumers to drink

Japanese Whisky:

Very limited production, good at marketing to develop the “collectable range”

Whisky: Consumption By Price Band

'000s nine-litre cases

Category	2019	2020	Share 2020	CAGR 2019 to 2020	CAGR 2015 to 2020	CAGR 2020 to 2025
Whisky	**1,680.00**	**1,612.50**	**100.0%**	**-4.0%**	**5.1%**	**7.9%**
Scotch	**1,347.75**	**1,297.00**	**80.4%**	**-3.8%**	**3.0%**	**6.7%**
- Prestige-Plus	7.85	10.35	0.6%	31.8%	32.9%	10.8%
- Prestige	60.25	62.00	3.8%	2.9%	15.4%	10.6%
- Ultra-Premium	258.70	288.00	17.9%	11.3%	10.8%	7.3%
- Super-Premium	109.75	101.75	6.3%	-7.3%	4.3%	7.9%
- Premium	587.80	513.25	31.8%	-12.7%	-3.6%	5.5%
- Standard	253.90	262.25	16.3%	3.3%	9.7%	7.3%
- Value	69.50	59.40	3.7%	-14.5%	3.3%	3.0%
US Whiskey	**262.00**	**221.75**	**13.8%**	**-15.4%**	**18.7%**	**13.1%**
- Ultra-Premium	5.80	5.95	0.4%	2.6%	76.2%	15.2%
- Super-Premium	0.25	0.35	0.0%	40.0%	18.5%	4.7%
- Premium	161.55	123.25	7.6%	-23.7%	9.9%	12.3%
- Standard	85.15	87.95	5.5%	3.3%	43.9%	13.6%
- Value	9.25	4.25	0.3%	-54.1%	11.2%	22.2%
Canadian Whisky	**1.50**	**3.00**	**0.2%**	**100.0%**	**24.6%**	**14.9%**
- Premium	-	-	-	-	-	-
- Standard	1.50	3.00	0.2%	100.0%	24.6%	14.9%
Irish Whiskey	**15.00**	**15.75**	**1.0%**	**5.0%**	**35.1%**	**13.4%**
- Prestige	0.25	0.10	0.0%	-60.0%	-	26.7%
- Ultra-Premium	1.10	1.10	0.1%	0.0%	61.5%	14.6%
- Super-Premium	2.15	1.60	0.1%	-25.6%	-	19.4%
- Premium	1.00	0.95	0.1%	-5.0%	44.7%	15.1%
- Standard	10.50	12.00	0.7%	14.3%	29.9%	12.0%
Japanese Whisky	**44.50**	**64.50**	**4.0%**	**44.9%**	**9.1%**	**8.8%**
- Prestige-Plus	0.45	0.40	0.0%	-11.1%	0.0%	4.6%
- Prestige	3.80	3.50	0.2%	-7.9%	-6.3%	0.0%
- Ultra-Premium	11.00	13.50	0.8%	22.7%	2.0%	11.2%
- Premium	0.25	0.25	0.0%	0.0%	-32.2%	38.0%
- Standard	29.00	46.85	2.9%	61.6%	15.8%	8.4%
- Value	-	-	-	-	-	-
Indian Whisky	**0.60**	**0.75**	**0.0%**	**25.0%**		**11.6%**
- Ultra-Premium	0.60	0.75	0.0%	25.0%	-	11.6%
Other Whisky	**8.65**	**9.75**	**0.6%**	**12.7%**	**41.0%**	**13.1%**
- Ultra-Premium	6.35	7.40	0.5%	16.5%	58.1%	12.7%
- Super-Premium	-	0.45	0.0%	-	-	9.2%
- Premium	0.55	0.45	0.0%	-18.2%	-	21.5%
- Standard	1.75	1.45	0.1%	-17.1%	7.7%	13.1%

Source: The IWSR

CHINA KEY AREA FOR WHISKY

- ✓ T1: Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu,
- ✓ T2: Chongqing, Hangzhou Xiamen following
- ✓ T3: Nanjing and Suzhou, Wuhan, South small cities because of consumption power and knowledge.
- ✓ Changsha (like to drink new), Xian, Nanning (70-80 whisky lover with different whisky to share with IB)

CHINA CONSUMER PROFILE

- Male (70%), and female are growing but light drinkers
- 28-55 yo
- Very diversified in terms of taste, drinking experience
- Finance, IT (8K RMB average in T2) but differ from different cities
- Like coffee/tea, cigar, special food
- Drinking behavior: 3 times/week
- Occasion: socializing, gathering,
- Fix community to share special level, entry-level to have fun
- Taste: Sherry, Peat, bourbon cask

CONSUMER JOURNEY

WHY DO THEY PURCHASE

A. Home consumption (drink alone, party with friends)
B. Restaurant consumption (business occasion, family/friend gathering)
C. Whisky/Cocktail bar (friend gathering)

HOW DO THEY PURCHASE

A. Online: T-mall & JD
B. Retail where they can establish a personal relation with the sellers

WHAT ARE THEIR moments of DELIGHT ?

