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Prosecco DOC marketing strategies for Chinese
market

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ABSTRACT

This dissertation has been developed with the aim of 2 objectives: the first is the analysis of success factors of Prosecco DOC in the world; the second is analysis of Chinese consumer attitudes towards Prosecco based on a questionnaire survey and proposing the marketing strategies for the Chinese market.

With the growing popularity of Prosecco DOC in the international wine market, China has a potential market. Since China's GDP has grown, Chinese consumers also have a growing demand for imported wines. Although China consumers demand a small share of Prosecco in the international market now, however the rapid growth of demand for wine in China is showing that it will become a huge wine market in the future.

Going through the thesis, I examined why Prosecco DOC got a great success in the world, especially in the important markets such as the UK, USA, and Germany. This has been carried out in a descriptive analysis of different issues and factors.

The result from analysis of the questionnaire survey, which was administered to sample of 45 students coming from enology college of North West Agriculture & Forestry University in Yangling in Xi'an are presented. Using such results and other relevant resources as references and through the Chinese consumers' perception of Prosecco DOC, some marketing strategies are proposed.

In the end, in order to endow Prosecco DOC entry to the Chinese wine market and to set up the successful strategies, the main weaknesses and strategic drivers will be explained by a SWOT analysis, through the internal and external factors. Specific marketing decisions under the different situations are fully proposed.

CHAPTER 1 - INTRODUCTION

Since the reform of the Denomination of Origin of Prosecco, it obtained a stable presence in the domestic market and also brought success in the foreign markets (De Lorenzi, 2014), the production both in volume and in value have made great progress. Confirming the importance of Prosecco in the Italian wine economy, it appears to be of great importance for the overall wine production under Italian Denomination of Origin, as well as to the International sparkling wine (Barisan, 2010). On the other hand, China is now among the top-ten consuming countries, with 17.3 million hectolitres consumed in 2016, less than the Germany, more than the UK (OIV, 2017). In the past, wine made by grapes has had a minor role traditionally compared to the rice wines in China. However, the growth of the capita income, an increase in Western influence, expatriates, educated young professionals and government campaigns to promote healthier lifestyles are factors led to the preference swing towards the wine made by grapes (Anderson & Wittwer, 2015; Muhammad et al., 2014). China would be the biggest wine consumption market in the future (Willsher, 2014). Therefore, for the marketing issues on the Chinese market, understanding the sources of differences in consumer preferences is crucial to set up successful marketing strategies for Prosecco (Thiene et al., 2013).

This thesis focuses on two objectives:

1. Study the domestic and international market of Prosecco DOC with particular reference to the most important export markets (UK, USA, Germany) and the success factors of Prosecco (Chapter 3).
2. Analyze in more depth the Chinese wine market which is becoming stronger. In particular, the import and consumption of wine in the Chinese

market were addressed, and a detailed analysis of Chinese consumers' sensory preferences of Prosecco DOC based on a questionnaire survey which tested on Chinese consumers about Prosecco taste preferences (Chapter 5).

The work ends with a SWOT analysis of the Prosecco DOC based on the questionnaire survey and proposed the marketing strategies in different scenarios. The discussions' covered Prosecco's strengths with opportunities and threats of the Chinese market, then separately the Prosecco's weaknesses combined with opportunities and threats of current Chinese market situation (Chapter 6).

CHAPTER 2 - OVERVIEW OF THE PROSECCO DOC

2.1 History of Prosecco

In the early 16th century, there was a famous local wine named Ribolla in the Trieste city, drinking wine was used as an entertainment by Pucinian people in that era, elevated by Livia who was the wife of Emperor Augustus praised it for its medicinal qualities. Then people began to distinguish the Trieste's Ribolla from the other low-cost Ribolla wines which are produced in Gorizia and Istria. Suggested by the identification of the product location, especially to a precise geographic characterization, the wine was referred to as Castel Pucinian wine, the castle near the village of Prosecco. Finally, its name changed at the end of the century (Colombo & Smotlak, 2014 and Colombo, 2012).

The first known mention of the name "Prosecco" is attributed to the Fynes Moryson, who was visiting north of Italy in 1593. He noted that Istria grows the Pucinian wine called Prosecco, much celebrated by Pliny. Then he placed Prosecco in the list of famous Italian wines in his book "These are the most famous Wines of Italy". La lagrima di Christo and like wines near Cinqueterre in Liguria: La vernazza, and the white Muscadine, especially that of Montefiaschoni in Tuscany, Cecubum and Falernum in the Kingdom of Naples, and Prosecco in Histria" (Moryson, 2007).

Since the 18th century, cultivation of Glera expanded throughout the hills of Veneto and Friuli as recorded in *Il roccolo Ditirambo* "And now I would like to wet my mouth with that Prosecco with its apple bouquet". That was the first time the word Prosecco appeared (Acanti, 1972).

In 1977, Prosecco was recognized as geographical indication wine (IGT - *Indicazione Geografica Tipica*) product, with the approval of its product specification. Especially the rigid rules to follow for the production under this designation (Bortot et al., 2014). Since then, the specific production techniques and scientific knowledge have been improved, thanks in part to the School of Oenology in Conegliano Veneto which perfected the production method, enhancing the exceptional qualities of Prosecco (Rossetto et al., 2010). Leading to the high-quality dry wines produced today. According to a 2008 New York Times report, Prosecco has risen sharply in popularity in markets outside Italy (Cortese, 2008).

Until the 2009 Prosecco was protected as a PDO wine (DOC - *Denominazione di Origine Controllata*) in Italy, from this point Prosecco began to play an important role in the market, and also one of most popular sparkling wines in the international market (Tempesta et al., 2013). From 2012, based on the Decreto ministeriale 19 aprile 2011 that the Prosecco standards has become the obligation to apply the state label within a series of numbers for each bottle, in order for better protection the production to final consumers.

2.2 Denomination of origin

The Prosecco is mainly made from Glera grapes which is a white grape variety. Its shoots have a hazelnut brown colour and produce long bunches of golden yellow grapes. (Robinson et al., 2013) Those shoots are trained to grow vertically, thinned out when in excess, trimmed and tied back to create a micro-climate in order for the formation of aromatic substances inside the grapes. But during the Prosecco winemaking process, there may be other varieties of grapes added together with Glera, but the limit is up to a maximum of 15% of the total quantity, such as Verdiso, Bianchetta

Trevigiana, Perera, Glera lunga, Chardonnay, Pinot Bianco, Pinot Grigio and Pinot Nero (Borsato, 2013).

Because the Glera grape is a native variety from north-east Italy, typically the Prosecco DOC is produced in northern Italy's nine provinces: Treviso, Vicenza, Padova, Venezia, Belluno, Pordenone, Udine, Gorizia and Trieste shown in figure 1, Spanning the Veneto and Friuli Venezia Giulia regions (Tempesta et al., 2013). Which the Veneto region distributed 18,944 ha of Glera grapes designation of origin, and the Friuli Venezia Giulia region has 4,306 ha. At this moment, it has registered 23,250 ha vineyards area of grapes. The total grape growers are 10,452 inside the area, and there are 1,201 wineries also 356 sparkling wine producers.



Figure 1 - Delimitation of the production area

Source: Conegliano Valdobbiadene Consortium, 2009

Actually, Today's achievement of Prosecco thanks to this denomination of origin it has fundamentally promoted Prosecco becoming a driving force for growth and innovation of the complementary sectors. Such as the manufacture of equipment and machinery, packaging, transportation, tourism,

services, etc.

2.3 Types of Prosecco DOC

The Prosecco DOC can be classification to *SPUMANTE* (sparkling), *FRIZZANTE* (semi-sparkling) and *TRANQUILLO* (still) depending on the effervescence of wine. And the Prosecco DOC have a lot of special features, such as Freshness (well-balanced sugar, sourness, and foam), lightness (moderate alcohol concentration), soft scents (floral and fruity) and Simplicity and elegance.

1. PROSECCO DOC *SPUMANTE*, it's the most famous and popular one, has a fine long-lasting effervescence. And Prosecco DOC Spumante can be further subdivided into *BRUT*, *EXTRA DRY*, *DRY* or *DEMI-SEC* depending on the sugar content, from 12g/liter to 50g/liter and usually their pressure above 3 bar. From the production point of view, spumante usually accounts for 80.7% of total production.

Table 1 - General information about Prosecco DOC *spumante*

	Colour	Flavour	Min Alcohol	Min tot. Acidity	Pressure	%Production
Pro. DOC <i>Spumante</i>	Pale yellow, bright with a persistent mousse	Fresh and distinctive	11,00% vol	5,0 g/l	> 3 bar	80,7%
Brut	when the sugar content is less than 12 g/liter.					
Extra dry	when the sugar content is between 12 and 17 g/liter.					
Dry	when the sugar content is between 17 and 32 g/liter.					
Demi-sec	when the sugar content is between 32 and 50 g/liter.					

Source: Consortium of Prosecco DOC, 2017

2. PROSECCO DOC *FRIZZANTE* has a light, less lingering effervescence. Their minimum alcohol content can be 10.5%vol, due to the *Frizzante*

which means that the pressure of wine is lower than *Spumante*, only 1-2.5 bar. In 2016, they were 19.2% of total production.

Table 2 - General information about Prosecco DOC *frizzante*

	Colour	Flavour	Min Alcohol	Min tot. Acidity	Pressure	%Production
Pro. DOC <i>Frizzante</i>	Pale yellow, bright with obvious bubbles	Dry or sweet, fresh and distinctive	10,50% vol	5,0 g/l	1 - 2.5 bar	19,2%

Source: Consortium of Prosecco DOC, 2017

3. PROSECCO DOC *TRANQUILLO* is a still wine with no effervescency. There is no bubbles, the alcohol content is same with *Frizzante*, pressure lower than 1 bar, but only a very small amount of production close 0.1%.

Table 3 - General information about Prosecco DOC *tranquillo*

	Colour	Flavour	Min Alcohol	Min tot. Acidity	Pressure	%Production
Pro. DOC <i>Tranquillo</i>	Pale yellow	Dry or sweet, fresh and distinctive	10,50% vol	5,0 g/l	< 1 bar	0,1%

Source: Consortium of Prosecco DOC, 2017

2.4 Consorzio di Tutela del Prosecco DOC

From 17th July 2009, Prosecco was granted Controlled Designation of Origin status and the same year on 19th November set up the Consorzio di Tutela del Prosecco DOC which is an institution whose role is to coordinate and manage the Controlled Designation of Origin.

It brings together voluntarily the different groups of producers (individual or associated vine-growers, wine and sparkling wine producers) to ensure the

designation continues to grow and that production regulations are complied with. Highlighted in promotion and valorization Prosecco DOC products, protection and always takes care of its full interest of the Designation. The Consortium is regulated by its statute, approved by MIPAAF (the Ministry of Agricultural and Forestry Policies) and also by European and Italian regulations. According to the Italian Legislative Decree 61/2010, the Consorzio di Tutela del Prosecco DOC, their main functions are:

1. To protect and safeguard the quality of the product
2. To promote and develop the product
3. To provide consumers with information
4. To monitor correct use of the Designation
5. To manage the general interests of the Designation

2.5 Recognition of Prosecco DOC

In order to more convenient and efficient identify which bottle is protected by Italian Minister of Agriculture. It needs to understand reading the state seal. Because every bottle of Prosecco DOC obligation to have the state seal since 2012, usually it can find on the neck of a bottle and vertical adhesion to the package aluminum. The state seal is located on each bottle of PROSECCO DOC Wine: it guarantees the origin and the quality. As shown in figure 2 that indicated by red circle.

The control system of Prosecco DOC is managed by Valoritalia company. It is a certification body accredited from the Italian Minister of Agriculture. Valoritalia grants and gives the state seal permit only if the producer had been under controls of the product specification of Prosecco DOC, the state seal like the figure 3 is shown below.

From another point of view, this is also an effective way to establish a track system. Because each state seal has a different series of numbers. It's not

only guarantees of the product, and also plays a role in safeguarding the consumer due to its essence allows checking its information online within the state seal (*Fascetta*), including the entire process of production from the harvest to the shelves of shops.



Figure 2 - The location of the state seal

Source: Consortium of Prosecco DOC, 2016



Figure 3 - The example of a state label of DOC

Source: Consortium of Prosecco DOC, 2016

2.6 The production

During the production of Prosecco, the primary fermentation just like normal fermentation which begins by adding selected yeasts. This first fermentation

is quick maximum 8-10 days and keeps the temperature at 18°C in order to maintain the fruitiness of the grapes. The secondary fermentation that produces sparkling wine and gives it the characteristic “bubbles”. There are a number of methods used to carry out this secondary fermentation. The most well known is the “Traditional” or “Champagne method”. The “Champagne method” uses the cuvée bottled with a mixture of sugar and yeast and the secondary fermentation inside the bottle. But the Prosecco, unlike Champagne, usually is produced using the Martinotti method - Charmat, in which the secondary fermentation takes place in autoclaves (stainless steel tanks). It brings economic advantages compared to the classical method of fermentation in the bottle.

Table 4 - The production of Prosecco DOC (2009-2016)

Year	Production(hl)	Bottled
2009(1st year DOC)	945.000	***
2010	1.162.000	141.762.377
2011	1.471.000	180.105.074
2012	1.757.000	194.460.281
2013	1.896.000	241.568.487
2014	2.240.000	306.687.596
2015	3.400.000	355.231.691
2016	3.550.000	410.893.281

Source: Consortium of Prosecco DOC, 2017

On the other hand, with the vineyard areas and new producers to join into Prosecco production, the annual production of Prosecco DOC is gradually increasing. (Table 4) And thanks to this significant growth, Prosecco DOC becomes the most produced sparkling wine in Italy.

The above table is the last eight years of all Prosecco DOC production (hl), overall, the production is increasing every year, and from 2009 to 2014 the growth rate is relatively flat. But the production in 2015 has increased considerably. It can be more clearly observed from following figure 4, in

2015 began a significant increase of production. At the same time, highlighting its advantages in the market. Stimulating a potential demands in the international market.

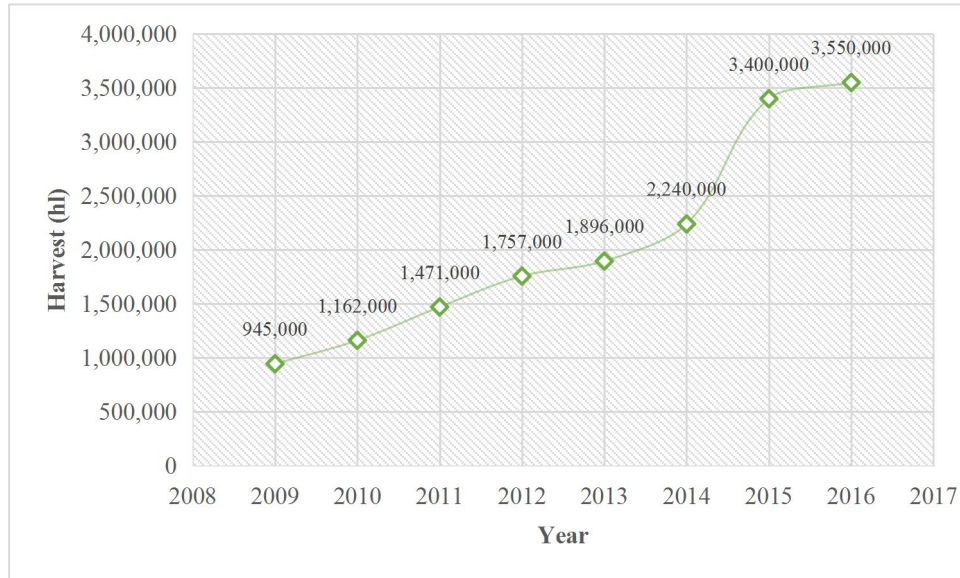


Figure 4 - The production of Prosecco DOC in hl 2009-2016

Source: Consortium of Prosecco DOC, 2017

In 2016, the Prosecco DOC was marked as excellent market performance, indicating better growth rates both in value and volume. In particular, the volume of production was estimated 410 million bottles. During 2016 the production of Prosecco DOC has shown a growth of 16% compared to 2015.

Table 5 - Annual bottled of different Prosecco DOC types in hectolitre

	2010	2011	2012	2013	2014	2015	2016
Spumante	567.398	790.212	883.842	1.186.584	1.664.389	2.041.198	2.488.452
Frizzante	488.061	548.383	571.618	622.654	633.423	620.972	591.860
Tranquillo	7.758	12.193	2.992	2.531	2.345	2.068	1.385
Total	1.063.217	1.350.788	1.458.452	1.811.770	2.300.157	2.664.238	3.081.697

Source: Consortium of Prosecco DOC, 2017

Among this high trend rate of growth, the different types of Prosecco DOC also have been many fluctuations in this production growth. From the point of view of annual bottled Prosecco in hectolitres over the past seven years as

shown in table 5. According to above data, in 2016 the Prosecco DOC Spumante there was an increase of 21,9% compared to 2015. While *Frizzante* and *Tranquillo* they have different degrees of decline, particularly *Tranquillo*, decreased by 33% compared to 2015. The *Frizzante* was relatively stable. So it can be concluded that among with Prosecco DOC increases market share over the past years, the sparkling Prosecco (*Spumante* and *Frizzante*) were the most favorite by consumers, but *Spumante* was more than the *Frizzante*, almost four times as much as *Frizzante*. For this phenomena probably because of the Prosecco *Spumante* have already a very high reputation in the international market, then secondly, the different lifestyles lead to Prosecco *Spumante* become the common purchase choice. Finally, in fact, fewer people know that exist the Prosecco *Tranquillo*, even some Italian consumers who are live outside of Veneto and Friuli Venezia Giulia regions. The below figure 5 shows that *Spumante* is popular in the last seven years, So its production ratio has been increasing every year.

