

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

A marketing plan for
Companhia das Quintas to
strengthen its position in the
Chinese wine market

Gonçalo Nogueira de Sousa Madeira Cruz
#1424

A Project carried out on the Management course,
under the supervision of Prof. Carmen Lages

May 30, 2014

Abstract

Companhia das Quintas, Limited Company wishes to conquer the Chinese market with its wines. For that, it decided to enter in a partnership with a local importer and distributor. This project analyses the macroeconomic factors of the country, the local market and the consumer behavior, using on-site research that included interviews with professionals of the industry, unstructured observation of the consumer and existing statistical data analysis. Finally, the project presents a marketing plan to make this partnership a success.

Keywords: China, Wine, Portugal, Partnership

Contents

Executive Summary.....	1
Company: Companhia das Quintas, Limited Company (CdQ).....	1
The Partnership with the Chinese Distributor	3
The Partner: Shanghai Vision Trading	3
The Agreement	4
Market Research	5
Objectives	5
Methodology	6
Situation Analysis.....	6
PEST Analysis	6
The Chinese Wine Market	11
The Chinese Consumer.....	15
Companhia das Quintas' SWOT	18
Marketing Strategy	18
Marketing Mix.....	21
Final recommendations	25
References	25

Appendices are available in a separate file. While not vital to comprehend the work presented, they are useful to those not familiar with China's geography or wine market.

Executive Summary

Two players in the wine market, a wine producer from Portugal, Companhia das Quintas (CdQ), and a wine importer and distributor in China, Shanghai Vision Trading (SVT), entered a strategic partnership, in which they will collaborate to create a marketing mix, with the goal of strengthening their position in China. Within this context, a marketing plan for the period of one year was developed for Quinta do Cardo, a Companhia das Quintas' brand.

The marketing plan starts by analyzing the Chinese market opportunities and threats and the Chinese wine consumer behavior. It also presents an internal analysis of Strengths and Weaknesses for CdQ. The insights about the situation analysis are used to guide the marketing strategy (segmentation, targeting and positioning). The segmentation exercise identified four segments, from which a target market was selected due to its relative better potential. Considering the alternatives presented to the target market, a positioning of a very good quality wine from a unique *terroir* that will never fail to impress the buyers' peers was suggested. The implementation of this Marketing Mix was developed on this basis while taking into consideration the Chinese cultural and market context and the potential of the partnership between the two companies. Suggested actions include collaborative work to adjust the product offered, its distribution and promotion actions. Recommended promotion actions center on building brand awareness, educating supply chain and fostering a relationship with the consumer. Finally, was recommended that the timing of the actions takes into account the seasonality of consumption of the market.

Company: Companhia das Quintas, Limited Company (CdQ)

Founded in 1999, CdQ is a producer of wines, sparkling wines and spirits. It is a medium company with 100 employees and a turnover of 5.5 million in 2013 (CdQ's data, 2014).

Culturally, the company is goal oriented and fosters a collaborative environment based on teamwork and consensus, and it is slightly risk adverse. It is internally driven as opposed to customer driven, which CdQ will need to rethink, as going into China will require accepting external feedback and adjustment of their offer to the local market.

CdQ owns four vineyard estates totaling 370 ha of used area, Quinta da Fronteira in Douro, Quinta do Cardo in Beira Interior, Quinta de Pancas in Lisboa and Herdade da Farizoa in Alentejo. There is one brand per vineyard of same name. All sales are B2B.

Sales volumes in the Portuguese market have been decreasing and are not expected to increase to previous levels in the near future (Appendix 2). CdQ’s managers decided they needed to enter into new markets besides the European ones that they were focused on in the past. Based on market research, they believe emerging markets, in particular Brazil, Russia and China, were willing to pay more for wine, allowing for larger margins (CdQ’s managers, 2014). Lastly, having a diversified portfolio of buyers is important. Hence, in 2007 the company took a strategic decision of increasing its focus on the export markets, especially the emerging ones. As a result, exports increased from 11% of total sales in 2008 to 38% in 2013, as can be seen in Figure 1 (absolute values available in Appendix 3).

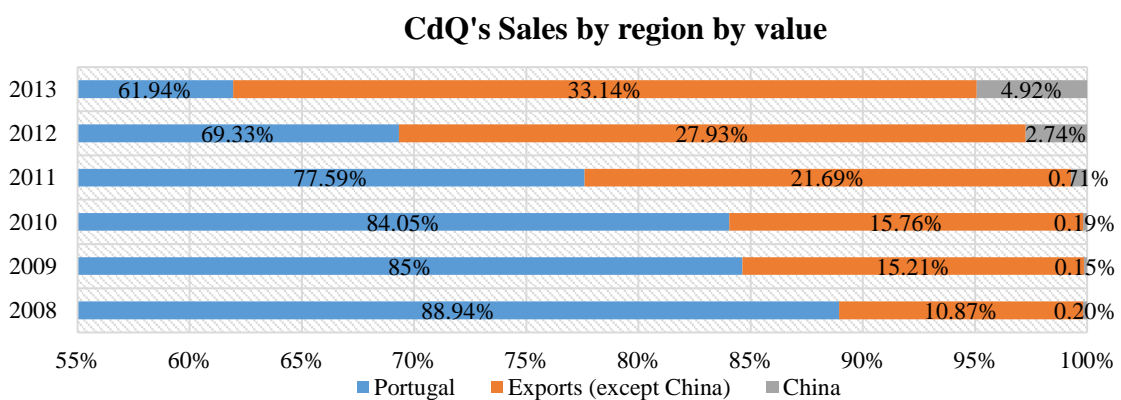


Figure 1: Sales by region. It is possible to see that sales in Portugal decrease as exports increase. (CdQ’s data, 2014)

