

THE GROWTH POTENTIAL OF ROMANIAN WINES ON EXPORT MARKETS

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Abstract

The main objectives of this paper are to study and then to analyze the wine customer behavior in Germany and in China to give Romanian producers the needed information to prepare the correct marketing strategies to gain a good position as exporter to those countries.

For the German consumer I used as research method a customer behavior questionnaire and analyzed the types of consumers according to age, gender, occupation, income and consumption habits. For the Chinese wine consumer, I did a secondary market research and then a revised comparative analysis to determine similarities and differences in the wine consumer behaviors of German and Chinese customers. The analysis section of this paper is divided into three parts: consumer behavior in Germany, consumer behavior in China, and the analysis of the two export markets. As a result of comparing the two consumer groups, it appears that both groups prefer red wines. In China, the wines need to be fruitier and sweeter than in Germany. One key difference is that when a German customer buys a bottle of wine for gift giving, they will almost exclusively choose a German one, while the Chinese will opt for an imported and more expensive wine, mainly because of *mianzi*.

The conclusion is that the Romanian wine producers shall shift their focus and resources from the Romanian market where potential of growth in sales and margins is limited, to more attractive export markets like Germany and especially China.

Keywords

Customer behavior, wine consumption, German wine market, Chinese wine market, cultural influence factors, comparative analysis, consumer survey.

JEL Classification

D91, F14, M31, Q13

Introduction

Today the Romanian wine market offers our wine producers relatively good margins. This is the reason why only a few of them tried hard to extend their businesses to export markets. This situation is in a permanent change, due to globalization and increased imports.

After Romania's accession to the European Union, Romanian consumers had more access to foreign wines. Thus, requirements for Romanian wines have begun to increase by requiring producers to adapt. Even though the foreign wine competition on the Romanian market has not increased much, foreign wine imports show an important annual growth.

For this reason, the objectives of this study are:

1. To present a comparative study of the wine consumption behavior in Germany and China and to find similarities and differences between the two countries; *and*
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2. To offer practical information, based on an analysis of consumer behavior, for the Romanian wine producers on how to prepare themselves better for positioning their product for different markets.

This objective is very important, because the wine industry is not a simple branch of industry that can be closed and the products can be purchased from another place. When I refer to the wine industry, I am not referring to it solely from the point of view of wine production or its derivatives, but the viticulture of our country with all its ecological, cultural and economic implications. Today's situation where our producers rely on a single customer, namely the Romanian consumer, it is very risky for the general situation of our viticulture.

This paper aims to establish a better understanding of the wine customer behavior in Germany and in China in order to support Romanian wine exporters in their efforts to develop export markets for a future sustainable business (Bobe, Procopie & Toma, 2016).

The consumer survey and the comparative analysis

Regarding the German customer behavior, I did a market research and **analyzed the types of consumers, according to age, gender, occupation, income, consumption habits**. The research questions were the followings: 1. Have you bought wine in the last month? 2. What type of wine? (dry, semi-dry, etc.) 3. Which wines do you buy these days? 4. Please put the following attributes in the order of preferences: grape sort, sweetness, origin, color, price, packaging. 5. How often did you buy wine in the last month? 6. What quantity of wine do you usually buy? 7. Where do you prefer to buy your wine? 8. Which is the price range that you pay for a 0,75 l bottle of wine? 9. How do you describe the perfect wine? 10. What does wine mean to you?

For the Chinese wine consumer, I did a secondary market research and then a revised comparative analysis to determine similarities and differences in the wine consumer behaviors of German and Chinese customers.

The comparative analysis defines the two main features: mainly a reliance on the data in different cases, within a common framework and an explanation why the similarities and differences between cases exist. The comparative analysis is a widely used method in politics, economics and social sciences, because it shows relationships between cases after determining similarities and differences between the cases by using several variables. The weaknesses of this style of analysis include a clear definition of concepts prior to conducting the analysis and the fact that each introduction of new variables brings unknown variations as well. Some examples for articles in which the comparative analysis is used are: "A Comparative View of Advocacy Coalitions: Exploring Shale Development Politics in the United States, Argentina, and China" (Heikkila & al., 2018), "Comparative Perspectives on Childcare Expansion in Germany: Explaining the Persistent East–West Divide" (Mätzke, 2018), "A Comparative study of wine consumer behavior in China and the United States: Does Culture Affect Consumer Behavior?" (Wang, 2017)", "Comparative analysis of higher education in tourism in Latin America and Spain. Critical success factors and determinants of enrollment prices" (Sosa, 2016), "National Park Service Visitor Satisfaction: A Comparative Analysis" (Roemer, J.; Vaske, J., 2014).

