

The Chinese wine market

Opportunities for Slovenian wines

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1/26/2015



1 Management summary

Friends of Slovenia has been selling Slovenian wines on the Dutch market for several years. Slovenia is often regarded as an underrated wine country. With wine regions bordering renowned wine regions in Australia and Italy, Slovenia produces high-quality wines due to excellent terroir and low yield of grapes. Slovenia has the quality advantage of a great wine region with the cost advantage of an emerging wine region. The drawbacks are that Slovenia has a relatively small annual wine production and Slovenian wines have low awareness among consumers in international markets. In result, consumers generally require considerable persuasion before opting to purchase Slovenian wines.

So far, the strategy of Friends of Slovenia is focused on selling wines with an excellent price-quality ratio to customers in the B2B environment. Consequently, by acting as an intermediary in the market, Friends of Slovenia does not have to engage in extensive marketing and sales activities, which often involves high costs. However, the Dutch wine market is relatively small and showing signs of maturity, characterized by low growth, low evolving customer desires, low investment and consolidation by leading competitors.

This has left the management of FOS wondering whether or not the Dutch market offers sufficient growth potential for the coming years, and if it would be possible to find new markets in order to ensure continuity in growth. The strong growth of the Chinese wine market over the last decade has attracted the attention of many wine exporters across the globe. Therefore, the management of FOS wants to explore the possibilities in the Chinese market. The aim of this study is to provide an informed answer to the following central question:

How can Friends of Slovenia best deploy its marketing instruments in support of the strategy, in order to enter the Chinese wine market and achieve a turnover of €500.000 by the end of 2017?

The Chinese wine market is rapidly growing. There are currently around 20 million imported wine drinkers. This number is estimated to increase to 80 million by 2020. The Chinese wine market is still largely driven by consumers who purchase expensive and prestigious wines to convey social status by either giving wine as a gift or by serving wine at typical Chinese banquets. French Bordeaux still remains the wine of choice for many Chinese consumers, due to the prestige and heritage associated with French Bordeaux. However, as the market matures and consumers will increase their knowledge and wine and diversify their tastes and preferences, new opportunities will arise for wines of different origins.

While Tier 1 cities will remain the leading wine markets in China as they represent the majority of both the market's volume and value, Tier 2 cities are expected to be the main growth engines of the Chinese wine market. This is mainly due to the growing urban middle class population that gains access to buying imported wine because of the increasing purchasing power. The expectation is that drinking wine will become more mainstream in the future. This means that more and more consumers will drink wine as an everyday social drink, which means that the home consumption will likely increase. The growing demand for imported wine will largely focus on wines from the middle price segment, as many consumers are switching from cheap domestic wines, to more affordable imported wines.

The growth of the Chinese wine market has attracted many competitors from across the world, looking to expand and defend their market share, often by maintaining a large product portfolio and by aiming at different price points in the market. In addition, they aim to maintain and improve a strong national/regional distribution coverage. Additional services are often provided in the form of wine tastings in order to educate customers and to improve customer relations.

The conclusion and the answer to the problem statement have led to three recommendations. These recommendations refer to the adjustment of product offerings, the development of online market activities and finally the entry to the market.

- Develop a private label brand which is tailored to local requirements. Because of the fierce competition in the market and the fact that Slovenian wines are unable to benefit from the country of origin effect, branding is required in order to differentiate from the competition and make sure that Slovenian wines appeal to Chinese consumers.
- Develop a localized Chinese website in order to target the online wine community in China. If done properly, a localized Chinese website is considered to be a relatively cost-effective strategy to target imported wine drinkers, opposed to more traditional offline marketing activities.
- Participate in wine trade fairs in China is recommended in order to get in contact with distributors/intermediaries in the market. This provides a good opportunity to showcase your brand and products and to form a partnership with a local distributor who is willing and has the capacity to distribute products and generate sales.

In case the management of FOS decides to continue with the plan to enter the Chinese market, investments will be required in order to increase the chances of success. The costs for the implementation of the recommendations are estimated at a total of € 14.695.

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2 Introduction

2.1 Company background

Founded seven years ago, Intra Benelux is specialized in the import of lighting fixtures manufactured in Slovenia by the company Intra Lighting. Intra Benelux currently employs around 12 people. The office and storage are located in Leerdam, the Netherlands. Intra Benelux realized a turnover of €4.2 million in 2012.

Slovenia is a relatively small and prosperous country in Central-Europe and member of the European Union since 2004. After several years of doing business in Slovenia, the management of Intra Benelux became impressed by the undiscovered potential of Slovenia. Therefore, they decided to found Friends of Slovenia in 2010, with the aim of establishing new economic activities between the Netherlands and Slovenia.

Slovenia is often considered to be an underappreciated wine-producing country, with wine regions bordering renowned wine regions in Austria (Steiermark) and Italy (Friully). After making a tour across Slovenia and visiting dozens of wine manufacturers, the management decided to start importing wine from Slovenia. Friends of Slovenia came to agreement with several Slovenian wine producers to start representing their interests in the Netherlands.

So far, Friends of Slovenia has been selling Slovenian wine on the Dutch market for several years. The company's aim is to act as an intermediary in the Dutch wine market by focusing on establishing transactions in the business-to-business market. In this way, Friends of Slovenia does not have to engage in extensive marketing and sales activities, which often involves high costs. Instead, the company aims to focus on building relations with companies that already have extensive networks of businesses operating in both the on-trade and off-trade sectors. This allows Friends of Slovenia to take full advantage of their own strengths, which are distribution and logistics.

2.2 Mission & vision

The mission & vision describe a company's ambition and the way in which its wants to fulfill this ambition. The mission and vision of Friends of Slovenia can best be described as follows:

Mission:

"The mission of Friends of Slovenia is to make sure as many people as possible enjoy the experience of drinking Slovenian wine".

Vision:

"By the end of 2018, Friends of Slovenia wants to become the main supplier of Slovenian wines in the Netherlands, as well as in other international markets selected by Friends of Slovenia".

2.3 Value strategy

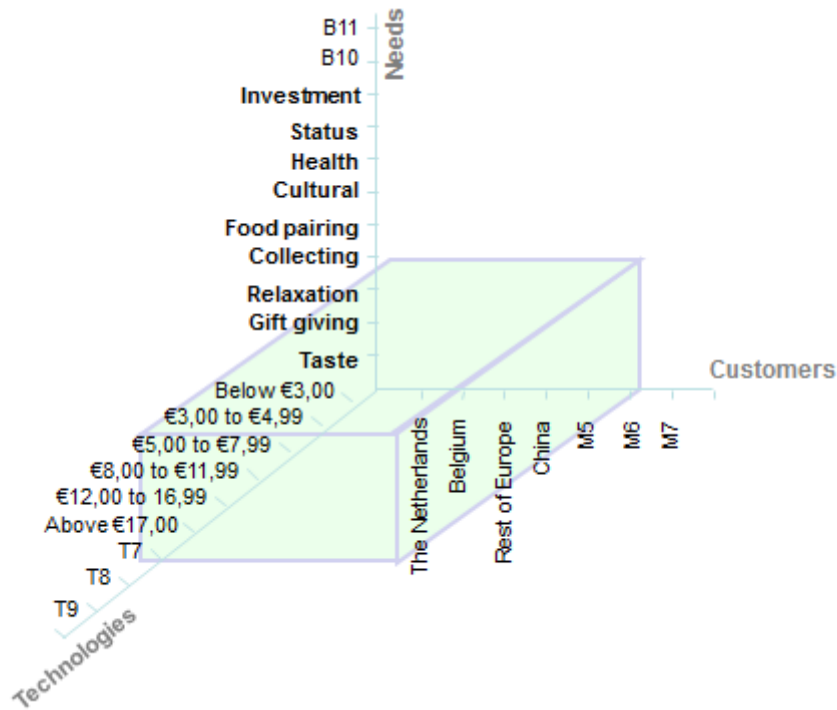
The strategy of Friends of Slovenia at organizational level is aimed at offering a balanced selection of Slovenian wines with an excellent price-quality ratio to customers in the B2B (business-to-business) environment. FOS wants to excel in "operational excellence" by keeping costs as low as possible, enabling them to offer customers products with interesting margins for trading. At the same time, quality and customer relations are not left out of scope as they remain important factors for expanding business.

2.4 Current market definition

The market definition forms the starting point of the situational analysis as it defines the boundaries of what should be in scope, and what should be left out of scope in this research. For the purpose of

this research the definition of the market will be given on SBU-level (Strategic Business Unit), which is referred to as “SBU China”. The market definition includes the following three dimensions:

1. Customer groups: who are the potential customers?
2. Customer needs: what are their needs?
3. Technologies: how are these needs satisfied?



Customer group dimensions

The customer groups are composed of companies in the business-to-business environment and can be divided into on-trade and off-trade companies. Hotels, restaurants and bars are the most important customers in the on-trade, while supermarkets/hypermarkets and specialized retailers together are the main customers in the off-trade.

Customer function dimension:

The customer function describes the different needs of customers in which wine can provide. The following customer functions are distinguished:

- Taste: consumers drink wine because of its taste, which could be a reason for customers to prefer wine over beer for instance.
- Gift giving: wine is very suitable for gift giving. This often concerns wine in middle and higher segments.
- Relaxation: wine is consumed for relaxation, after a busy day for instance.
- Collecting: collecting wine can be a reason for purchasing.
- Food pairing: consumers buy wine to drink during meals.
- Cultural: in some cultures it is common to drink a glass of wine every day, sometimes because of perceived health benefits.
- Health: consumer drink wine because of perceived health benefits. Wine would be beneficial for diabetes and reducing the risk of heart failure.
- Status: especially in non-Western countries products from Western countries such as food, clothing and beverages serve as symbols to convey social status.

- Investment: wine investors consider wine from renowned wine manufacturers as a good and healthy investment.

Technological dimension:

Pricing remains one the most important tools for competitors to meet the needs of customers. Therefore, the different price segments of wine in the Chinese market are taken as a starting point for the purpose of this research (prices in RMB).

- Low-end < 30 RMB
- Low-end 30 - 50
- Entry 50 - 100
- Entry 100 - 150
- Mid-range 150 - 200
- High-end 200 - 300
- Premium 300 - 400
- Icon > 400

2.5 Problem definition

The Dutch wine market is relatively small in size and showing signs of maturity characterized by low growth, low evolving customer desires, low investment and consolidation by leading competitors. This has left the management of Friends of Slovenia wondering whether or not the Dutch wine market offers sufficient growth potential for the coming years, and if it would be possible to find new markets in order to ensure growth continuity in growth. The strong growth of the Chinese wine market has not gone unnoticed, which has led the management of Friends of Slovenia to want explore the possibilities in the market.

The Chinese economy has grown rapidly over the last few decades. As the purchasing power of Chinese consumers continues to increase, China's consumer markets are expanding significantly. In addition, since China entered the WTO (World Trade Organization) in 2011, the barriers and cost of doing business in China have been substantially reduced. Therefore, many foreign companies have started selling their products in China. As a result, more and more Chinese consumers become increasingly familiar with imported products.

On the downside, China's markets are often labeled as complicated, which potentially entails risk when doing business in China. Whether or not wine producers could be successful on the Chinese market will largely depend on how well they understand the market and to what extent they are able to take advantage of the opportunities in the market.

In an increasing globalizing and competitive world it is becoming increasingly important for organizations to create and maintain a competitive edge over the competition. Through strategic planning, an organization can take into account the uncertainties in the organization's environment. By analyzing the organization's internal and external environment, an organization may formulate what it would like to achieve and how it would like to achieve that.

The formulation of the marketing strategy basically means choosing a target group and positioning products and services in the market. Positioning products and services in the market requires a good coordination of both push and pull strategies. The strategy should then be worked out in a description of the way in which the marketing instruments have to be deployed in support of the strategy. It is of great importance that the marketing strategy is harmonized with other functions within the organization, such as finances, purchasing, sales, logistics, and product developments etc.

Friends of Slovenia has set the objective to enter the Chinese market in order to realize structural sales and growth. With this in mind, the following problem statement and research questions are formulated:

2.6 Problem statement

How can Friends of Slovenia best deploy its marketing instruments in support of the strategy, in order to enter the Chinese wine market and achieve a turnover of €500.000 by the end of 2017?

2.7 Objective

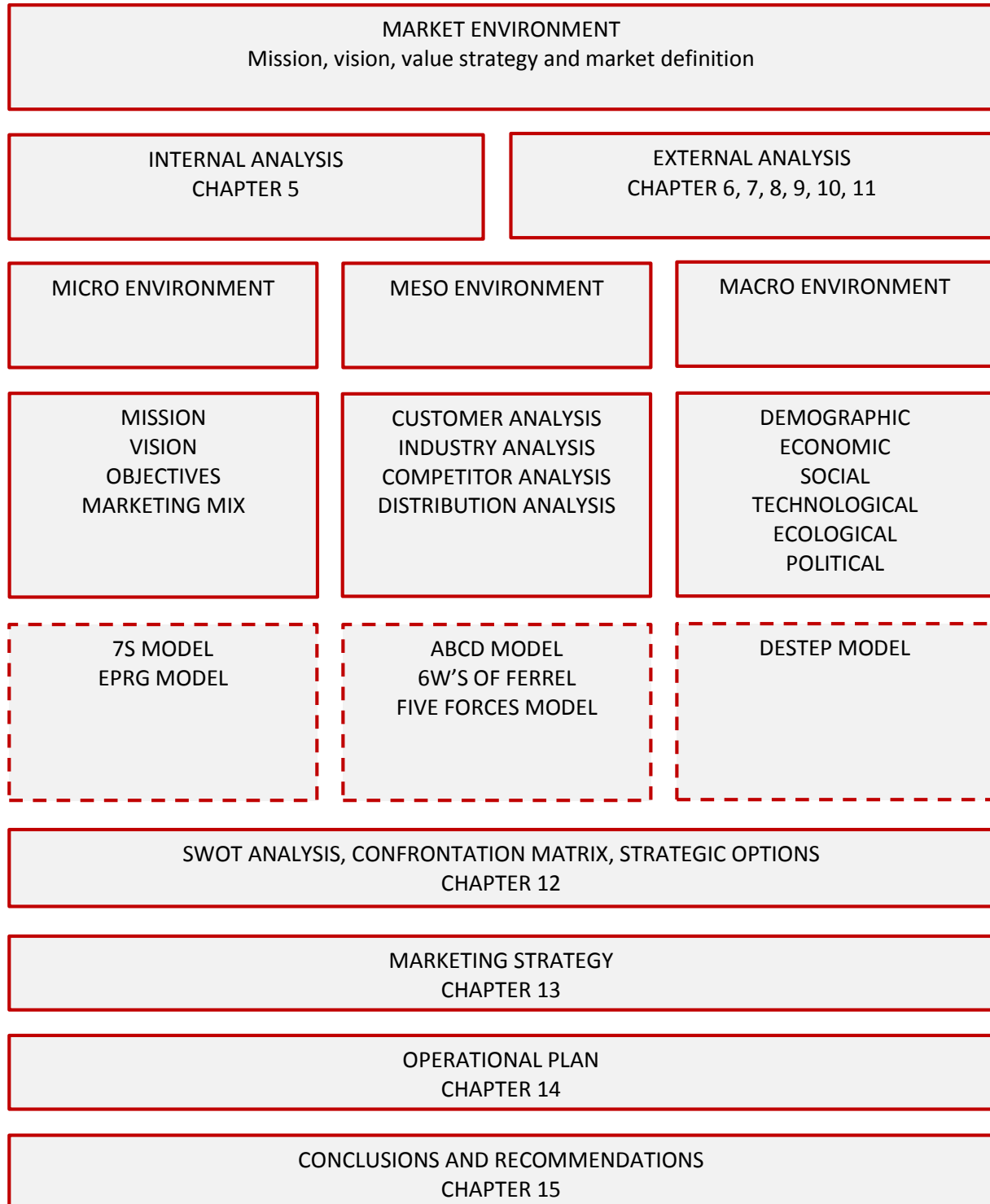
The objective of this research is to gain insight in the target market, in order to make recommendations on how Friends of Slovenia can establish and further expand its presence in China in the future.

2.8 Research questions

- Which factors influence the organization's internal environment, and what are the organization's internal strengths and weaknesses?
- Who are the organization's potential customers and what are their needs?
- Which factors influence the organization's external environment, and what are the opportunities and threats deriving from the external environment?
- Who are the main competitors in the Chinese wine market and how do they differentiate themselves?
- What is the best strategy to respond to the opportunities and threats in the market, taking the organization's strengths and weaknesses as a starting point?

3 Theoretical framework part A

The theoretical framework forms the basis of the research, in which the most relevant models and theories are reviewed and evaluated on their qualities and usefulness. The explanation on the models and theories is given in Appendix 1: Theoretical framework part B.



The table below shows which analysis and models are used to answer each research question. The findings obtained through the several analysis are used as input for the SWOT analysis.

Research question	Analysis	Model
1. Which factors influence the organization's internal environment, and what are the organization's internal strengths and weaknesses?	Internal analysis	7S model EPRG model
2. Who are the organization's potential customers and what are their needs?	Customer analysis	6W model
3. Which factors influence the organization's external environment, and what are the opportunities and threats deriving from the external environment?	External analysis	ABCD model Five forces model DESTEP model
4. Who are the main competitors in the Chinese wine market and how do they differentiate themselves?	Competitor analysis	
5. What is the best strategy to respond to the opportunities and threats in the market, taking the organization's strengths and weaknesses as a starting point?	SWOT analysis	

4 Research Methodology

Market research involves the collection and interpretation of data in order to provide in the need of information. The collection and interpretation of data is not an objective in itself. The objective of market research is to support decision-making on a strategic level by solving an organizational problem statement. Therefore, the problem statement and research questions form the basis of market research. There are two basis methods for doing market research, which are desk research and field research. Desk research involves the collection of secondary data from existing sources, where field research involves the collection of primary data by doing research in the field through qualitative or quantitative methods. This research involves both desk research and field research.

4.1 Desk research

Desk research involves the collection of secondary data from existing sources and will help to answer the research questions and problem statement of this research. When doing desk research it is important to find information from reliable sources. Information can be sourced from among others books, magazines, internet and so on.

4.2 Field research

Field research involves the collection of primary data, which has not yet been collected before, by doing research in the field through qualitative or quantitative methods. Quantitative methods are focused on the collection of statistical data through questionnaires or observations for instance. Qualitative methods are focused on gaining in-depth insights through individual interviews or group discussions for instance. This research will only use information obtained through desk research. The reason for the absence of primary research is related to practical limitations of doing primary research in China due to geographical, technical and linguistic barriers. In addition, outsourcing primary research would be too costly at this point. In order to compensate for this shortcoming, I have chosen to collect and study existing non-statistical in-depth interviews with industry insiders, done by third parties. In this way, it will be possible to obtain explorative information on the Chinese wine market, which will be used to gain profound understanding of the target market, and at the same time will help to determine which aspects of the target market are important to further investigate through desk research, and which aspects are better to be left out of scope for the purpose of this research.

4.3 Data collection per research question

	Research questions	Desk research	Field research
1	Which factors influence the organization's internal environment, and what are the organization's internal strengths and weaknesses?	X	
2	Who are the organization's potential customers and what are their needs?	X	
3	Which factors influence the organization's external environment, and what are the opportunities and threats deriving from the external environment?	X	
4	Who are the main competitors in the Chinese wine market and how do they differentiate themselves?	X	
5	What is the best strategy to respond to the opportunities and threats in the market, taking the organization's strengths and weaknesses as a starting point?	X	

5 Internal analysis

In this chapter we will take a closer look at the internal situation of FOS using the 7S model of McKinsey. Furthermore, we will evaluate the organization's current marketing mix and export motivations. The main purpose of the internal analysis is to identify relevant strengths and weaknesses, which will serve as input for the SWOT analysis.