Figure 2 shows that Angola is the most important external market in terms of demand representing 7% of total sales followed by Brazil, Russia and China accounting for 5% of total sales each in 2013. Looking at China, wine exports

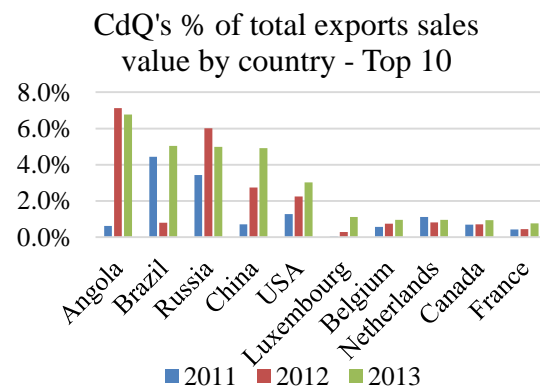


Figure 2: % of total sales by country. (CdQ's data, 2014)

have been increasing significantly and in 2013, the number of bottles of wine sold to China was 140,000 representing 4.9% of total sales (Appendix 4), a value that CdQ wants to see increase to 6% by 2015 (Martijn Boer, CdQ's Export Manager for Asia, 2014).

In addition, until now, its relationships with Chinese importers have been exclusively of direct export. From the point of view of CdQ, it has little or no control over distribution and brand management.

The Partnership with the Chinese Distributor

The Partner: Shanghai Vision Trading

Founded in 2007, Shanghai Vision Trading (SVT) is a company with 20 employees. It is engaged in the development of wine culture and it imports and distributes wine from five countries: Portugal, Spain, Chile, France and Germany.

The relationship between SVT and CdQ started in 2013. Since then it has imported 12.000 bottles in total, which is 9% of total CdQ's 2013 exports to China.

In total SVT's distribution network covers 13 of the 34 regions of the country (Appendix 5). As a way to grow in China's competitive wine market, SVT wants to invest in the Portuguese wines category because it believes there is an untapped market there, considering the quality and the good value for money (Amy Yu, SVT's General Manager).

The Agreement

Companhia das Quintas wants to gain proximity to the Chinese market in order to be able to respond better to the market challenges and to increase sales. At the same time, SVT has shown an interest in working closer with the winery in order to fulfill its plans of investing in Portuguese wine.


Thus, both companies decided to enter into a strategic partnership, consisting of joining efforts and sharing resources in order to achieve a common goal that each firm alone could not attain easily (Gupta, 2013). The partnership between the two companies is possible because they have successfully done business previously and their objectives for Portuguese wines are aligned – use CdQ’s wines to build a Portuguese category and increase sales. In this case, it is based on the exclusivity of distribution with a minimum order quantity, which gives CdQ a minimum fixed demand that it can use to optimize product and marketing investment to the market and simplify its export operations and bureaucracy to China. This partnership also assures commitment from SVT since it must focus on promoting and selling CdQ’s wines in order to meet the minimum quantity.

Most importantly, they will work together to build the right marketing mix for the market and outline a strategy to implement it. Ultimately, CdQ’s higher involvement will allow it to regain some brand control and influence over distribution without losing the advantage that a local distributor’s network offers. However, CdQ must be aware that this implies an increase in complexity of operations (adapting the product mix exclusively to China). Furthermore, in light of the various cultural and linguistic differences extra care will be required to avoid miscommunications.

The companies agreed to initiate an experimental phase of the partnership in March 2014 using the brand Quinta do Cardo and 30.000 bottles, since it is SVT’s bestselling CdQ

brand. Thus, the market strategy and marketing mix proposal will be on that brand. The Table below shows Quinta do Cardo’s product range, pricing and awards.

Table 1: Quinta do Cardo line and estimated CNY final price for consumer. (CdQ’s and SVT’s data, 2014)

Estate		Product line - Top to bottom					
 Quinta do Cardo		Quinta do Cardo Grande Escolha - Red	Quinta do Cardo Touriga Nacional Reserva - Red	Quinta do Cardo Seleção do Enólogo - Red	Quinta do Cardo - Red	Quinta do Cardo Síria - White	Quinta do Cardo - White
		Estimated final CNY price	Off-trade	615	447	385	185
	On-trade	839	609	525	252	336	252
Awards							
Concours Mondial de Bruxelles 2014 (Silver - Grand gold)			Gold	Grand Gold			
International Wine Challenge 2014 (commended-Trophy)		Bronze	Silver	Bronze		Bronze	Commended
Wine Enthusiast (80-100)		93	91, Cellar Selection	91	90, Best buy	87	
Robert Parker (50-100)		93	91				

SVT’s distribution of Quinta do Cardo’s wines is mainly Shandong (55%) and Hubei (25%) (Relevant maps in Appendix 1) by volume, and the main channel is group buying (69%) (Which is when an organization that buys large quantities usually to use in events), followed by liquor stores with a much smaller quantity (16%) (Appendix 6).

Market Research

Objectives

- Understand how the import/export wine market works, specifically for CdQ and SVT
- Understand how distribution of imported wine in China works
- Understand the general perception of Portuguese wine throughout the distribution chain and where it stands when compared to its competitors in terms of awareness and image
- Get insights about consumer behavior and attitudes towards wine, specifically imported and Portuguese

Methodology

For the purposes of analysis, market research and marketing strategy exercise, primary and secondary data was collected and analyzed.