For this article I used secondary data from literature regarding the Chinese wine market and my own results from my PhD thesis ("Research regarding the influence of the origin of wine on the consumer buying decision, in an attempt to promote Romanian wines on the German market") for the German wine market. With the support of the Comparative analysis, I was analyzing differences between wine consumer behavior in Germany and China.

Wine Consumer Behavior in Germany

There is a clear increasing preference for dry wines, for all the market segments in Germany. The German consumers, especially younger consumers, look for dry wine when buying wine.

The German consumers try to maximize the satisfaction of their needs, which are strongly influenced by their life principles and trust in German quality. It is this discipline, which is worth being taken as an example and through which the German consumer protects local products, both in the country, as well as abroad, that led to an increase in the export of German wines in the last years. He is constantly confronted with a very large offer of wines that he can buy on the different sales channels and in order to make his choice easier, the producers interested in this market must send a simple and clear message.

Professor Hoffmann points out in a study published in 2014 that the main pre-selection criteria for wine are wine type, taste category and price segment according to the occasion of the purchase (HOFFMANN, 2014). Origin, variety or brand are the determining factors in the actual purchase decision. Consumers did not commonly nominate external appearance as a factor influencing selection.

In the research on consumer behavior, the results obtained were divided by age, gender, occupation, income, consumption habits. Depending on gender, a differentiation is observed, especially in dry, semi-sweet and sweet varieties. Sweet wines remain the favorite for older women. Men mostly consume dry and semi-dry varieties, while women prefer semi-dry and semi-sweet varieties. In the entire sample, dry wines hold the highest share.

Regarding the “occupation segmentation” criteria, we find the following trends:

- business people, civil servants, intellectuals do not prefer sweet wines, and retirees prefer to rarely consume dry wines;
- business people and intellectuals prefer dry and semi-dry;
- workers and laborers prefer to consume in a significant proportion semi-dry wines;
- pensioner's choices are divided between semi-sweet and sweet wines.

Depending on the last form of education completed, the consumer's options were:

- gymnasium graduates prefer sweet wines;
- half of high school graduates prefer semi-dry wines;
- college graduates' preferences are equally divided between dry, semi-dry and semi-sweet wines, the sweet ones having a low share in their total preferences;
- post-college graduates prefer dry wines.

Having as a market segmentation criterion the “net monthly income per household”, we concluded the following:

- for low-income buyers, there is an obvious preference for semi-sweet wines, followed by semi-dry wines and in equal proportions with dry and sweet wines;
- for the revenue category of 3,000-5,000 €, preferences are divide between the semi-dry wines (more than half of the buyers), followed by the dry, semi-sweet and sweet ones, the latter having an insignificant percentage;
- in the case of large incomes, the option for sweet wines disappears, the first place being the dry and semi-dry wines.

One of the criteria of the research was the “purchasing frequency of the product”. To the question "What has been the purchasing frequency in recent months?", the results show that most of the wine buyers (over 70%) are recorded in the medium frequency area (between once a week and once a month). A very high frequency (once a day) was recorded in less than 5% of the respondents, and the weaker frequency (less frequently than once a month) accounts for about 15% of all interviewees. In gender analysis, men are predominant, regardless of purchasing frequency, but the female population is not neglected (for example,

in the "once a month" frequency class, 44% of shoppers are women). According to the theoretical conditions that allow statistical interference, we can say that wine is consumed more outside the household because, on the "average purchasing" frequency range, the buyers with unmarried civil status are the majority (60%). Married people are predominant only at the extremes of "purchasing frequency" (very high, very low). An analysis of purchasing frequency correlated with the age of buyers shows that most wine buyers are aged 25-34 and 35-49 years old, followed by 18-24 and over 64.

To the question "How important are the following criteria in the wine purchase decision?", the interviewees were asked to indicate on a scale from "very important" to "very little" the order of importance of the following wine characteristics: the variety, type of wine, origin, color, price and packaging.