5.1 7S model

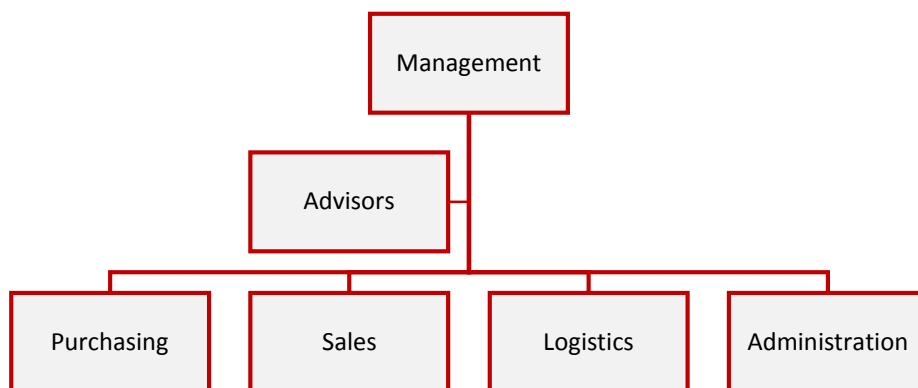
The organization's internal processes, activities and tasks will be analyzed and described according to the 7S-model (McKinsey, 1981). This model is based upon seven interrelating values which together determine the internal situation of an organization (7S-model, s.d.).

5.1.1 Strategy

Please see chapter "2.3 Value strategy" for information on the current strategy of FOS.

5.1.2 Structure

Structure is related to the division and coordination of processes, activities and tasks within an organization. The organization's formal structure will be displayed using the organizational chart below. The organizational chart also shows where the authorities and responsibilities lie within the organization. The organizational structure of Friends of Slovenia is clear and has short lines of communication, largely due to the limited size of the organization. The management consists of two members, both of whom have considerable commercial experience. The management works closely together with two external members who both have extensive knowledge of wine and for many years have been active in the wine industry. The management and advisors together form the backbone of the organization. This team is supported by the employees of the purchasing, sales, logistics and administration departments, who are responsible for the daily operations.



5.1.3 System

This chapter describes the organization's working methods, procedures and communication structures. The organization's *system* can partially be described using the theory of organizational configurations (Mintzberg, 1979). This theory distinguishes five basic configurations to characterize an organization's structure.

The organization of FOS can best be characterized as an *entrepreneurial organization*. This type of organization is often small in size with employees who know each other personally. The structure of the organization is flat and informal and there is central and direct control of processes, strongly depending on the organization's management. Due to the small size and the informal structure, this type of organization is often very flexible, which makes it easier to implement adjustments and changes (Hummel, 2012).

The administrative system that FOS is working with is 'Mamut One Enterprise'. This system offers multiple applications to support internal processes, including:

- Efficient handling of payroll administration
- Professional sales and relationship management
- Control over procurement, inventory and logistic
- Exchange of information between employees
- Possibility of adding an integrated web shop to the system
- Easy access to internal reports and analysis

5.1.4 Staff

Staff refers to the general characteristics of the employees. The staff of FOS is generally very motivated. There is a high degree of involvement and commitment to the company's objectives. Furthermore, the staff is characterized by a high degree of service orientation. The staff consists of a mix of young workers and middle-aged workers of which around three-quarters are men and one-quarter are women.

5.1.5 Skills

Skills refers to the knowledge and competencies of an organization's staff. There is a clear division of tasks and responsibilities in the organization. The staff of the organization is characterized by a high degree of customer focus. Furthermore, all the employees in the organization have a basic knowledge of English at least, allowing them to communicate effectively with the company's suppliers. The management together with the external advisors are responsible for the composition of the product range and the acquisition of new customers, since they are the ones possessing the most profound knowledge of wine within the organization. Furthermore, there is no extensive knowledge of the Chinese wine market within the organization.

5.1.6 Style

The style of leadership often depends strongly on the type of organization. The style of leadership in the organization can best be characterized as a *democratic leadership style* in which the leaders make the final decisions, but they include team members in the decision-making process (according to Lewin's Leadership Styles).

5.1.1 Shared values

The shared values describe the norms and values of the employees in a company, which is reflected in, among others, the corporate culture and the extent to which the employees are aware of the company's vision, and to what extent it is actually carried out. Among the employees of Friends of Slovenia prevails a high degree of customer orientation, which comes from the belief that the customer is the top priority. The work environment is professional, the employees are motivated and the internal style of communication is informal.

5.2 Current marketing mix

In this chapter we will describe the current marketing mix of Friends of Slovenia. The marketing mix describes the way in which an organization deploys its instruments in support of the marketing strategy. The marketing mix is described on the basis of the so-called 4P's: Product, Price, Place and Promotion.

5.2.1 Product

The product range of FOS consists largely of white wines and to a lesser extent of red and sparkling wines, made from various grape varieties such as: Chardonnay, Sauvignon Blanc, Riesling, Pinot Noir, Merlot and some indigenous grape varieties such as: Pinela, Rebula and Zelen. Slovenia has a high-

quality wine production due to some of the world's best terroir for wine-growing and low yield of grapes. Mainly white wines produced in Slovenia excel in quality as 70% of the annual production is made from white grape varieties. However, the wines are often produced in low volumes and generally enjoy low awareness among consumers in international markets. As a result, Slovenia has the quality advantage of a great wine region with cost advantage of an emerging wine region. Please see Appendix 3 for more information on Slovenia, its wine regions and the wines and wineries which make up the product portfolio.

Customers of Friends of Slovenia may place an order after which the goods are delivered within two weeks at any desired location in the Netherlands. Payments must be fulfilled within 30 days after receipt of the order confirmation. Customer service is provided during office hours. Customers may return delivered goods with a valid reason, after which the payment will be refunded once the goods are returned.

5.2.2 Price

The price is the amount that needs to be paid for the product or service. The elements that determine pricing include the purchasing price, costs for transport, packaging tax, excise duty, overhead costs and profit margins. By the combined purchasing and efficient organizational processes FOS aims to keep the costs down to a minimum. This enables FOS to offer competitively prices to their customers. The product range of Friends of Slovenia consists largely of wines from the low- and middle price segments (price segments are specified in the table below). The wines within the product range of FOS all have good margins for trading. Though the margins remain low in absolute terms. Because of the small margins charged by FOS they are dependent on large orders to achieve significant sales and profit.

Low price segment	Middle price segment	High price segment
Wine below €3,00 Wine from €3,00 to €4,99	Wine from €5,00 to 7,99 Wine from €8,00 to 11,99	Wine from €12,00 to 16,99 Wine above €17,00

5.2.3 Place

Currently, the products of FOS are mainly distributed through indirect distribution methods. This involves the distribution of products by the use of intermediaries. In this case, FOS sells its products to wholesalers, who then sell to retailers, and directly to retailers. Small independent supermarkets, restaurants and specialized stores are among the organization's main customers. FOS also has clients who purchase their wine for the purpose of giving it as a gift to either employees or business relations.

5.2.4 Promotion

The organization's promotional activities are limited at this point. This is mainly due to the fact that promotional activities are often costly and the absence of a detailed marketing plan/strategy forms an obstacle for the realization of specific targeted promotional activities. In general, there are two distinct distribution strategies which organizations can apply, namely: push-strategies and pull-strategies. Push-strategies involves strategies where products are "pushed" through the channel, where pull-strategies aim to create demand for a product (or service) among the final users, who then "pull" the product through the distribution channel. FOS currently uses a combination of both push and pull strategies.

The organization's promotional activities currently include:

- Wine tastings: the team regularly visits wine tastings where they have the chance to let others taste wines from their range and provide information to the visitors, with the purpose of customer acquisition, creating brand awareness and sales.

- Website: the purpose of the website: **www.friendsofslovenia.nl** is to provide information and create awareness on FOS, the product range, the wine houses and Slovenia as a wine producing country.
- Discount: FOS offers their customers discount on products in case of large orders, depending on the total number of bottles and the corresponding value, or in case FOS wants to promote the sales of a particular wine/brand.

5.3 Perlmutter theory

In this chapter we will discuss the process of internationalization of Friends of Slovenia and their approach to export, which depends, in turn, on the phase in the process of internationalization which the company is in. Furthermore, we will discuss the company's export motivation in chapter 5.4.

The Perlmutter theory distinguishes four types of company in the process of internationalization, each with its own orientation towards doing business around the world. The current phase of FOS, in the process of internationalization is a mix of 'National' and 'Occasional export'. The organization is strongly focused on the home country (Ethnocentric). The achievements of the domestic market are superior, and marketing efforts are limited to the domestic market at present. On the other hand, Friends of Slovenia has generated modest sales in some foreign markets. This has led to the conviction that the development of activities in foreign markets could potentially be of interest. Therefore, the management wants to develop the company's process of internationalization, in order to develop some permanent foreign markets (Veldman, 2009).

5.4 Export motivation

In the previous chapter (5.3 Perlmutter theory) we came to the conclusion that Friends of Slovenia is on the one hand, an ethnocentric company focused on the home country, and on the other hand, a company with export aspirations. In this chapter we will analyze what the motives for internationalization of Friends of Slovenia are.

The company objectives of Friends of Slovenia are the main factors influencing the decision for internationalization. These objectives are closely linked to the motives for profit and growth. The motivation for researching the possibilities to export to China is mainly due to the home market being too small and characterized by low growth, in combination with the opportunities in the Chinese wine market due to high growth.

Main motives to start exporting	
Pro-active motives	Reactive motives
Company's objectives	Home market too small or saturated
Objectives for growth and turnover	
Opportunities in foreign market obtained through market information	

5.5 Conclusion

Below follows an overview of the most important strengths and weaknesses as a result of the internal analysis:

Strengths	Weaknesses
<ul style="list-style-type: none">▪ Clear organizational structure and short lines of communication▪ Efficient inventory management▪ Motivated and involved staff▪ Profound knowledge of wine within the organization▪ Products all have good margins for trading▪ Good relations with suppliers▪ Fixed weekly transport from Slovenia▪ Slovenia has a high quality wine production, due to excellent terroir and low yield of grapes▪ Slovenia has the quality advantage of a great wine region with the cost advantage of an emerging wine region/country	<ul style="list-style-type: none">▪ No extensive knowledge of the Chinese wine market▪ No climate controlled storage facilities▪ No detailed marketing plan/strategy▪ No specified budget for marketing activities▪ No presence on the Chinese market▪ Slovenia has a small annual wine production▪ Low awareness of Slovenian wines in international markets▪ Relatively few red wines

6 Market analysis

The market factors are factors that relate to the overall demand and supply in the market, such as: the market size and growth, consumption, production, import, market forecast, and so on.

6.1 History

China has a long tradition of drinking grain/rice-based spirits. Because of the increase of the Chinese population and the necessary increase of the production of food, the Chinese government have gradually been reducing the import tariffs for grape-based wine since the nineties, and began promoting grape-based wine as a healthy alternative for grain-based spirits.

The consumption of grape-based wine, as well as beer, has been increasing ever since, especially now that more and more Chinese people are reaching the living standard required for consumption of grape-based wine. At this point, beer and Chinese spirits remain the leading alcoholic beverages in China, but demand for grape wine is outpacing both.

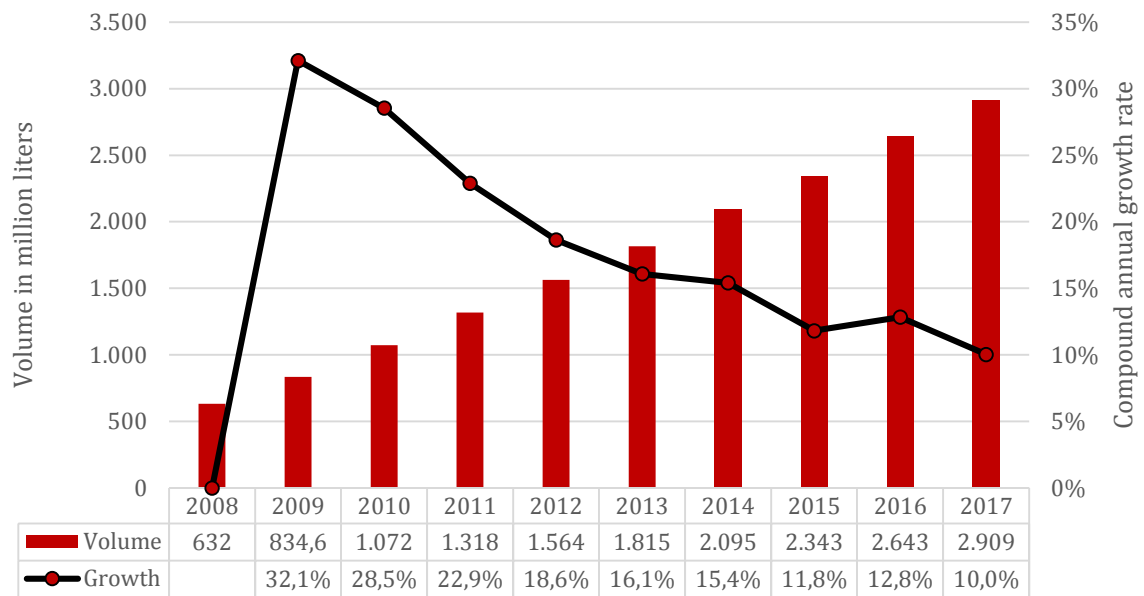
Although China is one country, it is important to consider the Chinese wine market not as a whole, but as different markets. The consumption of imported wine originally came to growth in Tier 1 cities (Shanghai, Beijing and Guangzhou). In these cities, a growing customer base of urban customers with purchasing power started developing an interest in wine as a hobby as well as a sign of social status, mainly under the influence of Chinese returning from overseas (expats) who have adopted western lifestyles and act as key opinion leaders.

As competition of imported wine in China's Tier 1 cities is increasing rapidly and the markets in these cities are becoming saturated, wine producers are increasingly shifting their attention towards Tier 2 cities for growth potential and were currently only French wine has a significant penetration due to a first mover advantage. At the same time, customers in Tier 1 cities are diversifying their tastes and preferences beyond French Bordeaux.

6.2 Market size & growth

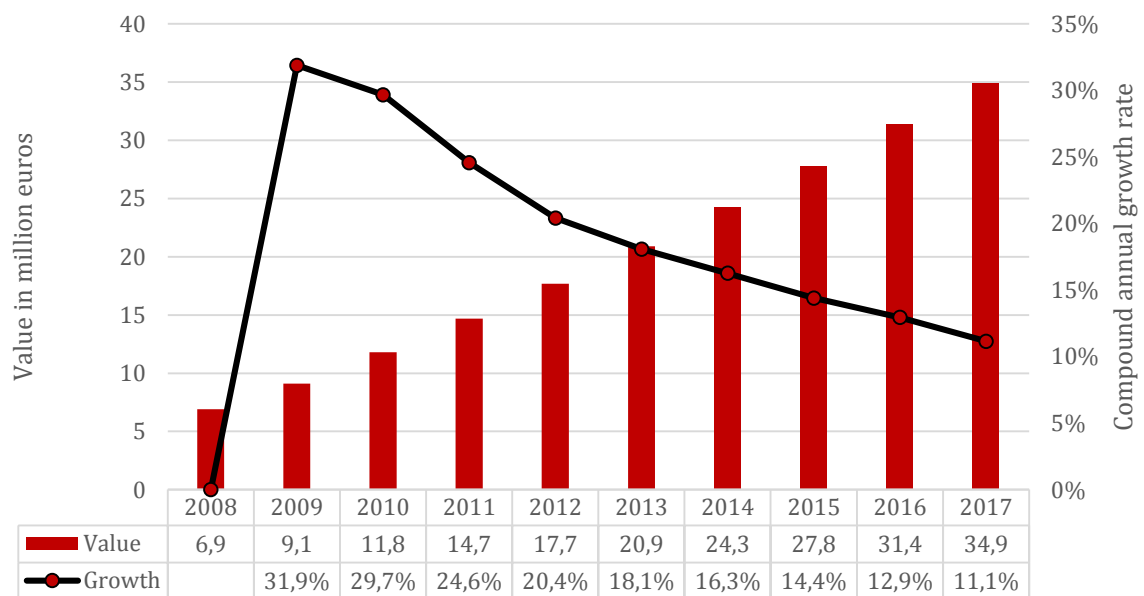
Chinese wine drinkers consumed a total volume of just over 1.8 billion liters in 2013. Between 2008 and 2013, the consumption grew annually by 23.5% (CAGR). The consumption volume is expected to continue to grow by 12.5% (CAGR) between 2013 and 2017. The total market includes both domestic and import wines (Wine in China, 2013).

Total market volume 2008-2017



The total value of the Chinese wine market accounted for €20.9 billion in 2013. The value grew annually by 24.8% between 2008 and 2013, and is expected to continue to grow by 13.7% between 2013 and 2017 (Wine in China, 2013).

Total market value 2008-2017



China is currently the 5th largest wine consuming country in the world. The annual per capita consumption of Chinese adults reached 1.3 liters in 2012, still far below the French average of 46.1 liters per capita (Statistical report on world vitiviniculture, 2013).

Rank	Country	2012 (million liters)	Growth 2000-2012	Per capita consumption
1	France	3.026,9	-12%	47,7
2	USA	2.900,0	37%	9,2
3	Italy	2.263,3	-27%	37,1
4	Germany	2.000,0	-1%	24,4
5	China	1.781,7	67%	1,3
6	UK	1.253,3	29%	19,9
7	Russian Fed.	1.039,4	121%	7,3
8	Argentina	1.005,1	-20%	24,4
9	Spain	9.300	-34%	19,9
10	Australia	5.375	38%	23,5

6.3 Consumption breakdown

In this chapter we will look at the consumption breakdown of wine in terms of volume and value in 2012. Furthermore, we look at the volume growth forecast between 2012 and 2016.

The Chinese wine market is dominated by red wine. In 2012, red wine accounted for 76.4% of the total wine consumption in terms of volume. White wine accounted for 21.4%. Rose and sparkling wine accounted for respectively 2.7% and 0.1% of the total wine consumption (El mercado del vino en China, 2012).

Consumption breakdown - sales value and volume - per type of wine in 2012 (bottled)		
	2012 – volume (million liters)	2012 – value (million RMB)
Total	100%	100%
Red	76,4%	77,4%
White	21,4%	19,6%
Rose	2,7%	2,7%
Sparkling	0,1%	0,8%

Between 2012 and 2016, the consumption of red wine is expected to grow by 18,5% per year, white wine by 13,7%, rose wine by 3,2% and finally sparkling wine by 11,7% (El mercado del vino en China, 2012).

As wine becomes a bigger part of mainstream life the expectation is that home consumption of wine will increase. Wine will be consumed for pleasure rather than for show, meaning that the choice for wine will generally start to reflect the dominant tastes of the population. Although French wine is the most consumed imported wine in China, the majority of Chinese consumers prefer sweet wines with strong fruity flavors, especially among entry-level wine consumers. Therefore, the expectation is that China's wine market will feature more white wines and sweeter reds in the future. The growth of white wines is expected especially in the south of China, where white wines match better with the lighter, seafood-orientated cuisine.

The consumption of sparkling wines remains a long way behind opposed to still wine, accounting for just 0.1% of the market's volume and 0.8% of the value. In a market where prestige, face and celebrations are important and giving wine as a gift is one of the key reasons for purchasing wine, the prestige associated with sparkling wine may offer great potential. However, Chinese consumers still

need some convincing before they accept the idea that wine can be white and sparkling opposed to red and still.