- **Primary Data.** Exploratory in nature, own primary instruments of interviews and direct observation data was collected. Qualitative data through in-depth interviews with managers who work in the industry provided critical insights. Please find the script and relevant data in Appendix 7. Unstructured observation of the consumer in Shanghai, at wine tasting events and disguised observation at purchasing points was also done. Please find respective data in Appendix 8.
- **Secondary Data.** Mostly descriptive analysis was done to qualitative and quantitative data using secondary data, namely published materials and online databases.

Situation Analysis

PEST Analysis

This analysis assesses the opportunities and threats the Chinese market poses to CdQ.

Political – Legal

China is under a communist regime ruled by the Communist Party of China since 1949. In recent years, China attracted more than \$250 billion in Foreign Direct Investment (FDI) (Appendix 9), well ahead of the other BRICs (Brazil, Russia, India and China), which speaks for itself about the attractiveness of the Chinese market.

In China, alcoholic beverages can be sold anywhere, at any time to individuals who are at least 18 years old. The imported wine must have a certificate of origin and lab analysis, and labeling according to Chinese regulation. The customs tariff is 14%, and the applicable Value Added Tax (VAT) and Consumption Tax are 17% and 10%, respectively.

Opportunities

- Political stability and strength of the government in power guarantees full implementation of reforms and steady growth (very low risk of political crisis).
- Reforms of the banking system (liberalization of interest rates and the establishment of new institutions) will give small and medium companies access to credit, enhancing and boosting their growth. (The Economist, 2013)
- As a result of the government's loosening of currency policy, the CNY (China's currency) has appreciated. Exports from the European Union have now become more affordable in China, which makes them more likely to increase.
- 100% ownership on (FDI) is allowed in the beverage sector (Congressional-Executive Commission on China, 2012), should that be CdQ's interest in the future.

Threats

- Difficult to navigate through the legal system. (Business Monitor International, 2014)
- Clearing products at customs is very difficult when not aided by an experienced local partner. (EU SME Centre, 2011)
- The centrally organized political and economic power is unresponsive to "the wider changes taking place in society". (Business Monitor International, 2014)

Economic

China's GDP growth is expected to be 6.7% in 2014 and 6% in the years 2015 through 2022. Additionally, private final consumption accounts for 35.7% of GDP and is expected to grow at 8% for the next 8 years (Business Monitor International, 2014).

Opportunities

- The rising middle class that comprises 68% of the urban population today, will be 76% by 2022, accounting for 56% of total urban consumption and is likely to be a valuable segment of discretionary items like wine. (Appendix 10)

- The recent establishment of the Shanghai pilot free trade zone¹ that intends to facilitate the entry of foreign companies into China represents an easy entry point for foreign companies in China, should that be CdQ's wish on a later stage.
- As China loosens control over its economy, it moves from a "state-led (...) economy" (The New York Times, 2013) to a free market economy, which will spur a new wave of growth and opportunities.

Threats

- Considerable gap on the socio-economic development pace among the different provinces (The Economist, 2014) means that we are looking at considerably distinct markets that cannot be approached in the same way.
- The average GDP per capita of the top 10 cities is about 67,000 CNY while the country average is 43,000 CNY (Appendix 11). "Unsurprisingly, these provinces are also where most of China's industries and FDIs are concentrated." (Business Monitor International, 2014)
- These 10 provinces are all located on the coastal belt, with the exception of Inner Mongolia, meaning there is also a big geographical gap. (Appendix 1)
- The large bias of wealth means that some regions in the west will not be an attractive market for wine for some time.

Sociocultural

The population of 1.3 billion is unequally distributed throughout the country with a strong bias to the East Coast (Appendix 1). Compared to western countries, this society is less proud of their nationality, considers leisure less important, has lower happiness levels and

¹ For more information on the initiative visit <http://en.shftz.gov.cn/homepage.asp>

is less likely to take risks. Most of the population has no religious beliefs and considers family a very important and trustworthy pillar (World Value survey, 2014).

Opportunities

- As the income level increases, Chinese individuals wish to enjoy life beyond work and children, to adopt a more international lifestyle and establish status within society.
- There is an emerging cosmopolitan lifestyle, seen mainly in first tier cities, and imported goods make Chinese individuals feel more international and sophisticated.
- Expensive bottles of wine fall within the category of items that build “*face*” and show economic achievement.
- “Low-tier cities are crying out for good bars, smart concepts” (Drink Magazine, 2014), it is then likely that in the near future new distribution channels will open in these areas.

Threats

- Great cultural differences namely in the way they communicate, act and think; it also has a high context culture, highly influenced by Confucianism, which is fundamentally different from the West’s.
- Society differs greatly between the different regions in terms of lifestyle, gastronomy and, as mentioned before, income. Due to faster development, the East Coast tends to be more internationalized and opened to new experiences. (Euromonitor, 2013)
- Attitudes, feelings and taste preferences towards wine usually seen in Western countries may not apply in China due to the great cultural difference.
- The importance of *guanxi* (network and connections) makes it hard to penetrate the most coveted distribution channels.

Technology

China is trying to move from a technology sector based on joint ventures and the transfer of knowledge to one of independent innovation; this will enable China to compete in

today's world market (MarketLine, 2013). It is expected that Chinese wine producers will invest in innovation at all product levels in order to add value to their products when competing with foreign brands, which have a strong legacy and experience.

Chinese citizens are good adopters of technology and avid users of the internet and mobile phones. Additionally, 91% of internet users are also social media users, the world's highest rate.