A. Taking part in a unique offline experience
B. Learning new skills
C. Being able to show off their unique perspective

WHAT ARE the key initiatives to intercept them ?

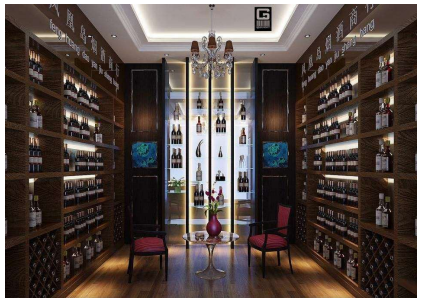
A. Increase awareness through targeted campaigns and localized content
B. KOLs
C. More frequent tasting dinners with premium drinking rituals
D. Online education & experiences

CHANNEL DEVELOPMENT

25%

ON TRADE

WHISKY BAR, COCKTAIL BAR
NIGHT CLUB, KTV



35%

OFF TRADE

LIQUOR STORE
RETAIL STORE
CONVENIENCE STORE

30%

EC

T-mall
JD

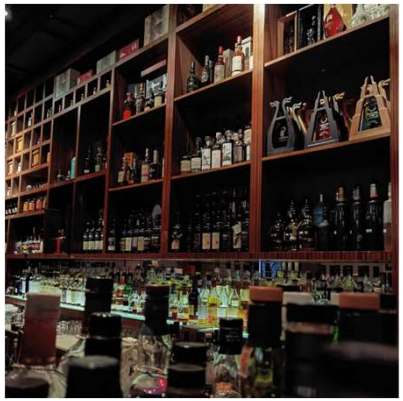
10%

DS

Reliable distributor
KOLs

WHISKY BAR – T1 cities for example

-Pure/professional whisky bar percentage is still low
-More whisky & cocktail mix, not good sale for whisky



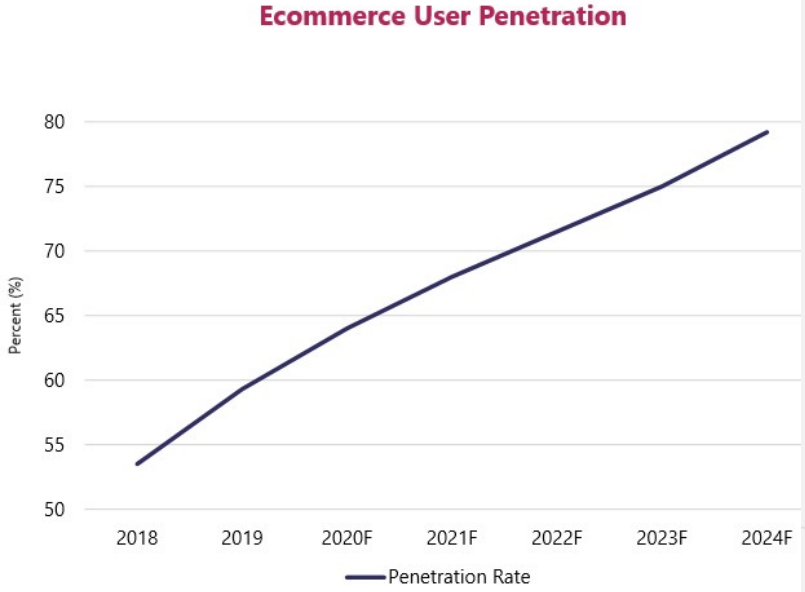
-Membership to sell high-end package percentage is still low
-Big range of choice, value for money
-Frequent visitors