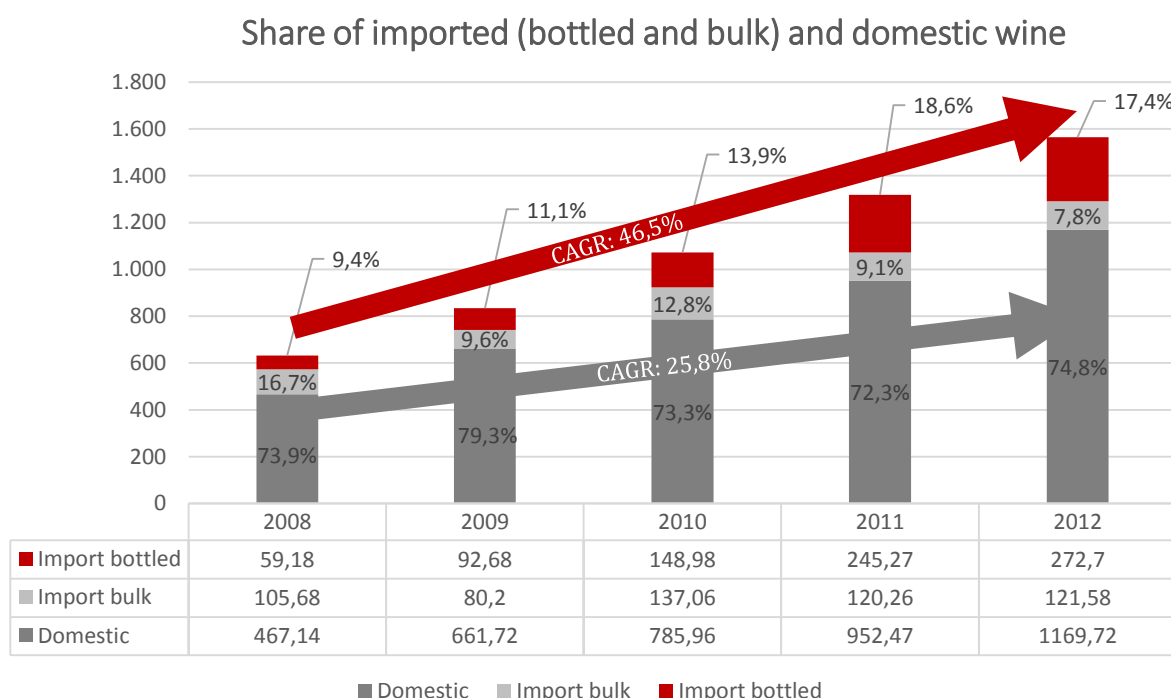
6.4 Wine import

In chapter 7.2.1 we have seen that the overall wine consumption grew significantly between 2008 and 2012, and will likely continue to grow in the coming years, though at a slower pace. In this chapter we will look at the role of imported wine (bottled and bulk) opposed to the total Chinese wine consumption.

All the charts in both this chapter and chapter 7.2.5 are based on trade figures obtained from UN Comtrade. The following commodity codes are used:

1. 2204 : Grape wines (=total sum of commodity codes below)
2. 220429 : Bottled wine
3. 220421 : Bulk wine
4. 220410 : Sparkling wine

The chart below shows several developments, starting with the fact that the volume of imported bottled wine has surpassed the volume of bulk wine for the first time in 2009. The volume of imported bottled wine grew annually by 46.5% (CAGR). In Comparison, the volume of domestic produced wine grew by 25.8% over the same period. In result, the market share of imported bottled wine grew from 9.4% to 17.4% between 2008 and 2012. It is clear that the importance of imported wine is growing significantly as more and more consumers increasingly consume imported bottled wine.



The following part is dedicated to the position of imported sparkling wine in China's wine market. The presence of sparkling wine in the market is still quite insignificant at this point. In 2012, the market share of imported sparkling wine accounted for respectively 1.61% and 3.84% of the total market's volume and value (imported wine only). However, the sparkling wine segment may be an interesting niche market in the future as the import of sparkling wine has shown significant growth with annual growth rates (CAGR) of 39.3% in volume and 31.4% in value between 2008 and 2012.

Market share of imported sparkling wine in million liters/dollars (imported wine only)					
	2008	2009	2010	2011	2012
Total import volume – 2204	164,86	172,88	286,10	365,54	394,33
Sparkling – 220410	1,68	1,65	2,70	3,94	6,33
%/total	1,02%	0,95%	0,94%	1,08%	1,61%
Total import value – 2204	380,41	457,37	797,21	1436,34	1581,02
Sparkling - 220410	20,37	15,66	28,01	38,86	60,68
%/total	5,35%	3,42%	3,51%	2,71%	3,84%

The chart below shows the average CIF price (Customs, Insurance and Freight) per liter of imported wine. The CIF price is the price that is paid by the selling party to arrange for the carriage of good by sea to a port destination before the payment of customs duties, additional taxes and price mark-ups. Furthermore, the CIF prices give an indication of the price points of different types of wine. In chapter 7.2.5 the CIF prices will be used for comparing wines from different countries. More information on price mark-ups is provided in the distribution analysis (UN Comtrade, sd).

The average CIF price of wine (price per liter)					
	2008	2009	2010	2011	2012
Total – 2204	\$ 2,31	\$ 2,65	\$ 2,79	\$ 3,93	\$ 4,01
Bulk – 220429	\$ 0,80	\$ 0,80	\$ 0,83	\$ 1,04	\$ 1,18
Bottled – 220421	\$ 4,80	\$ 4,14	\$ 4,48	\$ 5,27	\$ 5,17
Sparkling – 220410	\$ 12,11	\$ 9,49	\$ 10,38	\$ 9,86	\$ 9,59

7 Customer analysis

In this chapter we will analyze the needs and perception of potential customers in the B2B environment, with the purpose of segmentation and target group selection. Although the customers of FOS are businesses operating in the B2B environment, we will also analyze the needs and perception of end consumers, as they are likely to influence the decision-making process of intermediaries in the market, who are involved in the selection of wine exports. The 6W of Ferrell is used for the purpose of this analysis.

7.1 Business-to-Business (B2B)

- *Who are the customers?*

The customers of FOS in the B2B environment include both on-trade and off-trade businesses. The on-trade sector is composed of hotels, restaurants and bars, and together sell around 46% of the market volume and 72% of the value. With regard to imported wine, on-trade plays an even greater role, with 80% and 92% in terms of volume and value, respectively. The main customers in the off-trade sector are supermarket/hypermarkets and specialized stores. The off-trade sector accounts for 54% of the market volume and 28% of the value, due to lower end wines (mostly domestic produced) sold in supermarkets/hypermarkets. However, distributors command the power in the supply chain as they are the major intermediaries in the market and involved in the selection of wine exports.

- *What do customers do with the product?*

The majority of imported wine sales volumes (62%) are established between distributors and hotel- and retail procurement centers at point of sale. Independent on-trade businesses (30%) and retailers (5%) often source from wholesalers due to low volumes. The remaining volume (3%) enters the market through direct sourcing, without involvement of intermediaries. It is estimated that over 1.000 importers/distributors control the market entry, whereas over 10.000 wholesalers operate and distribute products regionally.

- *Where do customers buy the product?*

Tier 1 cities of Beijing, Shanghai, Guangzhou and Shenzhen together account for 53% of the volume of imported wines. It is expected that the majority of growth in wine consumption in China will occur in Tier 2 cities, where the off-trade channel will be increasingly important. Most bottled wines in China are imported through Shanghai and Guangdong (mainly Shenzhen port), which serves, respectively, the north and south market.

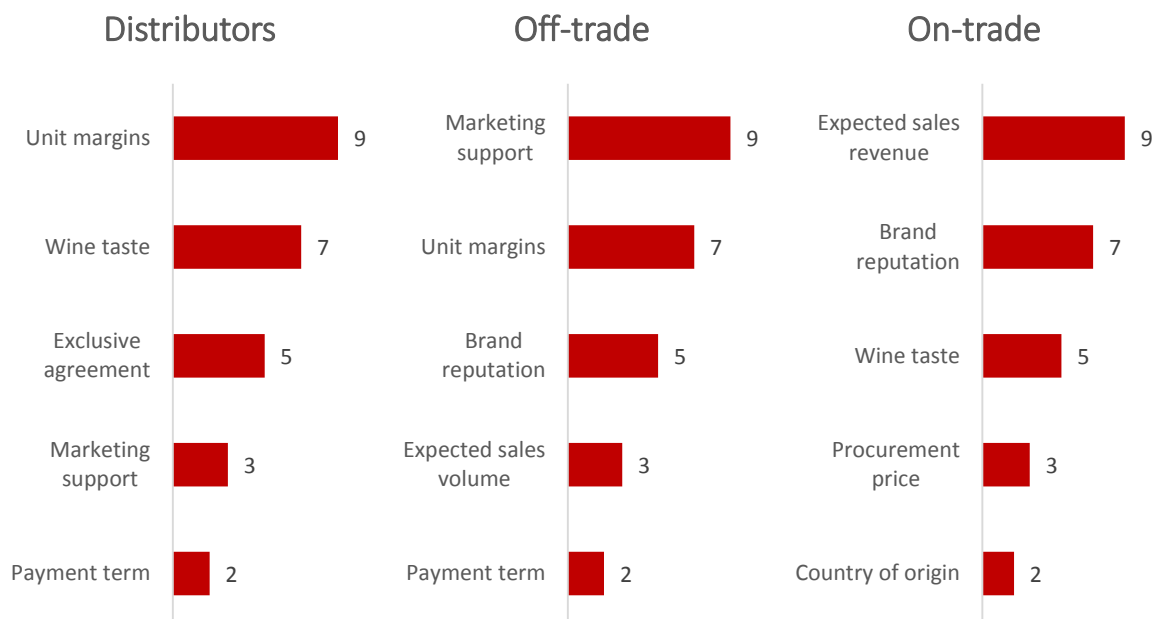
- *When do customers buy the product?*

The wine sales in China peak during the Chinese New Year (January/February) and the Mid-Autumn Festival (September/October). These two holidays account for approximately 60% of the annual wine sales in China. The significant increase in wine sales during the holiday seasons is primarily due to social gatherings with family, friends or business relatives, where people typically drink wine in restaurants, or give wine as a gift. Wine imports appear to be fairly constant in the course of the year, though there is an upward trend in sales in the months leading up to the holidays, and a downward trend during the holidays.



▪ *Why and how do customers buy the product?*

The success of exporters largely depends on partnering with distributors who have the ability and willingness to develop sustainable sales. In general, exporters face similar challenges in distributing product all the way to end consumers. Distributors generally focus on “easy to sell” brands, because they require less marketing effort and offer relatively high margins. Price and margins are the first element along the value chain, though distributors, retailers and hotels/restaurants have different priorities. For products with comparable margins, distributors will choose more recognized labels, which makes building up a brand more attractive. Distributors and retailers often already have a large portfolio of wines and therefore, are willing to consider new wines only if the expected profit is justified with minimum marketing effort.



- *Why do customers not buy the product?*

Large exporters have secured partnerships with top tier distributors allowing limited room for late comers or smaller exporters to add their labels to wine lists that are becoming increasingly saturated. Large distributors may already have extensive and well established wine product portfolios and therefore, pay little attention to new entrants or relatively small volume labels even if they could be profitable. A common source of disagreement between parties comes from the allocation of marketing resources and strategies. Often, lack of involvement from the beginning and poor knowledge of China's distribution dynamics causes issues around "how wine should be promoted".

On-trade:

High-end hotel/restaurant groups are the largest sales channel for imported wine in China, largely due to banquets hosted in 4-5 star hotels. In such events, besides domestic wine, French Bordeaux is typically the most preferable wine among consumers due to the image of luxury they convey. For hospitality groups, all wine procurement is centralized at headquarters, (mostly in Shanghai and Beijing). Distributors often have a strong impact on the setting of the final consumer price as they typically provide a wine list with recommended prices to put on the price list. Although wine procurement is centralized at headquarters of hotel chains, local F&B (Food & Beverage) managers are the key decision makers. Given the long list of wine available from the headquarters, local managers can decide on the selection of the wine list. Bonuses for local F&B managers such as cash coupons or travel vouchers are an important performance incentive. Wine distribution to hotel chains is already a mature and well-structured industry with leading distributors occupying an established position. Hotels are actively involved in wine promotion, but commitment depends on incentive benefits provided to the hotel and F&B managers.

Off-trade:

Overall, the off-trade channel accounts for only 20% of the imported wine sales due to the supermarkets focus on low priced domestic wine. Stand-alone mid-sized retailers still purchase wines from wholesalers (secondary distributor). For retail chain stores, head office procurement centers are the key entry point, meaning that they manage the wine selection, commercial terms and distribution to point of sales. Supermarket outlets are responsible for managing stocks, planning orders and reporting sales performance. A "slotting fee" is a critical component to secure a retail sales deployment. The fee is approximately RMB 100-200.000 for an imported wine and RMB 20-50.000 at city level, which is a huge obstacle for exporters with limited financial resources. Retail outlets are typically not involved in proactive brand promotion, but may readjust wine brand positioning on the shelves according to stock turnover performance. Distributors in coordination with brand owners, manage sales team in retail outlets to promote their wine and distribute promotional gifts, coupons, leaflets etc. (Wine Australia, sd).

7.2 Business-to-consumers (B2C)

- *Who are the customers?*

The end consumers in the Chinese wine market are identifiable by a number of characteristics, such as: age, gender, education, income and region. According to Wine Intelligence, there were nearly 19 million urban upper middle class imported wine drinkers in China, who drink imported wine at least twice a year. This group is defined as follows:

- Urban residents
- Aged between 18-49
- Earn 4.000 RMB/month or more
- Drinks imported wine at least twice a year

More than 8 million of these imported wine drinkers live in Tier 1 cities such as Beijing, Shanghai and Guangzhou. The other 11 million live in Tier 2 cities such as Wuhan, Chengdu and Shenyang. Sales of imported wine in Tier 2 cities still mainly rely on top grade hotels, while Tier 1 cities are diversifying sales through retail and specialized stores. In short, Tier 1 remain the leading wine markets in terms of volume. However according to estimations of Wine Intelligence, the number of wine consumers will increase to 80 million by 2020, with the bulk of new wine drinkers coming from Tier 2 cities. Tier 2 cities are expected to be the main engines of growth for China's wine market in the future (Wine Intelligence, sd).

- *What do customers do with the product?*

The potential customers can be segmented based upon the situations in which they use wine. There are eight different situation we can distinguish in which customers use wine: "wine for food pairing", "status display", "health benefits", "relaxation", "investment", "collecting", "taste", and "cultural reasons". Cultural reasons includes the purchase of wine for special occasions and celebrations.

- *Where do customers buy the product?*

Chinese customers buy wine either in on-trade or off-trade channels. Hotels, restaurants, bars and clubs are among the most popular on-trade channels as they distribute 46% of the total market volume. On-trade channels are especially important for the sales of imported wines as these channels together account for 80% of the total volume of imported wines. Popular off-trade channels are supermarkets/hypermarket and specialized retailers, which together distribute 54% of the total market volume. Off-trade channels together account for 20% of the total volume of imported wines.

- *When do customers buy the product?*

Chinese wine sales peak during two Chinese Holidays. The Chinese New Year and the Mid-Autumn Festival together account for approximately 60% of the annual wine sales in China. The significant increase in wine sales during the holiday season is primarily due to family and business gatherings during these festivals. The off-trade sales is mainly for gift-giving and family visiting.

- *Why and how do customers buy the product?*

The Chinese have a cultural tradition of consuming alcoholic beverages, especially traditional rice-based spirits. Wine is increasingly becoming a substitute for traditional spirits. This is mainly due to the rising disposable income of China's middle class population and the health benefits associated with wine. Furthermore, many Chinese consumers drink wine because they think of wine as a fashionable and prestigious drink and it helps to create a relaxed and friendly atmosphere.

Country of origin and price remain the dominant choice cues in the Chinese wine market. The majority of imported wine drinkers in China is aware of France as a wine-producing country. Italy, Australia, Spain and Chile form a secondary group in the minds of consumers, as they are known by at least half of the Chinese imported wine drinkers.

The Chinese wine consumers is typically a market follower who needs to feel confident about purchasing wine and does not want to lose face by choosing the wrong wine or having to admit that his knowledge of wine is limited. Therefore it is important that wine companies use their packaging and labeling wisely in order to inform consumers about their wine and

Country awareness		
1	France	94%
2	China	88%
3	Italy	65%
4	Australia	63%
5	Spain	51%
6	Chile	50%
7	New Zealand	45%
8	Portugal	45%
9	Germany	45%
10	Argentina	40%
11	Other USA	38%
12	California	36%
13	South Africa	31%

thereby to prevent consumers to feel unsecure about purchasing wine.

Traditional Chinese Confucian culture still plays an important role in influencing consumers' buying behavior. "Saving face" is one of the most important factors that Chinese consumers take into consideration during decision-making. This means that people in Chinese society are always under constraints to meet or even exceed the expectations of others to maintain or boost face, as face demonstrates your position in the social hierarchy. That is why expensive bottles of red wine have become the latest "trophy drink" of the middle and upper class Chinese consumers, who like to drink such wines typically when going out for dinner in order to show that they are successful and have both the money and good taste to be wine drinkers.

However, all of the factors described above are dependent on the situation in which consumers use wine. Different user situations reduce or enlarge the importance of different wine attributes. Chinese wine consumers are generally in a low-involvement situation when purchasing wine for private consumption and tend to focus on price and buy whatever is least expensive. In contrast, when purchasing for public consumption consumers are generally in a high-involvement and more likely to focus on quality, taste and the image of the wine.

- *Why do customers not buy the product?*

There are a number of reasons why customers may be discouraged from buying imported wine. First of all, many Chinese consumers are discouraged from buying wine because they do not know whether wine is real or fake. Secondly, they find it difficult to tell what the wine will taste like. Thirdly, because there is not enough information on the back label. Fourthly, because they find it difficult to see the grape variety of the label and finally, because the shop staff is not knowledgeable about wine. Furthermore, uncertainty about the pronunciation of the brand name may discourage consumers to buy wine (Wine Intelligence, sd).

7.3 Segmentation

There are roughly six different segments of wine consumers in the Chinese wine market, which are described in more detail below. Subsequently, a selection will be made of the most suitable segments to target.

Prestige-seeking traditionalists:

This segment makes up 22% of the wine-drinking population but account for 41% of the total expenditure. These are conservative, high-spending consumers who are typically purchasing top end Bordeaux and Burgundy for business dinners and gifts, and are unlikely to venture beyond prestige wines to buy everyday brands for their own consumption. Consumers in this segment tend to be older than average, are high earners, and in addition to wine frequently drink various forms of alcohol.

Adventurous connoisseurs:

This segment is another high-spending group and make up 9% of the wine-drinking population but account for 21% of the total expenditure. These are highly involved consumers who are confident in their wine knowledge, are interested in wine, and tend to be middle-aged and high earners. This group has a far wider repertoire than other high-spenders, and is willing to explore the New World and other regions.

Social newbies:

These are younger consumers who are new to the category and drink wine either as a social drink with friends or at work functions. Together with the other remaining segments they account for more than half the wine-drinking population but only a third of total spending.

Casual-at-homers:

These are middle-aged consumers who drink wine at home, shop at mainstream price points such as Carrefour, Walmart, or discount supermarkets such as Lianhua, Vanguard and Family-Mart, and enjoy drinking wine because they find it relaxing and appreciate the health benefits.

Health sippers:

These are price conscious wine drinkers with a narrow repertoire, who drink wine infrequently, and when they do are motivated mainly by perceived health benefits.

Frugal occasionals:

These are low engaged, infrequent drinkers who drink wine for specific occasions and choose mainly based on price (Wine Intelligence - News Reports, sd).