Opportunities

- Smartphone penetration is 47%, 98% of its users research products or services on their devices, and 69% purchase on their phone, making them critical shopping tools that influence buyers' decisions. (Google, 2013)
- Big online retailing market second in size only to the US, generating US\$98.500m, approximately 6% of total retail sales. (Euromonitor, 2013)
- The high penetration of the internet has opened valuable distribution and communications channels on fixed and mobile platforms from which the wine industry is yet to profit. (Marketing to China, 2012)

Threat

- Innovations visible to the final consumer, such as bottling and corking, brought to the market by CdQ's competitors will start to be demanded by the Chinese consumer. In this case, updating production processes or machinery could be required, which would mean a big investment that CdQ might not be able to afford.
- Online retailing is mainly based on price competition. It becomes difficult to maintain brand consistency across channels.

Summary of opportunities and threats

Table 2: The Table summarizes the main opportunities and threats of the Chinese market to CdQ. (Source: author)

Opportunities and threats	
Opportunities	<ul style="list-style-type: none"> • Strong political power will keep the country on a path of steady growth and towards a free market economy • Exchange rate likely to become more favorable for European exports • Setting up foreign owned company is considered to be easy • The rising middle class that wishes to adopt an international lifestyle should be a valuable segment for discretionary items like wine • Emerging cosmopolitan lifestyle in first tier cities • Imported wine fulfills consumers' wishes to feel international and sophisticated • As low tier cities develop so will the market for wine • High penetration of internet (fixed and mobile) opened distribution and communications channels from which wine industry can profit
Threats	<ul style="list-style-type: none"> • All aspects linked to bureaucracy and legal are still very hard to manage, especially for inexperienced • Socio-economic development gap among regions and unequal wealth distribution mean China comprises of several different markets, some of which may not be attractive for some time still • Huge cultural difference implies that consumer behavior related to wine may be greatly different from Portugal's • High importance of <i>guanxi</i>, which CdQ does not have • Possible need to invest in updating production processes due to innovations that become standard • Price competition among different channels endangers brand consistency

It is clear that the market has strong opportunities but there are still some challenges like bureaucracy and cultural differences that if not taken into account could jeopardize CdQ's efforts in the Chinese market. In addition, taking into account the identified heterogeneity of the country, it is possible to assume that the relevant market for commercial purposes is within the East Coast since it is home to the most socio-economically developed cities with an existing demand for imported products, thus the rest of the research will focus on that area.

The Chinese Wine Market

It is first important to note that CdQ competes in the imported wine market, hence this analysis will focus on it, when deemed appropriate and the necessary data is available.

Evolution of traded wine

China has been seeing large growth in wine traded by both volume and value, and forecasts indicate the trend should continue in the future (Appendix 12), fueled by the rising middle class (and higher disposable income) and the association to status and prestige that wine has. The growth of trade between 2014 and 2017 should be 50% by volume and 64% by value.

Consumption: Domestic Vs. Imported

In China, the quantity of imported wine consumed has been increasing relative to the total quantity consumed but domestic

wine still leads by far. (Appendix 13). Considering penetration of imported wine by city, we see from Figure 3 that the top 6 cities are located on the East Coast with a slight bias to the south and that the top 4 are considerably ahead.

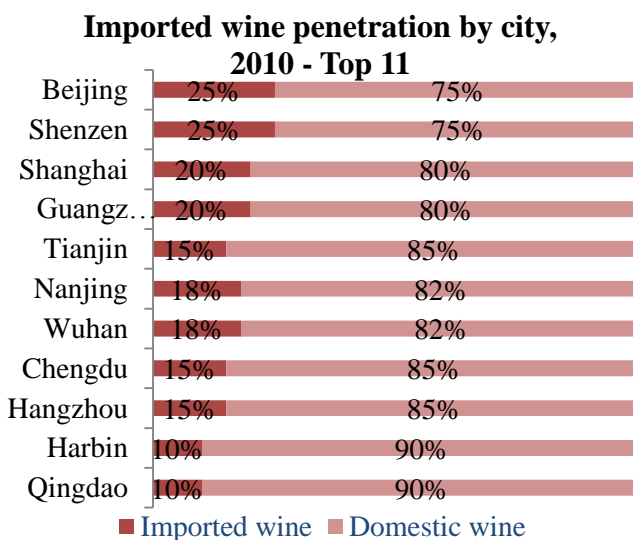


Figure 3: Imported wine penetration by city, top 11, 2010. (Rabobank, 2010)

Besides the obvious higher

disposable income of these cities, the other reason is that there is no production of domestic wine in these regions. It is concentrated in the northern part of the country.

Current market size

Wine Intelligence estimates point to 23 million potential imported wine drinkers in China, considering age, geography and social class. It is assumed that these consumers are mostly located on the East Coast, for as we have seen before, it is where most imported wine is consumed.

Imports by country of origin

Considering the origin of Chinese imports, France and Spain are clearly the leaders (Table 3). Portugal lags behind, accounting for only 2% of imports, with insufficient support from ViniPortugal, trade office in charge of the promotion of Portugal as a wine producer. France's leadership is due to, not only the fact that consumers tend to associate it with premium quality, above other regions, but also because French trade offices have been very audacious in exploiting this

Table 3: Imports by country in volume, 2011. (Euromonitor, 2014)

% of imports by country in volume, 2011	
France	35%
Spain	20%
Australia	12%
Chile	12%
Italy	9%
US	4%
Portugal	2%
South Africa	2%
Germany	1%
Argentina	1%
Other	3%

perception by making big investments in advertisement, organizing trade events, wine tastings and educating the consumer. French wine producers exploited both the high-end of the market, where they have a very strong position together with Australia, and the low-end, neglecting the middle range (Rabobank, 2010).