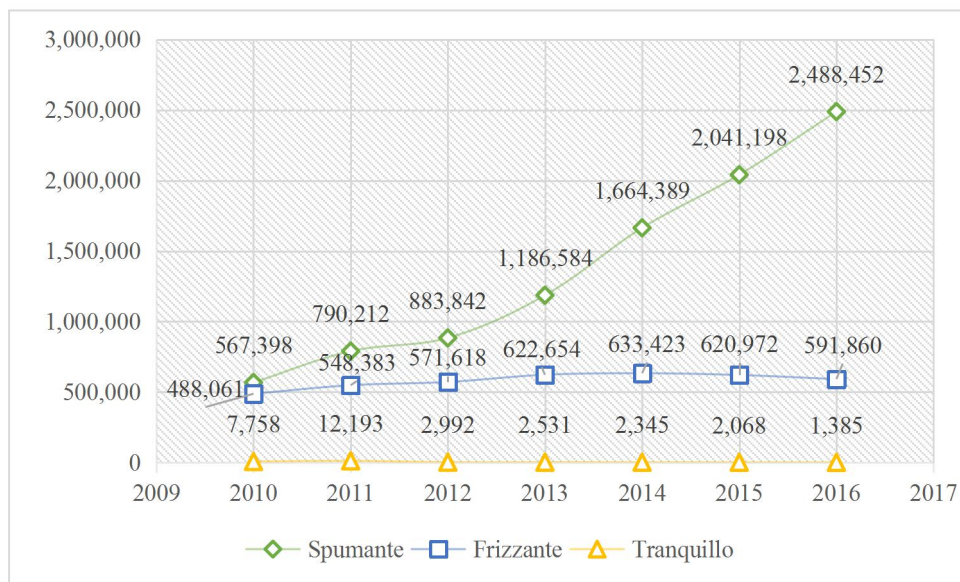


Figure 5 - Annual bottled of Prosecco in hectolitre (2010-2016)

Source: Consortium of Prosecco DOC, 2017

CHAPTER 3 - MARKET OF PROSECCO

DOC

3.1 Domestic market

The total production of 2016, there are 75% (2.663.000 hectolitres) were exported for the international markets. The other 25% of production focused on the domestic market. Overall, in 2016 the domestic market has reached a supplied dimension of nearly 500 million euro relative to a volume up to 103 million bottles of Prosecco. However, compared to 2015, the domestic market showed a decrease the consummation of 2%.

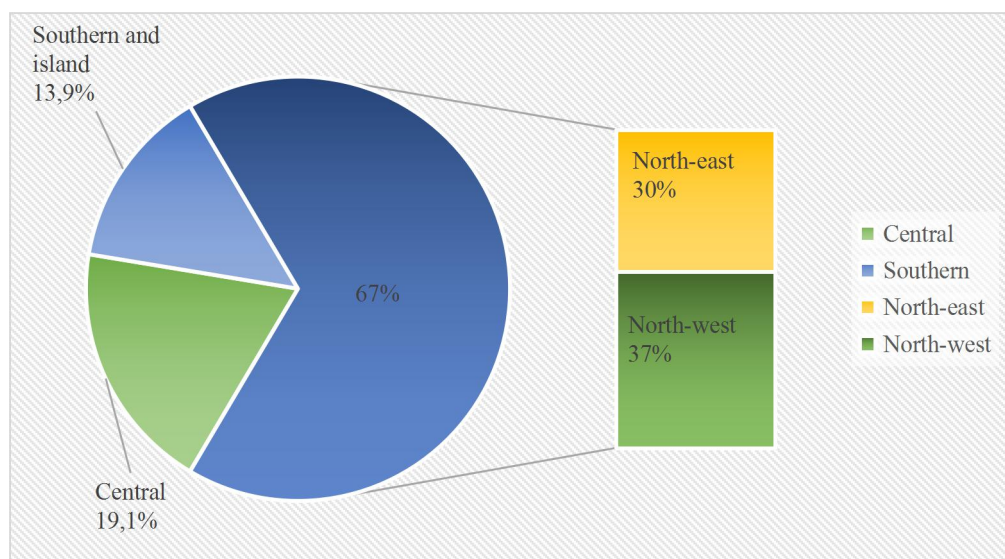


Figure 6 - Prosecco DOC distribution of consumption 2015

Source: Consortium of Prosecco DOC, 2016

According to the geographical structure of domestic market, the consumer market can be divided into Northeast (Veneto, Friuli Venezia Giulia, Trentino Alto Adige); Northwest (Lombardia, Valle d'Aosta, Piemonte, Liguria);

Central (Emilia Romagna, Toscana, Marche, Umbria, Lazio, Abruzzo); Southern and islands (Molise, Campania, Basilicata, Puglia, Calabria, Sicilia, Sardegna). In 2015, the northern regions of Italy (Northeast and Northwest) were confirmed as the main volume absorption areas (67%) (Figure 6).

From the perspective of distribution channels, in 2015, the mass retailing and distribution sector and Ho.Re.Ca. occupied the main distribution channels (92%). The other channels only share 8% as shown in following figure 7.

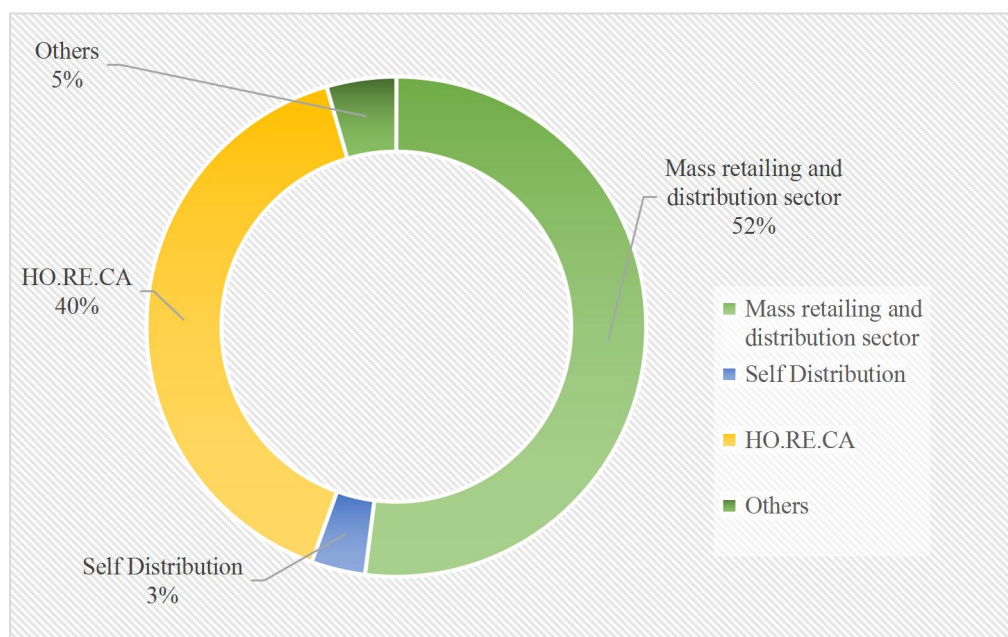


Figure 7 Prosecco DOC distribution channels 2015

Source: Consortium of Prosecco DOC, 2016

3.2 International market

In 2016, the market positioning of the Spumante DOC has much strengthened in the international competitive environment. In particular, the value of the estimated production reached 2,48 million hectolitres. Compared to 2015, overall exports registered an increase of 19,0% (Table 6).

Table 6 - Total Prosecco DOC for the international market(2014-2016)

		Total Prosecco DOC				
Partner countries	Unit	Quantity			Δ%16 vs 15	% destination
		2014	2015	2016		
World	HL	1.692.621,4	2.086.227,9	2.482.523,8	19,0	100,0
UK	HL	493.378,9	732.718,6	908.366,3	24,0	36,6
USA	HL	295.627,7	362.787,7	473.820,6	30,6	19,1
Germany	HL	346.055,4	348.989,3	320.492,2	-8,2	12,9
France	HL	37.972,2	57.649,8	88.664,6	53,8	3,6
Switzerland	HL	80.468,1	83.626,4	86.563,6	3,5	3,5
Austria	HL	60.275,1	59.563,1	62.914,1	5,6	2,5
Belgium	HL	43.418,6	51.446,5	60.592,4	17,8	2,4
Sweden	HL	30.972,5	39.478,1	52.008,4	31,7	2,1
Netherlands	HL	42.245,2	37.322,7	43.521,1	16,6	1,8
Canada	HL	23.986,4	29.737,6	37.138,4	24,9	1,5
Norway	HL	21.896,1	26.109,6	26.202,0	0,4	1,1
Australia	HL	13.980,2	18.720,7	24.189,6	29,2	1,0
Russia	HL	25.123,3	20.993,5	23.374,5	11,3	0,9
Poland	HL	11.384,9	16.749,9	22.889,8	36,7	0,9
Japan	HL	15.999,8	16.717,8	21.564,9	29,0	0,9
Spain	HL	15.623,9	16.191,5	21.348,4	31,8	0,9
Ireland	HL	14.902,3	18.428,1	20.749,4	12,6	0,8
Rep. Czech	HL	7.472,3	13.595,5	18.987,7	39,7	0,8
Mexico	HL	9.256,6	11.061,3	18.044,3	63,1	0,7
China	HL	15.511,4	13.109,8	14.305,2	9,1	0,6
Finland	HL	8.088,2	8.961,6	12.237,5	36,6	0,5
Latvia	HL	4.454,0	9.208,6	10.617,4	15,3	0,4
Romania	HL	4.322,2	7.107,4	9.652,9	35,8	0,4
Denmark	HL	5.164,1	6.537,1	7.102,6	8,7	0,3
Estonia	HL	4.848,4	4.953,1	6.837,8	38,1	0,3

Source: GTA

3.2.1 European market

In 2016, the European market was confirmed as the first export area with a sales volume of 1.78 million hectoliters (70.8% of total exports) as shown in table 7.

Table 7 - European market

	UK	Germany	Benelux	Scandinavia	France	Switzerland	Austria	Others
2014	493,378.9	346,055.4	85,663.8	66,120.9	37,972.2	80,468.1	60,275.1	63,008.0
2015	732,718.6	348,989.3	88,769.2	81,086.4	57,649.8	83,626.4	59,563.1	86,234.1
2016	908,366.3	320,492.2	104,113.5	97,550.5	88,664.6	86,563.6	62,914.1	111,083.4
Δ% 15vs14	48.5%	0.8%	3.6%	22.6%	51.8%	3.9%	-1.2%	36.9%
Δ% 16vs15	24.0%	-8.2%	17.3%	20.3%	53.8%	3.5%	5.6%	28.8%

Source: GTA

Indeed, European countries recorded a significant expansion. All European countries are showing an increasing trend. As mentioned above, the UK still occupies the first position in the export market.

And compared to the past, the annual exportation shows positive trend. But this does not include Germany, because based on the data of recent years, Germany's exports remained stable, and even declined.

The Benelux countries represented a market share of around 4.2% of world imports, in 2016 Benelux showed a growth of Prosecco DOC imports, which grew strongly 17.3% over 2015. From this perspective of the competitive scenario in the Benelux countries, there is a better competitive performance of the Prosecco DOC than the other competitors in the future.

In 2016, the Scandinavian countries market held a total of 4% of the world's Prosecco DOC imports, marking a further and stable growth compared to the previous year (about 20.3%). Because the same situation increased by 22.6% in 2015 respect to 2014.

Particularly the French market, in the past, France was not a traditional importer also have different types of sparkling wine, for example, the Champagne. But in these years, the French market showed an improvement in import volume. Compared to 2014, there was an increase of 51.8%, and 2016 have increased 53.8% over 2015. From this point of view could observe that France still has a lot of potential markets.

In 2016, Switzerland has confirmed its fifth world import market of Prosecco DOC, recording an increase of around 3.5% over the previous year. In 2015, the Switzerland was the fourth export market of Prosecco DOC with a volume of 83,626.4 hectolitres, up to 3.9% respect to 2014. For the Prosecco DOC, the Swiss market showed a stable increase. From a point of view competitive framework of the sparkling wine, it shows a proper position respect to the other major international players.

At the same time, Austria was ranked sixth as the world's largest importer of Prosecco DOC, but in 2015 had a slight decrease of -1.2% compared to 2014. However, Prosecco DOC showed a higher level of stability, the import volume with an increase of 5.6 % compared to the previous year.

Overall, all the other European countries for the Prosecco DOC in the whole markets denoted an increase in volume (+ 28.8%). In fact, in 2015 there was a sharply increased of 36.9%.

3.2.2 North American market

Table 8 - North America market

	USA	Canada	Mexico
2014	295.627,7	23.986,4	9.256,6
2015	362.787,7	29.737,6	11.061,3
2016	473.820,6	37.138,4	18.044,3
Δ% 15 vs 14	22.7%	24.0%	19.5%
Δ% 16 vs 15	30.6%	24.9%	63.1%

Source: GTA

According to table 8, especially the United States. The United States has occupied the second position in the export market after 2014. In recent years, the American consumers' demand is also growing fast, from the quantitative point of view, in 2016 the total exports of 473,820.6 hl for the United States compared to 2015, increased of 30.6%. Similarly in 2015, as well as

increased of 22.7% compared to 2014. In terms of current consumption, the United States has successfully captured one-fifth of Prosecco DOC overseas markets.

In 2016, due to 37,138.4 hl of imports of Prosecco DOC, Canada ranked the 10th importer of Prosecco DOC, it's the same with 2015, in these two years showed a growth of more than 24% compared to the previous year.

Finally, Mexico has been a lot of progress in the past three year. For example, in 2015, compared to 2014 there were an increase of 19.5%. However in 2016, Mexico's imports has an increase of 63.1% compared to 2015.

3.2.3 Oceania market

Table 9 - Oceania (Australia) market

	Australia
2014	13.980,2
2015	18.720,7
2016	24.189,6
Δ% 15 vs 14	33.9%
Δ% 16 vs 15	29.2%

Source: GTA

In 2015, Australia showed a growth more than 33.9% trend over 2014. Even in 2016, it accounted an increase of 29.2% over the previous year. In 2016, the exports volume of Prosecco DOC was recorded by 24,189.6 hl. Besides, there are a growing number of Australian importers involved with Prosecco DOC, it means that there will be a potential Oceania market in the future.

3.2.4 Asian market

The Russian Federation showed a regression to the 13th position in the international market rankings in 2016. It has increased by 11.3% after a

decreased (by 16.4%) export volume in 2015. As well as a consequence of the commercial sanctions decided by the European Union. Nevertheless, the Russian market of Prosecco DOC has been a decline in a lesser value (-16.4% in 2014), showing a decent ability to resist the crisis.

In 2016, the Japanese market showed a further significant growth compared to 2015 (an increase of 29%). It confirmed a positive trend of export in the Japanese market, it recorded of export of 21,564.9 hl in 2016. Compared to 2014 had an improvement.

In 2016, Chinese market showed an increase of 9.1% over the previous year ranked the 20th Prosecco DOC in the international market. Compared to 2014, Chinese market has declined to 15.5%. Since the China in accordance with WTO agreements, has reduced customs duties on imported wines in recent years, favoring the exponential growth of the wine market from abroad. Even though increasingly dynamic and competitive, but the China is still an emerging market for the Prosecco DOC.

Table 10 - Asia market

	Russia	Japan	China
2014	25.123,3	15.999,8	15.511,4
2015	20.993,5	16.717,8	13.109,8
2016	23.374,5	21.564,9	14.305,2
Δ% 15 vs 14	-16.4%	4.4%	-15.5%
Δ% 16 vs 15	11.3%	29.0%	9.1%

Source: GTA

3.3 Success of Prosecco DOC in the major foreign market

According to the import data from the consortium of Prosecco DOC in 2017, the top five importing countries all have significant improvement relative to 2015 except Germany. As shown in figure 8, it can be seen that the UK has

increased by 24%. In the second position is the USA which has significantly increased its export volume from 362.787,7 hl to 473.820,6 hl. Then Germany continues its negative trend over the past few years, decreased by 8.2% in 2016. However, it's still occupied the third position of the international market, besides it is the only one with the continuously increasing purchase price among the top three markets. After them, the 4th and 5th are France and Switzerland, in which the Switzerland always maintained a stable import level. But although there is own production of sparkling wine in France, but in 2016 exports to France increased by 53.8% compared to 2015.

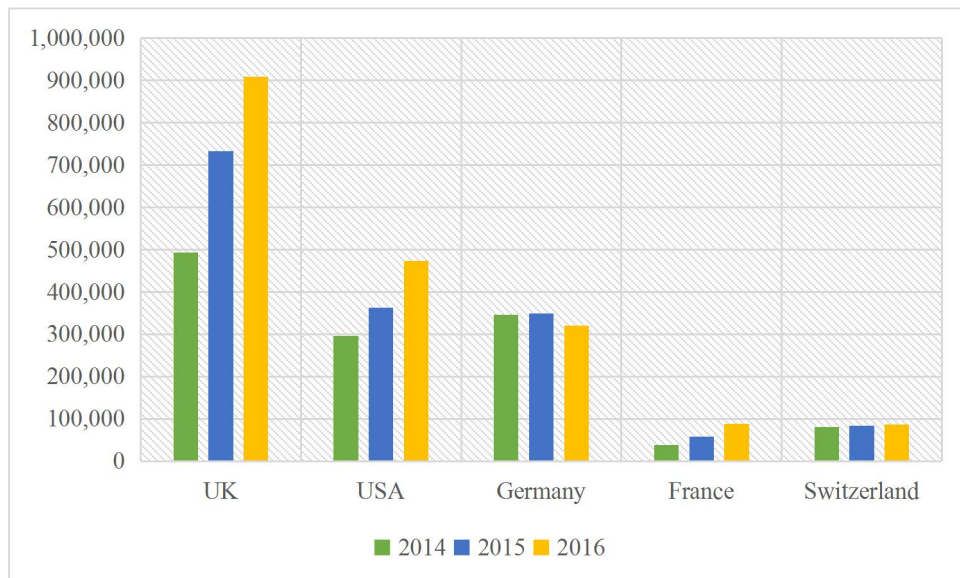


Figure 8 - Top five import countries

Source: GTA

Apparently, the UK has already become the first international importer with 36.6% of market share in 2016. This success of the Prosecco in the UK is confirmed by the *Taste of London 2015 edition*. The most important event of English food and wine confirms the growing interests for Prosecco DOC, indicating the hugely positive trend. Actually, in 2013 they had recorded a growth of 56.9%, furthermore in 2014 reached 65%. In fact, approximately

200 million bottles were sold in the UK. Based on the data released by the Consortium, which is estimated at 411 million bottles of the total production of the year 2016, with a forecast of 460 million bottles for 2017 due to the UK still has been growing the demand of Prosecco.