7.4 Target group selection

The segments “Adventurous connoisseurs” are considered to be the most suitable target group for Slovenian wines. This group consists of highly involved consumers who are interested in increasing their knowledge of wine. They are also willing to try wines of different origins, which is a critical factor because of the low awareness of Slovenian wines in international markets, including China. Apart from their interest in wine and willingness to explore new regions, this group consists of high-spending consumers, which is relevant because Slovenian wines are generally positioned in the middle to higher price segments. Adventurous Connoisseurs are characterized by the following features:

- Middle-aged
- High-spending
- Confident in their wine knowledge
- Highly involved
- Adventurous nature

7.5 Critical success factors

The critical success factors in the Chinese wine market are often linked to factors influencing the buying behavior of end consumers. The following critical success factors can be distinguished for Slovenian wines:

- **Price:** price remains the most important choice cue in the Chinese wine market, particularly at low- to mid-range price points. When targeting end consumers who are willing to purchase imported wine at entry-level in off-trade, it is important to ensure the price of your wine is suitable, taking into account price mark-ups for imported wine in off-trade. Prices of imported wine in the off-trade supply chain are typically multiplied by factor 4-5 based on the CIF price (Cost, Freight and Insurance).
- **Country/region of origin:** the origin of wine is one of the major choice cue in the Chinese wine market. It is safe to say that Slovenia does not enjoy strong awareness among end consumers. One of the biggest challenges for Slovenian wine is to increase its awareness among Chinese consumers. It may be wise to put more emphasis on other quality indicators besides country of origin, such as: grape variety or brand, or perhaps focus on the appellation “Mediterranean” instead.
- **Brand name:** having a brand name which consumers can translate into Chinese and that is easy to pronounce is a key success factor. Particularly in the Chinese culture, people worry about keeping one's pride and saving face, therefore it is important to ensure that consumers feel certain about the pronunciation of the brand name.

- **Brand image:** the Chinese market is very much a brand market. Consumers like to find a brand and feel comfortable and confident with it. Therefore, adapting the product/brand in order to make it appeal to local needs can be an effective way for Slovenian wines to differentiate themselves from their competitors.
- **Labels:** Chinese wine consumers typically check the front- and back label of a wine bottle as they provide consumers with key information on style, provenance and brand name in a language that they can understand. In addition, certain information is required by regulations. Therefore, the front- and back label is a great tool to communicate your product and brand to end consumers.
- **Type/style of wine:** Some blind tastings have revealed that Chinese consumers typically prefer sweet, fruity and mono-varietal red wines. Consumption of white- and sparkling wines is still relatively low, though growing from a low base (Wine Intelligence - News Reports, sd).

8 DESTEP analysis

This chapter reviews the major external and uncontrollable factors that may influence the organization's decision making, and effect its performance and strategies. These factors include the so-called DESTEP-factors such as demographic, economic, social, technological, environmental and political factors (Alsem, 2013).

8.1 Demographic factors

China is the world's most populous country with over 1.35 billion inhabitants, with a last reported growth rate of 0.46% in 2013. The urban population accounted for 50.6% of the total population, and is estimated to grow annually by 2.85% between 2012 and 2015. The regions with the highest population density are located primarily along the China's coastline. Shanghai (16.6 million), Beijing (capital, 15.6 million) and Guangzhou (8.9 million) are among the most populous Chinese cities. Furthermore, there are over 25 cities in China with a population over four million inhabitants (The World Factbook, sd).

8.2 Economic factors

China is currently the world's second-largest economy and the largest exporting country. The Chinese economy has grown impressively over the last decade with an average GDP growth rate of 10.5% between 2004 and 2012. However, economic growth has shown signs of slowing, mainly due to the effects of the global economic crisis that began in 2008, which has led to a sharp global decline in demand for Chinese products. China is currently aiming at achieving an average annual GDP growth of 7.0% in their 12th five-year plan (2011-15).

Furthermore, China is making efforts to close the income- and development gap between China's coast and interior, mainly by improving infrastructure. In 2009, China's 12 coastal provinces (out of 31) accounted for 65% of the country's GDP, and had a collective per capita GDP of 50% higher than the national average (The World Factbook, sd).

8.3 Sociocultural factors

Sociocultural factors relate to issues such as lifestyle habits, attitudes and norms within a society. These factors may have important marketing implications, though it is not always easy for an organization to convert certain sociocultural factors into an opportunity (Alsem, 2013).

The growing interest of Chinese consumers in Western tastes and lifestyles and the increasing wine knowledge have a positive effect on the wine consumption in China. In China, wine is seen as a symbol for status and prestige, both being characteristics of cultures with high power distance, such as China.

The majority of Chinese wine consumers have a clear preference for red wine. Furthermore, the color red in Chinese culture is often associated with good fortune and happiness and frequently used during special occasions, including Chinese New Year. There seems to be acceptance that Chinese wine consumers prefer fruity red wine styles with a degree of sweetness, in contrast to dry tannic styles or white styles.

Furthermore, doing business is often very different from what we would expect in many western countries. The concepts "Mianzi" (face) and "Guanxi" (network) are crucial concepts when doing business in China and deeply rooted in Chinese culture.

Drinking wine is widely accepted by Chinese consumers to be beneficial to health. In result, many Chinese consumers are shifting from high alcohol to lower alcohol content beverages.

Chinese consumers are generally conservative, and they mainly buy wine for special occasions, such as The Chinese New Year and the Mid-Autumn Festival. According to Wine Intelligence, almost all imported wine drinkers give imported wine as a gift.

8.4 Technological factors

China currently has over 618 million internet users, 80% of which have access through their smartphones. China has become the world's second-largest e-commerce market, with an estimated \$210 billion revenues in 2012, which accounted for about 5-6% of total retail sales in 2012. The "Food & Beverage" segment accounted for 4% of e-commerce sales the same year (Internet Statistics China, sd).

According to a news report of Wine Intelligence, the dramatic rise of e-commerce in China has a significant impact on online wine sales, mainly at the expense of bars and restaurants. 47% of Chinese imported wine drinkers said they bought wine through internet in the past six months. Another source reported that online wine sales accounted for 27% of all wine purchases made in China in 2013 (Wine Intelligence - News Reports, sd).

The 2008/09 financial crisis, which has made consumers more price conscious is named as one of the main driver for growth in online wine sales, as well as the crackdown on extravagant spending of government officials. Furthermore, according to Wine Intelligence, 75% of imported wine drinkers often go online to look for wine information, and 62% said they frequently use social media as a source. When Chinese wine drinkers go online to learn about wine, their top websites include:

1. Baidu: China's largest search engine, with 65% of total search engine market share
2. Winechina.cn: Wine information website providing wine industry information and news
3. Sina Weibo: China's largest microblog, similar to Twitter
4. Baidu Zhidao (Baidu Knows): User-generated Q&A, similar to Ask.com
5. Wineinchina.com.cn: Wine magazine website/sales platform, the only wine magazine approved by GAPP

8.5 Environmental factors

In the 2012 Environmental Performance Index published by Yale University, China ranked 116 out of 132 countries. Following decades of economic growth, China is now confronted by extremely high levels of air and water pollution, which besides being harmful for public health is also resulting in a sharp decline of the total number of foreign visitors, including business travelers and residents (Yale University, 2012).

8.6 Political factors

Since the late 70's China has moved from a closed, centrally planned economy to a more market-orientated economy by opening up to foreign trade and investment and implementing free market reforms. Since joining the World Trade Organization (WTO) in 2001, China lowered its wine import tariff rate for wine in less than 2 liter packaging from 65% to 14%. China has also agreed on a bilateral Free Trade Agreement with New Zealand. In result, New Zealand have seen their wine import tariff reduced from 14% in 2007 to zero in 2012. Furthermore, in 2008. The Hong Kong government announced the elimination of import tariffs on wine, stimulating more high quality wines to enter China through Hong Kong, as well as making imported wine more competitive opposed to domestic wine.

Finally, The Chinese president Xi Jinping announced a crackdown on corruption and extravagant spending by government officials in November 2012. Chinese austerity measures against corruption and spending are likely to improve the public's perception of the government, but also likely to hit luxury goods market, including wine and spirits sales, as wine and spirits are often consumed by government officials during banquet dinners and used by officials for gifting (Fogel, 2010).

9 Industry analysis

The Porter five forces analysis will be used as a tool which will help to determine the attractiveness of the Chinese wine market. By analyzing the forces driving competition in the market we can determine the intensity of competition in the market. Generally, the higher the competition intensity, the lower the attractiveness of the market is. According to Porter, the market attractiveness can be translated into the degree of profitability of a particular market. The five forces driving competition in the Chinese wine market will be discussed below (Alsem, 2013).

9.1 New entrants

In this chapter we will look at the factors influencing the likelihood of new entrants in the Chinese wine market. First of all, the strong market growth and the large scale of the market are major factors for attracting new entrants. Entry may be achieved by setting up a new company, by diversifying an existing company's operations or, in the case of foreign producers, by beginning to export to the country.

Government regulations on issues such as import tariffs, taxes and labeling, raise the barriers to entry. However, since China joined the World Trade Organization in 2001, trade tariffs have been gradually declining. For instance, the import tariff for bottled wine was reduced from 43% to 14%. In the same year the import tariff for bulk wine was reduced from 43% to 20%.

Access to distribution channels is a major barrier in the market, as China is lacking a proper distribution infrastructure. Despite the fact that there is a high number of distributors and importers in the market, getting imported wine to the market is still complicated.

Furthermore, large companies that offer mass-market products need to take into account that large retail chains often have considerable buyer power, and therefore possess considerable bargaining power, that can force down the prices that wine producers can obtain. This applies to a much lesser extent to businesses offering exclusive wines, as they can enter the market on a small scale and add a good margin to the price of products. Overall, the threat of new entrants in the markets is assessed as moderate (Wine in China, 2013).

9.2 Buyer power

The power of buyers can be determined by looking at the factors which influence the bargaining power of buyers. Buyers are taken as on-trade businesses, such as: hotels, restaurants and bars, as well as off-trade businesses, such as: supermarkets, specialized stores and mid-sized stores.

First of all, wine producers can differentiate their products quite strongly, for example, by type of wine, grape variety, style, region of origin, and so on. Buyers often need to offer their customers a wide range of products, which tends to decrease the buyer power. However, this effect is weakened by the fact that Chinese consumers generally have limited wine knowledge, making it more difficult for producers to offer a differentiated product range, because the range of different suppliers may seem similar in the perception of consumers.

The switching costs for buyers are low, which tends to increase the buyers power. Finally, producers and buyers operate in distinct businesses, with very little likelihood of backwards integration by on-trade and off-trade businesses. Overall, the buyer power is assessed as strong (Wine in China, 2013).

9.3 Supplier power

Attracted by the potential of the Chinese wine market, the number of suppliers in the market is growing strongly, which tends to decrease the supplier power. Furthermore, suppliers are under pressure to sell their stock, before the next harvest presents itself. The supplier power will increase significantly once the wine or producer enjoys popularity among consumers. Especially when it

concerns suppliers with low production volumes. Overall, the supplier power is assessed as weak (Wine in China, 2013).

9.4 Threat of substitutes

There are several substitute products in the market which can provide in the same needs as wine, of which the most important are beer and spirits. In 2012, the Chinese market for alcoholic beverages accounted for a total volume of nearly 62 billion liters, of which beer represented by far the largest share, with 80.6% of the total volume. Spirits and wine accounted for respectively 16.8% and 2.6% of the total market volume. Although wine still remains the smallest segment in the market, it is also the fastest growing segment in the market. The consumption of wine is expected to grow by 86% between 2012 and 2017, while beer and spirits are expected to grow by respectively 24.8% and 4.5% in the same period.

The segment spirits consists mostly of traditional Chinese spirits such as Baijiu. These spirits are primarily popular among men aged 45 and older. However, it is expected that many people who drink traditional spirits will, due to the increasing awareness of personal health, switch over to beverages with a lower alcohol content. Spirits and especially beer are beverages which will remain available in the market, and often provide in the same needs as wine, though the consumption will grow at a slower pace. Overall, the threat of substitute products is assessed as weak (Wine in China, 2013).

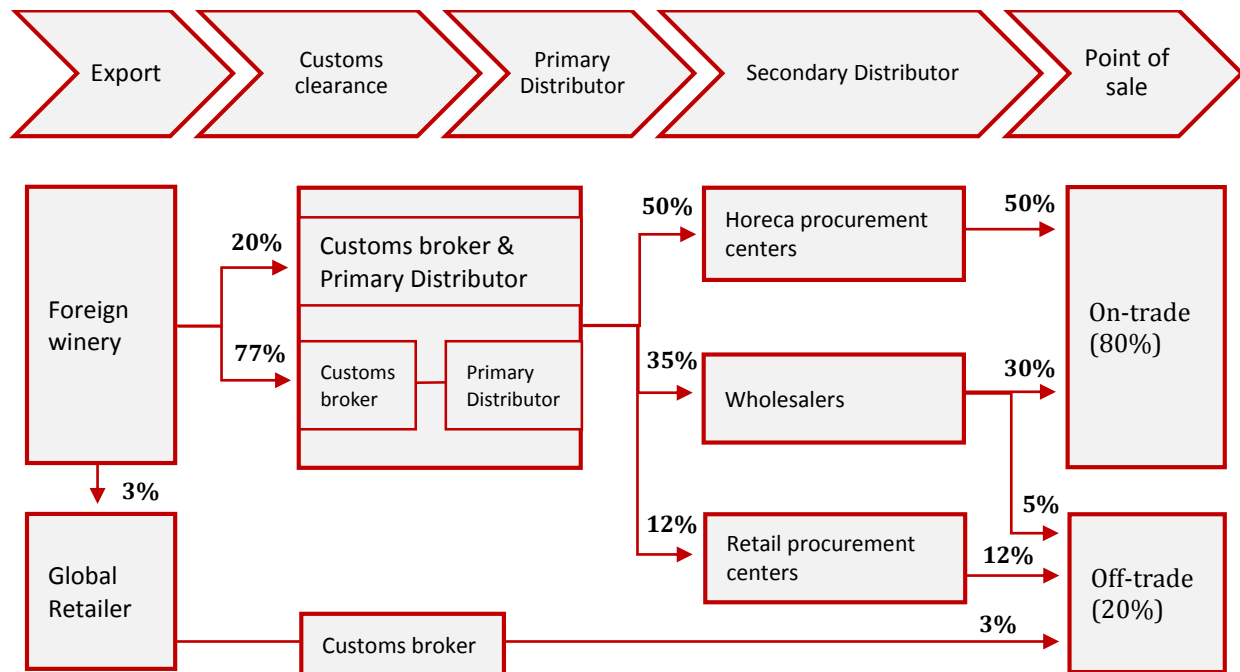
9.5 Degree of rivalry

The Chinese wine market has shown strong growth in the last few years, which has attracted lots of new players in the market. Furthermore, wine is a highly differentiated product with many different brands available in the market. Because the development of the market is still in an early stage, compared with wine markets already established such as the French wine market, many consumers still have limited knowledge of wine. As a result, many consumers feel overwhelmed by the various brands available in the market. Therefore, some wine producers have begun to introduce brand management by launching bold brands, label designs and marketing campaigns to become more identifiable with the Chinese public.

Furthermore, consumers have a wide range of products to choose from, with low switching costs, which tends to increase rivalry in the market. Finally, the bargaining power of buyers is generally stronger than the bargaining power of suppliers, which also increases rivalry in the market. Overall, the degree of rivalry is assessed as moderate (Wine in China, 2013).

10 Distribution analysis

In the distribution analysis we will analyze the supply chain structure of the Chinese wine market, by looking at which parties are involved in the distribution of imported wine and how they relate to each other. The image below shows which parties are involved in the distribution of imported wine, including the percentage share of volume they carry.



Distributors are the major intermediaries in the Chinese wine market, and responsible for handling 97% of the total market volume. Only 3% of the total market volume is distributed to point of sale without interference of distributors.

Primary distributors are involved in the selection of wine exporters, while customs brokers mainly focus on managing the customs clearance of imported wine. Customs brokers often team-up with distributors, who are responsible for managing the in-country operations and marketing.

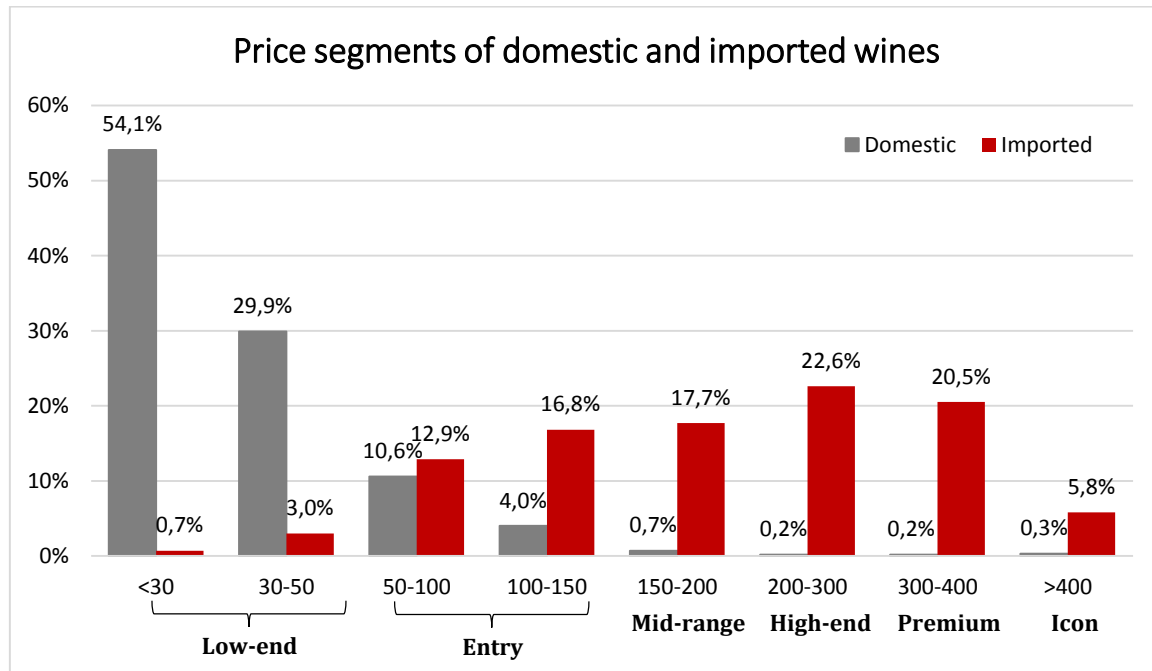
Around 62% of the imported wine sales volume are established between primary distributors/customs brokers and procurement centers at point of sale. Although agreements are fixed between distributors and the hotel- and retail procurement centers, physical distribution is handled by wholesalers, who are responsible for ensuring regional distribution. Independent on-trade businesses and retailers often source wine from wholesalers due to low volumes.

Finally, end users in the Chinese wine market purchase wine either in on-trade- or off-trade channels. On-trade refers to venues where alcohol is consumed, opposed to off-trade where alcohol is purchased for consumption off the premises, primarily for gift-giving and home-consumption.