Lastly, EU SME Centre estimated in 2011 there were about 1,500 imported brands in China. Assuming this number grew since then, not only is competition among foreign brands fierce, but also the number of different countries and regions, styles and grape varieties is overwhelming.

Wine sales by category

Red wine dominates sales with a 77% share (Appendix 14), mainly because red color stands for fortune, joy and prosperity in the Chinese culture, and health benefits associated to it, which were promoted by the government (Rabobank, 2010).

Price formation

The wine suffers significant price increases along the distribution

Table 4: Markups along the distribution chain. (ViniPortugal, 2011)

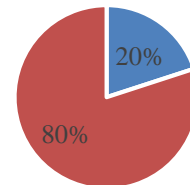
Importer	Distributor	Final destination		
		Liquor store	Super/hypermarket	On-trade
15-30%	30-50%	80-100%	80-150%	300-600%

chain. The markups can be as high as 100% in liquor stores, to 150% in super/hypermarkets or 600% in on-trade.

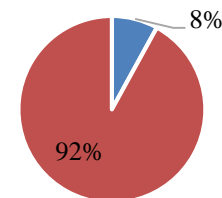
Imported wine distribution by channel: On-trade Vs. Off-trade

From Figure 4 we see that, in both volume and value, the on-trade channel leads by far, showing its importance for imported wine sales. The difference between the two channels is justified because wine retail selling price (RSP) is higher in the on-trade channel, which, on the positive side, helps promoting a prestigious image and a premium feel for the wines sold there. Nevertheless, the off-trade channel is growing faster. It is also important to note that online sales grew 100% between 2011 and 2013.

On-trade Vs. Off-trade by volume, 2009



On-trade Vs. Off-trade by RSP value, 2009



■ Off-trade ■ On-trade

Figure 4: On-trade Vs. Off-trade by volume and RSP value of imported wine, 2009. (Rabobank, 2011)

Seasonality of sales

60% of wine purchases take place during the two country's major festivals, Chinese New Year and the Mid-Autumn Festival, and are destined as gifts that are associated with luxury and prosperity, and show respect to the recipient. Domestic and a few foreigner producers, who create specialized packaging for these occasions, boost this trend.

CdQ's wines in China

Since it started exporting to China in 2008, CdQ has dealt with more than 10 different importers on and off with inconsistent order quantities. Furthermore, as far as it knows, for the period of 2012 and 2013, its wines were distributed in Fujian, Hubei, Chongqing, Sichuan and Beijing, but it knows very little to nothing about distribution channels, apart from those of SVT.

The Chinese Consumer

This analysis will focus on the imported wine consumer from Shanghai, Beijing and Guangdong regions, since these are the biggest consumers of imported wine and among those with highest GDP per capita, but without overlooking other regions.

The consumer behavior of these individuals is changing rapidly. Young adults, who rank amongst the highest earners and are usually single, lead the movement. They have a high aspirational consumption behavior and tend to indulge on immediate gratification and self-indulgent consumption (Euromonitor, 2013)

Online in everyday life

E-commerce, mobile strategies and couponing are increasing the use of technology and converging the online and offline worlds. Online shopping is growing by large numbers and purchases are done at any time and place (Warc, 2013).

Furthermore, 70% of smartphone owners use Quick Response (QR) codes for instant purchases, special promotions, or to quickly access information (MarketLine, 2012).

Culture

Consumers seek new cultural experiences. Money and time spent on culture has been soaring, although it consists of international mainstream content, like pop music and TV shows. As for experiences, they look for foreign eateries of all kinds and enriching travel experiences. There is a generalized taste for anything born overseas (Euromonitor, 2013).

Labels, lifestyle and emotional needs

For most consumers, a label from a big brand on a product is no longer as important as is the product reflecting a certain lifestyle, their unique taste and satisfying their high emotional needs. Still, being seen at the right place drinking from the right bottle is increasingly important (Euromonitor, 2013)

Awareness and consumption of alcoholic beverages

Red wine ranks first in awareness (96%); white wine comes in fourth (88%), after beer (93%) and champagne (88%) (Appendix 15). However, considering market share, wine comes in fourth place with 3% of share, after beer (84%), spirits (8%) and non-grape wine (4%) (Appendix 16).

In terms of awareness as a wine producer, only 35% (10th position) of the upper middle class imported wine drinkers recognize Portugal. France ranks first with 95%, followed by Australia and Italy, both with 64% (Appendix 17). Regarding grape varieties, France's again have a clear lead in both sales volume and value (Appendix 18).

Wine drinking motivations

Wine consumption gained traction as a symbol of status and prestige (Rabobank, 2010). Statistically, health is indicated as the first reason to drink wine (64%), followed by reasons related to relaxing, social lubricant, liking the taste, celebrations, sophistication and food pairing (Appendix 19).

Choosing a wine

This is an emotional purchase that brings satisfaction when consumed. The consumer is a keen researcher and collects information online (75%), social media (62%) or with friends and family (39%) before making a decision (Appendix 20).

When it comes to making a decision at the outlet, she/he tries to find the best value for money option within their price range using factors that speak to them. Among them are, firstly country of origin (COO), then previous experience with wine, brand, and indicators of quality such as “vintage”, “reserve” and awards. On the off-trade specifically, the bottle (height, weight and punt), the label, items of symbolic relevance (Appendix 21) and the overall image are highly important (Rabobank, 2010). Food pairing, companion's suggestions and occasion are the main on-trade specific aspects (Appendix 22). Usually,

the less a consumer knows about wine, the more it will stick with the best-known country of origin and varieties and use price as an indicator of quality level. In terms of taste, the less experienced consumers tend to prefer simple blends with strong fruity notes.