The following graph shows clearly what the determining factors are in choosing a wine from the point of view of the German consumer.

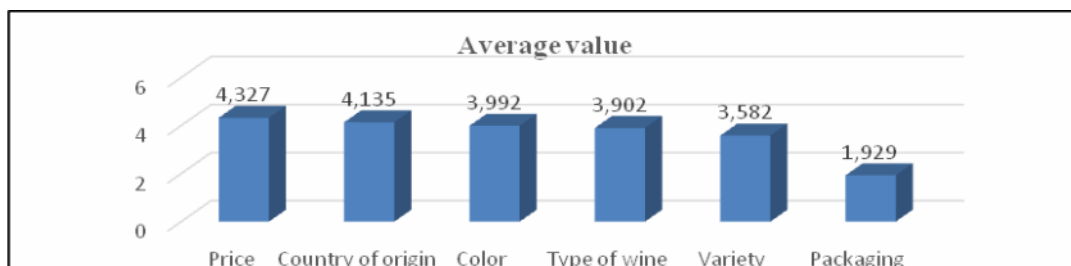


Fig. no. 1. Determining factors of demand and their relevance

Source: own results

Regarding the occupation of the interviewed, approx. 30% of those surveyed are workers, followed by civil employees, intellectuals, "others" with more than 10% and the pensioners with approx. 8%. A smaller share among the interviewed persons is represented by businessmen with approx. 7%, and the last place with less than 1% is the unemployed.

Depending on "demand size", approx. 50% of the people surveyed say they prefer to purchase between 2 and 5 bottles of 0.75 liters in one purchase. Next, with approx. 20%, are those who buy over 6 bottles of wine, but no more than 11 bottles per purchase.

In terms of gender distribution, men predominate, regardless of the quantity purchased, but the gender gap increases as the quantity purchased at a single purchase increases. For example, in the category of those who prefer to buy over 6 bottles at a single purchase, men account for 82% and women 18%. Depending on the civil status, unmarried customers prefer purchasing a single bottle of wine at one time, while married consumers prefer to buy more than one bottle of wine in general. Therefore, married people dominate purchases of a larger number of bottles in a single outing.

The German consumer demonstrates great availability for change, which is also evidenced by the large number of imported products successfully marketed on the German market. Women show a lower availability to try a new product than men who are keener to test other products. Regarding age, we see a clear trend towards conservatism in people aged +50. At the opposite end are the youngsters between 18 and 24 years of age, demonstrating a special interest in everything that is new. Thus, as in many other situations, youth targeting is very important, as it is easy to see that it quickly forms its taste and that this availability decreases after 25 years, returning moderately after the age of 35. Regarding the "Conservative Factor", the results were that higher income people are more willing to try something new compared to smaller income earners. An important aspect of consumer behavior research is the price that consumers are willing to pay for a 0.75 liter bottle of wine.

As a result, two large consumer groups were identified:

1. "Conservative", persons who would pay less than € 12.00 for a bottle of 0.75 liter wine, with mostly 2-3 household members, with middle-level studies, workers or clerks and an income of up to € 3,000.00 and who appreciate "affordable". Given the close correlation between the revenue and the price paid for this product, it is normal for the price to take precedence over other factors.

2. "Sophisticated" are those who would pay over € 12.00 for such a product, mostly unmarried, with up to two household members, up to 34 years of age, employers and / or intellectuals, with income over average, who consume wine to gain recognition and who prefer a very good quality wine.

To the open question, "What do you think about when it comes to wine?", the answers ranged from fun, partying, good times, joy, tradition, wealth, to those who said they were thinking that wine is a healthy and necessary food in a balanced diet.

Wine Consumer Behavior in China

Several authors have explored the Chinese market. In an article, the author Wee described the interest of Chinese consumer for French red wines, mainly from Bordeaux (Wee, 2013). Wine brands like Chateau Lafite and Petrus were sold for very high prices, \$23,000. The situation described by Wee happened in 2011, when the consumption of wine was mainly to show esteem for friend and business partners (Wee, 2013).

Wines were also used as a gift.