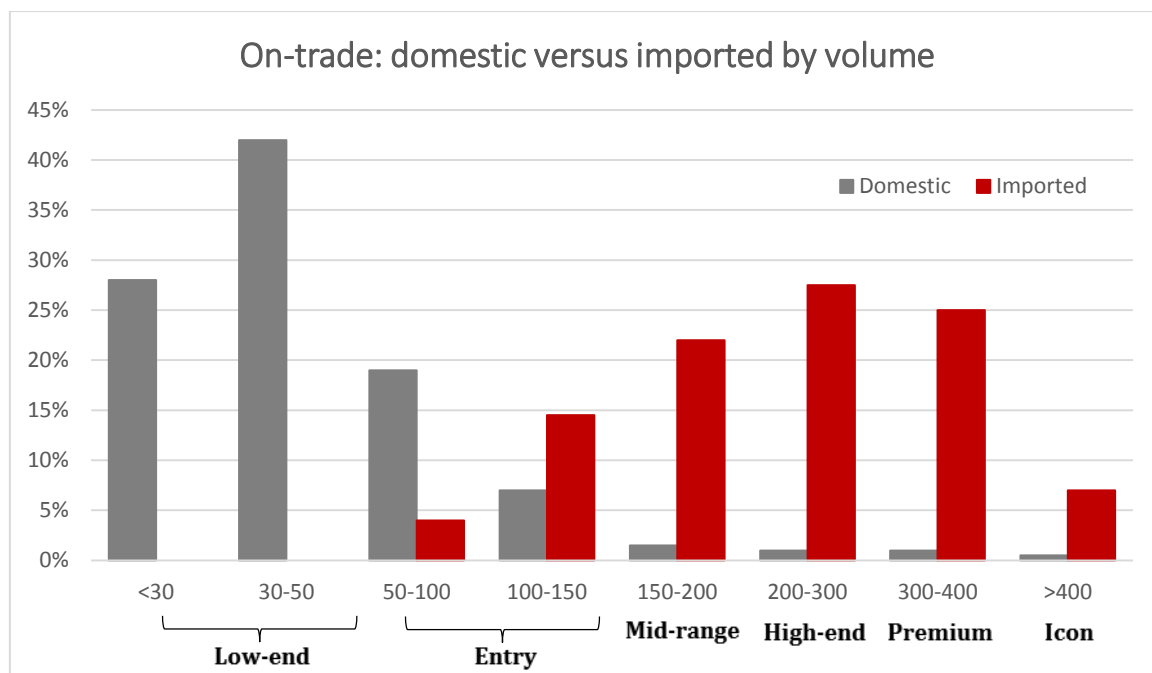
	On-trade	Off-trade
Total volume	46%	54%
Import volume	80%	20%
Total value	72%	28%
Import value	92%	8%

At point of sale, the on-trade sales channel distributes 46% of the total volume and 72% of the value in the market. The on-trade plays an even more important role in the sales of imported wine, as it distributes the majority of imported wine in China, 80% of the volume and 92% of the value.

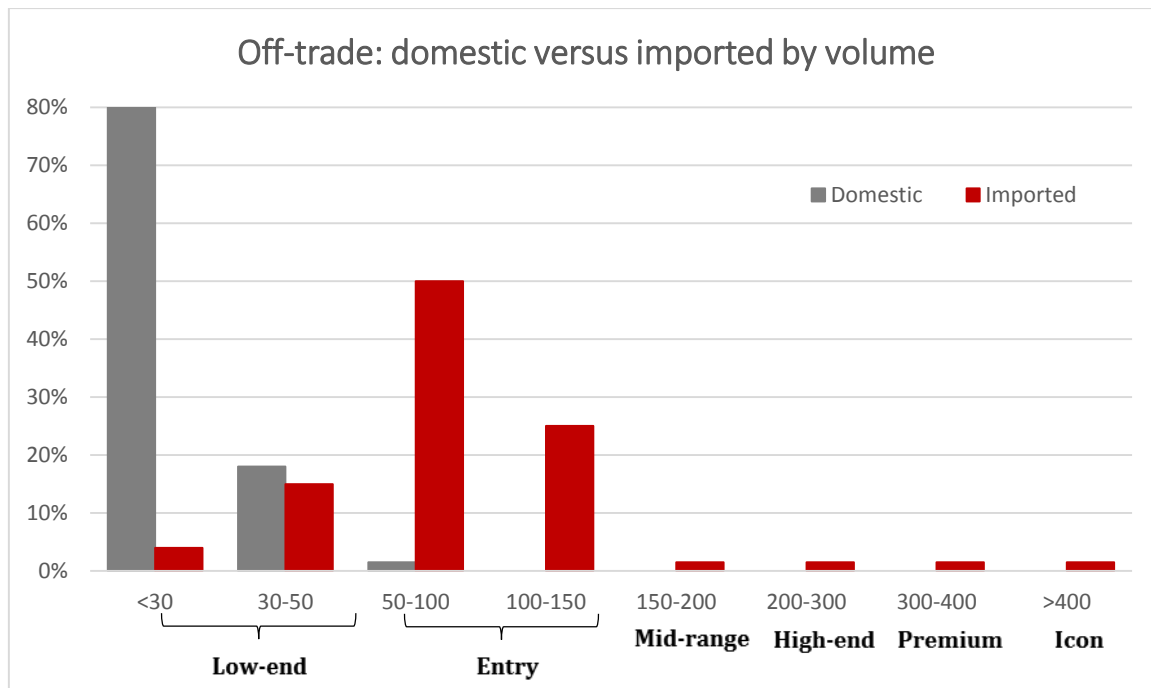
The off-trade sales channel distributes 54% of the total volume, and only 28% of the value. Just 20% of imported wine volume and 8% value is sold through off-trade, mainly due to lower-end domestic wine sold in supermarkets/hypermarkets.



Imported wines are generally perceived as more premium than domestic wines. Therefore, imported wines are able to be sold at higher prices than domestic wines. Most foreign wineries avoid targeting the low-end segment where domestic producers have strong competitive advantage in both pricing and access to distribution channels. Import duties on imported wine also remain a barrier for foreign wines that would like to compete at low-end price points.



In the on-trade sales channel, imported wine is mainly sold at mid-range and higher price points, starting from RMB 150 per bottle. This is done by promoting a prestigious image through high-end restaurants, hotels and bars. Although the off-trade sells more wine in terms of volume, on-trade accounts for the majority of the value, due to higher price mark-ups applied in the on-trade and generally lower-end products sold in supermarkets. Currently, imported wines are penetrating the Chinese wine market by developing distribution in mid-range venues as well.



Domestic wine is mainly sold at the low-end price points, of which 80% is sold under RMB 30. Supermarkets/hypermarkets have seen their share of wine sales expanding rapidly from 50% in 1999, to 62% in 2009. Over the same period, specialized stores increased their market share from 10% in 1999 to 14% in 2009. It is expected that imported wines at entry-level will offer the biggest potential for growth in the market, as many Chinese consumers are likely to switch from low-end domestic wine to entry-level imported wines (Wine Australia, sd).

The table below shows how wine prices are build up from import to the final point of sale. The model starts with the CIF price per bottle. CIF stands for Cost, Insurance and Fright, which is the price that one pays for getting the goods to the port of destination and before the customs clearance of goods. The next step is the customs clearance and payment of import tariffs and taxes. To summarize, getting the goods past the customs clearance means a doubling of the CIF price.

At this point, the importer/distributor will add a mark-up of 60% to 70%. As distributors are first to be served in the value chain and cannot be bypassed, they are likely to take the highest margin. Wholesalers have considerably less bargaining power and mainly provide logistics support, ordering, invoices, and so on. The margins of wholesalers are relatively low as they often function as a facilitator on behalf of the distributor.

Finally, the goods arrive at the points of sale, either in the on-trade or retail. Distributors often have significant impact on the final pricing applied in the on-trade channel as they strongly recommend a price to be put on the price list in order to ensure market stability (Clark, 2013), (El mercado del vino en China, 2012).

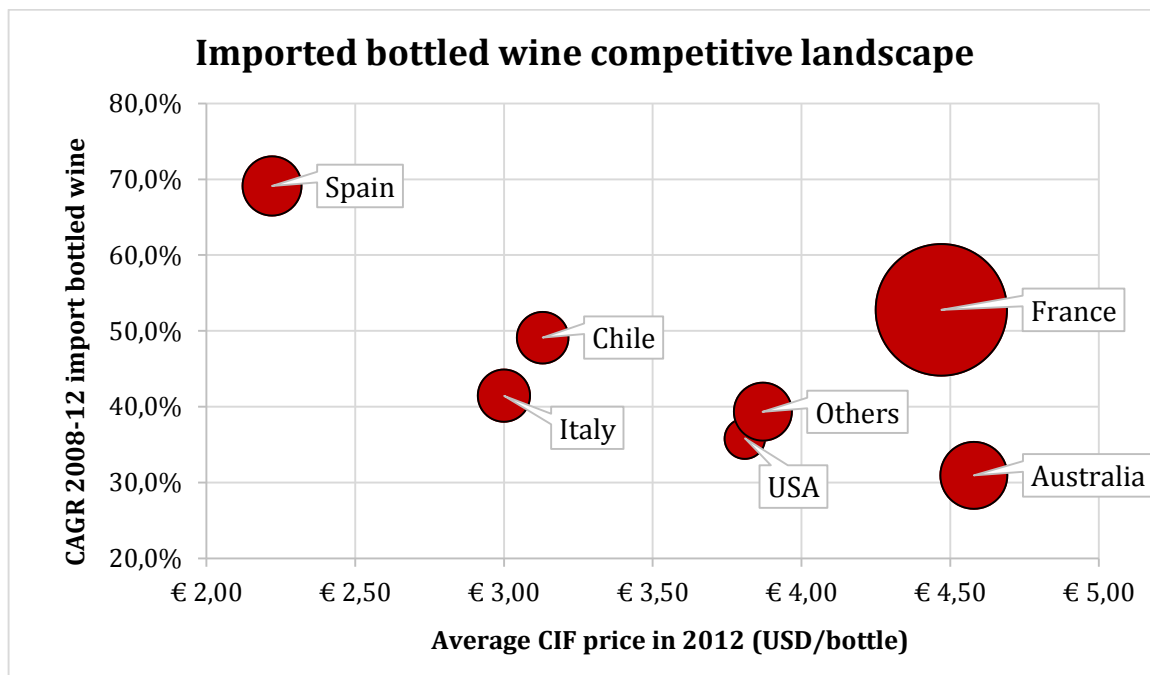
RMB/bottled 750 ml CIF port destination	Price range				
	7 €0,84	12 €1,44	16 €1,92	26 €3,12	36 €4,32
Handling	3.0				
Import duty (14%)	1.4				
Consumption tax (10%)	1.1				
VAT (17%)	1.9				
Duty paid landed	14				
Clearing charges (12%)	2				
Duty paid landed with VAT	16				
Importer/distributor % mark-up	60% - 70%				
Importer/distributor gross profit	10 – 11				
Distributor net price to wholesaler	26 – 28	38 – 40	49 – 52	75 – 80	101 – 108
Wholesaler % mark-up	20% - 25%				
Wholesaler profit	5 – 7				
Wholesaler net price to retailer/hotel	31 – 34	45 - 50	59 - 65	90 - 100	121 – 134
Retailer mark-up	15% - 25%				
Retailer profit	5 – 9				
Retail price	36 – 43	52 - 62	68 - 82	104 - 125	140 - 168
Off-trade price point	40	60	80	120	150
Hotel – restaurant % mark-up	200% - 250%				
Hotel – restaurant profit	62 – 86				
Hotel – restaurant price	93 – 121	135 - 175	177 - 229	271 - 350	364 - 470
On-trade price point	100 €12	150 €18	200 €24	300 €36	400 €48

11 Competitor analysis

In the competitor analysis we will take a look at the strengths and weaknesses of competitors and compare these with the own organization, in order to identify competitive advantages and to prevent or to resolve own weaknesses.

The chart below shows the most important source countries for imported bottled wine in China. The chart shows mainly three different elements (UN Comtrade, sd).

1. The circles display the size of the volume of imported bottled wine per country
2. The horizontal x-axis shows the average CIF price per bottle of imported wine per country
3. The vertical y-axis shows the year-over-year volume growth rate of imported bottled wine per country between 2008 and 2012



11.1 Identification and choice of competitors

In 2012, imported wine accounted for 17.4% of the total market's volume. It is estimated that the majority of imported wine is dominated by a number of large importers, though it is difficult to determine their exact share. ASC Fine Wines, Summergate Wines and Aussino World Wines are among the largest wine importers in China and selected as competitors for the purpose of this research.

ASC Fine Wines:

ASC Fine Wines is the largest wine importer in China and holds the largest market share nationally as well as in several key cities, including Shanghai and Beijing. The company imports and sells a broad portfolio of over 1.200 different wines from 15 different countries, mainly from the mid- to higher segments. ASC Fine Wines was the first company in China to offer wine education courses. Furthermore, it actively holds different wine tasting activities to deepen customer relationship.

Summergate:

Summergate represents 60 wineries from 12 countries, mainly from Chile, France, Australia, Italy and the USA. It has established business partnerships with national hotel groups, large retail chains operating in China and fine dining western and Chinese restaurants. Summergate distributes and

markets the brands to all major food and beverage operators. The company was founded in 1999 and operates from its headquarters in Shanghai.

Aussino World Wines:

Aussino is a key imported wine distributor and offers more than 1.000 wines from around 200 wineries selected from 12 countries. It owns the biggest franchise retail network of imported wine in China. Aussino classifies its retail shops into three categories: Aussino wine corner (low-end), Aussino wine shop (mid-end) and Aussino cellar (high-end). In total, there are nearly 200 retail sales points in China, of which around 40% are self-owned. In 2004, the company introduced the Aussino Wine Club which aims to offer wine knowledge and educations services.

11.2 Objectives and strategies of competitors

ASC Fine Wines:

The strategy of ASC Fine Wines is aimed at increasing its market share in the growing cities of China by importing and distributing the world's greatest wine brands to the most premier wine sellers and most dedicated wine lovers in China. Furthermore, ASC Fine Wines have differentiated their offering with sparkling mineral water and other wine-related products like glasses. The future strategy of ASC will be aimed at fortifying their current position by expanding their distribution system to second- and third tier cities (ASC Fine Wines, sd).

Summergeate:

Summergeate imports, distributes and markets a line-up of carefully selected global brands of high quality wines. They focus on the expansion of an effective distribution system with national coverage. Furthermore, wine knowledge and customer care are at the center of Summergeate's service. Summergeate will focus on maintaining their strengths, being customer service and carefully selecting classic and cutting-edge wines (Summergeate, sd).

Aussino World Wines:

Aussino strives to be a pioneer in the field of wine education by publishing a wine magazine and working closely with influential media companies. Aussino organizes numerous wine tasting through which they want to develop the Chinese wine culture, as well as promote themselves. In the future, Aussino wil continue working to develop wine culture in China, as well as improving their distribution coverage, post-sale service and customer support (Aussino Fine Wines, sd).

11.3 Strengths and weaknesses

The table below shows a comparison of the strengths and weaknesses of FOS compared to those of the competition. The competitors will be compared based on several success factors. Some factors cannot be assessed because FOS is currently not present in China.

	ASC	Summergeate	Aussino	FOS
Knowledge	++	++	++	+
Product range	++	++	++	+
Distribution	++	+	+	-
Service	+	++	+	-
Storage	++	++	++	-

12 SWOT analysis & confrontation matrix

The SWOT analysis will display the most important strengths, weaknesses, opportunities and threats. The results of the SWOT analysis are compared with each other in the confrontation matrix, after which will be determined whether or not certain confrontations provide possibilities for formulating strategic options.

12.1 SWOT analysis

Internal analysis	External analysis
Strengths: <ul style="list-style-type: none"> ▪ Clear organizational structure and short lines of communication ▪ Efficient inventory management ▪ Motivated and involved staff ▪ Profound knowledge of wine within the organization ▪ Products all have good margins for trading ▪ Good relations with suppliers ▪ Fixed weekly transport from Slovenia ▪ Slovenia has a high quality wine production, due to excellent terroir and low yield of grapes ▪ Slovenia has the quality advantage of a great wine region with the cost advantage of an emerging wine region/country 	Opportunities: <ul style="list-style-type: none"> ▪ Growing urban middle-class population with increasing purchasing power ▪ Tier 2 cities are expected to be the main engine of growth for China's wine market ▪ Growing popularity of imported bottled wine, opposed to bulk- and domestic wine ▪ Growing demand for more affordable imported wines ▪ The internet is the most important source of wine information for imported wine drinkers ▪ Imported wine drinkers in tier 1 cities are diversifying their tastes and preferences ▪ Growing consumption of white wine ▪ Growing wine knowledge of consumers, especially in tier 1 cities
Weaknesses: <ul style="list-style-type: none"> ▪ No extensive knowledge of the Chinese wine market ▪ No climate controlled storage facilities ▪ No detailed marketing plan/strategy ▪ No specified budget for marketing activities ▪ No presence on the Chinese market ▪ Slovenia has a small annual wine production ▪ Low awareness of Slovenian wines in international markets ▪ Relatively few red wines 	Threats: <ul style="list-style-type: none"> ▪ Increasing competition in the market ▪ High consumption domestic wine ▪ High levels of corruption ▪ Limited wine knowledge among Chinese consumers ▪ Distributors have strong bargaining power ▪ Complex distribution system and low accessibility to distribution channels ▪ Fear of fake wines ▪ Import taxes and regulations raise barrier to market entry ▪ The majority of Chinese wine drinkers have a preference for red wine

12.2 Justification of SWOT analysis

Strengths:

S1: There is a great deal of knowledge of wine in the organization of FOS. This is particularly of importance for composing the product range and for acquiring new customers.

S2: FOS maintains good relations with their suppliers. This helps ensure that FOS can guarantee their clients reliable delivery times and competitive prices.

S3: The product range of FOS consists of carefully selected quality wines and stands out in particular through its white wines.

S4: Slovenia has the quality advantage of a great wine region with the cost advantage of an emerging wine region/country.

Weaknesses:

W1: The product range of FOS consists of relatively few red wines. This is a good reflection of the annual wine production, which consists of 70% white wines.

W2: FOS lacks an existing network in China. Therefore, FOS is not able to benefit from an existing distribution network and experience with the Chinese market.

W3: Slovenia has a relatively small annual wine production. Therefore, it is difficult for FOS to achieve economies of scale. In result, FOS should take advantage of selling wines with relatively high margins, which tends to be wines from the middle and higher segments.

W4: Slovenia has a low country awareness in international markets, making it more difficult to sell products.

Opportunities:

O1: The home consumption of wine is relatively low as most consumers still purchase wine for different purposes such as gift-giving or banquet dining. The expectation is that home consumption of wine will continue to increase in the future meaning that consumers will increasingly consume wine as an everyday social drink which will give a huge boost to the market.

O2: The growing demand for wine in China, especially imported wine, makes it interesting to enter the Chinese market with the possibility to get a foothold before the market consolidates. The demand for imported wine is growing faster than the overall demand for grape-based wine in China. The domestic production of wine is unable to fully meet the growing demand. Furthermore, due to the increasing purchasing power of Chinese consumers and to the growing supply of imported wine in the middle price segment, many consumers are switching to more affordable imported wine, instead of cheap domestic wine.

O3: As the Chinese wine market matures, consumers are likely to start diversifying their tastes and preferences. This will make consumers more comfortable to try wines from other countries and regions. The growth of the Chinese wine market is largely driven by consumers who purchase expensive and prestigious wines to convey social status by either giving wine as a gift or by serving wine at typical Chinese banquets. French Bordeaux has long been and still remains the wine of choice for many, especially high spending Chinese consumers. Though many Chinese wine drinkers are starting diversifying their tastes and wine preferences. As consumers are getting more experienced with consuming wine they become increasingly comfortable with trying different wines beyond Bordeaux.

O4: Many imported wine drinkers often go online to search for information about wine, through social media, blogs or websites, in order to increase their knowledge about wine, brands and product

origins. The fact that China has a large online community of people with above average interest in wine offers great potential for wine exporters who are seeking to get in contact with end users in order to increase their product/brand/country awareness.

Threats:

T1: The growing demand for wine is attracting many new players in the market, making product and brand differentiation more difficult. The increasing rivalry in the market requires a more creative approach to get the attention of potential customers.

T2: The Chinese market is an upcoming market characterized by consumers with relatively little knowledge of wine. Educating Chinese wine drinkers about wine, brand and countries of origin is often mentioned as one of the greatest obstacles to overcome.

T3: Import taxes and regulations increase the barrier to market entry. Wine exporters will have trouble competing with domestically produced wines in lower price segments where it is often important to achieve large scale in order to generate substantial revenue.

T4: Chinese is notorious for its complex and inaccessible distribution system. It is often difficult to gain insight into the structure of this system and the relations between the parties forming the structure, especially for outsiders. An effective distribution strategy is often mentioned as one of the key factors for success.