It is important to make a good choice, as the wine should project the right image of her/himself. Hence, it is a medium involvement, emotional purchase.

Purchasing a wine

Breaking down the off-trade channel, we see the importance of each outlet, where super and hypermarkets come on top with 35% and 28%, respectively (Table 5), but the online channel is the fastest growing.

Table 5: Off-trade channel breakdown by % volume. (Euromonitor, 2013)

Off-trade channel breakdown, % volume	
Supermarkets	35%
Hypermarkets	28%
Food/drink/tobacco specialists	18%
Small Grocery Retailers	16%
Other Grocery Retailers	3%
Internet Retailing	2%

Conclusions about on-trade channel will be drawn on the next section.

Consuming the wine

Restaurant followed by bistro/café, a friend’s house or a bar are the venues where wine is most frequently consumed (Appendix 23). Data also indicates that wine is equally suitable for most occasions of on-premise consumption (Appendix 24). However, money spent differs across cities, where Shenyang surprises as the biggest spender (Figure 5), and increases with the formality of the occasion (Appendix 25).

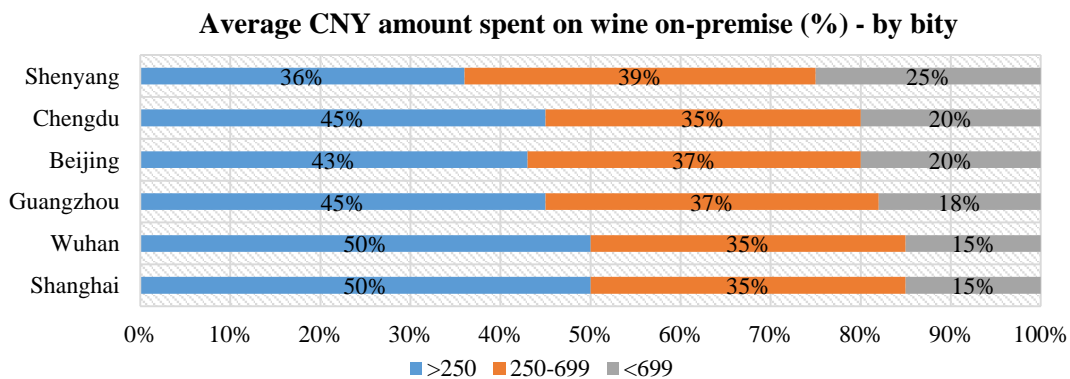


Figure 5: Average CNY amount spent on wine on-premise (%) - by bity. (GWRDC, 2013)

As avid reviewers, it is likely that they will share their experience on a blog, website, mobile app or on social networks (Euromonitor, 2011)

Companhia das Quintas' SWOT

Table 6: CdQ's SWOT in the Chinese market under the partnership with SVT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Awarded wines by renowned entities • Produces wines that cover a big part of the price and quality range • Old world generally seen as good quality • Partnership with SVT allows high market reach, valuable insights into consumer 	<ul style="list-style-type: none"> • General lack of country and brand awareness, and very limited brand image • Lack of familiarity with Portuguese wine • Fragmented distribution • Insufficient promotion of the country and support by the trade office, ViniPortugal • Complex blends are difficult for new consumers to appreciate • Labels are not adapted to the market in terms of design and wine description
Opportunities	Threats
<ul style="list-style-type: none"> • Educate consumers and build brand awareness • Leverage online communications and distribution channels • Develop medium level market • Leverage SVT's insights of consumer behavior 	<ul style="list-style-type: none"> • Trade offices from France, Italy or Australia provide great support and promotion • Ever increasing competition from all regions and at all segment levels • Lack of marketing budget to develop significant marketing campaign in China

Marketing Strategy

The objective is to create awareness as Quinta do Cardo is an unknown brand. In addition, prepare the brand to match consumers' needs such that it can create a loyalty loop (Appendix 26).

The desired brand image is that of a constantly very good quality, unique wine at the right price, from a country with a great heritage in making wine.

Segmentation

Consumers from Shanghai, Beijing and Guangdong will be segmented. This choice of regions stems from the fact that its consumers are the country's biggest imported wine drinkers and biggest earners, which makes them more likely to be opened to pay a good

price and try new wines. Segmentation will be done using the insights from the above situation analysis plus insights from Wine Intelligence. It is possible to identify four consumers segments according to their behavior, age groups and expenditure on wine.

- **Prestige-seeking traditionalists** (22% of wine drinking population; 41% of spending): Usually wealthy consumers in the higher age groups. They use wine as one of the symbols of ultimate sophistication and to parade mostly in formal events and business meetings, as a way to build “*face*”. They buy top of the line wine from classic regions such as Bordeaux, and are unlikely to venture beyond that even when buying for everyday consumption. This group is on the highest price range, above 500 CNY on the off-trade channel and 699 CNY on the on-trade channel.
- **Adventurous Connoisseurs** (9% of wine drinking population; 21% of spending): frequent drinkers, usually in their 30s and male, they see wine as part of the new classy and cosmopolitan China, and look for wine to embody that lifestyle. The group is interested in expanding its knowledge about wine and is likely to join tasting sessions or discussions on social media. Mainly attracted to the European region, but also tempted by premium offers from the New World. Wise spenders, they tend to be close to the upper limit of the middle price range, 150-500 CNY on the off-trade channel and 250-699 CNY on-premise.
- **Social Newbies and Casual-at-Homers** (55% of wine drinking population; 33% of spending): young to middle-aged consumers who drink often and shop at hyper/supermarkets and convenience stores. This is the segment with the lowest knowledge of wines, but does not feel the need to learn more. They are low spenders, are usually in the lowest price range, less than 250, but are likely to venture to some

more expensive wines depending on the occasion and to try wines from new, less known regions. Indicated as the groups set for most growth.

