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THESIS OF THE DOCTORAL (PH.D.) DISSERTATION

WINE MARKET AND WINE INDUSTRY OF CHINA IN THE 21ST CENTURY

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az iskolavezető jóváhagyása	a témavezető jóváhagyása

1. INTRODUCTION

1.1 The actuality of the topic, its significance

World wine producers facing strong problems with selling because of the lack of market nowadays. Structural changes of the market, show up of multinational shop chains, growing customers demand for cheap(er), but good quality wines have given new opportunities for the New World wineries at the expense of the traditional European winemakers during the last decades. From the beginning of the 80's new markets have opened in Japan, South Korea and China, giving temporarily helping hands for traditional wine producing countries. Hunagrian wine competitiveness and export dramatically decreased (from 130 million liters in 1998 to 531 million liters in 2004) during the last few years, which processes are continuing from year to year. As on one hand the domestic market requsition for cheap wines is growing - mainly originally from Italy –then on the other hand, Hungarian quality wines of higher price are loosing their national and international markets. In this case, modern marketing and new markets are playing an important role. Despite of the fact of the geographical distance of China from Hungary, it could be able to remedy a part of our problems. Hungarian culture is closer to Chinese than Western cultures are. Our roots of our common history are looking back far in the past and we have a similar individual and social habit, behavior, and consumer culture. These conditions are very appealing for Chinese businessmen, who put a strong emphasis on personal relations. The grow of wine market in non-traditional wine drinking Asian cultures can be an indicator of decreasing social welfare. The strengthening middle class has created a stable and strong, sophisticated demand for wines in these countries. This is the result of globalization as Asian cultures were following Western trends in the 20th century. They built up Western style merchandise systems, fashion trends and created demand for the increase of wines. The wine-drinkers of Asia thought to be a sophisticated, intelligent, cosmopolitan, educated and up-to-date person. What is more, in Asia wine drinking is still a symbol of social status. My dissertation focuses on answering the question, whether China will develop his own wine culture and will force the Western winemakers to design and produce wines according to Chinese consumers' taste and culture.

1.2 The main objectives of the research

Though the aim of this research is to explore market opportunities, it is not limited only on the trends of the market, but I would like to discover the consumer preferences and behavior too. It is very important to point out that the research covers almost a whole decade, which made it possible for me to analyze and see changes of the society and wine market during this time period. Prior to the primary examinations, it was necessary to gather extensive secondary information by exploring and systematizing the relevant literature, both in methodological and marketing perspective. Being familiar with the Chinese wine industry and its history are necessary to understand Chinese wine market and customer demands, especially, because it strongly influences the wine import to China. Since for market-entering-companies the most important thing is to have as much information as possible about market opportunities, market entry possibilities, methods, mechanism of the Chinese wine related administrative and distribution system, wine law, sales channels and customer behavior. I focused on the following fields of the theme:

- Exact size of Chinese wine and grape production
- Chine wine market segments and number of customers
- Market entry
- Future trends and opportunities

1.3 The literature background of the research

I collected information during my research by using primary and secondary sources. Because of the nature of the subject I was mainly using secondary sources, completing results with primary researches were on the spot. I was using secondary sources for exploring theoretical and marketing information. I international, Chinese literature sources and I was using online, yearly, quarterly reports, attaché researches and databases of USDA, FAO STAT (Food and Agriculture Organisation), OIV (Organisation internationale de la vigne et du vin), China Statistical Bureau, WTO (World trade Organisation). Unreliable factor was that in this field the official information is rare, national and international statistical offices, market survey companies does not publish their surveys. I had to gather information using several sources and check data integrity, before usage.

2. MATERIAL AND METHODOLOGY

Main goals of my research were to give a clear view of Chinese wine consumer behaviors, attitudes, customs, motives, price expectations and structure, future possibilities of wine market. From the supplying side of the field I was analyzing the market for national and import wines, structure of this market and the prices. From the side of demand I was studying the market size of the different provinces, regional consumption, prices and market influencing factors. Main fields of my research were:

Exact size of Chinese wine and grape production, average per capita consumption: during my research I had to face the problem that there are big differences between information received from different sources. I was using correlation calculations to analyze available databases to compare information and filter the impolitic data and data sources.