On the other side, in 2016 the production of Prosecco DOC was 3,550,000 hl, compares 2015, it's shown an increase of 16%, and compared to 2009 has a growth of 276%. From the production point of view, the Prosecco DOC got already a great progress. Another important indicator was the export volume, over the past years, traditional importing countries have shown a positive trend. In the last three years exports are concentrated in three foreign countries: UK, USA and Germany, by the way, there were also increasing orders coming from France.

Especially in the UK, according to UK Wine Market Report 2016, reported that “Sparkling wine is the category exhibiting the most growth, mainly from Italian Prosecco and Spanish Cava that are perceived to be better value for money than Champagne.” (Phillips & Wilson, 2016) shown in table 11.

Table 11 - UK Retail Market Size for Alcoholic Beverages, 2015

Product	HL	% Change	Price per liter	% Change
Beer	17,289	0	£2.15	0
Wine	7,495	-2	£7.17	0
Cider/Perry	4,956	-3	£2.10	1
Spirits	2,033	2	£19.33	1
Sparkling wine	728	27	£9.04	-1
Champagne	124	1	£26.26	0

Source: Wine & Spirits Trade Association/Nielsen

Actually this report also indicated that the Italian Prosecco became very famous after the financial crisis of 2008, usually used as celebratory drinking choice for British consumers. Compared with champagne, British consumers tend to choose Prosecco, because of its high value and lower cost. In the same time, Sales of Prosecco will surpass 412 million bottles by 2020, as the

Italian sparkling “takes over from discounted Champagne”, according to Vinexpo CEO, Guillaume Deglise (Schmitt, 2017).

As shown in the above table, the sparkling wine has much more than Champagne. But also continually increased year by year. In 2015 the market size had an increase of 27%. On the other hand, the price per liter of sparkling wine just £9.04, almost is one-third of the price of champagne. From the sales value of Prosecco point of view, figure 9 shows the percentage change in the sales value of wine in the UK for the 52 weeks ending February 2016. Prosecco has experienced an increase of 33.9% respected with other alcoholic beverages, Prosecco has many advantages than the others. So all these points indicated that Prosecco in the UK market has achieved great success.

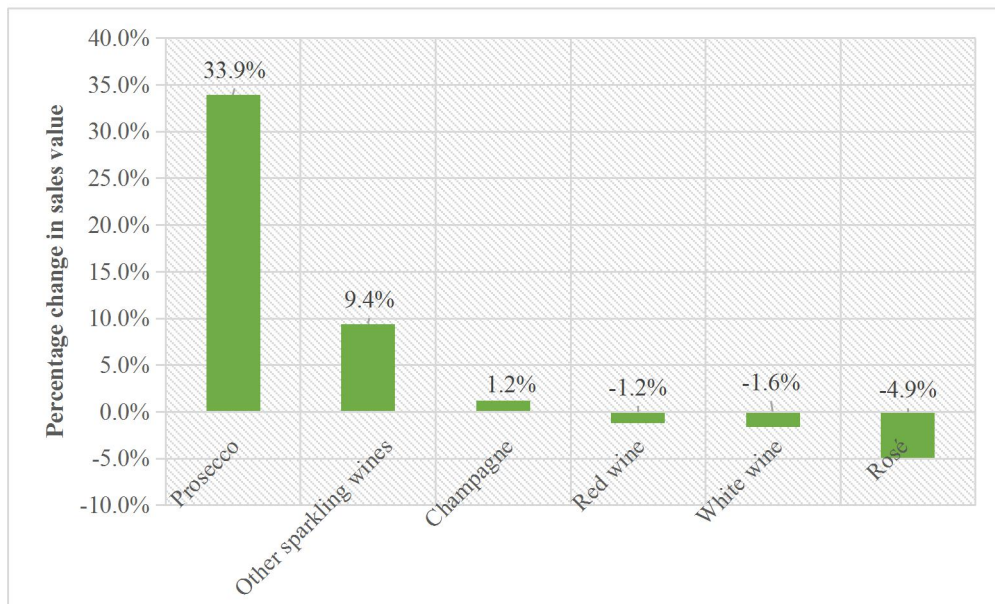


Figure 9 - Percentage change in sales value of wine in UK, 2016

Source: Statista, 2016

Second, the United States ranks the second largest importer of Prosecco, American consumers are also growing their demand of Prosecco. In accordance with the 11th Annual Wine Market Council Research Conference, The Prosecco grew significantly, its sales volume grew up 34.3%. Based on

some survey reported that the customers who purchased Prosecco, there were 72% of Prosecco purchasers who had bought it before and the Prosecco purchasers continuing to sizzle with double-digit growth reported by Nielsen 2017. The Prosecco leads at 17% of category between 12-20\$ as a sweet spot (Thach, 2017). According to the data shown below in figure 10, the United States import of foreign sparkling wine began to grow up after 2009, the total imports of sparkling wine had almost close to the domestic sparkling wine production in 2015.

Figure 10 - Consumption of Total Sparkling Wine in the U.S.

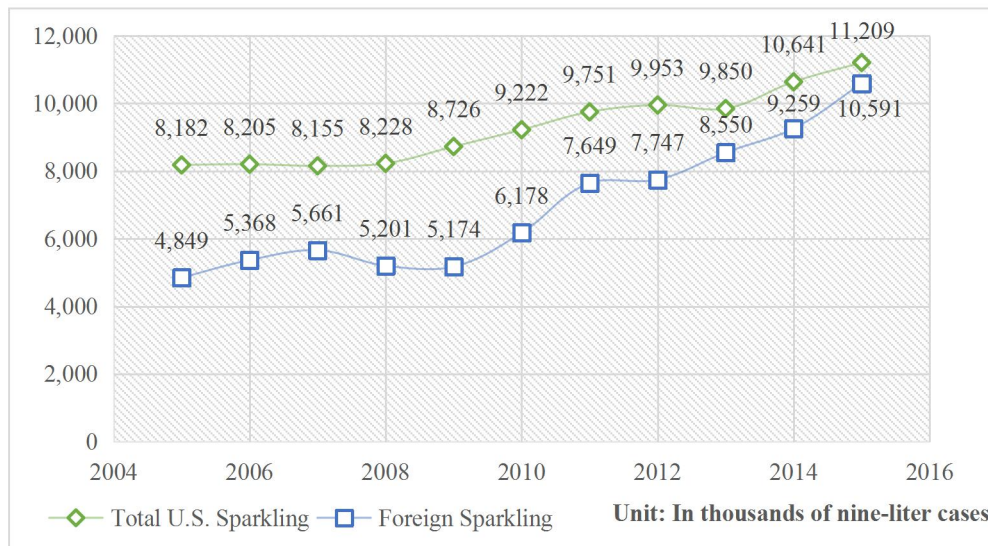


Figure 10 - Consumption of Total Sparkling Wine in the U.S.

Source: Gomberg, Fredrikson & Associates, 2016

Therefore, the above figure can be seen that the American sparkling wine market (including Champagne) continues to grow overseas import trends. And among all the major exporting countries, Italy occupies a large share. For example, from 2012 to 2016, Italy ranks second exporter of the sparkling wine in the United States. As shown in table 12, Italy ahead of other exporting countries after the France, ranked the second sparkling wine exporting country in the US market.

Table 12 - Importation of sparkling wine in US (Date Values in Thousands of dollars)

	2012	2013	2014	2015	2016
FRANCE	486,071	497,012	528,369	606,807	612,599
ITALY	186,149	211,309	240,890	258,525	346,801
SPAIN	70,224	73,092	77,415	83,945	87,697
AUSTRALIA	5,324	4,546	4,759	4,231	3,065
GERMANY	1,926	3,134	2,284	2,713	6,915

Source: GATS, 2017

However, Champagne still has a high notoriety and remains a top sales product in the US market, the above value of France reported that from 2012 to 2016, relatively stable growing trend, but the growth rate is lower than Italian sparkling wine in the past four years. The Italian sparkling wine in last four years shown a positive result, in 2012 the import of Italian sparkling wine had just 38% of compared to the import from France. However, in 2016 is up to 57%. This means Italian sparkling wine has been gradually expanding the scale, began to show a competitive trend with France. The growth of 86% in last four years. Indeed, Italian sparkling wine exports began to highlight its success in the US market.

The third biggest foreign market is Germany, in fact, even if the Germany is a big beer and wine producing country, but also the proportion of import wine (including sparkling wine) has been increasing. In 2013 the wine and sparkling wine occupied just 38% of total alcoholic drinks in Germany. But in 2015 increased to 43% (Scott & Lieberz, 2017). Actually, from the trade point of view, in basis of the Global Trade Atlas database (GTA). Germany imported 1.5 billion liters of foreign wine in 2015, the top five origins rank by volume are Italy, Spain, France, South Africa and Chile in which the Italy occupied 36% of total imports as shown in figure 11. In the total amount of imported Italian wine, 4% are sparkling wine, in other words, there were

almost 60 million liters of sparkling wine imported from Italy.

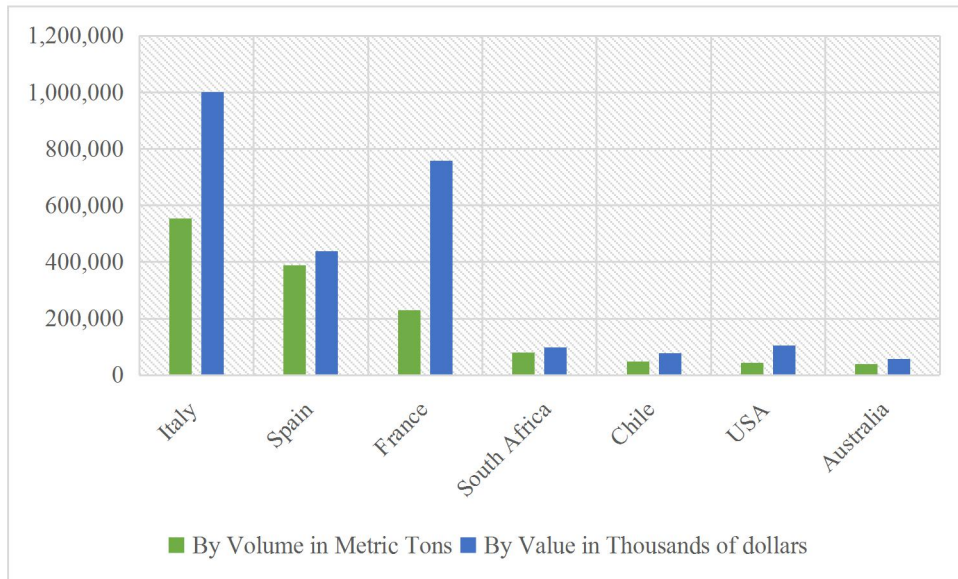


Figure 11 - German Imports Wine by Country, Volume, and Value, 2015

Source: German Federal Office of Statistics, 2017

3.4 The factors of Prosecco DOC success

3.4.1 Sensory issues

Prosecco is well known made by Glera grape which is a variety cultivated in Veneto and Friuli-Venezia Giulia regions in Italy. Glera grape has some distinctive attributes strongly linked to these two geographic origins. So one of these attributes is the sensory that could find a reliable correspondence between the geographic features of the vineyard soil. The International Organization of Vine and Wine (OIV) defined the ‘terroir’ as “a concept which refers to an area in which collective knowledge of the interactions between the identifiable physical and biological environment and applied viti-vinicultural practices develops, providing distinctive characteristics for the products originating from this area” (Tomasi et al., 2013). That means the grape growing region characterized by specific climate area and geological

properties provides distinctive and particular organoleptic characteristics to the wine. For example, Champagne has become a global top product well known for its unique terroir in France.

The especial environmental conditions, climate and soil compositions of these two Northern Italian Regions could render the Glera grapes particular taste, aroma and flavor. Veneto and Friuli-Venezia Giulia regions situated between the Dolomite mountain and Adriatic sea give grapes a micro-climate with abundant rainfall and sunshine. As for soils, there are different varieties of soils between vineyards, but in general, they are mixtures of marine sandstone, limestone, marl and clay. The temperate climate and soil conditions make these regions ideally suitable to cultivate Glera grape and enhance the flavor of Glera.

In general, Prosecco has distinctive taste profile such as green apple, honeydew melon, pear, honeysuckle and fresh cream. Prosecco tends to present fruit and flower aromas from Glera grapes depending upon conditions such as climate, winery, vintage etc. Completely different from Prosecco, Champagne often has a strongly cheesy flavor across with toasty or biscuity aroma, and smells like citrus fruits, white peach, white cherry, almond and toast. In other words, Prosecco has a more fresh and cooler taste compared to Champagne. The light and fruity taste makes Prosecco versatile, very easy to drink and featured in a series of cocktails, for example, Bellini and Spritz. Therefore, a lot of people began to concern with Prosecco.

3.4.2 Pricing issues

Generally, in the market, the price of sparkling wine varies depending on different producing methods or production origin, etc. Especially Champagne often has a higher price than the others, for example, a good entry-level Champagne costs from 40 to 50 euro. Whereas a bottle of good entry-level

Prosecco costs just from 10 to 15 euro, almost one-third of Champagne. The production methods make differences in market price between Champagne and Prosecco. The Champagne is produced using the traditional method. Grapes undergo the primary fermentation prior to bottling and secondary fermentation is performed in the bottle after adding the tirage (a mixture of yeast and sugar), which produces the carbon dioxide in the bottle. At the end of the fermentation process, lees are removed by remuage or riddling. It is a lengthy process in which the bottle is turned upside down gradually to move the lees to the neck of the bottle by gravity. Once the lees are accumulated, the bottle needs cooled to freeze the collection of lees and the crown cap is removed quickly. The following step is called disgorgement that the pressure in the bottle pushes out the frozen lees. During the final dosage process, the liqueur is added to maintain the level within the bottle. It is laborious to handle each bottle with expensive equipment.

On the contrary, Prosecco DOC is produced by the Charmat method which is different from the traditional production methods. The major difference between Charmat and traditional method is the place of secondary fermentation. The Charmat method makes the second fermentation happen in a large pressure-resistant stainless steel tank (autoclave) prior to bottling, rather than in the bottle like the traditional method. Then the base wine is added with tirage. During the second fermentation, the carbon dioxide is released to form pressure in the tank. When the sugar is converted into alcohol and carbon dioxide, the yeast is filtered and removed, then the wine is bottled.

The Charmat method brings some positive effects to the Prosecco DOC quality. It can preserve the wine aromas and give more durable bubbles. It is also a convenient means of production which can decrease the production cost by shortening production cycle and reducing labor costs. On the other hand, Champagne as the protected designation of origin has already built up its reputation as a luxury product, pushing up its price. In addition, the

Champagne containing high pressure like the 6-7 bar is packed in a pressure-resistant glass bottle, which increases the packaging cost. However, the Prosecco DOC with the 2-4 bar of pressure reduces the cost.

3.4.3 Policy issues

Prosecco's success in the world depends not only on its quality and distinctive features, but also on the political guaranteed protection of geographical denomination. Prosecco registered PDO may highlight its natural, cultural and traditional features derived from Veneto and Friuli-Venezia Giulia regions, and increase the reputation in the European and international market.

The recognition of the geographical denominations of the Glera grape and the Prosecco was established on 17th July 2009 by the Italian Decree of Italian Minister of Agriculture, and confirmed by the commission regulation (EC) No 1166/2009 on 30th November 2009. The scheme of protected designation of origin gives quality assurance and procedure specification of Prosecco, and also emphasizes the bond between Prosecco and the territory of origin. In addition to enhancing its territory of origin and standardizing the production processes, it can eliminate the unfair competition by non-qualified products. It is banned to use the PDO trademark illegally, otherwise, any illegal usage of PDO will be sanctioned by Community law. (Zuccato, 2012)

Overall, the legal protection is the assurance which protects the interests of producers and consumers, standardizes Prosecco quality and eliminates vicious competitions in the global markets.