Targeting

The most appropriate segment to target is the Adventurous Connoisseurs. This consumer is already familiar with the key aspects of European wine and it is keen to learn more, hence it will be more feasible to gain share of voice. Furthermore, their spending pattern fits Quinta do Cardo's entry and medium level portfolio, and leaves the opportunity for trading up occasionally.

Positioning

Points of parity

- Good to very good quality, awarded wine

Competitive points of parity

- Portuguese origin; A culture of wine making
- Long heritage; centuries old vineyard started by the Romans
- All red wines are matured in French oak barrels
- 100% Portuguese grape varieties

Points of difference

- Truly unique wine, that impresses every time
- Organic white wine

Reason to believe

- Vineyard planted at 700 meters altitude, the highest in Portugal, creates a *terroir* that can't be replicated anywhere that makes wines with greater intensity of color, aroma and palate expression
- Unique fusion of traditional culture and techniques with top oenology knowledge and high end technology

Thus, Quinta do Cardo is for individuals who seek to discover high quality wines from the Old World, that project a unique taste and sophisticated image, whether it is to impress friends at a house party or someone at a more formal setting. The core positioning is a wine from a unique *terroir* that will never fail to positively impress the buyers' peers.

Marketing Mix

The implementation plan will be structured using the marketing mix tool (4Ps). The aim is to adjust the marketing mix to the Chinese market, specifically, the target consumer.

Product

Some changes can be implemented to better adapt the product to the segment.

Wine: As an entry-gate into this segment or for still inexperienced adventurous connoisseurs, CdQ should produce blends slightly “simpler” and lower on acidity for the wines on the lower price points of the product line (Quinta do Cardo Red and White).

However that this adaption should not be such that the wine loses its exotic feel.

Label: Labels should be redesigned for the Chinese market and leverage the importance of symbolism by inserting simple cues such as the color red or a dragon shape.

Name/ Brand	
Net weights	Packer/ Distributor 's name and address
Ingredients	Content of must (%)
Alcoholic content (%) (V/V)	Country of Origin
Production Date (yy/mm/dd)	Quality guarantee or storage period (yy/mm/dd)
Production place	Content of sugar (gram/L)

Figure 6: Mandatory items on imported wines' back label

Imported wines must legally have a label in Chinese (Figure 6), which normally is stuck on the original label (Figure 7). This is esthetically not appealing and has a negative impact on the consumer (Rabobank, 2010). However, an original label in Chinese is also negative since it loses the exotic feel. The solution is sizing the original label in such a way that will allow space for the Chinese version in a harmonious

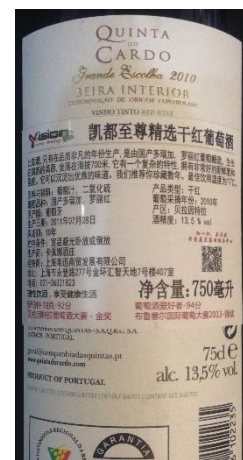


Figure 7: Present back label of a Quinta do Cardo bottle

fashion. Preferably designed to go together. Lastly, avoid oversimplified translations that reduce the text to mere technical details.

Packaging (bottle): Consumers associate certain aspects of the bottle to quality. Tall, with heavy glass and with deep punts bottles are associated with higher quality (Appendix 27).

Augmented product: Emotion and education are an important part of the consumption experience. Together, the companies must create a Chinese version of Quinta do Cardo's website. Power it with rich content such as images, video, and well-written and professionally translated descriptions of the region, vineyard, the wines, tasting notes and food pairing with both western and Chinese cuisine. Moreover, adapt the same website to mobile platforms, so that it can be easily reached through a smartphone by scanning a QR code, to be printed on the wine label, which directs to the page of the wine scanned.

Further possible steps might include creating a playlist of songs on QQ Music (service equivalent to Spotify) to listen to while drinking the wine.

Place

Distribution is critical for wine, not only because it must be at the right place to find the right consumer, but also because the right place helps build the brand's desired image. From the targeted regions, the only one where Quinta do Cardo is not distributed in is Beijing. Thus, this should be a priority for SVT.

Ideally, at least half of the volume would be sold in the on-trade channel, at medium/high-end restaurants, bars and wine bars as it builds brand reputation and helps create brand image. For the off-trade channel, while major outlets like Carrefour are only attainable to much bigger sized importers (Rabobank, 2010), SVT should look for, not only specialized retail stores, but also small chains of western supermarkets (e.g., City Shop, a Shanghai chain store of imported F&B products). Lastly, develop the online channel, since it is

growing fast and allows consumers to be reached on a larger scale, minimizing weaknesses in the rest of the distribution chain.

Price

Pricing is an important aspect of decision making and impacts the perceived quality of the wine. Pricing it below the market average would project an inferior quality image.