Chinese wine market segments and number of customers: the huge wine market of China is not a unified market. Because China owns the world's second biggest territory, China is a mixture of different cultures, religions, nations and wine market has significant differences, not only between provinces, but inside regions and provinces, also. This may be the reason why I firstly pointed out different geographic, economic and consumption sections of the wine market and all influencing factors and parameters of these segments. To underline my observations I was using several correlation, principal component and cluster analysis. Based on statistical information I was creating formulas to define the number of potential amount of customers, while I also calculated the territorial market's potential using the multifactored index method.

Market entry: based on the analysis of market statistics and customer behaviour, with the use of a SWOT table I have collected all the pros and cons which can influence the strategy of the market entering Hungarian and international companies, exporters.

Future trends and opportunities: during the survey of available forecasts I was analyzing the future changes of Chinese society and economy, in the view of several trends and statistics. Based on the results I tried to determine future number of consumers, their drinking habits and the total demand of wine in the future. I gave useful and detailed help and strategic plans for market entering companies.

3. RESULTS

3.1 Exact size of Chinese wine and grape production, average per capita consumption

3.1.1 Exact size of Chinese wine and grape production

During my research I had to face the problem that there are notable differences between information received from different sources, caused by the different calculation systems or miscalculations of statistics. First, I had to examine the solidity of collected data before using it for further calculations. There are statistical information about total size of Chinese grape plantations, but these do not contain the divided size of table and wine grape plantations. Table 1. shows the information and data received from several sources.

Table 1.

Statistics regarding to Chinese wine and grape production

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total size of wine plantations – FAO STAT(1000 ha)	160	180	226	286	337	395	424	416	411	485 *	NA
Total size of wine plantations – OIV (1000 ha)	217	217	217	217	423	423	423	423	438	450	471
Grape prod. – OIV (1000 q)	24528	24528	24528	24528	49604	49604	49604	49604	57944	62710	66968
Table grape prod. – OIV (1000 q)	11464	11464	11464	11464	32409	32409	32409	32409	38689	42300	46253
Wine prod. – OIV (1000 hl)	9581	9581	9581	9581	11460	11460	11460	11460	12000	12000	12000
Wine prod. – AWBC (1000 hl)**	NA	NA	2376	2772	3168	3564	3960	4356	4752	5544	7128
Wine prod. – CAWG (1000 hl)	1900	2200	2500	2000	2500	3000	3500	NA	NA	NA	NA

* estimation ** calculated: total consumption minus import

Source: FAO STAT, State of vitiviniculture world report (2008), China Wine Market Competitor Analysis (2010), Rozelle et al. (2006)

Using a special formula to calculate Pearson correlation coefficient I have tested the relation of the factors. Results were:

- correlation is weak between CAWG data and other factors, which is making CAWG database unreliable

- OIV factors that depends on each other, there is a linear relation between them, which shows that they were calculated from each other.
- relation between „Wine prod. – AWBC" and „Total size of wine plantations – FAO STAT" is very strong (0,994), almost linear. I have found out this result from several databases which are totally independent from each other. Based on the AWBC database, I can say, that Chinese wine production was around 554 million liters, and total size of grape plantations were 485 thousand hectares in 2006. Chinese grape production reached 6,27 million tons, and the average yield per hectare was around 13 tons in the same year. Since we do not have information about real production and efficiency of it, I was calculating it with the help of European effectivenes standards, showed in Table 2.

Table 2.

Grape and wine production data of France, Germany and Hungary (2006)

	France	**Germany**	**Hungary**
Plantations (1000 ha)	887	102	78
Grape prod. (1000 q)	67769	12247	5225
Wine prod (1000 hl)	52127	8916	3271
Av. yield (q/ha)	76,5	120	67
Wine grape rate (l/kg)	0,76	0,72	0,62

Source: State of vitiviniculture world report (2008)

Using data of the table in the following calculations, I have received the results below.

There was a maximum of 0,893 or minimum of 0,790 million tons wine grape production on a maximum of 133283 or a minimum of 60800 hectares of plantation in China in 2006. It means, that size of Chinese wine grape plantations took about 12-27 percent of the total grape plantation , while wine grape production was about 12,5-14 percent of the total grape production.

3.1.2 Average per capita consumption

Table 3.