3.4.4 Marketing issues

Usually, a product marketing could be in many models such as the advertisement, promotion, These are more useful and very common way, but it does not apply to each product, in agro-food products such as wine, characterized by high complexity, for these products, the consumer often needs tasting, touch and asks some information directly to the sales staff or the producers. (Dalla cia, 2014) So wineries are aware of the need to use a mix of communication involving different models, in addition to traditional marketing plus the public relations, the publicity, the sponsorships, the events, the digital communication, the point of sale, the exhibitions, the new packaging and the business Printing. For attracting the attention of consumers and willingness to purchase the Prosecco DOC. For example, since the Prosecco recognized as a PDO product, some companies intend to focus on the foreign market such as USA, Australia, Netherlands and Eastern Europe, and most of Prosecco producers have innovated their brands, for example, registration of new brand, packaging or label with a fantasy name. (Bianchin, 2008) or some companies brought ads into some video platforms, such as YouTube. Here is an example, the Riodo company advertised their own products in an American chef's talk show Vinny Verelli, this talk show is also distributed in the USA which is a huge market for Prosecco. Then in the sponsorship model, it is also a very effective marketing way, actually, company displays its name or logo on an event, whether sporting games, artistic shows, cultural exhibitions or musical concerts etc. In general, cultural sponsorship gives greater exclusivity and prestige, sports sponsorship creates greater visibility. Indeed, the Sponsorships are useful and facilitate to promote a product, to increase the brand awareness, to raise a company's reputation, to get a positive attitude from different audiences. For example, Prosecco DOC has sponsored conegliano's volleyball women team, and many times on Superbike World Championship and MotoGP where

Prosecco DOC as a sponsor of this event wear a special edition label. The most important and the best display platform is the international exhibition, in this case, the exhibition's goal is communication. It has strategic importance, because it could understand the market trend not only in domestic market, but also the abroad market. It's a valuable opportunity for the affairs and for meeting potential buyers also their affiliates and importers, distributors, retailers etc. Therefore, It is an investment that builds a visibility, offers sales opportunities, creates loyalty and reassurance. (Collesei et al., 2008). So Prosecco DOC began to appear in all the major international alcoholic drinks exhibition, then quickly attracted the attention of the world. One of the most important alcoholic drinks exhibition is Vinitaly. It is the largest wine exhibition in the world, which takes place in Verona. From 1967 until now, according to the 2016 data, more than 4,100 exhibitors from 30 different countries, and nearly 130,000 visitors participated in 2016. It takes in four days and provided tastings, show areas, events, festivals, workshops, international competitions and awards also some conferences during the exhibition. Certainly, The consortium of Prosecco DOC participate in Vinitaly with its own stands every year. Therefore, the combination of different marketing model to help build awareness and Prosecco buyers' loyalty in the international market.

3.4.5 Social-cultural factors

Nowadays, the Prosecco's dominated consumers are young people. In addition to its taste, price and other advantages, but also benefits from the social environment that promoting the sparkling wine. With the development of society, the 80s, the 90s and gradually become the main social consumption structure, and they like the fresh taste, tired of old drinking habits, the pursuit of a living style which is more free and open way of

drinking.

Prosecco is synonymous with fresh taste, pleasure and happiness. The young consumer group defines Prosecco as a product for celebration, party, relaxation and meet up with friends. For young people, Red and white wines suitable for formal restaurant and drink at home, sparkling wine like Prosecco is more suitable to share with friends drinking out, and it is the best choice to enliven the atmosphere during the party.

Some film and television programs have theme of Italian wine, therefore effect also on the spread of sparkling wine, and many of them frequently refer to Prosecco such as “American Hustle” directed by David O’Russell, “To Rome with love” directed by Woody Allen, “Dieci Inverni” directed buy Valerio Mieli, creating Prosecco its free and joy visibility to audiences so that Prosecco has been promoted and recognized. And its relax, hedonism attributes just in line with the current values of young people.

Accordingly, results often argue that consumers can hardly capture the wine quality, for example, their perception about quality may be biased by many factors affecting consumers’ expectations. (Goldstein et al., 2008) But the educational background tailored to area of living may play an important role in giving to consumers some hints in recognizing wine quality. (Rossetto et al., 2009) in order to promote and export better, the consortium of Prosecco DOC often prepares some specific course such as the master class of Prosecco DOC, also the seminars for Prosecco’s terroir and other Prosecco DOC degustation to train more Prosecco experts over the world.

3.4.6 Female consumer behavior

With the rise of female consumer groups. In many countries Prosecco’s main consumer group is female, as it is a little sweeter than champagne, the price is also appealing. For example in the UK, according to a survey of public

thinking of sparkling wine, the results shown that the 5 key words about Prosecco are “Trendy”, “Female”, “Good value”, “Fun” and “Summer”, there was 1 in 4 respondents said they think of Prosecco as “Female” (Oda, 2016). Indeed, more than a half of consumers who ordering Prosecco in a bar are female. Prosecco’s refreshing taste, pretty packaging, female consumers have no resistance to this. Some news showed that sweet or semi-sweet type sparkling wine in the market the most popular among women, their fresh feeling, low alcohol content, making female consumers willing to enjoy the bubble and pleasure. Therefore, in recent years some special edition packaging of Prosecco changed their traditional visibility, become more lovely style, colorful bottle, scrub touch feel, relief hand-painted design, all these brought the Prosecco the delicate and lovely image. These all meet the aesthetic of women, soon Prosecco became the first choice for female consumers.

On the other hand, there are some special Prosecco Spumante and Frizzante are pink color which made with a blend of Glera and red grapes carefully selected to ensure consistency of colour, flavor and aroma. Most of female consumer are prefer the pink colour, so pink Prosecco quickly became a hot good among female consumers, because many of them thought that the pink wine are designed specifically for women. It’s a special woman production line, such as ladies’ cigarettes, ladies’ cars, etc. From the psychological perspective, it is easier to accept and get satisfied.

CHAPTER 4 - PROSECCO DOC FOCUS ON CHINESE MARKET

4.1 Brief introduction of China

The China, where situated in East Asia and with a population of over 1.374 billion (2016 estimate), the land area approximately 9.6 million square kilometers, extends for about 5250 km from east to west and 5500 km from north to south. The country borders on Mongolia to the north; Russia and North Korea to the northeast; Vietnam, Laos, Myanmar, India, Bhutan and Nepal to the south; Pakistan to the southwest; And Afghanistan, Tajikistan, Kyrgyzstan and Kazakhstan to the west. The capital city is Beijing, it exercises jurisdiction over 22 provinces, five autonomous regions, four direct-controlled municipalities (Beijing, Tianjin, Shanghai and Chongqing) and the special administrative regions Hong Kong and Macau as shown in below figure 12.

Since 1978 institutional reforms, demographic shifts and increased foreign investment have stimulated urbanization in China. With the result that China has experienced a quick urbanization process over the past three decades. From 1980 to 2015, China's urban population expanded by 4 times, from 191 to 771 million urban residents, (Fan et al., 2016) the urbanization means the improvement of living standards, urban households spend more on purchasing more voluntary goods than rural ones which are more focused on satisfying primary needs. It is expected that China's urbanization in 2030 will reach 62%. In 2016, China's nominal GDP by expenditure is 11.20 trillion US dollars. It's the world's second-largest economy after the United States. But the China's GDP unevenly distributed that is economically divided into four territorial areas with a different level of development, the east part

(Beijing, Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong and Hainan island) is more developed which absorbing more than half the total GDP. According to statistics from the International Monetary Fund's World Economic Outlook Database 2017, reported that in 2016 China has imported 1.589 trillion US dollars worth of goods from foreign countries in which had 18.1% from European trade partners. On the other side, in 2016 China exported 2.119 trillion worth of goods to foreign countries, from the point of view continental, 18.5% of total export amount exported to clients in Europe.

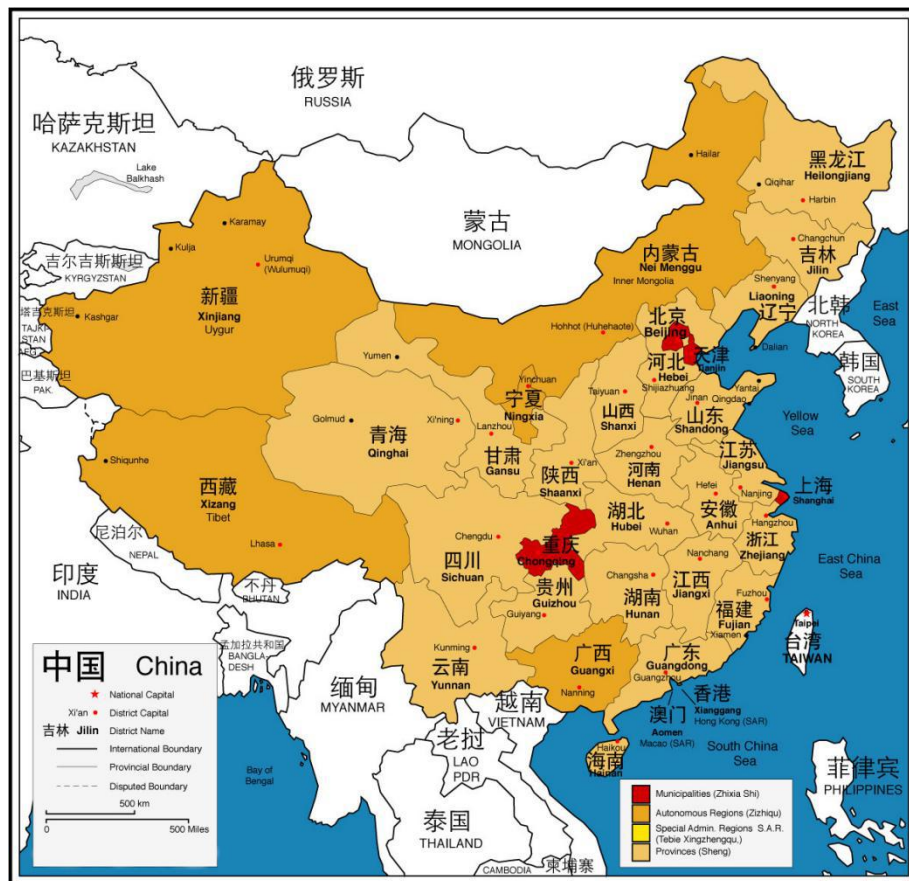


Figure 12 - Geography of China

Source: <http://www.bizbilla.com/country-maps/china.html>

4.2 Wine production in China

In recent decades, the wine has become a hot-selling product, and this trend has increased rapidly because rising the consumer demand, besides drinking wine became a symbol of social status and urbanity due to Western culture influence. However the wine production region is not covered every province of China, mainly concentrated in the northern provinces, for example, Shandong, Heibe, Ningxia, Shaanxi and Xinjiang provinces cause affected by different factors, such as climate, temperature, soil conditions and also different drinking cultures. As shown in figure 13.



Figure 13 - wine production regions in China

Source: Decanterchina, 2017

According to OIV's report of 2017, China is still the first grape producing country, in 2016, China's grape production has 14.5 million tons, ranking the first in the world. However in the production point of view, the wine

production in China basically remain the stable at 11-12 million hectolitres(MHL) since 2013, there was not the obvious fluctuation. The below figure shows the detail of wine production excluding the juice and musts of China in recent years.



Figure 14 - Wine production of China 2010 - 2016

Source: OIV, 2017

The wine production of 2016 was 11.4 mhl in total, it's almost same with 2015. Even if the northern provinces of China have larger grape growing areas and a huge production of grapes. However, the production of wine is lower compared to other producing countries. China ranked the 6th position in the world, after Italy, France, Spain, USA and Australia.

In general, grape production is divided into three categories that are fresh grapes, raisins and wine grapes. In China the grape production was not evenly distributed, because the fresh grapes used as fruit accounted 83%, but only 12% used for wine grape. Figure 15 shows the difference of producing type between fresh grapes, raisins and wine grapes of major wine-producing countries.

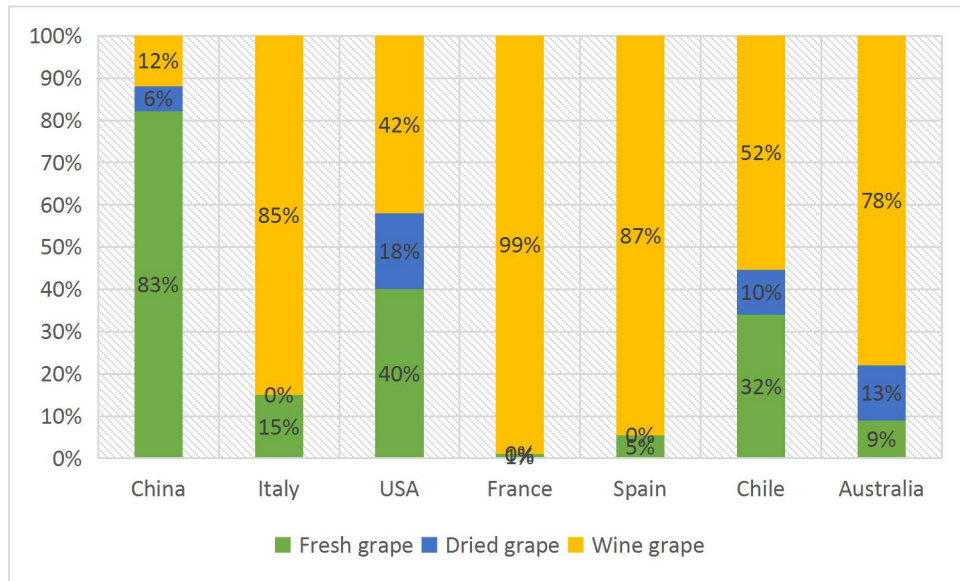


Figure 15 - Major grape producers by type of products

Source: OIV, 2017

The above figure can be observed that China’s wine grape was the lowest compared to several important wine producing countries. On the other side, China’s domestic sparkling wine producers are not many until now. At present, only a few of well-known wineries produce sparkling wine, such as Grace vineyard, Changyu, Dynasty and Yantai weilong etc.

4.3 Wine consumption in China

First of all, China has a very long history drinking rice wine. It’s also one of oldest alcoholic beverage in the world. The rice wine is a daily beverage which is wide acceptance and has a really high degree of historical identity. With its special aroma, high alcohol content and social importance so that the rice wine has a huge consumption, it has always been the first choice among all of the alcoholic beverages in the past. Therefore rice wine has a dominant position in the Chinese wine market. However in recent years the China’s wine market, the consumption of rice wine slowed down from 2013, instead of wine made by grape. Especially in the past decade, the wine gradually

become a main alcoholic beverage on the Chinese market. On the one side, China is still an emerging market for the wine which increasingly dynamic and competitive. Actually, it is possible to find more and more imported wines in restaurants and wine shops. On the other side, in recent years, China in accordance with WTO agreements, has reduced customs duties on imported wines, favoring the exponential growth of the wine market from abroad.

From the import point of view, China's annual imports of wine is also growing. China's imports of wine began to improve since 2003. Figure 16 shows the China's imports of wine from 2000 to 2016. After the impact of economic crisis of 2009, the import amount has been gradually rising every year. In other words, Chinese consumers have been increasing quickly the demand of wine. The China's domestic production coupled with imported wine have already equal shares the market in 2016 as shown in figure 17.

Obviously, the Chinese consumer demand for wine has been increasing. Moreover, where it is important that domestic production has been unable to meet their own needs so that the amount of imports is also increasing every year. In 2016, the import of foreign wine has exceeded half of domestic production, it has an increase of 6.9% compared to 2015.

Based on the Winemonitor that wine is the one of the most exported product in China, worth 1.3 billion US dollars, as shown in figure 18 is the top five exporters in China. Italy ranks the fifth exporting country in the category (6% of the market) after France (42%), Australia (24%), Chile (11%) and Spain (7%). France which always holds first trading partner in the Chinese market with a market share of 42%. Besides, the Australian wine started to play a great role in the Chinese market due to signed an agreement about the gradual reduction of the tariffs between China and Australia on 17th June 2015. Australian government department of Foreign Affairs and Trade released "China-Australia free trade agreement" that the tariffs for sparkling wine and less than 2L bottled wine will reduce from 14% to 11.2% in the

first year, then second year fall to 8.4%, the third year fall to 5.6%, the fourth year fall to 2.8%, at last, will drop to zero in 2019. In fact, Australia already got 24% of Chinese market and ranked in the 2nd position in 2016.