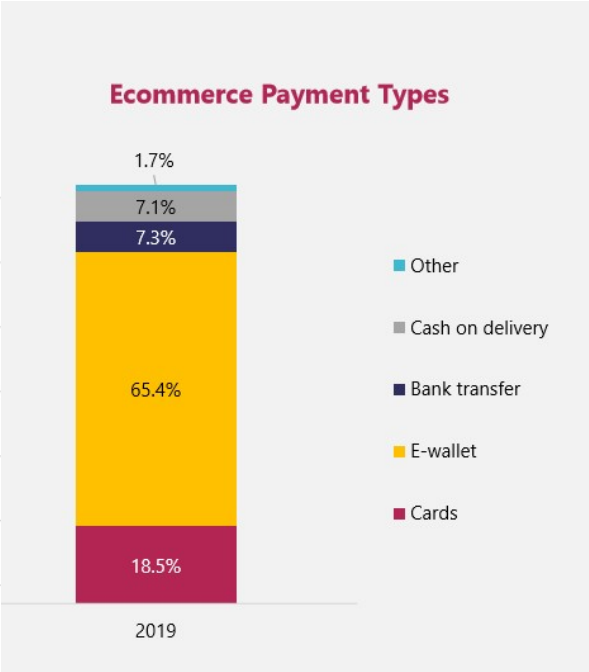
-Opening bottle 800+ RMB – 10K RMB
-Listing for branding & presence, not for sale

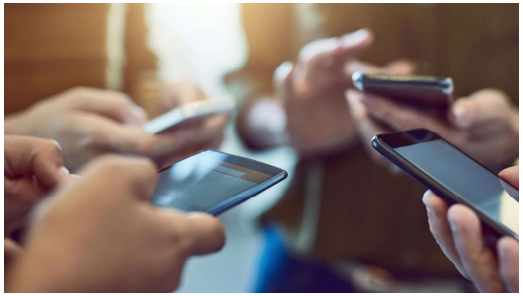
Promotion and partnership with bar:
-Brand support package
-Tasting/dinner
-Brand display
-Membership reward

E-COMMERCE PENETRATION IS HIGH: MOBILE PAYMENT IS THE NORM

China has by far the largest number of netizens (900 million) in the world. E-commerce is highly developed, and will expect to grow further.