OIV and AWBC consumption and population statistical data

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Wine cons - OIV (1000 hl)	9858	9858	11907	11907	11907	11907	12652	13279	13586
Av. cons -OIV (liter/cap.)	0,9	0,8	0,8	0,9	0,9	0,9	1	1	1
OIV calc. Pop.	1,10	1,10	1,32	1,32	1,32	1,32	1,41	1,48	1,51
wine cons. - AWBC (1000 hl)	2700	3150	3600	4050	4500	4950	5400	6300	8100
Pop.	1,258	1,265	1,276	1,284	1,292	1,299	1,307	1,314	1,318
AWBC calc. Cons.	0,21	0,25	0,28	0,32	0,35	0,38	0,41	0,48	0,61
Access Asia stat data.	NA	0,22	0,24	0,27	0,32	0,35	0,39	0,43	NA

Source: State of vitiviniculture world report (2008), China Wine Market Competitor Analysis April 2010 (2010), Rozelle, S. et al. (2006), Wine in China – Market Analysis (2006)

Table 3. shows that real Chinese population was 1,318 billion people in 2007 [2007 – World population data sheet, 2007], which differs from the calculated OIV result (1,51 billion), based on the average consumption per capita and total wine consumption. OIV result is 15 percent higher than it is expected by the real population in 2007. As a result, I can say that the per capita consumption was around 0,61-0,65 liter per person in China in 2007. In the view of the statistical researches and trends of market development, the possible per capita consumption may be 0,8 liter in 2009. This result proves our hypothesis that OIV data is not based on real statistical surveys, it does not show the real situation.

3.2 Chine wine market segments and number of customers

3.2.1 Potential markets

The calculations mentioned above can simulate the size of market, but they do not give any information about main, regional and local markets. This may be the reason why I have set up two hypothesis:

-**$H_{(kl)}$1**: Main markets are in the coastal area

-**$H_{(kl)}$2**: There is a linear relation between GDP and other factors of regional, provincial wine markets

Provinces are illustrated on Map 1.

Source: Allcountries - China Statistics 2005 (2006)

Map 1. Provinces of Western and Eastern China and provincial per capita GDP

Result of the cluster analysis made on the wine market criteria's made clear that coastal provinces are in separate clusters (except Hebei and Shandong), but for other provinces I could not find such a cohesion. In cluster 2 we can find mainly poor, Western provinces. To analyze this result I have created Table 4., which shows that GDP and wine market share of coastal provinces is the highest among all regions and provinces.

Table 4.

Wine market related data of Chinese regions (2005)

Region*	GDP billion (CNY)	GDP/ cap (CNY)	Pop. mill. Pers.	Wine market share (sale,%)	Wine cons. /y/pers. (CNY)	Cons (million liter)	Market share (vol., %)	L/pers	Wine av. pr. (CNY)
North	1714	15805	108,45	5,95	14,23	39,68	7,74	0,36	38,7
Middle	5554	12428	446,89	18,8	10,99	129,72	25,22	0,29	30,76

West	3349	8738	383,26	23,41	15,97	139,55	27,12	0,36	40,69
Coast	9162	24372	375,93	51,83	36,07	205,82	39,93	0,55	70,57

*__North:__ Liaoning, Jilin, Heilongjiang; **Middle:** Shanxi, Henan, Anhui, Hubei, Jiangxi, Hunan; **West:** Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou,, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang; **Coastal:** Hebei, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan, Beijing, Tianjin, Shanghai

Source: Wine in China – Market Analysis (2006), Allcountries - China Statistics 2005 (2006)

Correlation analysis made for every separate region has proved, that usually wine market has a strong relation with GDP, but in Western and coastal regions the connection between the annual income per capita and wine market is weak, while there is a strong connection between per capita consumption, average price per bottle and annual personal expenditure on wine. Previously mentioned criteria's has a weak connection with GDP, also. As a result, I have realized, that tourism has a strong effect on Chinese wine market. In the Northern and middle regions tourism, main economic sectors and incomes are in strong linear relation with criteria's of the wine market. On the contrary, in Western and coastal provinces these relations does not exist. In the Western region relation is strong between wine market, tourism and per capita expenditures on wines. It is interesting that the share of personal incomes spent on food has a strong relation with criteria's of wine market, per capita consumption and average price. It means demand for wine in Western regions is generated by tourism and expenditures for food (it means that wine drinking is a part of everyday consumption). In the coastal region, the share of the third sector and expenditure for entertainment are forming wine market. Personal incomes have a strong effect on wine expenditure and average per capita consumption. With the reference to this fact it may be claimed that most consumers mainly work in the third sector, while consumption concentrated in the HoReCa sector. Per capita consumption has a strong relation with personal incomes, also.