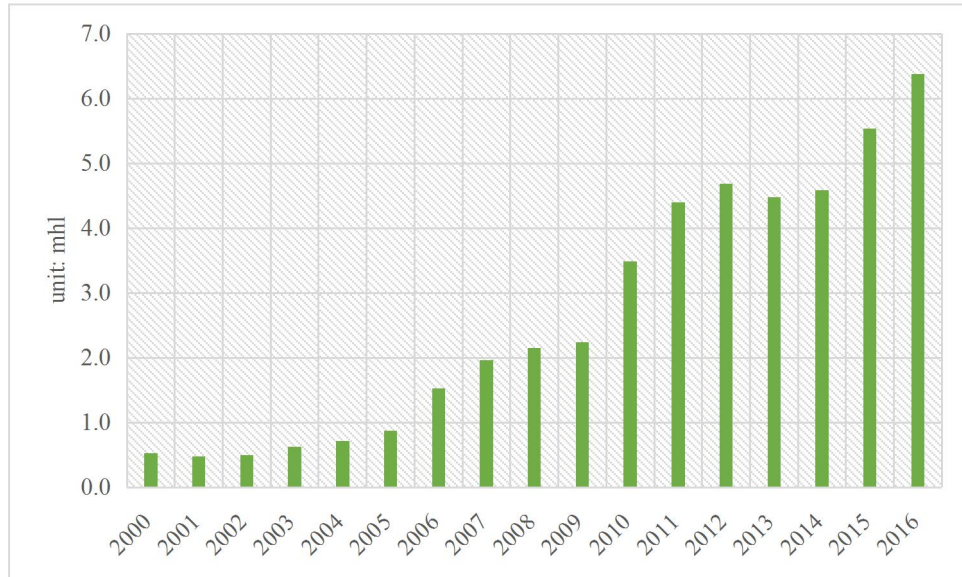


Figure 16 - China's annual imports of wine 2000 - 2016

Source: OIV, GTA 2017

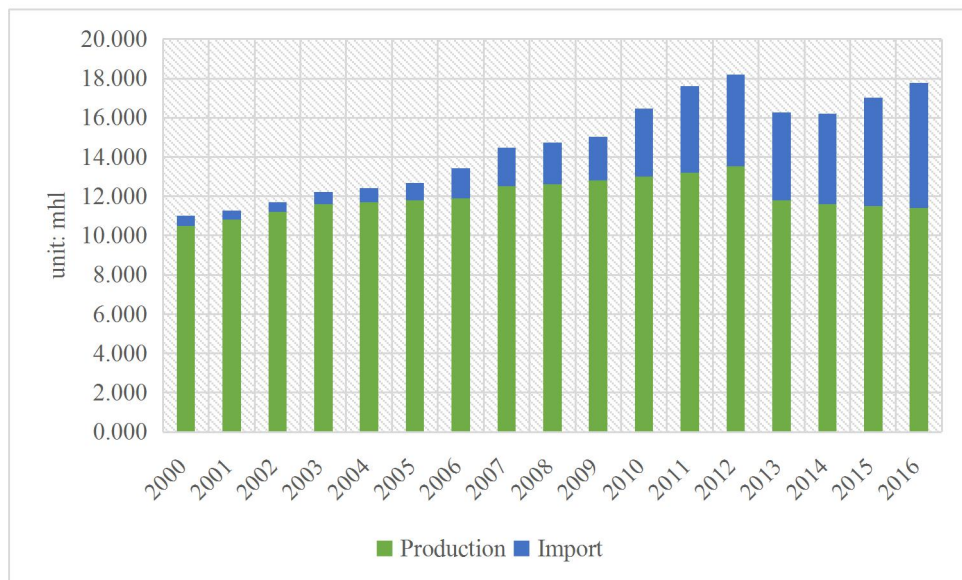


Figure 17 - Consumption of wine in China 2000 - 2016

Source: OIV, 2017

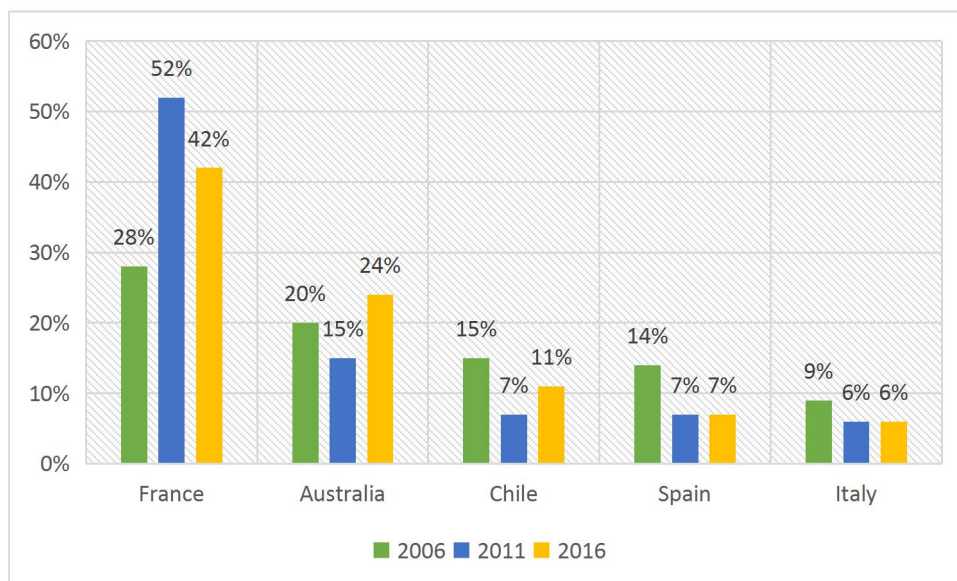


Figure 18 - The evolution of market shares of main wine exporters in China

Source: WineMonitor, 2016

In accordance with OIV data, China got the fifth position among the main importers in the world, following Germany, UK, USA and France. In fact, not only rise in imports in terms of volume, but also in another significant rise in terms of value (table 13).

In terms of the value of imported wine showed a positive performance in 2014-2016. France ranked 1st position, with an increase of \$ 342 million in imports over two years, accounted for 40% of total imports.

Second, because Australia and Chile gradually reduced or canceled the tariffs for China. In recent years, they have a significant increase in terms of the export value. Overall, Australian wine has a higher average import price (over 7 Euro/liter). Spain although the import volume is relatively large, but the average import price is very low. Particularly, it is imports of Italian wine, in 2016 increased 33 million US dollars compared to 2014, it has been continuing to maintain an average price of 4-5 euros per liter. Then, the rest of the United States, South Africa, Portugal, Argentina and Germany accounted for 7% of the total import value.

Therefore, in terms of imports of sparkling wine, China's total imports is not even a lot. However, the volume of sparkling wine imported from Italy still ranks the first and nearly 48% of the market share. In 2016 there are 6 million liters of imports wine. Similarly, the Spanish sparkling wine also maintained to grow up. In 2016 reached 2.8 million liters and accounted for 18% of market share. On the other side, France, Australia, Germany have different degrees of reduction. In comparison with 2015, French imports fell by 26.45%, Australia by 34.07%, and Germany by 18.33%.

Table 13 - China in terms of the value of imported wine 2014-2016

Rank by volume	2014		2015		2016	
	Value(US\$)	AVG Price (US\$)	Value(US\$)	AVG Price (US\$)	Value(US\$)	AVG Price (US\$)
France	614,131,417	4.91	863,292,661	5.19	956,444,756	5.05
Australia	247,201,767	6.83	439,376,537	7.76	542,542,756	6.83
Spain	96,214,785	2.74	112,188,945	2.06	142,086,620	1.97
Chile	124,555,528	3.64	170,015,879	3.49	209,385,748	3.48
Italy	80,944,292	4.43	82,112,459	3.63	114,273,276	4.43
USA	65,197,627	5.08	51,553,380	5.16	52,458,749	5.39
S. Africa	21,599,341	4.20	38,608,268	4.19	34,786,293	3.62
Portugal	14,251,464	3.63	15,975,306	2.78	18,979,108	2.79
Argentina	17,645,987	4.21	19,975,346	4.01	23,129,088	4.14
Germany	19,295,913	5.19	17,078,063	4.49	16,429,722	4.31
Bottled wine	1,365,836,611	4.74	1,872,773,619	4.74	2,194,981,117	4.56
Bulk wine	69,620,672	0.85	98,616,823	0.68	112,833,463	0.78
Sparkling wine	82,737,929	5.93	60,280,301	4.78	56,580,792	4.51
Total	1,518,195,212	3.95	2,031,670,743	3.67	2,364,395,372	3.70

Source: Chinese customs data

From the term of value point of view, although the import value of France in the last two years has been reduced, but still occupied 45% share. Besides in 2016, even if the value of imports from Italy is also reduced by 1.24%

compared to 2015, but the market share of Italian sparkling wine in China has increased by 2%, it is reached 30% in 2016.

In terms of average price of imported sparkling wine. France surpasses all countries and has achieved the highest unit price, in 2016 France assessed the price of 13.46 euros per liter. Followed by Chile and New Zealand, they are all more than 7 euro for unit price per liter. The other European countries are kept at the price of 2-3 euros per liter, such as Italy, Germany, Portugal. In 2016, among all of exporting countries, the highest growth rate was Chile, its unit price with a growth of 64.74% compared to 2015. In contrast, the United States reduced the unit price per liter at most, compared to 2015 reduced by 37.69%. The data As shown in the table below, is the top 5 exporters' volume, value, and average price of China's imports of sparkling wine from 2014 to 2016.

Table 14 - China's imports of sparkling wine from 2014 to 2016

		2014	2015	2016	Market share			Δ2016 vs
					2014	2015	2016	2015
France	volume(l)	2,473,201	2,349,021	1,727,809	17.84%	18.25%	13.79%	-26.45%
	value(€)	33,036,391	26,601,606	23,257,160	53.31%	48.16%	45.48%	-12.57%
	AVG Price(€)	13.36	11.32	13.46				18.86%
Italy	volume(l)	6,716,499	5,779,371	6,035,266	48.45%	44.90%	48.18%	4.43%
	value(€)	16,744,017	15,407,477	15,215,918	27.07%	27.89%	29.76%	-1.24%
	AVG Price(€)	2.50	2.67	2.52				-5.43%
Spain	volume(l)	2,303,089	2,593,545	2,896,665	16.61%	20.15%	23.12%	11.69%
	value(€)	5,018,597	5,900,172	5,657,151	8.10%	10.68%	11.06%	-4.12%
	AVG Price(€)	2.18	2.27	1.95				-14.15%
Australia	volume(l)	808,147	1,043,733	688,136	5.83%	8.11%	5.49%	-34.07%
	value(€)	2,896,294	3,892,367	2,941,076	4.67%	7.05%	5.75%	-24.44%
	AVG Price(€)	3.58	3.73	4.27				14.61%
Germany	volume(l)	690,760	538,053	439,420	4.98%	4.18%	3.51%	-18.33%
	value(€)	1,710,458	1,463,543	1,162,333	2.76%	2.65%	2.27%	-20.58%
	AVG Price(€)	2.48	2.72	2.65				-2.75%

Source: Passport, 2017

4.4 Emerging trend and opportunities of Prosecco DOC in China

Since 1978 China has transitioned from centralized and planned economy to a market economy which accompanied social change and reform. During this period China has made great breakthroughs in the economy. Economic reforms and development are evident in increasing the total GDP and per-capita income. While rapidly developing the economy, China also tries to develop various fields in order to keep the economic growth balance and sustainable. All these made the Chinese people's living standards have been improved, having a higher purchasing power than before. In a sense that positive economic construction drove Chinese consumers to expand their demands for Italian imported products, such as food, wine and fashion goods. On the other hand is expanding the urbanization. In 2000 the rural population around 64% in China and the urban area just 36%, the living standards in rural areas are only sufficient to satisfy basic living conditions. With economic development and urban construction, the urban area already arrived 50% in 2010, It is expected that China's urban area will reach 62% in 2030. This also means that the middle class will continue to increase and the consumer demand will be changed, from the beginning of the necessities to the demand for elastic goods. Especially on food and wine sector, the urban population concerned more about its quality and safety than prices, furthermore, more people prefer to choose the organic products due to its wellness and health value.

Although tea and rice wine consumption habits and other oriental traditions remain deeply rooted in China, but Western culture has been attracting Chinese consumers, especially in the eastern coastal areas in China and the young Chinese people. For example, the wine, began to gradually replace the status of rice wine on the Chinese table. According to IWSR's forecasts for

Vinexpo, China's consumption of wine will record an average annual growth rate of 7% in the next four years, in 2020 should be reached approximately 61 million hectolitres and the amount of imported wine should be more higher.

Besides, in China the latest strategy for foreign trade is "The Silk Road Economic Belt and the 21st-century Maritime Silk Road", also known as The Belt and Road (B&R) which is proposed by President of China Xi Jinping in 2013, the Government of China contributes 100 billion US dollars for implement and develop the strategy B&R. This strategy focuses on connectivity and cooperation between countries which along with the road and the belt, covers Europe and Asia. The road which is the oceangoing "Maritime Silk Road" (MSR), on contrast, the belt is land-based "Silk Road Economic Belt" (SREB). The main goal is the desire to coordinate manufacturing capacity with other countries in areas. Principally, the "belt" includes countries situated on the original Silk Road through Central Asia, West Asia, the Middle East, and Europe in order to integration of the region into a cohesive economic area through building infrastructure, increasing cultural exchanges, and broadening trade.

The direct benefit of wine trade should be the logistics, changing the traditional train transport. Because usually the traditional transport method of wine is shipping logistics which needed a long time, higher price and there are also many uncertainties during the voyage. However the B&R has already connected the railway between China and Europe. For example, a container of wine departs from the Genova or Pavia in Italy, it just needed as long as 17 days to arrive in mainland of China by train. From the market point of view, this is not only could provide imported wines with lower prices but also render the imported wines more competitive in Chinese wine market.

CHAPTER 5 - CHINESE CONSUMER ATTITUDES TOWARDS PROSECCO

5.1 Questionnaire

This questionnaire based consumer survey was carried out on Prosecco PDO by the Department of Enology of North West Agriculture & Forestry University in Yangling, Xi'an, China. The research was carried out under the supervision of Prof. Alessio Fortunato and Prof. Denise Cosentino from NWSAUF University oenology college. The purpose of this research was to evaluate the degree of preference of the Prosecco DOC on Chinese consumer panel. In this study, the following 3 questions were mainly focused:

- i) Chinese consumer expectation of Prosecco DOC;
- ii) the most preferred type of Prosecco DOC;
- iii) the level of enjoyment of visual, olfactory, taste characteristics of the Prosecco DOC.

This questionnaire consists of four parts: demographic information of respondents, drinking behavior and habit, the attitudes toward the consumption of Prosecco, and sensory evaluation of the Prosecco DOC samples with their current wine knowledge. In the first part, some questions about respondents' socio-demographic characteristics such as gender, marital status, hometown and personal or family income etc were designed in the questionnaire. The second part was about consumption behavior, for example, weekly consumption frequency, glasses drunk per week, bottle of wine customarily purchased and main purchasing channel. The third part mainly focused on the Prosecco, the ideal products from the Chinese consumers' perspective was investigated. The questions in the questionnaire on this part are listed as follow:

In your opinion, what is Prosecco?

What is the occasion to drink Prosecco?

Why do / don't you drink Prosecco?

What Chinese cuisine pairs well with Prosecco?

In the last part, 12 samples of Prosecco DOC, in which 6 of them were Prosecco DOC Brut and of the others were Prosecco DOC Extra dry, were prepared. For all of these samples, the visual aspect, olfactory appearance, tasting aspect, final judgment and value in Rmb (the currency with legal tender in the People's Republic of China) were evaluated. Every aspect has been attributed a quality level judged by: mediocre, sufficient, good, very good and excellent. The studied Prosecco DOC were classified into five groups according to the price of these products: less than 10 euros, 10-16 euros, 16-33 euros, 33-45 euros and more than 45 euros five price range.

This sensory analysis was developed on the basis of the preference test classification method which considering different evaluation criteria, including Votes, Comparisons and ordering.

The collected data from sensory analysis were processed afterwards, and the results were discussed. After that, conclusions were drawn according to the collected data and discussions.

5.2 Samples and data collection

In this research, students of Department of Oenology of North West Agriculture & Forestry University in Yangling in Xi'an were chosen as the respondents. This university was the first oenology college in Asia, which was created about 21 years ago. It's one of the most famous and respected university in China. As the one and only college setting up a oenology department, most of the professionals currently working in the wine industry of China are graduated from here. Until now up to 82% of professionals in Chinese Wine Business are graduated from this university. So the students in

this university are able to be good representation of possible future Chinese wine profession and market. This research used a sensory evaluation test for data collection. Respondents were interviewed in Xi'an of China. The questionnaire was delivered to 45 students of oenology college and 45 representative questionnaires are all valid. Here it needs to be emphasized that all of the respondents are confirmed to be over 18 years of age. All of them are full-time students without any income or no full-time job, and their daily spend is supported by their family or part-time job. Besides, they are interested in wine, which is benefit to avoid the bias into results. It can be considered that data obtained from the questionnaire are effective and can be used for this research.

5.3 Results Analysis

The analysis of the data was conducted by the fact that the whole original data were not available to me, consequently I analyzed only some aggregate data. At the meantime, according to the analysis on the results, the corresponding marketing strategies of Prosecco DOC were figured out.

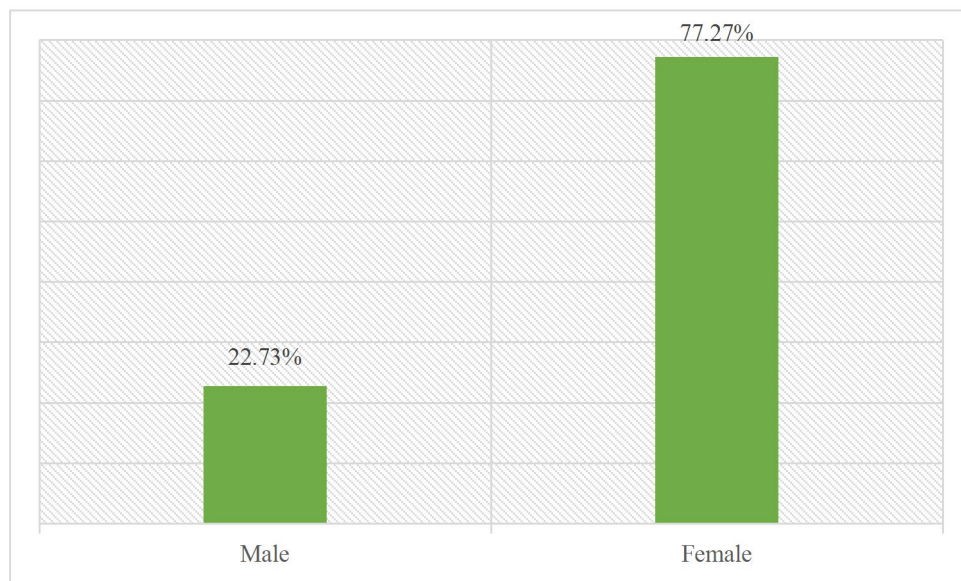


Figure 19 - Gender of respondents

In the first part of questionnaire, the demographic characteristics of the respondents, drinking habits and their previous knowledge of Prosecco DOC were included. From this point of view, it's shown that most of the respondents are females (figure 19), unmarried without children. The main macro area of origin is from the North and West China as shown in following figures. It's apparently shown that average personal or family income is dispersed, but the overall level is among the 50,000-100,000 Rmb per year (6,555-13,109 Euros).