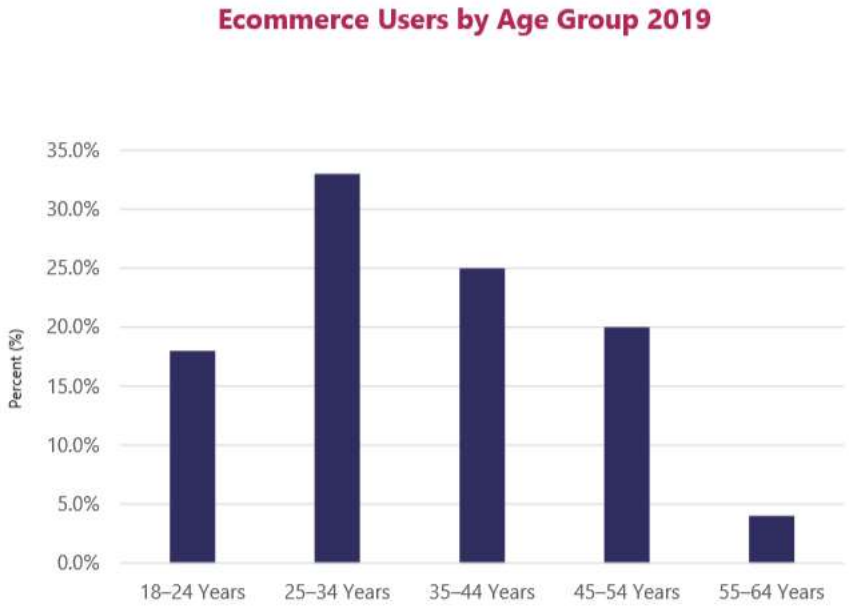


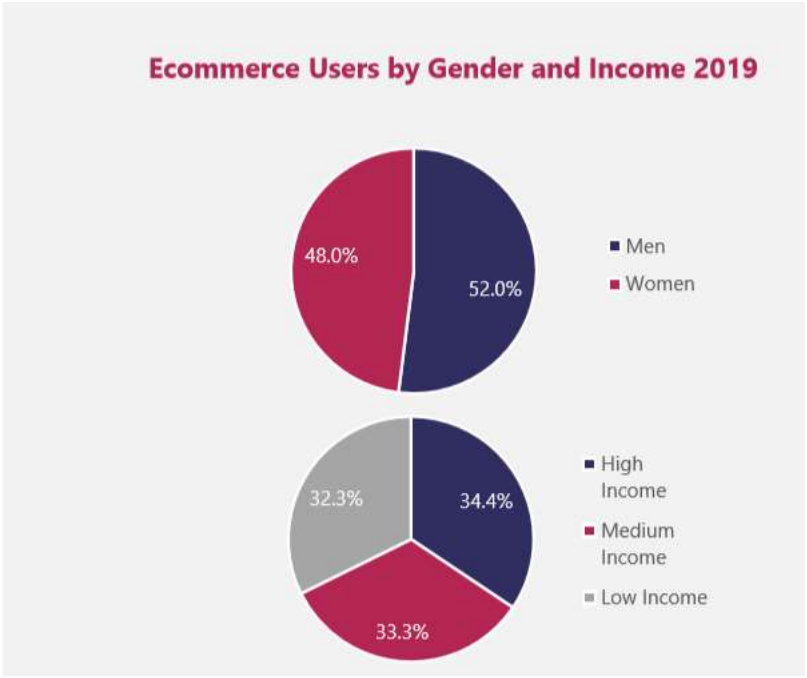


IWSR Global Ecommerce Strategic Study 2020 - China
https://www.statista.com/statistics/277391/number-of-online-buyers-in-china/

E-COMMERCE USER DEMOGRAPHICS

- 25-34 years is the main user group
- Gender and income group are evenly spread

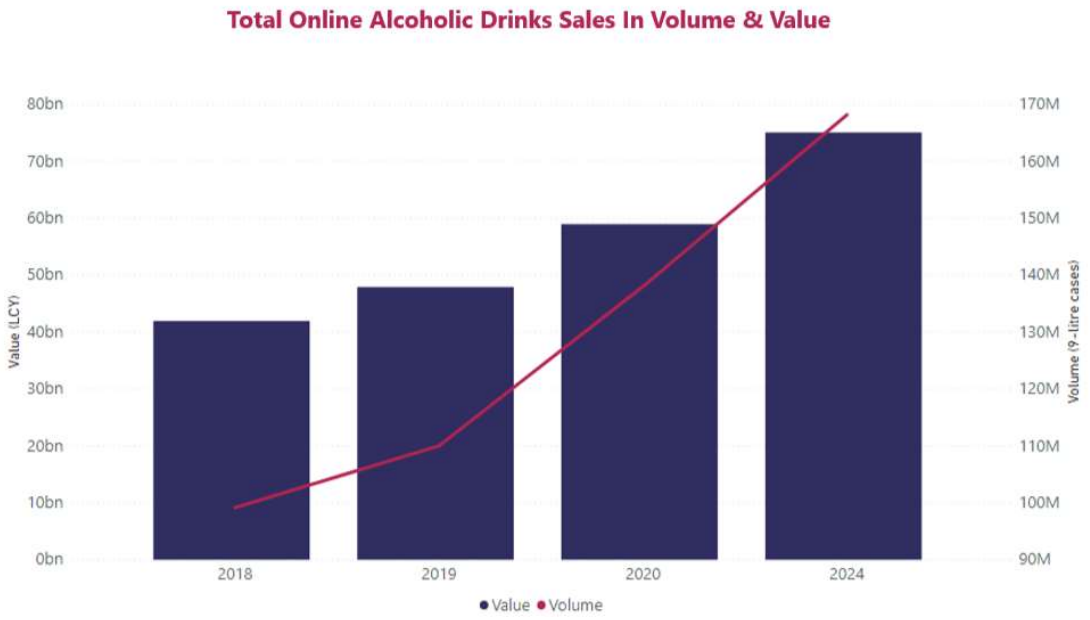




https://drinksint.com/news/fullstory.php/aid/9258/IWSR_predicts_42_25_global_rise_in_ecommerce_in_2020.html
IWSR Global Ecommerce Strategic Study 2019 - China

ONLINE SALES: TEMPORARY BOOST IN 2020 BUT SHOULD GROW STEADY TO 2024

- Online sales will continue to grow steadily in the next 5 years
- Baijiu contributes 97% of total spirits now, but all other categories will grow much faster. Whisky (15.72%)



RMB

9L CASES

Category Key Players	Value % Change	
	2018-19	2019-24F
National Spirits (Baijiu)	12.0%	7.9%
Brandy	18.0%	14.9%
Whisky	32.2%	15.7%

IWSR Global Ecommerce Strategic Study 2020 - China

THANKS FOR WATCHING

卡慕远流
CAMUS YUANLIU