Table 7: Competitors' pricing (market observation, 2014)

	Price range	
	Off-trade	On-trade
Quinta do Cardo	175-700	280-1000
Quinta do Vallado (PT)	250-750	400-1200
Quinta da Falorca (PT)	350-800	560-1300
Cabeça de Toiro (PT)	150-400	230-650
Urbion (SP)	200-500	330-760
Average	225-630	360-982

Pricing it above, would lower its value for money rating. Hence, the best option is to be on the average market price, as it currently is, although with a wider range (Table 7).

In addition, price level should be consistent across channels. As such, SVT should try to work only with partners who accept that commitment.

Promotion

The communication objectives are designing a strategy capable of creating brand awareness, in order to enter the consumer's evoked set of possible choices, the consider stage of the Consumer Decision Journey, and hopefully brand interest. The focus will be the brand Quinta do Cardo, but making use of the Portuguese origin as it is the first decision factor when choosing a wine and the strongest differentiating factor from most competition. Without it, Quinta do Cardo's story is much weaker.

The "made in" Portugal effect is then very useful. Portugal should be promoted as a country with a vast wine heritage and culture, home to unique wine regions and *terroirs*, and producer of highly awarded wines worldwide. Suggested actions:

Trade promotion

- SVT and CdQ should organize wine tasting events at on-trade venues. Invite the target consumer, influencers. Build a Portuguese atmosphere completed with imagery and

sound. Start by introducing Portugal and then present Quinta do Cardo wine and its specificities as an example of excellence. A full story will make it more memorable and the product will feel more complete.

- In the big cities of Shanghai and Beijing there are some wine competitions aimed at having amateurs tasting and rating wines (e.g., Shanghai International Wine Challenge). SVT should identify the ones that appeal to the target consumer and participate.

Public Relations

- Assure press coverage of most events (pay if necessary) and features of Quinta do Cardo on publications that specialize in alcoholic beverages and target the same audience or professionals of the industry. Major publications are listed in appendix 28.

Educating the Supply Chain

- The product needs to be actively pushed by salespeople. SVT must work with distributors in an effort to educate the final retailers about Quinta do Cardo’s wines.

Social media

- SVT should use Wechat and Weibo (Appendix 29) to connect with consumers and influencers, and create engaging and informative content, provided CdQ helps producing the content. It will help create brand image and awareness.

Chronogram

Table 8: Chronogram of implementation of suggested actions. Chronogram organized according to the two big seasons of wine consumption.

Action	2014				2015					
	Jun	Jul	Aug	Sept-Dec	Jan	Feb	Mar	Apr	May	Jun
Redesign labels	■	■								
Produce and translate content	■	■								■
Websites		■	■							
Develop new channels		■	■	■	■	■	■	■	■	■
Wine tasting events					■	■		■		■
Wine competitions					When they occur					
PR - Press			■		■	■				
Educating distribution chain					■		■		■	
Social media		■	■	■	■	■	■	■	■	■

Final recommendations

Creating a strong brand in this setting is not an easy feat. CdQ must be opened to make the necessary adjustments to its marketing mix, since localization of packaging and marketing is extremely important. At the same time, it must strive to achieve high synergies with its partner.

The presented plan is for approximately one year only, and its results should be assessed after that period so that further steps into the market can be taken.

References

- Chiu, Cindy. Lin, Davis. Silverman, Ari. 2013. "High influence: China's social media boom" *McKinsey on Marketing and Sales*.
- Wang, Helen. 2012. "Five New Trends of Chinese Consumers" *Forbes*
- 2013. "Consumer lifestyles in China" *Passport Euromonitor*
- Loo, Theresa. Wu, Mandy. Huang, Fish. 2013. "10 Chinese consumer trends". *Warc Trends*
- 2014. "CHINA: Business Forecast Report" *Business Monitor International*
- 2014, China-United States Exchange Foundation
- 2011. "Wine market in China" *EU SME Centre*
- 2014. *Doing Business in China. International Finance Corporation, The World Bank.* <http://www.doingbusiness.org/reforms/overview/economy/China>
- 2010. "Project tannin", Rabobank
- 2013. "The China Wine Barometer (CWB): a look into the future", University of South Australia. Grape and Wine Research Development Corporation (GWRD)
- 2014. *World Value Survey*, <http://www.worldvaluessurvey.org/wvs.jsp>
- Gupta, Abhishek. 2013. "Strategic Alliance: International Business Strategy", *Asia Pacific Journal of Research in Business Management*, Vol. 4 Issue 7, p1-1. 1p
- 2013. "Two cheers for reform" *The Economist*, July 19th: <http://www.economist.com/blogs/schumpeter/2013/07/interest-rates-China>.
- Wei, Lingling and Davis, Bob. 2014 "China Will Free Interest Rates, as It Loosens State's Reins" *The Wall Street Journal*: <http://online.wsj.com/news/articles/SB10001424052702304020104579432011372086646>
- Barboza, David. Buckley, Chris. 2013 "China Plans to Reduce the State's Role in the Economy" *The New York Times*: http://www.nytimes.com/2013/05/25/business/global/beijing-signals-a-shift-on-economic-policy.html?pagewanted=all&_r=0
- 2014. "New frontiers" *The Economist*, January 11th-17th: page 27
- 2014. "Ken Huang" *Drink magazine*, 26: 76
- 2013. "Our mobile planet: China" *Google*
- Wang, Philip. 2012. "E-commerce, a new door to China wine market" *Marketing to China*: <http://marketingtoChina.com/wine-e-commerce-China/>
- 2013. "PESTLE Country Analysis Report: China" *Marketline*
- 2012. "Research in Focus - China: 1.3bn People, 19m Wine Drinkers, Six Types of Consumer" *Wine Intelligence*