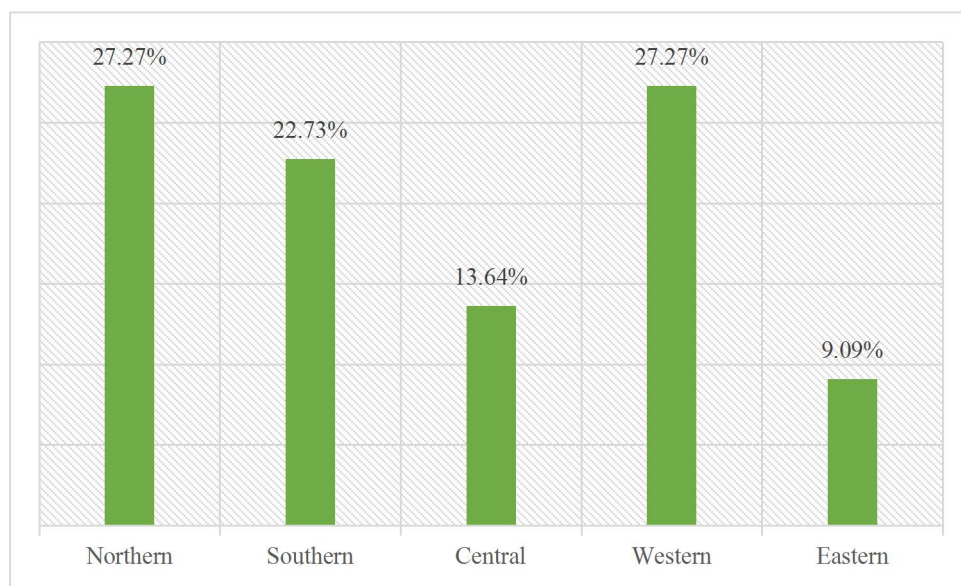


Figure 20 - Macro area of origin

In the second part of this questionnaire, the wine consumption habits were investigated. There were 77.27% of respondents drank wine 1-2 times a week due to the limited time during working days and purchasing power. Figure 21 demonstrates the average price per bottle of wine customarily purchased. There were 13.64% of respondents purchased a bottle of wine less than 75 Rmb (10 Euros) per week, while 50% and 36.36% of them had a bottle of wine with the price from 75 Rmb to 145 Rmb (10-19 Euros) and 150 Rmb to 300 Rmb (20-39 Euros), relatively.

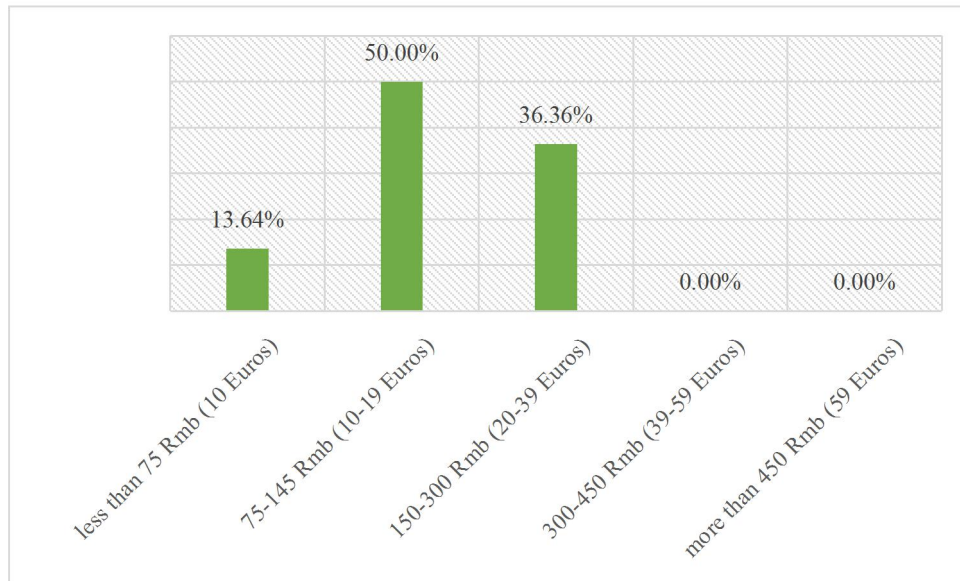


Figure 21 - average price per bottle of wine customarily purchased

Respondents were asked about their main purchasing channel for wine, including online shop, supermarket, wine store or from friends who were selling wines. The results are shown in figure 22. Among all of these channels, 69% of respondents obtained wine from online shop, it's the favorable way to purchase wine for respondents. About 13% and 11% of them got wine from friends who are selling wines and supermarket, which occupied the second favorable choice. Purchasing wine in wine store tend to be less favorable. Therefore, It indicates that the online shopping is the most popular due to the less costs and convenient transportation, especially for people who do not have much free time.

Then in the third part of questionnaire, there were 27.27% of respondents knew that the Prosecco is a type of sparkling wine and within a specific territory, however only 9.09% of respondents knew that Prosecco is a Sparkling wine main made by Glera grapes. Moreover, there were 72.73% of respondents drink rarely the Prosecco as shown in figure 23. For the reasons about why people don't drink Prosecco, 68.18% of respondents concluded that it is a wine which don't know well cause no enough information. 27.27% indicated it is not easy to find, another 27.27% had would chose other wine as shown in the figure 24. For those who have already drank , when did they

drink Prosecco mostly was also investigated. As shown in figure 25, there was 36.36% of respondents drink Prosecco DOC at special occasion, for example, outside with friends, and 27.27% of respondents thought it's versatile drink Prosecco DOC at every occasion, 18.18% of respondents drink Prosecco DOC as aperitif. Currently, the sparkling wine is used more frequency on socialization or celebrations rather than self-drinking, this is the reason why people like share the Prosecco DOC drinking out with friends.

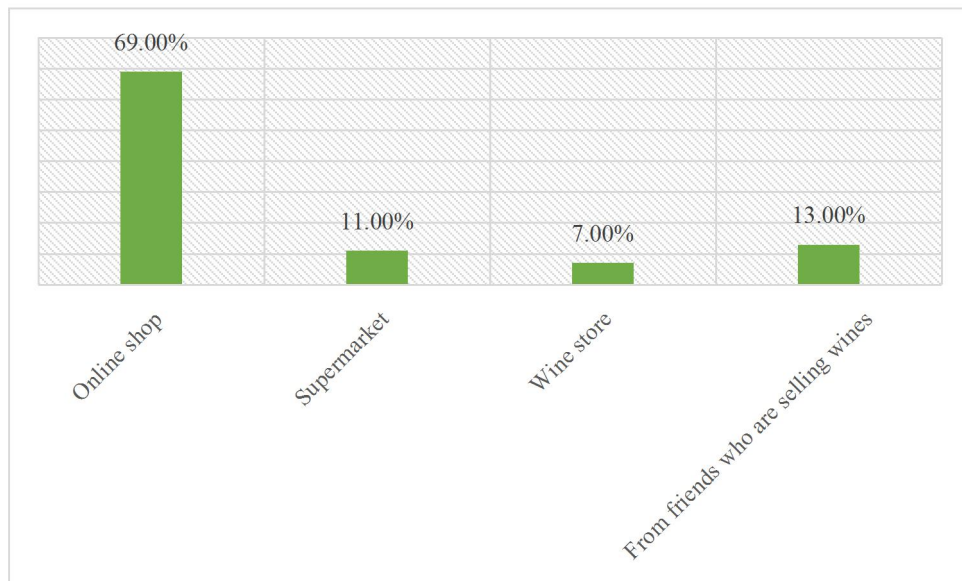


Figure 22 - main purchasing channel

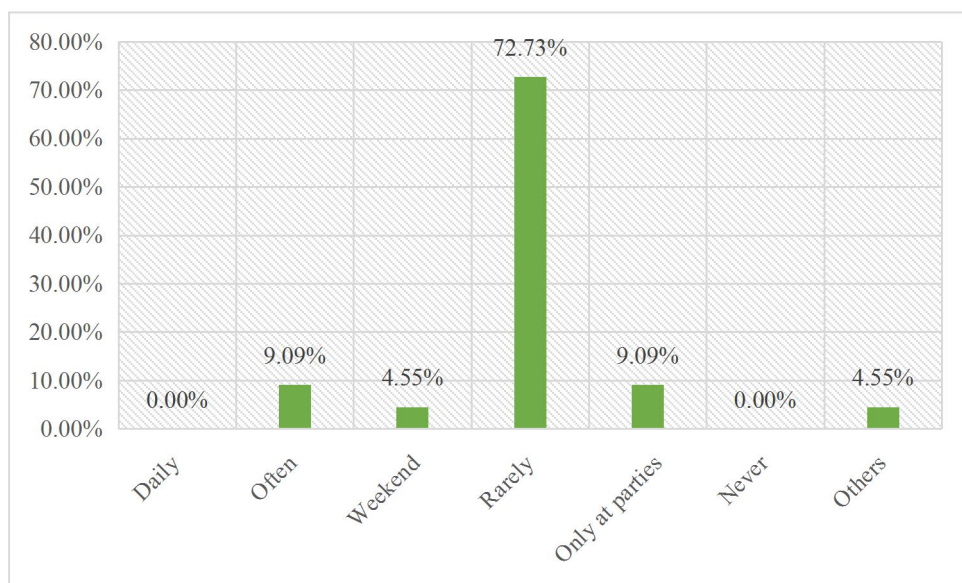


Figure 23 - When usually drink Prosecco

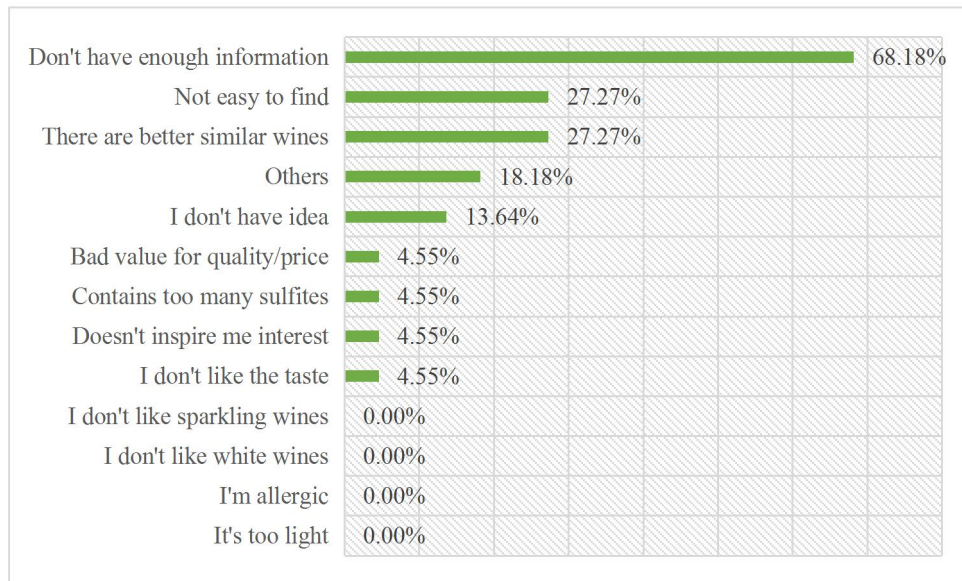


Figure 24 - Reasons of do not drink Prosecco

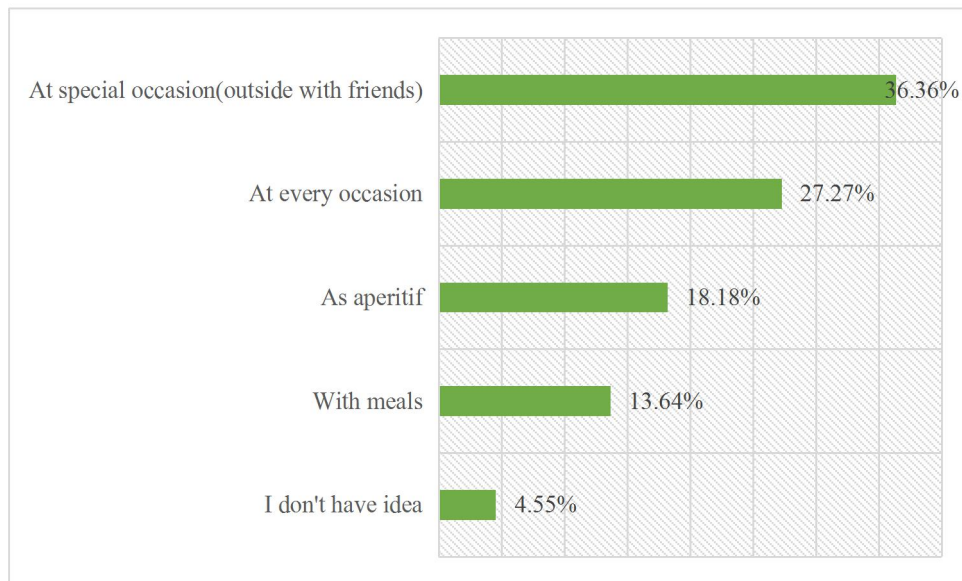


Figure 25 - Where drink Prosecco

There were 72.72% of them thought that is the taste of Prosecco DOC, 27.27% of respondents considered that the packaging and reputation of Prosecco DOC are the reasons why they drink the Prosecco DOC. The factors that most influence the acquisition of Prosecco DOC are the presence of medals or product sustainability certificates. The last question about which kind of Chinese cuisine pairs well with the Prosecco DOC, the below figure

shows that more than a half of respondents thought that the Prosecco DOC pairs very well with Southern Chinese cuisine. Each of the 22.73% of respondents felt the Prosecco DOC suitable for Northern and Western Chinese cuisine.

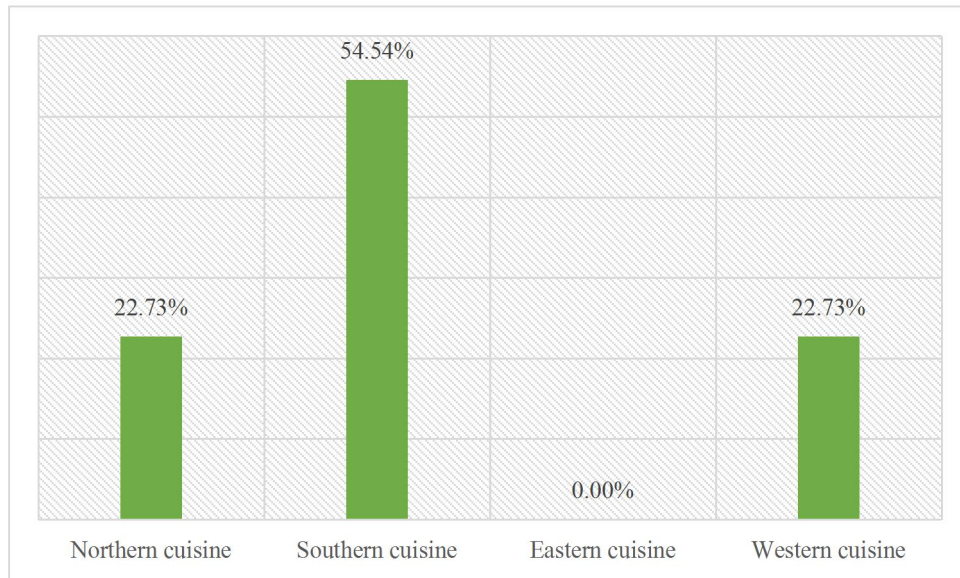


Figure 26 - Chinese cuisine matches well with Prosecco

In the last part of questionnaire, 12 prepared Prosecco DOC have been served for 45 respondents. To obtain that Chinese consumers' preference of Prosecco DOC, all of the samples were evaluated in 5 aspects which are appearance, olfactory performance, taste performance, final judgment and subjective opinion of the value of Prosecco, each of these aspects were used a Likert scale from 1 (Mediocre) to 5 (Excellent). But the last aspect of the subjective opinion of value of Prosecco used another scale are 1 (less than 70 Rmb / 10 Euros), 2 (between 70-125 Rmb / 10-16 Euros), 3 (between 125-225 Rmb / 16-29 Euro), 4 (between 225-350 Rmb / 29-45 Euro) and 5 (more than 350 Rmb / 45 Euro). Then using their own knowledge of wine without any advance information of Prosecco DOC. The results seen in the following figures.