12.3 Confrontation matrix

The most relevant internal strengths and weaknesses and external opportunities and threats are selected for the purpose of the confrontation matrix:

Strengths:

1. Profound wine knowledge
2. Good relations with suppliers
3. High quality white wines
4. Emerging wine country

Weaknesses:

1. Relatively few red wines
2. No existing network
3. Small annual wine production
4. Low country awareness

Opportunities:

1. Increasing home consumption
2. Growing demand imported wine
3. Diversifying tastes and preferences
4. Online wine community

Threats:

1. Increasing competition
2. Limited wine knowledge
3. Import taxes and regulations
4. Low distribution access

	O1	O2	O3	O4	T1	T2	T3	T4	
S1				++		+			+3
S2								+	+1
S3	+	+	++						+4
S4		+	+	++				+	+5
W1	-	-			-				-3
W2		--			--			--	-6
W3					-		--	-	-4
W4		--			--	--		--	-8
	+1	+2	+3	+4	-6	+1		+2	
	-1	-5				-2	-2	-5	
Total	0	-3	+3	+4	-6	-1	-2	-3	

12.4 Strategic issues

The core competency combines strengths and opportunities with high scores on the matrix. The core problem combines weaknesses and threats with high scores on the matrix.

S1 + S4 + O4 Educate online wine community

FOS could take advantage of the opportunity which the online wine community offers through informing the community about Slovenian wines. The profound knowledge of wine present in the organization is of great importance.

S3 + O2 Increasing consumption white wine

Although the consumption of red wine is still far superior, the consumption of white wine is increasing significantly, though from a low base. Many Chinese consumers are still not aware of the fact that wine can also be colored white, and those who do know often prefer the taste of whites above that of reds. FOS can take advantage of this opportunity because it has a range of quality white wines.

S4 + O3 More adventurous consumers

As Chinese consumers are increasing their knowledge of wine and are getting more experienced with drinking wine they will start diversifying their tastes and preferences regarding wine. In result, Chinese consumers will feel more comfortable choosing wines from other origins than typical French Bordeaux. This development in the market will offer great potential for wine exporters from lesser known countries such as Slovenia.

S2 + T4 Increase bargaining power

One of the factors that increases the low access to distribution is the high buyer power of intermediaries in the market. As they have large control over the access to the market they are able to select wine exporters and negotiate good deals. Also, they have considerable influence in setting prices at selling point. FOS can increase their own bargaining power by working closely together with its suppliers. Obtaining exclusive rights for the exploitation of products in a specific market can significantly weaken the buyer power of intermediaries as they can only buy the product from one provider.

W1 + O2 Supply red

FOS has relatively few red wines in its portfolio which is considered as a weaknesses because red wine is still the dominant wine of choice in the Chinese market. Therefore, it will be difficult for FOS to take advantage of the growing demand of red wine in the market.

W3 + T1 + T3 Competitiveness

The annual Slovenian wine production is relatively small in scale. This, together with the presence of import taxes and regulations makes it nearly impossible for FOS to compete with wines, often domestically produced, from the lower price segments in the market.

W2 + W4 + T2 + T4 Gaining distribution access

One of the key issues is gaining access to distribution in the market. FOS currently does not have any network in China. The difficult access to the market is intensified by the strong buyer power of intermediaries. The low country awareness of Slovenian wines in combination with the fact that Chinese wine drinkers generally have limited wine knowledge increases the difficulty of gaining access to the market as intermediaries usually prefer to distribute wines which are easy to sell.

12.5 Strategic options

S3 + S4 + T1 Develop private label brand

As the competition in the Chinese wine market increases, it becomes more difficult to differentiate products. FOS has a range of quality wines from Slovenia, a relatively unknown, though emerging wine country. Slovenian wines lack awareness among consumers in the Chinese wine market. In order to differentiate themselves from competitors, FOS should develop a private label brand, especially because China is very much a brand market. Developing a private label brand can contribute to a competitive positioning of Slovenian wine in the Chinese market.

S1 + S4 + O4 Target online wine community

Many Chinese imported wine drinkers frequently go online to source information about wine. (X), (X) and (X) are among the most popular wine websites. In order to create awareness among Chinese consumers, targeting the online wine community could be an effective way to increase the brand and country awareness.

1. Baidu: China's largest search engine, with 65% of total search engine market share
2. Winechina.cn: Wine information website providing wine industry information and news
3. Sina Weibo: China's largest microblog, similar to Twitter
4. Baidu Zhidao (Baidu Knows): User-generated Q&A, similar to Ask.com
5. Wineinchina.com.cn: Wine magazine website/sales platform, the only wine magazine approved by GAPP

W2 + T3 + T4 Gain access to distribution

To gain access to distribution is an important condition for success, as it is impossible to sell products in China without distribution. FOS should focus on forming a partnership with a local distributor who is willing and has the capacity to distribute products and to generate sales.

13 Marketing strategy

The formulation of the marketing strategy is based on the previous analyses and the strategic outcome of the confrontation matrix. The marketing strategy concerns the choice for the positioning of products and services in the market, tailored to the selected target group.

There are currently around 20 million imported wine drinkers in China. This number is estimated to increase to approximately 80 million by 2020, with the majority of new imported wine drinkers belonging to the rapidly growing Chinese middle class with access to buying imported wine because of their increasing purchasing power. An important feature of many imported wine drinkers is that they often go online, in order to learn about wine, brands and wine origins. An estimated 75% of imported wine drinkers often visit websites to search for wine information and roughly 62% frequently uses social media as a source. The online wine community in China offers significant opportunities for wine exporters to increase their brand awareness among end consumers.

The recommended target group for Friends of Slovenia is the segment “Adventurous Connoisseurs”, because they are highly involved consumers who are interested in increasing their knowledge of wine. Furthermore, this group is more adventurous of nature than other segments, as they are willing to try wines of different origins. In addition, this group consists of high-spending consumers, which is relevant because Slovenian wines are generally positioned in the middle to higher prices segments.

Wines from these price ranges are typically sold in specialized stores and top grade restaurants. Specialized stores are more frequently visited by consumers with an above interest in wine. In addition, the shop staff in specialized stores is more likely to possess knowledge of wine. Therefore, they are generally more qualified to advice clients in their choice of wine. The future growth of the market is expected to be largely driven by a growing demand for affordable imported wines. Therefore, it is recommended to mainly focus on selling wines from the mid-range (150 – 200 RMB) and high-end (200 – 300 RMB) price ranges.

Friends of Slovenia should take advantage of the possibilities offered by the online wine community in China, by creating a localized Chinese website. If done properly, a localized Chinese website can be a valuable marketing instrument which will help to increase awareness of Slovenian wines among end consumers. In addition, a well-functioning Chinese website can make a valuable contribution to the process of forming a successful partnership with a Chinese distributor, as marketing support is one of the key priorities for Chinese distributors in the selection of foreign wine exporters.

Furthermore, it is recommended to develop a private label line. Slovenian wines lack awareness among Chinese consumers, which increases the difficulty of selling Slovenian wines in China. However, China is very much a brand market. Chinese consumers generally perceive private label brands to be of high quality. Tailoring products to local needs can be an effective strategy to differentiate yourself from the competition. A well-adapted private label line, in combination with an evenly well-integrated website could potentially create a strong and recognizable brand in order to convince Chinese imported wine drinkers.

Finally, forming a partnership with a local distributor is an absolute prerequisite in order to be successful in China. Therefore, the participation of FOS in wine fairs is highly recommended. The participation in wine fairs offers the possibility to showcase brands and products and to get in contact with potential Chinese partners.

14 Operational plan

The operational plan is used to explain how a strategic plan will be put into operation during a given operational period. The operation plan includes a description of how the marketing instruments should be deployed in order to achieve the strategic objectives within the given timeframe.

14.1 Create private label brand

China is very much a brand market, as many Chinese consumers believe value is associated more with brands than with price, largely because consumers believe branded products are safe, of higher quality and more reliable. Creating a private label brand allows a strong brand positioning in the minds of consumers. In order to create a private label brand the following steps are to be taken:

Step 1: Brand name in Chinese

Having a Chinese brand name that consumers can translate into Chinese and that is easy to pronounce is an important success factor. Chinese people are concerned about saving face, therefore it is important to ensure that consumers feel confident about the pronunciation of the brand name. Western brand names can be translated into Chinese in many different ways:

- Literal translation: the translation reflects the original meaning of the brand name.
- Phonetic translation: the original brand name is translated into a combination of characters that when pronounced approximates the sound of the original brand name.
- Combination of literal and phonetic: a phonetic translation that uses Chinese words reflecting the brand meaning or essence.
- Entirely new brand name: a name chosen with either a loose or no connection to the original brand name.

Step 2: Front label design

The second step is designing a front label that will appeal to Chinese wine consumers. According to a research of Wine Intelligence consumers typically identify eight different label categories. However, mainstream consumers typically distinguish only two different wine label styles. The key distinction between these two styles is basically whether a label feels “traditional” or “modern”. Traditional labels are often regarded as a sign of quality and seen as more appropriate for more formal occasions, as well as for gifting to family members or business associates. Modern labels are strongly associated with New World wines.

Step 3: Back label design

Back labels can be used to provide information about the wine. Many countries have regulations that require information on the quality and origin of the wine to be present on the back label. Chinese regulations require a specific back label that meets certain requirements for any bottle of wine passing through Chinese customs. If the brand owner fails to provide a back label that meets the requirement, the importer will often produce a simple back label/sticker, with only the most basic information. Importers often place this sticker next to the original back label or simply on top of it. There is a considerable language barrier between international wine brands and Chinese consumers who often have limited knowledge of foreign languages. For the average Chinese consumers, processing information in Chinese is easier and more comfortable than in English for example. Chinese consumers typically turn the bottle around and look at the back label in search of information.

The following information is required for imported wine back labels by Chinese customs regulations:

- Brand name
- Country of origin and/or region of origin

- Ingredients (raw material and additional ingredients)
- Alcohol content
- Name, address and contact details of importer/distributor
- Bottling date
- Storage condition
- Net weight

The following information is often included in imported wine back labels. Although they are not required by regulations, it is recommended to consider including them.

- Producer name
- Vintage
- Wine category (dry/semi-dry/sweet/semi-sweet)

The back label is used to provide information about the wine. Among the most important types of information that consumers want to see on a back label are:

- Information about the region of origin
- Description of taste
- Information about the producer
- Information about how the wine was produced
- Brand name in original language
- Recommendations on pairing with Western food
- Chinese brand name
- Recommendation of pairing with Chinese food
- Website
- Weibo account name
- QR code

Communicating what the wine tastes like has become increasingly important. First of all, it is recommended to refer to general concepts regarding the taste of wine, such as sweetness, acidity, fruitiness and astringency. Simple descriptors help the consumer to quickly understand the overall style of the wine. Secondly it is important to provide more detailed information on the wine style. Descriptions may vary depending on the style of the wine. Examples of words used to describe the wine style are: delicate/refined, soft, mellow, rich, fresh and easy to drink. Furthermore, consumers look to avoid wines that are defined as sharp, astringent or bitter.

Besides the fact that imported wines are required by regulations to have at least a basic Chinese back label, in order to be sold in China, the back label offers the possibility to engage directly with Chinese consumers using the language and format that they prefer (Wine Intelligence, sd).

14.2 Target online wine community

With more than 500 million Internet users, China has one of the best connected populations in the world. Many Chinese consumers regularly visit websites to increase their brand awareness, including many Chinese imported wine drinkers. If properly planned and executed, a localized Chinese website could be a very effective keystone for a successful marketing strategy in China. However, simply translating your website into Chinese is not going to do the trick. There are a number of conditions and challenges that must be taken into consideration.

China domain registration

According to the new China domain registration rules issued by China Internet Network Information Center (CNNIC) foreign companies are no longer required to have a local presence in order to be allowed to register China domain names (.cn/.com.cn). In addition, you do not need a trademark or brand name to register China domain names. Having a Chinese domain extension will increase the

credibility of your Chinese website. There are some requirements relating to Chinese domain registration:

- Business registration number
- A scanned copy of the registrant's business certificate
- A scanned copy of the registrant's proof of identity
- A scanned copy of a signed Letter of Commitment

Web hosting

It is not required to host the Chinese website inside mainland China. However, hosting your website in mainland China is recommended as it should make your website more accessible to your target users, especially if you have a business entity in mainland China. If your website is hosted in mainland China, you must obtain an ICP license (Internet Content Provider) which is a permit issued by the Ministry of Industry and Information Technology (MIIT) to permit China-based website to operate in China. The ICP license can be obtained from www.miibeian.gov.cn. The ICP license numbers for Chinese websites can often be found on the bottom of the website homepage. If you do not have a business entity in mainland China, it is recommended to host your website outside mainland China. For example in Hong Kong as it is in close vicinity to mainland China and makes your website more accessible to Chinese users. If a website is not hosted in mainland China, but it is on a .cn domain, the requested Letter of Commitment must be submitted. If CNNIC discovers that you are in breach of this policy and host your website within mainland China, the domain name may be suspended.

China Search Engine Optimization (SEO)

Baidu is the leading search engine in China. SEO will increase your visibility on the Chinese search engine and will enable Chinese internet users to find your website online. The benefits of SEO can be very valuable, especially in the long turn. Baidu SEO has a few different tactics compared to Google SEO.

- On-site Search Engine Optimization
- Off-side Search Engine Optimization
- Baidu Integrated Marketing
- Performance Tracking
- Ongoing reporting and improvement

Social Media Marketing (SMM)

Effectively integrating social media in your marketing campaign enables you to develop a relationship between you and your customers. Especially in China, it is very important to build a good relationship with your current and potential customers. However, exploiting social media in China is not an easy task, especially when you are not a big brand and don't have a local team. Chinese people use different social media platforms than western people. For example, Facebook and Twitters are blocked in China. Instead, Chinese people use social media platforms, such as Weibo, Sina Weibo, Tencent Qzone (equivalents of Facebook and Twitter), Tencent Wechat (mobile communication and private social networking app), Renren (equivalent of Facebook), Youku & Tudou (equivalent of Youtube in China), etc.

Mobile Marketing

Mobile marketing is becoming increasingly important in China and offers huge potential in the future due to the significant increase of mobile internet use in China. Around 75% of internet users access the internet through mobile devices in 2012. In case you want your current and potential customers to be able to access your website on mobile devices it is recommended to optimize your web pages (or a selection) from your normal website and make them accessible on mobile devices, both Apple and Android (Chinese Website Design, sd).

Chinese translation

It is wise to invest in a translator who is a native speaker and currently lives in the target market, especially when targeting a younger audience. With respect to the translation, it is important that the translation appeals to the target audience. Furthermore, it is important to consider whether to translate to traditional Chinese characters or to simplified characters. When only focusing on mainland China it is a good idea to focus on simplified characters, as opposed to traditional characters which are widely used in Hong Kong, Taiwan and Malaysian Chinese. Translating your website is more than directly translating keywords, articles and other content into Chinese. It is important to identify keywords and use them in the translation in order to make sure that the content on your website is search engine friendly.

14.3 Gain access to distribution

To gain access to distribution is the main condition for success in China as it is impossible to sell products in China without being able to distribute products. Forming a partnership with a local distributor who is willing and has the capacity to distribute products and to generate sales is indispensable. Unfortunately, the establishment of a sustainable and effective cooperation with a local partner is perhaps the greatest challenge in China. A good preparation and knowing the do's and don'ts will likely increase your chances of forming a successful partnership.

China wine fairs/exhibitions:

Participating in wine fairs provides an opportunity to put your company in the spotlights and to create brand awareness. In addition, wine fairs are a good way to attract new customers, especially when you want to target wholesalers or customers from the hospitality industry.

Winexpo 2015 (Shanghai)

Winexpo is the abbreviation for Shanghai International Wine & Spirits Exhibition. Winexpo aims to become China's largest professional wine and beverage fair. During the Winexpo 2014 edition there were over 60 international wine brands which presented their products. The exhibition area covered 40.000 square meters. More than 80.000 professional visitors from over 132 countries attended the fair, consisted of traders, distributors, agents, restaurants, supermarkets, media, Chamber of Commerce, etc. Winexpo 2015 will take place from April 1-3.

Interwine China 2015 (Guangzhou)

Interwine China is one of the leading trade fairs for wine and liquor held annually in Guangzhou. Exhibitors range from wine producers, distributors, importers, wholesalers, retailers, hotels, restaurants, etc. Exhibitors have the possibility to meet with importers and other potential buyers from not only key cities such as Guangzhou, Shanghai and Beijing, but also from fast growing consumer cities markets in second and third tier cities. The exhibition are covers over 30.000 square meters. Interwine china 2015 will be held from May 10-12.

Topwine China 2015 (Beijing)

Topwine China is the largest wine event in Beijing organized for the wine industry to showcase new vintages and product innovations. Topwine China provides an excellent platform for networking and meeting professionals from the wine industry. With over 8.000 professional visitors during the 2014 edition, Topwine China is smaller in scope compared to, for example, the Winexpo exhibition. The venue of Topwine China covers around 22.000 square meters. Topwine China will be held from June 4-6 and is particularly interesting if you want to target the more northern regions of China (Current & Upcoming Trade Shows and Trade Events for Wine & Spirits, 2015).

14.4 Financial explanation

This chapter provides details of the estimated time and costs required to implement the marketing instruments as described in the operational plan. The effect of the investment on the sales is difficult to predict. As a result, no estimation can be given concerning the expected return on investment. The company objectives will be the basis for evaluating future results. Friends of Slovenia has set the objective to enter the Chinese market in order to realize structural sales and growth. More specifically, Friends of Slovenia has set the objective to achieve a turnover of €500.000 by the end of 2017.

The first step towards realizing the company objectives is creating a private label brand. In preparation, it is necessary to select a suitable supplier and then discuss the possibilities and conditions. Furthermore, it is recommended to involve an external professional in the creative process of developing a new brand. Preferably, someone who has an affinity for the Chinese market.

Activity	Estimated optimization and implementation time	Costs
Brand definition	20 hours	€1.150
Develop name, logo, labels etc.	40 hours	€2.300
Chinese translation		€1.000
Total		€4.450

Costs of implementing marketing activities based on the average marketer salary of €1.800 a month working 40 hours a week. Estimated 30% on top of the €1.800 are the total costs for a company to hire an employee: €2.300. It is recommended to develop the new Chinese website step by step, by first developing and translating only the most relevant pages. First, it is important that the web site is operational and easily accessible to Chinese consumers. Secondly, it is important to think carefully about which content you want to add to the website (Personeelskosten, sd).

Activity	Estimated optimization and implementation time	Costs
Domain registration + web hosting		€ 205 (yearly)
Website building		€ 2.000
Translation (approximately 5000 words)		€ 1.000
Total		€ 3.205

Finally, after the completion of a new private label brand and the launch of a localized Chinese website, Friends of Slovenia will be ready to visit a wine fair. The table below provides an indication of the costs of visiting Top wine China 2015, which will be held from 4-6 June in Beijing.

Activity	Costs
Costs stand (9m ²)	€ 2.565 space only (€ 3.510 walk on package: includes stand structure consisting of walls, carpet, 1x1 storeroom, furniture, electrical (spotlights and power socket) and daily stand cleaning)
Costs hotel and flight	€ 1.000 per person x 2
Wine sampling	€ 600 (12 bottles per species x 6 wines) 24 x € 12 24 x € 8 24 x € 5
Total	€ 6.110

In preparation of visiting a wine fair in China, it is recommended to include supporting promotional materials, such as: business cards and product sheets (Marketingmateriaal, sd).

Activity	Costs
Business cards (2 x 1000 units)	€ 130
Translating product sheets (6 descriptions of approximately 250 words each)	€ 300
Printing product sheets (6 x 100 units)	€ 500
Total	€ 930

The total costs of setting up marketing activities include an estimated € 14.695, and is based on the participation in the Topwine China 2015 wine fair. In case FOS wants to participate in the 2015 edition of the wine fair, it is highly recommended to implement the operational plan in preparation of visiting the wine fair, which means that the operational plan must be realized within a period of approximately four months.

15 Conclusions and recommendations

This chapter includes the answers to the research questions which are based on the previous analyses in this study, followed by the final recommendations.