"Mianzi", which is a social concept, is the word by which Wang describes the driving factor behind the Chinese wine customer behavior (Wang, 2017). When Chinese consumers buy red wine, especially French, they show other Chinese friends or business partners, that they have a good taste and they are modern people. The Chinese wine market is opening more and more also for other wines, firstly for wines from Europe, but also from the "New World" (Wang, 2017). The Wine Market Council report from 2016 shows that the Chinese consumers are opting to buy expensive wines, from \$15-20 upwards (Hernandez, 2016).

„Additionally, the millennial generation has increasingly become the generational group to market towards, being extremely well- connected and having consumed the largest amount of wine of all the generational groups in 2015, 159.6 million cases of wine" (Wang, 2017).

When we analyze the behavior of the Chinese wine consumer, we find out that this depends on the occasion and if the occasion is a private or a public one. The price paid on a public occasion is higher than the one paid on a private occasion (Liu, F.; Murphy, J., 2007).

Because of the mianzi driven consumer behavior on public occasions, where less familiar people are involved, the customer tries to show their good knowledge and taste for wine (Wang, 2017). Only to improve their mianzi, the customers are willing to spend more money when they purchase a bottle of wine as a gift than for one intended for a good dinner at home (Liu, H.; et al., 2014). When Chinese compare it with spirits, red wine is a healthy product. (Bargain, O.; Cardebat, J.-M.; Chiappini, R., 2017).

The French wine exports to China, mainly red wine, have grown extraordinarily between 2005 and 2015. 2005 French wine export to China represented less than 1% of the total French wine export and until 2015 this figures were multiplied by 40 in volume and 35 in value (Bargain, O.; Cardebat, J.-M.; Chiappini, R., 2017).

The Chinese wine customer is still unexperienced and novice, because the wine drinking habits are very new and because of the lack of advertisement and information about wine. Some Chinese consumers consider local wine comparable to imported wines, if not better, except French wines (Camillo, 2012). The wines from the New World do not have such a good image on the Chinese wine market but are becoming more and more popular (Xu, P.; Zeng, Y., 2014). „Mianzi affects Chinese consumers' decisions in making the final purchase" (Wang, 2017). Other key factors for the purchase decision are price, the occasion,

the gift-giving behavior, the country of origin, and the type of wine (mostly red) (Hu, X.; et al., 2008). The price is important, but it needs to be understood totally different then on other markets, mainly because of the „mianzi”, the lack of information about wine and the correlation with the occasion and purpose (Yang, Y.; Paladino, A., 2015).

Results and discussion: Analysis of Wine Consumer Behavior in Germany and China

Comparing the two consumer groups, it appears that both groups prefer red wines. In China, the wines need to be fruitier and sometimes sweeter than in Germany. Chinese consumers have a habit of combining red wine with lemonade or another soft drink to make it more palatable. As presented before, Chinese consumers believe that the alcoholic content needs to be as low as possible, to make the product better for their health. They explain the need to sweeten the wines primarily on the reason of health and not on taste (Ge, 2016).

The German customers do not combine soft drinks with red wine, because they drink mainly red wine at the table especially with red meat. If somebody would drink red wine with soft drinks in Germany in public, everybody would think that person is very uncivilized.

Both groups have similar beliefs that red wine is in fact healthy and a good source for antioxidants and this influences their buying decision. Moreover, the Chinese consumers believe that it is healthier than traditional Chinese spirits like Maotai due to its lower alcohol content (Hernandez, 2016). The colour red means also luck in the Chinese culture, has special meanings, and thus, red wine is consumed at special occasions, business meetings and especially during the Chinese New Year (Liu, F.; Murphy, J., 2007), (Camillo, 2012).

A common denominator is the price of the wine. In China, as a result of mianzi, the higher the price, a higher social recognition and image is obtained by the buyer. Referring to the Germans, the price is very important and the high competition on the German market gives the customer the possibility to buy wine at the best price possible (Hoffmann D., 2014).

A key difference is that when a German customer buys a bottle of wine for gift giving, they will almost exclusively choose a German one, while the Chinese one will opt for an import and more expensive wine.