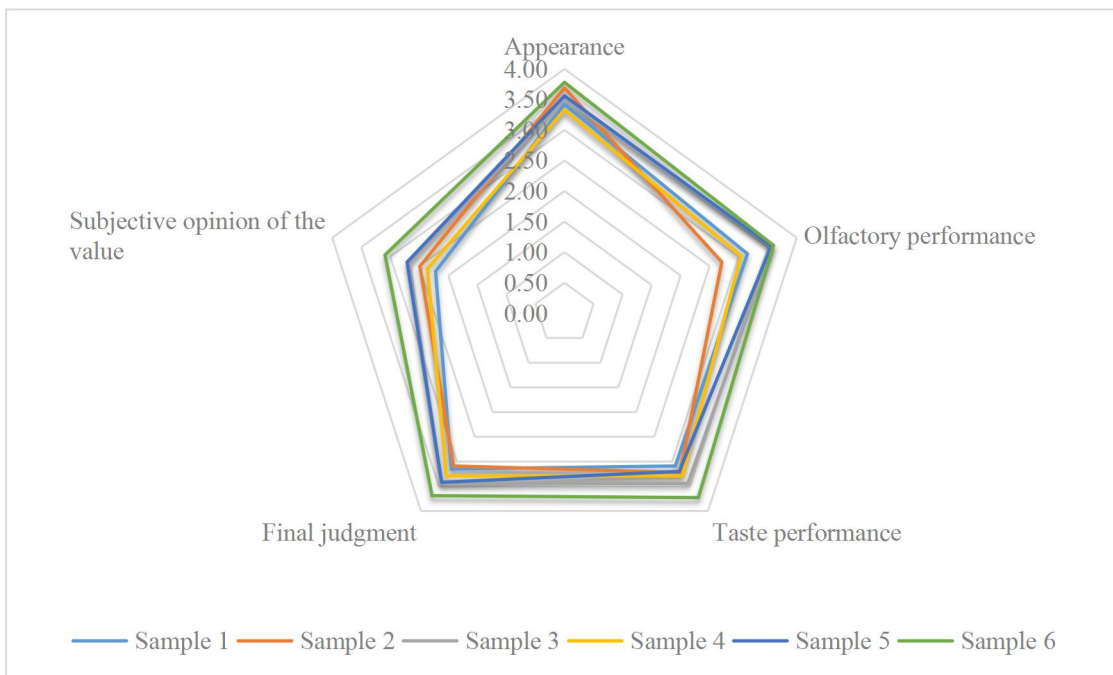


Figure 27 - Evaluation results of Prosecco DOC Brut

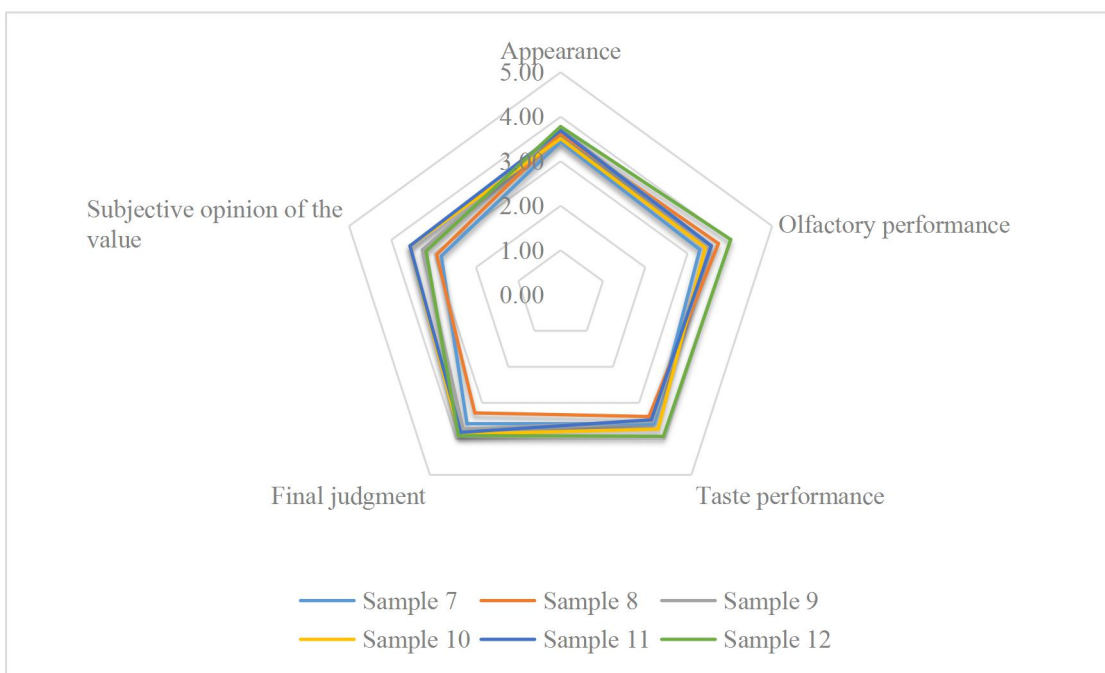


Figure 28 - Evaluation results of Prosecco DOC Extra dry

The sensory analysis of the Prosecco DOC Brut (table 15), in the appearance aspect, almost all samples have been assessed “very good” quality level, the olfactory performance were judged by “good” to “very good”, for the taste

performance, the samples also demonstrated “good” to “very good”. Therefore, the final judgment were from “good” to “very good”. Besides, the Rmb value of samples were attributed to the price range from 70 to 125 Rmb (10-16 Euros).

Table 15 - Prosecco DOC Brut

	N	Mean	Std. Deviation
Appearance	45	3.548	1.029
Olfactory performance	45	3.274	1.001
Taste performance	45	3.330	1.027
Final judgment	45	3.348	0.989
Value in Rmb	45	2.589	0.852

Conversely, the Prosecco DOC Extra dry shows a very good performance in this sensory evaluation (table 16). The appearance aspect, almost all samples have been attributed a “very good” level, as well as in the olfactory performance and the taste performance majority of the samples were judged by “very good”. In consequence the final judgment assessed also “very good”. All these aspects are showing a better results than Brut. Obviously, the Prosecco DOC Extra dry was superior to the Prosecco DOC Brut. Furthermore, the Rmb value showed that the majority of samples were included in the price range of 125-225 Rmb (16-29 Euros).

Table 16 - Prosecco DOC Extra dry

	N	Mean	Std. Deviation
Appearance	45	3.630	1.026
Olfactory performance	45	3.596	0.996
Taste performance	45	3.600	1.018
Final judgment	45	3.713	0.919
Value in Rmb	45	3.152	0.946

To sum up in conclusion, the Prosecco DOC Extra dry in all sensory aspects shown better than the Prosecco DOC Brut, indeed also the higher Rmb value

was recorded by the Prosecco DOC Extra dry, demonstrating the supposed willingness to pay more for Prosecco DOC Extra dry.

CHAPTER 6 - MARKETING STRATEGIES

FOR CHINESE MARKET

6.1 SWOT analysis

A simplified SWOT analysis was carried out based on the results of the questionnaire analysis to understand how to improve the Prosecco DOC in Chinese wine market. This aimed at identifying the strengths and weaknesses of the products (internal factors) as well as the opportunities and threats (external factors). The methodology used was a discussion forum from which resulted the identified factors in each category.

Table 17 - SWOT analysis of Prosecco DOC in Chinese market

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ➤ Good characteristics and appearance ➤ High ratio of quality/price ➤ PDO wine ➤ Versatile for drink ➤ Good image of Prosecco in Europe and North America 	<ul style="list-style-type: none"> ➤ Lack of awareness ➤ Difficult to find ➤ Lack of degustation skill ➤ High tariffs compared to Australia and Chile ➤ Not prominent features of PDO
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Good evaluation in sensory test ➤ Marketplace of Chinese yuppies & females is huge ➤ Growth of economy and GDP ➤ Growth of media-class and wine demand ➤ Increase of wine exhibition & events ➤ Increase of Neitzens and developed E-commerce ➤ “The Belt and Road” strategy 	<ul style="list-style-type: none"> ➤ Intense competition ➤ Different provinces have different food culture ➤ Barriers of integrate into Chinese rice wine consumption habits

In the above table, it can be seen that among the strengths of Prosecco DOC are good characteristics and appearances because both of Prosecco DOC Brut and Prosecco DOC Extra dry are all assessed as very good level. High ratio of quality/price due to the Prosecco is produced using the Martinotti production method, in which the secondary fermentation takes place in autoclaves (stainless steel tanks), the production cost is much lower than the “Champagne method”. Since 2009 Prosecco has been protected as a PDO wine, on the producing areas and its quality have been further affirmed and protected. According to the analysis of the questionnaire, most people indicated that the Prosecco DOC is a sparkling wine that’s suitable for any occasion to drink such as aperitif, restaurant, wine bar, party and outside with friends.

In the weaknesses part, based on the results of the questionnaire, First of all, Prosecco DOC is still not well recognized by consumers, because nearly 70% of people indicated that do not have enough information about Prosecco DOC. On the other hand, in the Chinese supermarket or wine shops, they have rarely seen Prosecco DOC. In addition, since Chile has adopted a policy of free duty on alcoholic beverage exports to China and also Australia’s exports of alcoholic beverages to China have been reduced year by year. China’s import of sparkling wines from Australia and Chile have increased a lot found from the data in recent years. Consequently, the Prosecco DOC exports to China, there is less price advantage compared to Chile and Australia sparkling wine. Another problem is that only 27% of respondents knew Prosecco’s producing areas, it means the concept of Protected Designation of Origin concept is not widely known.

However, in the opportunities part, the final judgments aspect of this sensory evaluation shows that Prosecco DOC Brut at good level and Prosecco DOC Extra dry at very good level, so both of them have a good performance in Chinese consumer perspective. The questionnaire has shown that women were more interested in sparkling wine than men, because 77% of the

voluntarily involved Prosecco DOC sensory tests are female. Yuppie is a group of young people who well educated and having higher incomes, with a pursuit of a higher quality of life. Nowadays, China has a lot of yuppies living in big cities, their lives frequent parties, business meetings, etc. So all of them will be the main consumer groups. In addition, more and more international exhibitions held in China, it will be a good opportunity for Prosecco DOC. During the “The belt and road” strategy, it might find more way out.

Table 18 - Segmentation SWOT analysis of Prosecco in Chinese market

		Internal factors	
		STRENGTHS	WEAKNESSES
External factors	OPPORTUNITIES	SO model (Growth Strategies)	WO model (Reverse strategies)
	THREATS	ST model (Diversification strategies)	WT model (Defensive strategies)

The part of threats, China’s import wine market, sparkling wine variety, including mainly from Germany, Chile, Australia, New Zealand, Canada, the United States, are Prosecco’s main competitor. As Prosecco is rare in the market. There are very few people who have tasted and appreciated the skills of Prosecco among the wine industry practitioners. Furthermore, due to Chinese rice wine consumption habit in the Chinese wine culture which holds an important position, so the Chinese rice wine has a dominant position.

Hence, in short-term period to integrate well into the Chinese culture would be difficult. The table 18 shows the different scenarios analyzed according to the SWOT.

6.2 SO strategies in the growth scenario

Under this scenario used Prosecco strengths to take advantage of opportunities. First, the sensory evaluation of the Prosecco DOC, have shown that Chinese consumers perception of Prosecco DOC are very positive, especially for Prosecco DOC Extra dry. Therefore, from this point might through various channels and opportunities, such as wine degustation or promotion activities in order to expose more Chinese consumers concerned. Second, the main consumer groups should be female consumers and the Chinese yuppies.

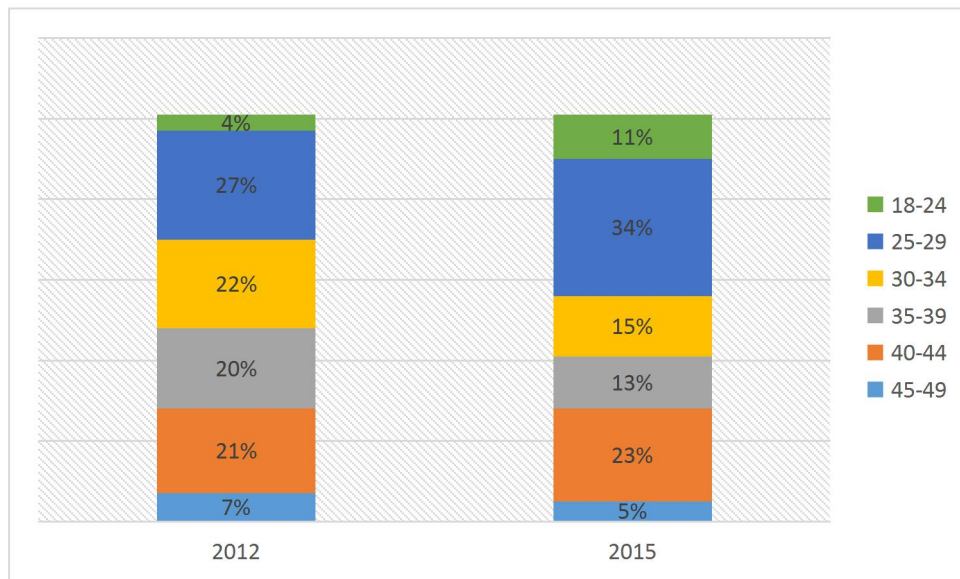


Figure 29 - Chinese wine consumers age distribution

Source: Wine intelligence, 2016

According to Wine Intelligence's statistics, China's urban middle class in 2015, the imported wine consumers have exceeded 38 million, this is more than 2 times in 2012, and the new consumers are mainly women and young

people under the age of 30, 31% of imported wine consumers were under 30 years old in 2012, but increased to 45% in 2015, it shows in figure 29.

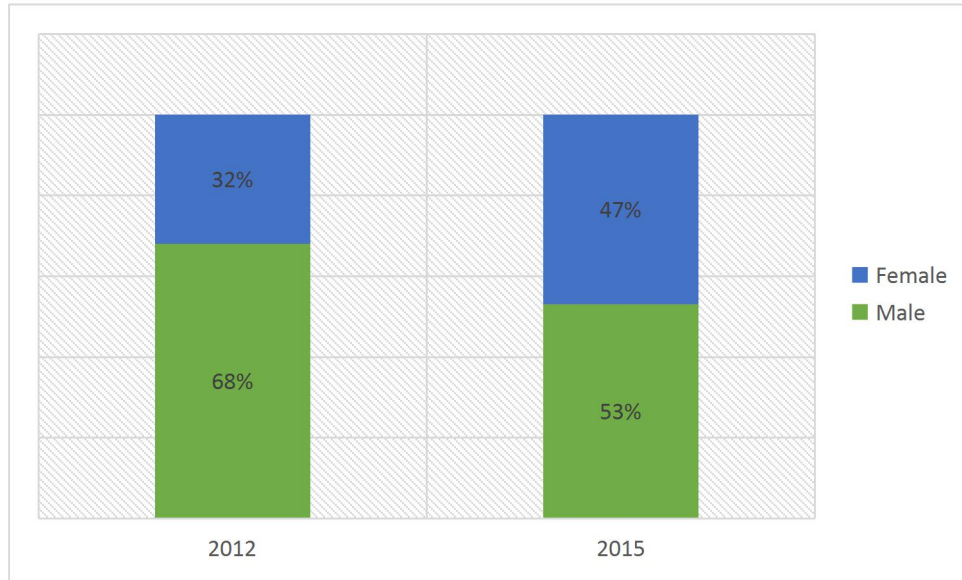


Figure 30 - Chinese wine consumers gender distribution

Source: Wine intelligence, 2016

And female consumers are also growing, in 2015 they reached nearly 47% as in above figure. Based on the results of Nielsen’s survey of Chinese alcohol consumption in 2013 that in China, the proportion of female consumers in the total consumption of wine accounted for 62% which from 30 to 39 years old women accounted for 69%. From China’s geographical point of view, there were no significant differences in female consumers, 57% in the north provinces, 66% in the east provinces, 46% in the west provinces and 61% in the south provinces. Another report of Chinese female wine consumers from Inter Rhône in 2014, it reported that the frequency of female Chinese drinking wine as shown in figure 31, showing approximately 60% of Chinese women drink at least once a week.

In summary, just as Prosecco DOC research results, female consumers will be the main group of future sparkling wine. While the Chinese young yuppie, due to they are well educated and have good incomes as well as more

accepting of Western culture. So the main audience of marketing should be specifically aimed at them through their needs and lifestyles.

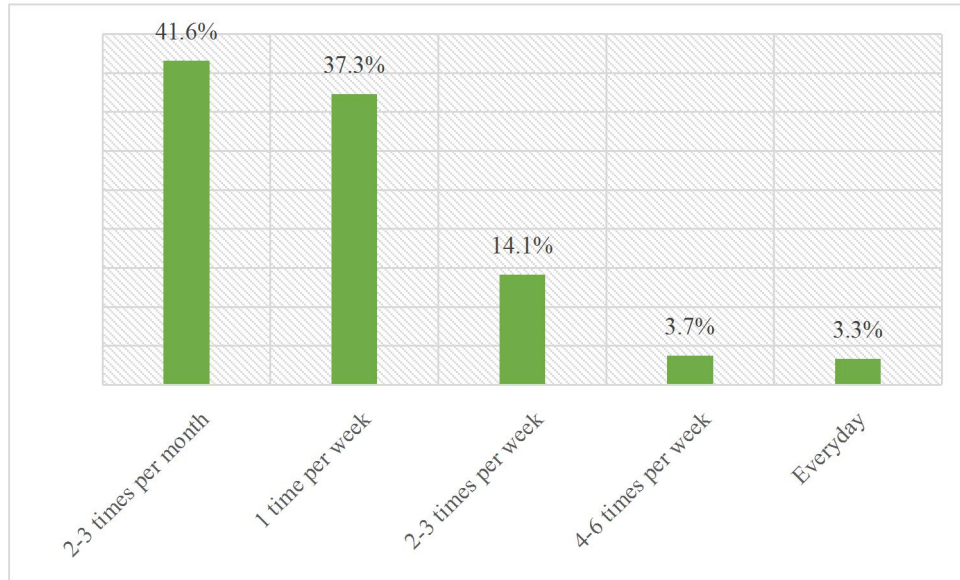


Figure 31 - The frequency of Chinese female drink wine

Source: Inter Rhône, 2015

6.3 WO strategies in the reverse scenario







In recent years, with the development of China's wine industry, professional exhibitions and wine events have been increasing in China, through the exhibition to promote the brand and looking for partners, it has become an important platform for many businesses cooperation. Similarly, there are increasingly frequent international exchanges on the Chinese wine market. But in any case during the exhibition, Prosecco DOC must be highlighted in its advantages such as PDO products and high ratio of quality to price.

Among these wine events, taking advantage of these opportunities to hold some Prosecco DOC professional courses for wine practitioners such as Prosecco DOC master class so that helps understand the Prosecco DOC products, optimizing degustation skills and spreading Prosecco DOC background, terroir and other important information. These courses might help more people understand the merits of Prosecco DOC and appreciate its

value.

To the question of intense competitions between other wine producing countries, mainly are France, Australia and Chile due to their diversified channel of propaganda, low tariff prices occupy the Chinese sparkling wine market. According to the questionnaire adjustment analysis, 69% of Chinese consumers tend to buy wine online. So, to share Chinese market through e-commerce model, will be a good marketing plan. Actually according to CNNIC (China Internet Network Information Center) released the 39th “China Internet Development Statistics Report” in Beijing, which reported that until to the end of December 2016, China’s Internet users reached 731 million, reached 53.2% of total population. This means that China has a very large base of netizens which means China’s e-commerce will have a wider range and more diverse applications. Nowadays e-commerce has affected people’s consumer behavior and shopping patterns, from the traditional stores, supermarkets to the present various types of e-commerce platforms. Many commodities have also joined the e-commerce models, including the wine business because the wine e-commerce will have more advantages compared to the traditional way. First of all, it cuts off the intermediate costs, greatly reducing the price of wine. Secondly, a wider range of options in online shop, no longer having the quantitative limitations and categorical limitations in a traditional wine shop. Third, the logistics, because the cost of transportation is only determined by the quantity of wine purchased, so different type of wines integrate into different modes of transport can also reduce costs. For all these reasons, wine e-commerce has become stable and improved in China. In fact, French Bordeaux École de Management publish “the global wine e-commerce ranking” every two years, the 4th raking in 2013, there were 2 of China’s wine e-commerce platforms ranked in the top three. In 2017, Bordeaux École de Management released a new ranking which China ranked second. Generally, now in China the wine e-commerce platforms could be divided in 4 types as shown in following table.