The Chinese wine market is an emerging market, characterized by high growth and a rapidly growing base of imported wine drinkers. However, the Chinese market offers significant barriers that have to be overcome in order to achieve success. Identifying potential barriers and devising the right strategy is the first step towards overcoming these barriers and achieving success, after which careful planning and implementation of the strategy is required to optimize the chances of success.

- *Which factors influence the organization's internal environment, and what are the organization's internal strengths and weaknesses?*

Friends of Slovenia is a wine importer based in Leerdam and specialized in the import of quality wines (white wines in particular) from Slovenia with an excellent price-quality ratio and good margins for trading. Slovenian wine production benefits from excellent terroir and low yield of grapes. Slovenia has the quality advantage of a great wine region with the cost advantage of an emerging wine region.

On the other hand, Slovenia has a small annual wine production that makes wines from Slovenia commercially less attractive when focusing on achieving large scale distribution. Furthermore, wine originating from Slovenia generally has low awareness among consumers in international markets, making it more difficult to sell.

The product range of FOS consists of carefully selected quality wines and stands out in particular through its white wines. The selection consists of relatively few red wines, as red wines represent only 30% of the annual Slovenian wine production. FOS maintains good relation with their suppliers, which helps to ensure that FOS can guarantee their clients reliable delivery times and competitive prices. The organization has a small staff and relatively few resources.

- *Who are the organization's potential customers and what are their needs?*

China currently has around 20 million imported wine drinkers, of which the majority is located in so-called Tier 1 cities (Beijing, Shanghai and Guangzhou). The number of imported wine drinkers is estimated to increase to 80 million by 2020, with the majority of new drinkers coming from Tier 2 cities (Wuhan, Chengdu and Shenyang among others). Imported wine drinkers are typically urban residents, aged between 18 and 49 and earn 4.000 RMB per month or more.

Sales of imported wine in Tier 2 cities still largely rely on top grade hotels. At the same time, Tier 1 cities are diversifying sales through retail and specialized stores. The growth of the Chinese wine market is still largely driven by consumers who purchase expensive and prestigious wines to convey social status by either giving wine as a gift or by serving wine at typical Chinese banquets. French Bordeaux still remains the wine of choice for many Chinese consumers, especially high spending consumers.

Chinese customers buy wine either in on-trade or off-trade channels. Hotels, restaurants and bars are among the most popular on-trade channels as they distribute 46% of the total market volume and 72% of the total market value. Chinese wine sales peak during the Chinese New Year and the Mid-Autumn Festival which together account for approximately 60% of the annual wine sales in China. Country of origin and price remain the dominant choice cues in the Chinese wine market.

The Chinese wine consumers is typically a market follower who needs to feel confident about purchasing wine and does not want to lose face by choosing the wrong wine or having to admit that his knowledge of wine is limited. This is especially true when consumers purchase wine for gift-giving

or typical banquets. Chinese consumers are generally in a low-involvement situation when purchasing wine for private consumption and tend to focus more on price. Brand image is also an important factor for Chinese consumers, as the Chinese market is very much a brand market. The brand name and both the front and back label are among the critical success factors in the Chinese wine market. Having a brand name which consumers can translate into Chinese and that is easy to pronounce in order to ensure that consumers feel certain about the pronunciation of the brand name is particularly important in the Chinese culture, where people worry about keeping ones pride and saving face. Concerning wine labels, Chinese wine consumers typically check the front and back label of a wine bottle as they provide consumers with key information on the wine and wine origin in a language that they can understand. In addition, certain information is required by regulations.

The potential customers of FOS are situated in the B2B environment, including both on-trade and off-trade businesses. The on-trade is composed of businesses where wine is consumed on the premises, such as hotels, restaurants and bars. With regard to imported wine, the on-trade sector represents a market share of 80% and 92% in terms of volume and value, respectively. However, the off-trade sector is expected to gain more market share as wine is increasingly becoming more mainstream. Lower-end wines are generally sold in off-trade businesses.

Distributors are the major intermediaries in the market and involved in the selection of wine exporters. The majority of imported wine sales are established between distributors and hotel and retail procurement centers at point of sale. Independent on-trade businesses and retailers often source from wholesalers due to relatively low volumes. Only a small share of imported wine enters the market without involvement of intermediaries. It is estimated that over 1.000 importers/distributors control the market entry, whereas over 10.000 wholesalers operate and distribute products regionally. Most bottled wines in China are imported through Shanghai and Guangdong (mainly Shenzhen port) which serves the north and the south market, respectively.

China is very much a brand market, consumers like to find a brand and feel comfortable and confident with it. Therefore, “branding” is a very important tool in order to make products/brands appeal to local needs, potentially making it a very effective way for companies to differentiate themselves for their competitors.

A common source of disagreement between exporters and distributors comes from the allocation of marketing resources and strategies. Distributors generally focus on “easy to sell” brands, because they require less marketing effort and therefore offer relatively high margins. Price and margins are the primary factors to consider for distributors, retailers and hotels/restaurants along the value chain. For products with comparable margins, distributors will likely choose more recognized labels, which makes building up a brand more attractive. Distributors and retailers often already have a large portfolio of wines and therefore, are willing to consider new wines only if the expected profit is justified with minimum marketing effort.

- *Which factors influence the organization’s external environment, and what are the opportunities and threats deriving from the external environment?*

The Chinese wine market is a rapidly growing market with an annual consumption growth rate of 23.5% between 2008 and 2013. The market is expected to continue to grow, though at a slightly slower pace with an annual growth rate of 12.5% between 2013 and 2017. China is currently the fifth largest wine consuming country in the world. The annual per capita consumption of Chinese consumers reached 1.3 liters in 2012, still far below the French average of 46.1 liters per capita.

The Chinese wine market is dominated by red wine, which accounted for over three quarters of the total wine consumption, in terms of both volume and value. The consumption of white wine is expected to grow by 13.7% between 2012 and 2016, although from a lower base. The majority of Chinese consumers prefer sweet wines with strong fruity flavors. The growth of white wines is

expected to focus especially in the south of China, where white wines match better with the lighter, seafood orientated cuisine.

The growing popularity of imported wine, opposed to domestic produced wine is reflected by Chinese wine import trade figures. The volume of imported bottled wine grew annually by 46.5% (CAGR) between 2008 and 2009. In comparison, the volume of domestic produced wine grew by 25.8% over the same period. The volume of imported wine has surpassed the volume of bulk wine for the first time in 2009. In 2012, imported wine accounted for 17.4% of the total market's volume. Imported French wine is still the most popular choice of wine for Chinese wine consumers, followed by Australia, Italy, Spain and Chile.

Tier 1 cities are currently the leading wine markets in China as they represent the majority of both the market's value and volume. However, Tier 2 cities are expected to be the main engine of growth for China's wine market, especially in terms of volume growth. This is mainly due to the growing urban middle class population in Tier 2 cities that gain access to buying imported wine because of their increasing purchasing power. The future growth of the market largely depends on the rapidly expanding middle class population with increasing purchasing power.

The home consumption of wine is still relatively low as most consumers still purchase wine for different purposes such as gift giving or banquet dining. More and more Chinese consumers are expected to increasingly consume wine as an everyday social drink, which will give a huge boost to the home consumption of wine, and thus the wine market in general. The growing demand for imported wine will largely focus on wine from the middle price segment, as many consumers are switching to more affordable wine, instead of cheap domestic wine.

An important feature of the new generation of Chinese wine drinkers is that they are typically relatively young of age and generally well connected on the Internet. China has a large community of imported wine drinkers who often go online to search for information about wine in order to increase their knowledge about wine, brands and wine origins, either through social media, blogs or websites. The wine market will mature as consumers increase their knowledge about wine, meaning that consumers are likely to start diversifying their tastes and preferences. As a result, consumers will likely become more comfortable to try wines from countries and regions, other than typical French Bordeaux.

- *Who are the main competitors in the Chinese wine market and how do they differentiate themselves?*

The rapidly growing wine market is attracting many new players from many different countries, all of which are looking to gain a foothold in China. It remains difficult to determine the exact strategies of competitors. Because of the growing demand for more affordable imported wines due to the rapidly expanding middle class, many wine distributors will likely focus on wines that are suitable for this group of consumers. Many large players in the market will try to defend and expand their market share by maintaining a large product portfolio and by aiming at different price points in the market and therefore are able target different segments in the market. In addition, they aim to maintain and improve a strong national/regional distribution coverage. Furthermore, they hold wine tastings to educate customers and to deepen customer relationships.

- *What is the best strategy to respond to the opportunities and threats in the market, taking the organization's strengths and weaknesses as a starting point?*

The Chinese wine market is growing rapidly and already the fifth largest in the world. The market still offers huge growth potential, given the fact that the per capita consumption is only 1.8 liters. Nonetheless, it is important to realize that the Chinese market is still in an early stage of development. That means that the market is still largely driven by consumers who purchase expensive and prestigious wines to convey social status by either giving wine as a gift or by serving

wine at Chinese banquets. Therefore, it is no surprise that typical French Bordeaux wine is still the wine of choice for many Chinese consumers. The market is growing rapidly, which means that the situation in the market also can change quickly. It is difficult to make exact predictions about the future of the market because there are always unpredictable and unforeseen factors that affect the development of the market. Nevertheless, there are several ongoing trends which will, to a great or lesser extent, shape the future of the market, such as increasing home consumption, increasing consumption of white wine, and a growing customer base of relatively young and more adventurous wine drinkers who are engaged online in order to increase their wine knowledge. In order to take advantage of the opportunities in the market, it is recommended that FOS responds to the current trends in the market by applying a middle to long term strategy.

First of all, it is recommended that FOS develops a private label brand which is adjusted to local needs and requirements. Because of the fierce competition in the market and the fact that Slovenian wines are unable to benefit from the country of origin effect, branding can be an effective strategy for FOS to differentiate them self from competitors and to bring products to the attention of both end consumers and intermediaries in the market.

Secondly, it is recommended to target the online wine community by focusing on the online communication to end consumers. Developing a localized Chinese website allows for a relatively cost-effective strategy to target imported wine drinkers in China. Operating a localized Chinese website can be an important instrument to differentiate yourself from the competition. In addition, it can make a significant contribution to finding strategic partners as a Chinese website can provide valuable marketing support, which is one of the key priorities for distributors in the selection of suitable exporters.

Finally, gaining access to distribution in China is the most important condition for success, as it is impossible to sell products in China without distribution. Chinese distributors/intermediaries have considerable influence on the supply chain of wine in China, as they are involved in the selection of wine exporters and supply the majority of wine to on-trade and off-trade businesses at point of sale. It is recommended that FOS participates in wine trade fairs, which provides a good opportunity to showcase your brand and product and to form a partnership with a local distributor who is willing and has the capacity to distribute products and to generate sales.

16 Reflection

Problem definition

Friends of Slovenia was founded with the aim of establishing new economic activities between the Netherlands and Slovenia, starting with importing Slovenian wines and selling them on the Dutch market. The strategy of FOS is focused on acting as an intermediary in the market by aiming to realize sales in the B2B market. The Dutch wine market is relatively small and showing signs of maturity, characterized by low growth, low evolving customer desires, low investment and consolidation by leading competitors, which has left the management of FOS wondering if the Dutch market offers sufficient growth potential in the near future.

In my opinion, the relatively small and saturated home market, in combination with the company's objectives for growth and turnover justifies the interest of FOS in the rapidly growing Chinese wine market. I believe the insights gained through this study have succeeded reasonably well in providing informed recommendations on how to approach the Chinese wine market. On the basis of the research conducted in this study, I am convinced that the Chinese wine market offers real opportunities for organizations with the right strategy, even for organizations of modest size. However, I have also tried to emphasize that the Chinese market is very complicated and offers considerable risks as well, some of which are difficult to predict in advance. Therefore, serious commitment and determination is required in order to achieve success.

Methods of research

How can Friends of Slovenia best deploy its marketing instruments in support of the strategy, in order to enter the Chinese wine market and achieve a turnover of €500.000 by the end of 2017?

The answer to the problem statement has been provided through the following methods of research:

Desk research: This research is based solely on desk research. The advantage of desk research is that you can make use of information that is already available, and you do not have to research yourself. Therefore, you can take advantage of a wide range of information which is available on the research topic. One of the disadvantages of information obtained through desk research is that it is sometimes difficult to determine the reliability of information. Occasionally it happens that you will find inconsistent data from different sources related to a specific topic. Therefore, it is sometimes necessary to combine data from different sources to get a clear view of the big picture.

Field research: This research does not provide additional data obtained through field research, as this research only uses information obtained through desk research. The reason for the absence of primary research is related to the practical limitations of doing primary research in China, due to geographical, technical and linguistic barriers. One of the advantages of field research is that you can do focused research on specific information that you deem useful for your research, which can be helpful to gain a deeper understanding of the target market and to determine which aspects of the target market are important to further investigate. In order to compensate for the absence of field research in this study, I have chosen to collect and study existing in-depth interviews with industry insiders, done by third parties. This provided an opportunity to obtain information of explorative nature on the Chinese wine market, without actually doing field research. However, the absence of primary research does provide a reasonable shortcoming in this study, as it would have been useful to obtain more detailed information on, for example, the needs and desires of specific Chinese customer segments and their current perception towards Slovenian wines. From this perspective, it would have probably been easier to explore the opportunities for Slovenian wines on the Dutch market.

In my opinion, the conclusion and recommendations succeed in providing a considered and justified answer to the problem statement. At the same time, I do believe that additional research is required in case Friends of Slovenia decides to actually start implementing the recommendations in this study.

Proposal for a supplementary study

I would recommend doing a supplementary study on the needs and desires of Chinese consumers and their perception of products originating from Slovenia. It would be particularly useful to learn more about the perception of potential customers towards wines from Slovenia and to know if they have any knowledge about Slovenia in the first place. This would be valuable input for the development of an appealing brand. Obtaining such specific information requires a form of physical presence in China, for example by putting together a test panel, consisting of imported wine drinkers located in China. In addition, this would allow you to do more research into what type of information Chinese consumers would like to see when browsing the Internet in order to increase their knowledge of wine, brands and countries of origin. This would in turn be useful in the development of a localized Chinese website, for instance to determine which content to add to the website. In short, it is recommend to find a way to get direct feedback from potential customers in the target market, as this will be particularly useful in developing an effective brand/product positioning.

What would I have done differently?

If I had the opportunity to re-conduct the study, there are several things I would have done differently. First of all, I would have put more effort in the preparation of this research. This way, I would have been more aware of issues such as: what are the potential restrictions of my research? What do I want to research and how do I plan to get the information I need? Furthermore, I would have put more effort in the planning of my research. Right now, it took far too long for me to finish my research. I believe that I could have made it easier for myself if I had used a more specific and detailed planning of my research. In addition, I would have asked for help much sooner, whenever the progression of my research stagnates.

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18 Appendix 1: Theoretic framework part B

The overall design of the research process is that a combination of the internal analysis and the external analysis forms the basis for the formulation of objectives and strategies. The main purpose of the internal analysis is to determine the organization's internal strengths and weaknesses. The combination of Strengths, Weaknesses, Opportunities and Threats (SWOT) forms the input for the development of the strategy. The main purpose of the external analysis is to gain insight into the opportunities and threats. The external analysis will be analyzed using the ABCD analysis (customers, industry, competitors and distributors). The internal analysis and external analysis together form the situational analysis. Finally, the strategy will be converted into an operational plan, which describes how the strategy can be implemented (Alsem, 2013).

Mission, vision, value strategy and market definition (chapter 2)

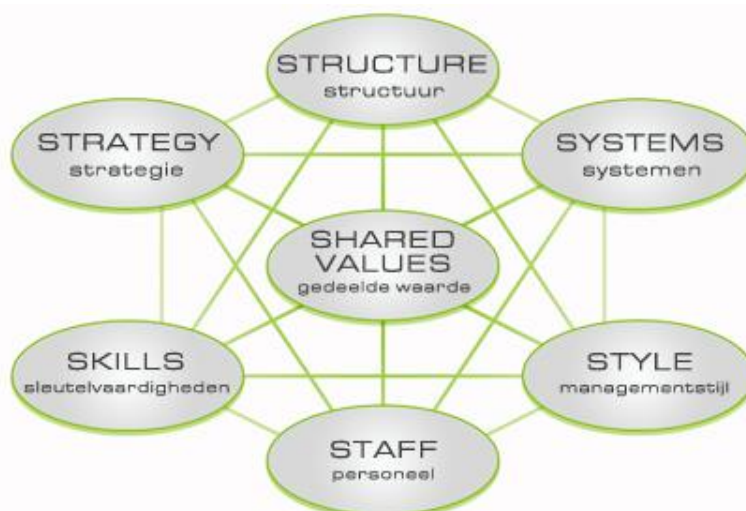
The first step includes a definition of the market and current activities, including vision and mission, and an evaluation of the results obtained. This first step results in a description of the problem statement, after which the research questions are formulated. The purpose of this study is to find a solution to the problem statement by answering the research questions.

Internal analysis (chapter 5)

The internal analysis aims to identify the internal factors which are important for finding a new strategy. This includes the strengths and weaknesses of the organization, the product and the marketing instruments. The strengths and weaknesses will be compared with those of the competitors at a later stage. Internal strengths may provide starting points for defensible competitive advantages, while the internal weakness need to be improved. In addition, the internal analysis is supplemented by an application of the Perlmutter theory and an evaluation of the organization's export motivation.

The organization will be analyzed using the 7S model of McKinsey. This model is used to describe the organization on the basis of seven interrelating factors and is widely used by marketers around the world to measure the performance of the organization. The 7S model is divided into soft and hard elements. The hard elements in the 7S model are strategy, structure and systems. The soft elements are style, shared values, skills and staff. The 7S model will help to answer the following research question:

- *Which factors influence the organization's internal environment, and what are the organization's internal strengths and weaknesses?*



In addition, the internal analysis is supplemented by the EPRG model, which is an international business model introduced by Howard V. Perlmutter in 1969. The model describes a number of basic concepts regarding the process of internationalization. The attitude of an organization, including both the management and staff, towards the process of internationalization determines the type of the organization. With this assumption in mind, there are four types of organizations each with its own culture of internationalization. The model emphasizes that an organization in the process of internationalization basically passes through four phases. Perlmutter views the process of internationalization as a learning process, in which especially the attitude of the management in regard to other cultures plays an important role. Perlmutter's EPRG model will help to answer the following research question:

- *Which factors influence the organization's internal environment, and what are the organization's internal strengths and weaknesses?*

The EPRG model and the process of internationalization				
Phase	Management culture	Marketing	Markets	Strategy and/or structure
National	Ethnocentric	Domestic market marketing	Domestic market first area of maintenance	Conservative core value
Occasional export	Ethnocentric	Export marketing	Occasional foreign markets	Passive market development central issue
Export	Ethnocentric	Export marketing	Some permanent foreign markets together with occasional foreign markets	Active market development central issue
International	Regionally centered with polycentric features	International marketing	Several permanent and few occasional foreign markets	Active internationalization with decentralized structures
Multinational	Mainly polycentric with regional centered applications	Multinational marketing	Several permanent markets, arranged in groups of domestic markets of areas of maintenance	Active multinationalization on the basis of a central head office and central structures and regional head offices
Global	Geocentric	Global marketing	World as one	Worldwide diversification and structuring
Global	Geocentric with regionally centered applications	Global marketing aware of local marketing adjustments	World market with local preferences	Worldwide diversification with local accents

The four types of organizations are described in detail below:

- **Ethnocentric:** the organization is strongly focused on the home country where all the major decisions are made. The policies for the home country forms the basis for the marketing policy abroad.
- **Polycentric:** this orientation is the opposite of the ethnocentric orientation. In this orientation the management is aware of international markets and cultural differences and takes this into account in the drafting of international policy. Foreign branches have often have a high degree of autonomy.
- **Regiocentric:** in this orientation the management recognizes that there are substantial differences between regions at global level. In the drafting of international policy the management takes into account external influences and differences at the regional level.
- **Geocentric:** This approach assumes that there are both essential differences and similarities between domestic and foreign markets. The purpose of this orientation is to develop a global approach within local autonomous operating divisions of the company (Veldman, 2009).

