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d'Arenberg Exporting Red Wine to China

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Introduction to the company

- d'Arenberg is located in McLaren Vale, SA
- Joseph Osbourne purchased the vineyard in 1912
- His son (Frank) constructed the cellars in 1927
- The first vintage was produced in 1928
- d'Arenberg label and "red stripe" was introduced in 1959
- Predominately family run – SME

(d'Arenberg 2013b)



(d'Arenberg 2013b)

Market research

Table 2 – Wine Consumption, Leading Countries
Data: International Wine & Spirits Research

| Country | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------|-------|-------|-------|-------|-------|
| France | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| USA | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| Italy | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| Germany | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| Spain | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| China | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| UK | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| Japan | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| South Africa | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |
| Other | 1,233 | 1,237 | 1,233 | 1,233 | 1,233 |

Why China?

- Fast growing economy has produced a middle class
- China is the fastest growing wine consumption market
- Wine has exhibited the strongest growth amongst all other beverages



Market research

Table 2. – Wine Consumption, Leading Countries
(thous. hectoliters)

| Country | 2008 | 2009 | 2010 | % Change 2008-10 |
|---------------|----------------|----------------|----------------|---------------------|
| France | 30,800 | 29,304 | 29,438 | -4.4% |
| US | 27,950 | 27,250 | 27,110 | -3.0% |
| Italy | 26,166 | 24,600 | 24,500 | -6.4% |
| Germany | 20,747 | 20,250 | 20,205 | -2.6% |
| Spain | 12,790 | 11,271 | 10,600 | -17.1% |
| China | 6,991 | 8,948 | 10,500 | 50.2% |
| sub total | 125,444 | 121,623 | 122,353 | -2.5% |
| Rest of World | 119,756 | 114,877 | 113,947 | -4.9% |
| Total | 245,200 | 236,500 | 236,300 | -3.6% |

(Global Economic Intersection 2011)

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(Department of Environment and Primary Industries 2010)



(EnhancedLearning.com 2010)

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Culture

Growth in Economy & better quality of life

- Second largest economy (PPP)
- Rapid growth in the economy benefiting the middle class
- Decline in unemployment
- Expected growth in the economy

(Lightbrite and Agri Food Canada, 2010)

Wine preferences

- International brands are more popular
- Red wine is popular - similar to tea
- Smooth, medium-bodied red wines E.g. Cabernet Sauvignon, Merlot, Shiraz
- Low alcohol tolerance
- Australian wine - fruity, berry, vanilla flavours

(Wine Marketing 2011)

Cultural trends

- Health and awareness increase
- Demand for premium products has risen
- Brands are important to fashion-conscious demographic
- Wine considered as a luxury product - having "face"
- Imported wine are used as special gifts - having "face"
- Social status and cultural sophistication
- Sign of wealth.

(Wine Marketing 2011)

Geographic consumption patterns

- Traditionally more dominant in the north
- Culture is becoming more westernised
- Bars and hotels in urban areas
 - Guangzhou, Shanghai and Beijing

(Wine 2013)

Demographic consumption patterns

- Change in alcohol consumption
- Growth in women consuming alcohol
- Consuming alcohol has become part of mainstream culture
- After work drinks are more common
- 50% of wine consumers age from 25 - 44

(Paxson Consulting 2013)

Growth in Economy & better quality of life

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- **Decline in unemployment**
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(Agriculture and Agri-Food Canada 2010)