Table 19 - 4 types of China's wine e-commerce platforms

Types	Features	Examples	Founding time	Registered users	Logo
Concentrate type	Special focus on the vertical wine business platform	jiumei.com	2008	5,000,000	
		wine9.com	2009	2,161,600	
Mixed type	In addition to wine, it includes the other alcoholic beverages, rice wine, beer, spirits, etc.	yesmywine.com	2008	9,000,000	
		jiuxian.com	2009	18,000,000	
Special page type	Create a special wine page on large e-commerce official platform	tmall.com	2008	493,000,000	
		jd.com	2004	226,600,000	
Enterprise type	Winery official website opened also online shopping channels.		Most conventional wine enterprises		

Similarly, social network marketing has become the most effective marketing model in China. In fact, many types of social platforms have provided a convenient channel to accommodate the growing consumer demand such as Sina Weibo or Q-zone can directly provide E-commerce website links, live streaming platform based on live streamers joined the E-commerce mode using virtual reward or tips mode, video and audio website platform for paid content and VIP mode. All of these could be social networking marketing methods. Because Chinese consumers are more willing to pay for the entertainment and knowledge on social networks, Prosecco DOC can be based on popular social platform to carry out marketing plans. Based on Kantar Media CIC's 9th report of China Social Media Impact Report in 2017 which shown currently that there are 79.8% of Chinese people think that social networking media make their life better. On the other side the based on UK WeAreSocial's data that China has 653 million of active social media

users in 2016. At the same time released the China's top active social platforms in 2016 as shown in the following figure is currently the last Chinese social platform.

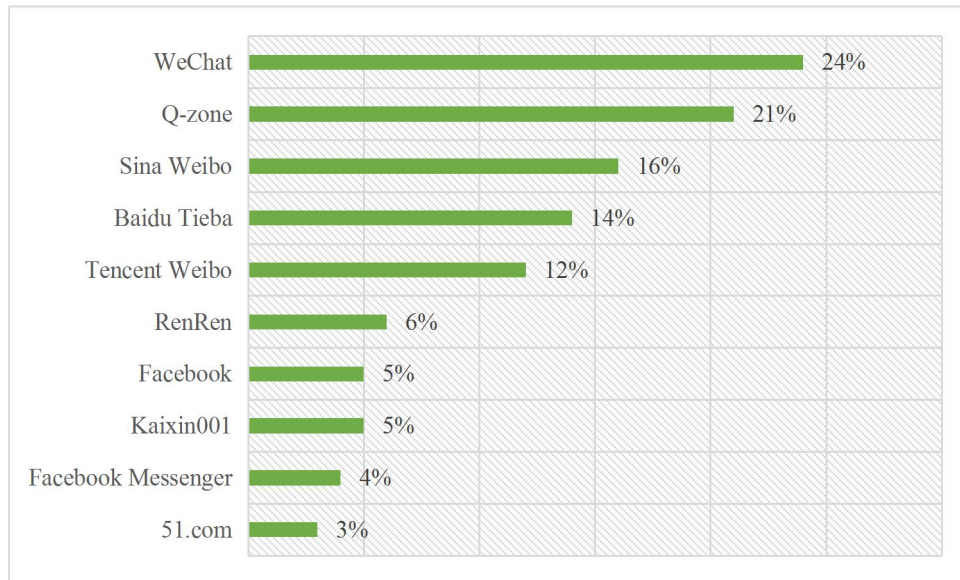


Figure 32 - Currently the last Chinese social platform

Source: WeAreSocial, 2017

In accordance with the above chart, ranked in the Chinese social platform utilization of the top three are WeChat, Q-zone and Sina Weibo that occupied 61% of social media market. Prosecco DOC can build the social network marketing in these different platforms, using the official identity to set up a public account, such as the official home page, the official account, then through accumulated fans and followers for product promotion and marketing.

For Australia and Chile to reduce tariffs on the Chinese market policy, will no doubt ably increase competition for Prosecco DOC. Therefore, the last strategy of further improving Prosecco DOC's ratio of quality / price, from the logistics point of view, usually the traditional transporting method of wine is shipping logistics that needed a long time, high price and many unpredictable factors during the voyage. But now combined with one belt and road project will greatly reduce the transport time and price, improve the

degree of trade facilitation and growing the import of high quality and multi-category alcoholic beverages. Because the railway has been connected from Italy to mainland China, for example, a container of wine departing from Genova or Pavia to China can arrive in just 17 days.

6.4 ST strategies in the diversified scenario

Prosecco DOC's strengths faced with the threat of the Chinese wine market, corresponding strategies should be diversified. Firstly diversify the target market. Today, many Chinese families have a very strong income and consuming ability in the first-tier cities, but these cities have many barriers and Prosecco DOC as a new product probably will not easily integrate into the market there. It is recommended to focus on China's second-tier or third-tier cities as the major market, because with the accelerated process of urbanization in China, these second-tier and third-tier cities will soon become the main consumption cities.

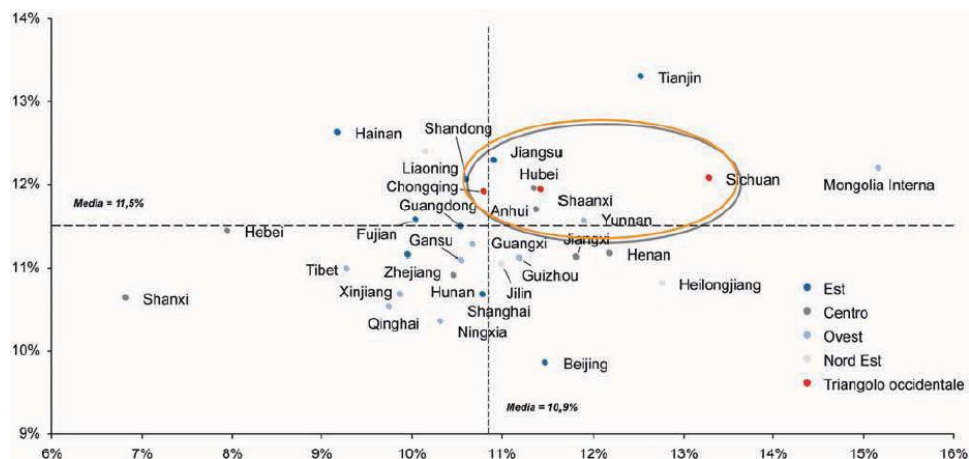


Figure 33 - Income trend and annual expenditure per capita of urban family

Source: Consorzio di Prosecco DOC di Treviso, 2017

According to the above figure which income trend and annual consumption per-capita of urban family by province. As shown inside the yellow circle on the figure, growth trend of consuming ability of provinces and cities in the

future. It can be seen that there are Shandong, Jiangsu, Hubei, Shaanxi, Anhui, Yunnan, Sichuan provinces and Chongqing city. So at first, focus on these provincial capitals as major markets, and then spread to the surrounding areas to expand business. Then due to the results of the questionnaire, Prosecco DOC is a versatile sparkling wine suitable for every occasion. And there was a question in the questionnaire that what Chinese cuisine pairs well with Prosecco DOC, more than half of the respondents indicated the Prosecco DOC is more suitable for southern Chinese cuisine.

Table 20 - Combined Prosecco DOC with cuisine of southern China

Provinces	Types	Characteristics	Prosecco type	Reasons
Shandong	Lu type	Taste simple, salty, fresh, tender, fragrant and crispy	Prosecco DOC Dry	Balance flavors in palate
Jiangsu	Su type	Fresh, sweet, strong, original flavors of ingredients	Prosecco DOC Dry	Preserving the original flavors
Anhui	Hui type	Light sweet, sour, salty, less greasy	Prosecco DOC Brut	Highlight the rich flavor of dishes
Yunnan	none	Light salty, spicy, umami and fragrant	Prosecco DOC Dry	More full-bodied taste of seafood
Sichuan & Chongqing	Chuan type	Super spicy, pungency, salty, kokumi and rich in oil	Prosecco DOC Dry	Allow clean and degrease the palate from the spicy and full-bodied taste

So from this point, diversified strategies could also be extended to the Chinese cuisine culture, even though the rice wine has a deep-rooted position in Chinese cuisine culture, but this is also slowly changing. Prosecco DOC meets Chinese cuisine characteristics in order to integrate better into Chinese elements defending the threat of difficulty to enter the Chinese culture. In fact it can start from the food cultures, the Chinese cuisine distinguish in eight major cuisines types, also every one of them has their own particular characteristics and taste. There are Lu, Chuan, Yue, Su, Min, Hui, Xiang and

Zhe. Hence, combined with the above selected target market cities and analyze the characteristics of their dietary, the result are shown in the table 20.

6.5 WT strategies in defensive scenario

This part will introduce the strategies when weaknesses and threats are together. It should prevent product features that are not prominent in highly competitive environments, Prosecco DOC could improve product features through different marketing channels. Such as, in social network marketing, it could make use of Internet celebrities in the live stream social network platform introducing its PDO characteristics of Prosecco DOC or in the video social networking platform, using the well-known culinary anchors, after cooking shows might teach their audiences how to distinguish Prosecco DOC and which foods would be better together with Prosecco DOC.

In traditional communication channel choose that major supermarkets or retail wine stores focus on the middle-class consumers, distributing the small samples and communicating relative information on Prosecco DOC. Perhaps in a shopping mall within integration of catering and entertainment or a local Italian restaurant through wine experts and sommeliers introducing the Prosecco DOC.

In the E-commerce channel, distributors and retailers in the wine industry normally use the B2B and B2C model. The reason behind it is to avoid Prosecco DOC which is not easy to find in Chinese market and to save on logistical costs. Therefore, Prosecco DOC should be combined with O2O mode e-commerce platform in China. O2O can be understood as online to offline, combined with offline and online activities together, which means that customers can choose services online and payment online, then enjoy the service offline, or understood as offline to online that means offline guides online model, such as large supermarket chains or wine stores with their own

store system and a wide range of resources to guide online transactions. Actually O2O can also be understood as online and offline, which is a circulation of two-ways of online and offline, each of them highlight their own advantages, use of the network spread information online and use of customer resources offline together for achieving the goal. In this way Prosecco DOC could attract consumers in different areas into a mutual benefit, improve visibility, reputation, obtain customer loyalty and increase the probability of secondary consumption. For now, China's many wine e-commerce platform are used O2O mode such as yesmywine.com, wine9.com, jiuxian.com, jiumei.com and wangjiu.com etc.

CHAPTER 7 - CONCLUSION

Since Prosecco has been recognized as PDO Product, in 2016 the production of Prosecco DOC increased almost 4 times compared to 2009. This significant growth shows that Prosecco DOC's predominance of sparkling wine in Italy. The 25% of total production has been consumed in the domestic market, the other 75% were exported. However, the northern regions of Italy accounted for 67% of domestic consumption where is Prosecco DOC's main consumption area. In addition, the international market of Prosecco shows a very positive performance, in particular, the UK, USA and Germany, they accounted for 68.6% of the total export volume in 2016 which became the main importers of Prosecco DOC.

Focusing on Chinese wine market, the domestic production kept decline after 2012, in 2016, the domestic production was around 11.4 million hectolitres. However China's annual imports of wine is growing rapidly, the total import of wine reached 6.38 million hectolitres, that has cover more than a half of the domestic production. From this point of view, China's wine consumption demand increased year by year, even though that it has gradually reduced domestic production but imports increase rate is faster, that indicated that Chinese consumers are more inclined to import wine. The statistics showed that China mainly imported wine from France, Australia, and Chile. Italy ranked 5th but still has strong potential.

According to the results of the questionnaire survey of Chinese consumers' perception of Prosecco DOC, most of the respondents are women so that Prosecco more favored by Chinese women consumers. Respondents' personal or family income on average between 70,000-80,000 Rmb/year (9,175-10,485 euros/year), based on China National Bureau of Statistics 2016 data, the middle-class is defined as the annual income of 7250-62500

US dollars (50,000-42 million Rmb). So most of them were just entering the middle-class group and they need more to establish a middle class identity. Hence, they became the main consumer groups interested in importing wines. The more important that purchasing wine channel, most from the online shop, it is the favorable way for current Chinese market due to the less costs and convenient transportation, especially for people do not have much free time, purchasing wine in wine stores tend to be less favorable. Besides, about Prosecco sparkling wines, it has been known by some of the Chinese consumers but knew less about other information of Prosecco such as PDO products, made by Glera grape varieties etc. In addition, there are other two important reasons that Prosecco is not easy to find in the market and there are too many similar products from competing countries. For these combined reasons caused Prosecco to be rarely drank among Chinese consumers. Then, in the Chinese consumers' perspective, Prosecco would bring out the best together with Chinese Southern cuisine and considered as a versatile sparkling wine because it's easy to drink features, thus it's suitable for any occasion, for example drinking with friends outside or as an aperitif. The last, based on wine degustations of Prosecco DOC Brut and Prosecco DOC Extra dry, each sample was evaluated in 5 aspects which are visual appearance, olfactory performance, taste performance, the final judgment and subjective opinion of value in RMB. The Prosecco DOC Brut results show that all the sensory evaluations were judged from level "Good" to "Very good", the RMB value attributed to the price range from 70 to 125 RMB (10-16 Euros). Prosecco DOC Extra dry results indicated that all of sensory evaluations were judged by "Very good" level. On the contrary, Chinese consumers demonstrated the supposed willingness to pay more for Prosecco DOC Extra dry due to the RMB values were included in the price range of 125-225 RMB (16-29 Euros) higher than Prosecco DOC Brut.

Furthermore, the discussion of the marketing strategies through using the SWOT analysis that based on the results of the questionnaire analysis. By

reason of the internal factors and external factors affected each other, thus combining out 4 different scenarios (SO model, WO model, ST model and WT model). Each kind of scenario has put forward a few of marketing strategies.

In SO model that growth strategies. focus on various communication channels and opportunities, such as wine degustations or promotion meetings increasing consumers concerned. Target consumer groups lay emphasis on female consumers and the Chinese young yuppies.

In WO model, reverse the strategies, first of all, highlighting in Prosecco's advantages such as PDO products and a high ratio of quality/price at the occasions of professional exhibitions and wine events in China. Second, hold some Prosecco DOC professional courses for wine practitioners such as Prosecco master class in order to optimize degustation skills and by the way spreading its background, terroir and other information. Third, participation and integration into Chinese wine market within e-commerce marketing and social network marketing which are the most effective marketing methods currently.

In ST model, diversify the market, more focus on the second-tier or third-tier cities due to the first-tier cities have many barriers for entry. Therefore, firstly lock the target in the Shandong, Jiangsu, Hubei, Shaanxi, Anhui, Yunnan, Sichuan provinces and Chongqing city. Simultaneously, analyzing the characteristics of their dietary, try to combine Prosecco with Chinese cuisine. From this perspective slowly penetrate into the Chinese wine culture.

In WT model, defensive strategies in different ways to prevent the gradual dilution of Prosecco's features in a highly competitive environment. For example, recommended by Internet celebrities and well-known culinary anchors on social media platforms or cooperation with O2O e-commerce platform so that better distribution in various parts of China.

In my personal recommendation, for the current marketing operations of Prosecco DOC in the Chinese market, the best operational strategies are able

to combine the WO model and ST model.

Transfer target market: the French champagne in China already has a very large market share. In addition, Australian and Chilean sparkling wine because of their price advantage began to gradually occupy the left sparkling wine market. Thus, there is a big barrier for Prosecco and perhaps not only requires a lot of capital investment, the final return may not be significant. Obviously, for opening the Chinese market, must look at other ways, it could be from the beginning of second and third-tier cities because sparkling wines of main competitor countries are almost all located in first-tier cities. Therefore, establish the offices in the second and third tier of the provincial capital cities to carry out the relevant market research. In the feasibility areas promoting Prosecco's brand and communicating Prosecco's culture, set up the master courses to help influential practitioners degustation skills and then gradually to the surrounding area to expand the scale.

Cater to middle-class demand: As consumers have just entered the middle class, in order to establish self-identity, distinguish with lower classes. From this point, Prosecco, which has a high ratio of quality/price and PDO product certification might be the first choice. Broaden the distribution channels in the local medium and high-end supermarkets, Italian restaurants, and luxury clubs, also could through publications and promote from local wine institutions to obtain good visibility.

Interactive with Chinese cuisine: As rice wine in the Chinese wine culture deep-rooted, the general banquets are indispensable to drink rice wine. But over the past decade, increasing more female consumers and young people tend to drink grapes wine. So the best entry point is integrated into Chinese cuisine. Analysis and subdivision of the major Chinese cuisines, through the sensory evaluation, to match the corresponding Prosecco. Similarly, this approach also could be integrated into the Chinese desserts and leisure lifestyle.

Cooperation with E-commerce and social media platform: Since Alibaba's

success in China, the Chinese consumption pattern has been completely changed, Chinese people are accustomed to online shopping, so came into being a variety of e-commerce platforms. Naturally, including wine e-commerce. As a result, preferred collaboration with which have a large number of physical stores and operating large-scale wine e-commerce platforms, rely on e-commerce O2O system, get rid of the awkward situation of Prosecco was hard to find. Alterably cut down the intermediary business to reduce costs. With the popularity of the network, more and more people contacting social networking platform. Compared to traditional TV advertising or print board ads, social network marketing will be more effective. In the mainstream platform to establish Prosecco public account and regularly update content, including product introduction, event arrangement, gift coupon, etc.

Lastly, all of these marketing strategies are just my personal opinions and suggestions. To provide the ideas and analysis methodology to help Prosecco PDO to develop their Chinese wine market. It could be exploited the same research framework and structure to analyze opportunities, challenges and operational guidelines of specific area and market. Given this research as a basis, in real practice needs for appropriate changes in strategies based on actual situations and market conditions.

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