Finally, the internal analysis will be concluded with the evaluation of the organization's export motivations.

Customer analysis (chapter 7)

The customer analysis is part of the external analysis and the first step in the ABCD analysis. The customer analysis aims to provide insight into the needs and perceptions of potential customer groups/segments and will help to answer research question (?). The customer analysis will be examined using the model of Ferrel. This model will help to answer both research questions 2 and 3:

1. *Which factors influence the organization's external environment, and what are the opportunities and threats deriving from the external environment?*
2. *Who are the organization's potential customers and what are their needs?*

The model of Ferrel is based on the so-called 6W's which are explained in more detail below:

- Who are the potential customers?
- What do customers do with products from this category?
- Where do customers buy the products?
- When do customers buy the products?
- Why and how do customers choose the products?
- Why do potential customers not buy the products?

In order to identify potential customers, the target group needs to be segmented. The target group can be segmented on three different levels:

- A. **General level:** the target group will be segmented based upon geographical, demographical, socioeconomic and physiographical variables, such as: age, gender, education, income, region and so on.
- B. **Product level:** the target group will be segmented based upon variables related to features associated with the product, as well as buyer behavior and user behavior of customers.
- C. **Brand level:** this level includes variables related to brand awareness, brand association and brand loyalty of customers.

Industry analysis (chapter 9)

The industry analysis will be applied to gain insight into the industry and the interest groups that are part of the industry, such as competitors, distributors and suppliers. The first aim of the industry analysis is to identify potential opportunities and threats, and secondly to gain insight into the overall attractiveness of the market. The following three categories are analyzed as part of the industry analysis:

- Macro environment factors: The macro factors will be described using the DESTEP model.
- Market factors: These factors are related to the size and the growth of the market.
- Industry factors: These are factors such as the intensity of rivalry in the market and are described using Porter's five forces model.

As previously mentioned, the macro environment factors will be described using the DESTEP model. The macro environment involves all major external and uncontrollable factors that may influence an organization's decision making, and thereby affect an organization's performance and strategies. The DESTEP model will help to answer research question 2:

- *Which factors influence the organization's external environment, and what are the opportunities and threats deriving from the external environment?*

The DESTEP factors are described in detail below:

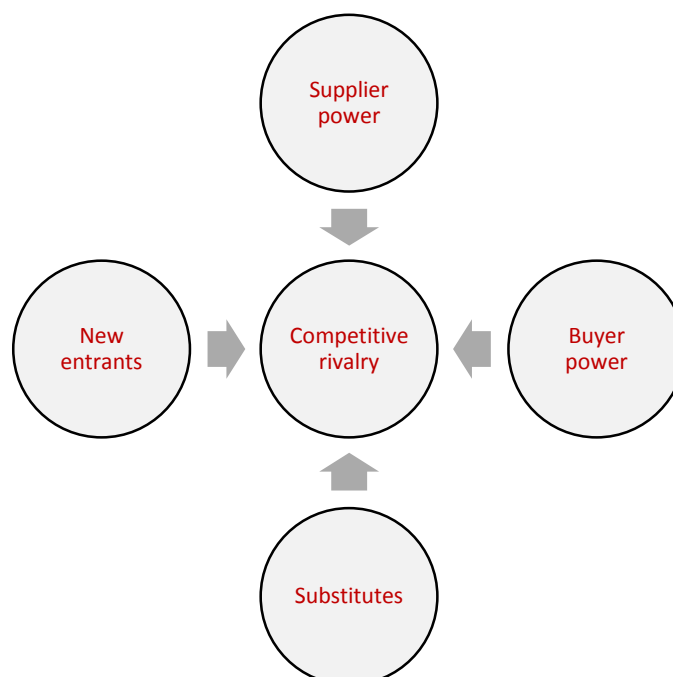
- **Demographic factors** are characteristics of the population, such as: age structure, household size, degree of urbanization etc.
- **Economic factors** are characteristics of the economic situation of a country, such as: gross national product (GNP), purchasing power, average wages, import/export, unemployment rate etc.
- **Sociocultural factors** are characteristics of the culture and lifestyle habits, such as: lifestyle, leisure activity, education level, religion, norms and values etc.
- **Technological factors** are characteristics of technological development, such as: innovation, degree of adoption of technology, changes in life style through technology etc.
- **Environmental/ecological factors** are characteristics of the physical environment, such as: climate, weather, pollution etc.
- **Political/legal factors** are characteristics of government policies, such as: legislation, government intervention, government influence on business, political influences etc.

The industry factors are described using Porter's five forces model. These five interrelating factors together determine the degree of competition in a market. It is generally assumed that the higher the degree of competition in a market, the lower the attractiveness of the market is considered to be. According to Porter, the market attractiveness can be translated into the degree of profitability of a market. Porter's five forces model will help to answer research question 2:

- *Which factors influence the organization's external environment, and what are the opportunities and threats deriving from the external environment?*

Porter's five forces are described in detail below:

1. Supplier power: relates to the degree of bargaining power of suppliers
2. Buyer power: relates to the degree of bargaining power of customers
3. Substitutes: relates to the threat of substitute products in a market
4. New entrants: relates to the threat of new entrants in a market
5. Competitive rivalry: relates to the degree of competitive rivalry within an industry



Competitor analysis (chapter 11)

The aim of the competitor analysis is to gain insight into the future behavior of competitors as well as their most important strengths and weaknesses. There are different levels at which the competitor analysis can be executed:

1. Identification and selection of competitors
2. Objectives of competitors
3. Current strategies of competitors
4. Identification of key success factors and strengths and weaknesses
5. Possible future strategies of competitors

The first step in the competitor analysis is the identification and selection of competitors. The following types of competition can be distinguished in regard to the identification of competitors:

- Product competition: this describes the competition between brands operating within a particular market segment, for example Pepsi Light versus Coke Light.
- Product category competition: this describes the competition between products with similar features, such as different types of soft drinks.
- Generic competition: this involves products that meet the same needs of customers, such as beverages.
- Budget competition: this involves competition for consumers' money, for example food and amusement.

In this research the competitors will mainly be compared on the basis of product category competition, in which competitors offer specific products, in this case wine. Other types of competition will not be left out of scope as they may indirectly play a relevant role as well.

After the identification of the most important competitors in the market, we will take a closer look at their company objectives. The third part of the competitor analysis will consist of an examination of their market strategy. The last two steps of the competitor analysis will involve the identification of the key factors for success and the expected strategies of the competitors. The aim of this analysis is to gain insight in the strengths and weaknesses of the competitors and in particular in the way they differentiate themselves in the market.

Distribution analysis (chapter 10)

The aim of the distribution analysis is firstly to provide an overview of the distribution structure, and secondly to examine the behavior of the distributors and suppliers in the market. Furthermore, the distribution analysis aims to identify the importance of each chain by examining how much of the market's volume and value is distributed through each particular chain. Finally, an overview will be given of the pricing model of imported wine applied in the market. The pricing model provides an indication of the way in which wine prices are set in the market, from import to end consumer.

SWOT analysis, confrontation matrix and strategic options (chapter 12)

After the completion of the internal and external analysis (situational analysis) the results of these two parts are analyzed in relation to each other. The SWOT analysis forms the link between the strengths and weaknesses on the one hand, and the opportunities and threats on the other hand. Subsequently, the results are put in the confrontation matrix, after which will be determined whether or not the confrontation offer opportunities for the development of strategic options (Alsem, 2013).

Strategic options are developed on the basis of the preceding analyses and the results obtained from both the SWOT analysis and the confrontation matrix. The strategic options will include the

formulation of the marketing mix and entry strategy. These strategic option will form the input for the final conclusions and recommendations.

Operation plan (chapter 14)

Following the formulation of strategic options, the options are processed in an operational plan, in which the feasibility of the plan is of major importance. In short, the operational plan consist of a description of the required contributions in combination with a time frame with the aim of achieving the organization's objectives.

Conclusions and recommendations (chapter 15)

This chapter includes the conclusions and final recommendations that provide the answer to the problem statement in this study.

19 Appendix 2: Map of China



20 Appendix 3: Portfolio

Slovenia:

Slovenia is a relatively small country and renowned for its great diversity of geography, geology, climate and wine. Slovenia touches the Adriatic Sea along a short stretch of coast near the port city of Koper, and offers a Mediterranean-style climate along its border with Italy's Friuli-Venezia Giulia in the east. Slovenia borders the Alps in its northwestern corner adjacent to Austria, and flattens into rolling farmland on the Pannonian plain in its eastern corner bordering Hungary.

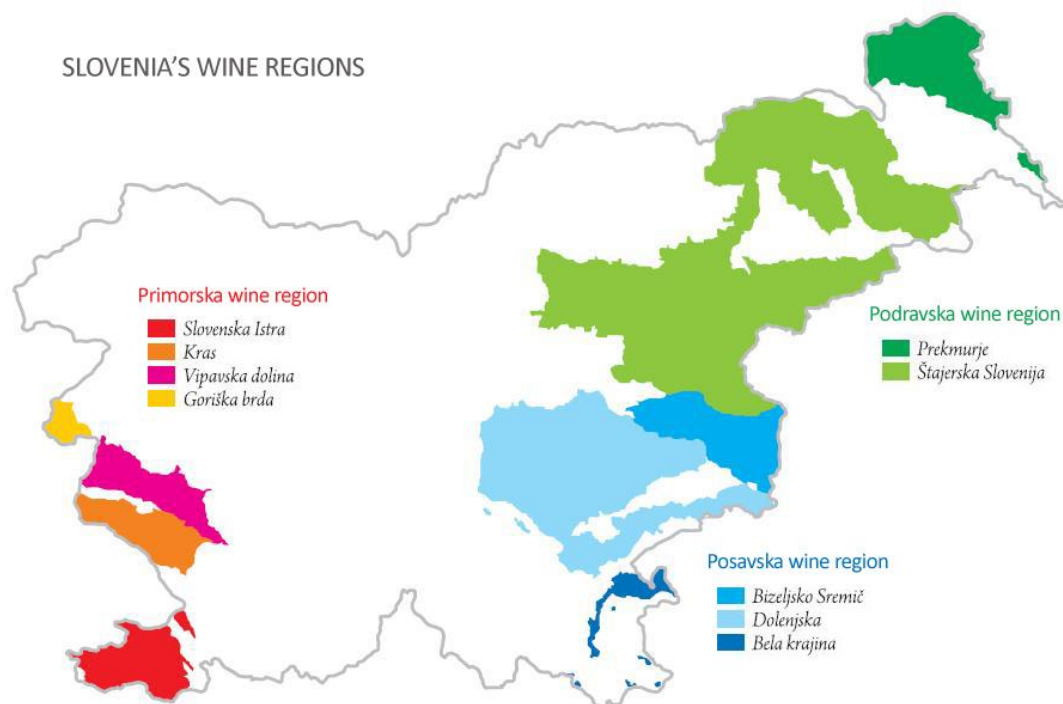
The fact that Slovenia is a relatively small country with only two million inhabitants is reflected in the scale of its annual wine production, which is only a fraction of that of established European wine-producing countries such as: France, Italy and Spain. Total Slovenian wine exports are still modest and make up just over 6% of the total production. Currently, the three main export markets for Slovenian wines are Bosnia, Croatia and the USA. Around 70% of the annual wine production is made from white grape varieties.

What Slovenia lacks in quantity, it compensates with quality. Slovenia has some of the world's best terroirs from wine-growing. Slovenia has a huge geographic variety, which includes coastal land, forests (covering half its territory), and mountains. Steep hillsides make it impossible for machinery to operate on most vineyards, as a result, 95% of the country's grapes are picked by hand.

Due to the low yield and high quality of grapes, you will hardly find the lowest quality level of wines in Slovenia. The Slovenian wine-making culture has many influences from renowned wine-making countries such as France, Austria and Italy. Slovenia produces high-quality wines, with the cost-advantages of an emerging wine-producing country. This is partially due to the low awareness of Slovenian wines in international markets.

Wine regions:

The three primary wine regions are "Primorje" in Slovenia's southwestern corner, near Trieste in Italy; "Posavje" in the southeastern corner, near Zagreb in Croatia, and "Podravje" in the northeast, bordering Austria's Steiermark region and Hungary.



Podravje:

The Podravje region is located in the northeast and is the largest wine-growing region in Slovenia. The area was once part of an ancient sea floor, and the resulting soils are full of nutrients and minerals that make them ideal for cultivating wine grapes. The climate is typically continental, with very hot, and sometimes dry summers, cold winters, tempered somewhat by the shield and coolness of the Alps to the north and west. Aromatic white wines predominate the region's production, though red wines have been growing in popularity with some of the local producers in recent years. The area is particularly known for late-harvest. The Podravje region is home to the following wineries:

- Zlati-Gric
- Kôgl

Posavje:

This region is located in the southeast and is considered less important and has little international exposure. The region produces many simple blend wines and good wines of Blaufränkisch and Rumeni Muscat.

Primorje:

This region is located on the coast in the west, near the Italian border and currently is the most fashionable wine region in Slovenia. The region consist of four areas: Copper, Karst, Vipava and Brda. Primorje has a typical Mediterranean climate, with an early spring, warm, sunny summers, a short rainy season in September and October, and dry winds coming off the sea in the fall and winter. This has the effect of making the grapes ripen quickly, with low acidity, high sugar content, and strong pigments. Wines from Primorje are generally dry and rich in minerals, with reds and whites each making up about half of the region's production. This region also produces the best red wines, often made from Refosco- and Merlot grapes. The Primorje region is home to the following wineries:

- Vinska Klet
- Radgonske Gorice
- Marof
- Guerila
- Brandulin

Grape varieties:

Most of Slovenia's wine grapes are familiar varieties, many of which can be found worldwide and a few regional grapes shared with Slovenia's neighbors in Northeastern Italy and Southern Austria. Among the most commonly cultivated grape varieties in Slovenia are: Riesling, Chardonnay, Sauvignon Blanc, Pinot Noir, Refosco and Merlot. There are also a number of indigenous grape varieties: Pinela, Rebula, Zelen and Malocrn.

Wineries:

Vinska Klet:

The wines "Villa Brici" and "Quercus" are lines of fresh, fruity and light wines, which reflect the lightness and cheerfulness typical of the Brda region in which they are made. The wines are characterized by their contemporary style that suits those who value healthy food and lifestyle. The wines are excellent companions for various social occasions and go well with Mediterranean dishes. The "Bagueri" line is a trademark of prestigious wines and are recognizable through their distinct appearance. The "Bagueri" wines are all full-bodied and fruity flavored. Both red and white wines have matured in oak and barrique barrels which is reflected in the taste and color of the



wines. The “Bagueri” wines are particularly suitable for giving as a gift, because of the specially designed and accompanying gift boxes.



Radgonske Gorice:

The “Radgona” line consists of dry and fruity white wines with the distinctive features of the different grape varieties. The appearance of the wines is characterized by a contemporary style. Radgonske Gorice is particularly renowned for producing high-quality sparkling wines. These wines have a prestigious appearance and are especially suitable for celebrations and for giving as a gift.

Marof:

The range of Marof consists of dry- and sweet white wines, characterized by fresh and fruity flavors. The selection of grapes from the vineyards are all hand-picked and processed in a state-of-the-art wine cellar, where high technology meets tradition. The wines have a modern classic appearance. The wines of Marof are positioned in the middle segment in terms of quality and price, and produced on a limited scale. The wines are suitable for various occasions and particularly for consumption in restaurants.



Zlati-Gric:

The range of Zlati-Gric is comparable to that of Marof, in terms of quality, price, appearance and scale of production. Besides the main activity of Zlati-Grice, which is producing grapes and wine, they also run a golf course and a hotel/restaurant. In addition, their activity is supplemented by producing apples and an agricultural technology store, mostly for winegrowers and fruit growers and with an offer of decorative plants.



Guerila:

The wines of Guerila can be defined as dry, with strong fruity flavors and full-bodied. The Guerila brand was founded in 2005 and stands out for its marketing, which is mainly reflected in the appearance of the wine. Furthermore, Guerila takes pride in producing their wines by using primarily indigenous grape varieties such as: Pinela, Rebula and Zelen.



Brandulin:

The Brandulin winery is a boutique winery that was founded in a 500 year old Jesuit Monastery. The winery is located on the Slovenian-Italian border, with the majority of the vines in Slovenia, and about 10% in Italy. The Brandulin winery annually produces a small quantity of completely organic wines, as they do not use chemical fertilizers and use only natural processes that are environmental friendly. The selected range of Brandulin consists of three whites and one red cuvee wine and is suitable for various social occasions.

Kôgl:

The Kôgl winery is located in the northeast of Slovenia and specializes in producing white wines, which makes up around 85% of its production. Kôgl utilizes a combination of classical methods and new technology in its winemaking, by mixing traditional barrel aging and the newer style utilizing stainless steel tanks with controlled fermentation. The range of Kôgl consists of young and fresh white wines, made from grape varieties such as Pinot Gris, Sauvignon Blanc, Rhine Riesling and Rumeni Muscat. Kôgl is somewhat comparable to Marof and Zlati-Gric in terms of production scale, price and quality. The wines have a modern contemporary appearance and are suitable for various social occasions.



Winery	Brand	Grape variety	Vintage	Color	%
Radgona Gorice	Radgona	Sauvignon Blanc	2011	White	12,0%
	Radgona	Pinot Gris	2011	White	12,0%
	Musseco	Chardonnay	2011	Sparkling	11.5%
	Musseco	Chardonnay	2011	Sparkling rose	11.5%
	Radgona Gold	Chardonnay	2011	Sparkling	13,0%
Vinska Klet	Villa Brici	Merlot	2010	Red	12.5%
	Villa Brici	Rebula	2011	White	12,0%
	Villa Brici	Chardonnay	2011	White	12.5%
	Quercus	Sauvignaisse	2011	White	13.5%
	Quercus	Pinot Noir	2010	Red	12.5%
	Quercus	Pinot Blanc	2011	White	13.5%
	Quercus	Chardonnay	2011	White	13.5%
	Bagueri	Merlot	2007	Red	14.5%
	Bagueri	Cabernet Sauvignon	2009	Red	13.5%
	Bagueri	Rebula	2009	White	13.5%
	Bagueri	Sauvignon Blanc	2009	White	13.5%
	Bagueri	Chardonnay	2008	White	14,0%
	Bagueri Contesse	Rebula, Chardonnay	2010	Sparkling	12,5%
	Bagueri	Pinot Gris	2010	White	13,5%
Marof	Marof	Sauvignon Blanc	2011	White	13,0%
	Marof	Welschriesling	2011	White	13,0%
	Marof	Chardonnay	2010	White	13,0%
	Beli Kriz	Welschriesling, Chardonnay, Sauvignon	2009	White	13.5%
Zlati-Gric	Zlati Gric	Pinot Gris	2011	White	12.5%
	Zlati Gric	Sauvignon Blanc	2011	White	11.5%
	Zlati Gric	Rhine Riesling	2011	White	13,0%
	Zlati Gric	Traminer	2011	White	13,0%
Guerila	Cuba	Merlot, Barbera	2009	Red	14.5%
	Zelen	Zelen	2011	White	12,0%
	Pinela	Pinela	2010	White	13,0%
	Roma	Rebula, Pinela, Zelen	2008	White	12.5%
	Nika	Cabernet Sauvignon, Merlot	2010	Dessert	10,0%
Brandulin	Brandulin	Merlot, Cabernet Sauvignon	2006	Red	14.5%
	Brandulin	Pinot Blanc	2009	White	13.5%
	Brandulin	Jordano (Tokaj)	2010	White	13.5%
	Brandulin	Malvasia	2010	White	14,0%
Kôgl	Solo	Pinot Gris	2011	White	13,0%
	Solo	Sauvignon Blanc	2011	White	13.5%
	Solo	Rhine Riesling	2011	White	13,0%
	Solo	Rumeni Muscat	2011	White	13,0%