German consumers' overall wine knowledge has a more important impact on their behavior than it does among Chinese consumers. Germany has an old tradition in producing wine and has been for a very long period of time one of the biggest wine import markets. Because of this, the higher knowledge of wine in Germany can be easily explained. The wine consumption in Germany increased in the detriment of spirits and beer. Germany imports wines from all over the world, but the highest imports come from Italy, France, Spain, and the “New World” (the US, Chile, Argentina, New Zealand, South Africa and Australia).

The limited supply of imported wine on the Chinese market and the lack of knowledge regarding them (Li, J.; et al., 2011), moreover, the strong perception that European wines, especially French, are far superior to all others, lead to the conclusion that this is a very good opportunity for the Romanian producers to concentrate on developing this market.

Every year the Chinese wine market is growing at very high rates and the wine consumers learn more about wine and take part in wine-related activities (tastings, food- and wine-pairing classes, etc.) (Heikkila & al., 2018).

Both German and Chinese consumers believe that red wine is good for the heart and will help in lowering cholesterol. Chinese wine consumers seem to take this a little further and apply traditional Chinese medicine practices to the consumption of wine, such as drinking a specific amount (Wang, 2017). In contrast to German wine consumers, Chinese wine consumers factor cultural reasoning into their preference for red wine (Meiburg, 2015).

In China, the potential for winning market share is very easy, because the wine market is growing every year. Imported wines have only a 10% of market share in China (Daily, 2016).

The quality control including transport and distribution is a big challenge in China. China's taxes can raise the price on a \$50 bottle of wine to \$150 at retail (Daily, 2016); and there are cultural differences, particularly the tradition of gan bei, where the consumer downs a whole glass of alcohol. "Millennials in China, like the average Chinese wine consumers, lack basic wine knowledge, prefer red wine, and drink socially; while they rarely drink wine (once a year), they plan to drink it in the future" (Wang, 2017). Chinese millennial professionals have become game-changers in the Chinese wine industry, increasing the need for wine education (Ge, 2016). These "developing drinkers" (Ge, 2016) are buying wine at mainstream prices and are drinking more frequently, accounting for 19% of Chinese drinkers of imported wine.

Conclusions

The result of this study shows a bigger opportunity for Romanian wines producers in China than in Germany. This article shows the Romanian producers, that even if they find similarities in consumer behavior, it is very important that each market is carefully studied and that each market approach needs to be different. From this research, information can be drawn to help the Romanian wine industry to better approach these export markets.

The research on German consumers proves that, once a product fulfills all the minimum quality criteria that make it interesting, this product needs to be well known. Thus, this research proves that, for a new product, the most important thing is to create an image for that product. Had we not conducted such an analysis and had we relied only on secondary research, we would have drawn a wrong conclusion related to the fact that the price would be the determining factor in the German consumer's decision to buy a certain product. The ideal wine on the German market is red dry wine that fulfils the quality and labelling criteria specific to this market. On this market, every product, after fulfilling all the quality requirements, needs a nice and simple story and a correct price.

Regarding the Chinese wine market, the most important issue is that the Romanian wine industry understands the concept of mianzi, as this drives the behavior of the Chinese consumer. That is, the Romanian wine industry, based on the analysis of this study, should present red wines of high quality and market them as such, to price these wines as high as possible to match their quality, and to educate the Chinese consumer through marketing, sending winemakers or experts, or wine conventions. According to mianzi, Romanian winemakers need to ensure that the wines are of high quality and that they concentrate their exports on red wines. Chinese prefer sweet and fruity wines and the Romanian wine exporters should consider this, when they prepare their offers for the Chinese market. The price of the wines should be high enough but not higher than similar French wines.

Romanian wine companies should invest in better marketing and advertising throughout China to spread the word about the quality of Romanian wine, as part of the group of European wines. Awards should be listed and displayed to demonstrate its quality to the Chinese consumer. Wine experts, sommeliers, and winemakers themselves should invest time in traveling to China in order to educate Chinese wine consumers, wine importers and wine professionals so that these Chinese experts can better educate other consumers. Romanian wine professionals can host wine tastings, classes, and special wine conventions to bring Romanian wines near to Chinese consumer.

The general conclusion is that the Romanian wine producers shall shift their focus and resources from the Romanian market where potential of growth in sales and margins is limited, to more attractive export markets like Germany and especially China. This research needs to be extended with a more detailed analysis of the Chinese wine market, which has the biggest potential for Romanian wine exporters.

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