Confirm $\mathbf{H_{(kl)}2}$ hypothesis I have made the principal component analysis, shown in table below.

Table 5.

Results of principal component analysis

Variable	**PC1**	**PC2**
Cap. Inc / year	0,416	-0,059
GDP (bn CNY)	0,183	-0,739
Winemarket (m. CNY)	0,36	-0,516

Wineexp. cap/year	0,454	0,294
Cons. (l/pers)	0,478	0,223
Av. price	0,479	0,22

Wine market has a stronger relation with personal earnings than with GDP. Results partly proved my hypothesis, since there is a relationship between GDP and the volume of the wine market, but the above named parameters are creating a different segment.

$\mathbf{H_{(kl)}1}$ hypothesis was right, which means the main markets are the costal provinces
$\mathbf{H_{(kl)}2}$ hypothesis was not proven, since size of wine market and GDP are not strongly connected. So, to determine the wine market is not possible via GDP statistics, only.

3.2.2 Number of potential consumers, territorial market potential

Number of potential consumers

Consumption has an unequal distribution in China. There are significant differences in consumption between different regions and provinces of China. As a result of my second calculation of the correlation analysis, we can say that higher educated people usually live in cities, while employees in the third sector have a higher salary then workers in other sectors. Based on these results I have calculated number of potential consumers between the middle and high educated, 25-54 age old people, living in urban and rural areas. I was using the data of 2005 census. I have used to calculate potential consumer number by the following formula:

$$\mathbf{P} = \sum_{1}^{i}\left(\frac{(k_i + f_i)*(V_i * r)}{L_i} + \frac{(k_i + f_i)*(F_i * r)}{L_i} \right)$$

P - number of potential customers (sum of provintial P_i values)
L_i - population per province
V_i - urban population per province between age 15-64
F_i - rural population per province between age 15-64
k_i - number of secondary educated people per province

f_i - number of high educated people per province

i - number of province

r - 0,37

Value of 'r' means the share of man age of 25-54 in the total population age of 15-64. Number of potential consumer can be estimated around 90 million people. The result of the calculation includes 59,5 million men, which makes up only 70 percent of Chinese alcohol consumers [WHO Global status on alcohol, 2004], so the remaining number of consumers (30 million) are women. Since Chinese wine consumption has duplicated in volume between 2005 and 2010, we can say that the number of potential consumers were around 200 million in 2010. Average consumption calculated only for the mentioned potential consumers (200 million) is around 5,5 liters per capita.

Territorial market potential

I have used to calculate regional differences by the multifactored index method which formula uses weighted factors and these weights define the significance of the factors in the demand of the specified products. The index shows the relative expenditure-power of consumers in several provinces of China:

$\mathbf{B_i=0,5y_i+0,3r_i+0,2p_i}$

$\mathbf{B_i}$ **-** total Chinese expenditure power share in area i

$\mathbf{y_i}$ **-** share of total Chinese income in area i

$\mathbf{r_i}$ **-** share of total Chinese retail sales in area i

$\mathbf{p_i}$ **-** share of total population living in area i

The average of $\mathbf{B_i}$ values is 3,23 %. I have put an emphasis on the first ten provinces above the average. It is clear that coastal provinces (except Beijing and Tianjin) are among the top ten provinces, together with the Western province of **Sichuan** and middle provinces of **Hunan and Anhui**.

3.3 Chinese consumers preferences

Using the 'Khan food and drink preferential model' I have described Chinese consumer preferences as written below:

Personal factors: Wine drinking is more and more popular in China, customers are open to drink wine and receive information about wines, wine culture. Wine drinking has a strong relation with social status and incomes, and influenced by the Western fashion streams. Chinese customers are market followers, so they drink what others drinking. Usually they do not drink wine at home, only on social events with companion. They rarely buy wine for themselves, usually buy wine as gift or present.

Extrinsic factors: Marketing, and advertisements play more and more important role on the Chinese market. Imported wines and expensive wines are advertised in TV-s and magazines, for the wine fans there are few special wine magazines in China. Peak season for wine business in China is in January before the most important Chinese family event, Chinese New Years Eve. Decision making is usually based on the price and design or image. Wine has a symbolic meaning in China, since wine symbolizes the welfare of the people. Chinese consumers are very sensitive to special colors, because of the symbolic meaning of colors in Chinese culture. Red is the color of happiness, welfare, gold is the color of luck, happiness. Packaging should be ostentatious, which let the gift overvaluating. This fact is very important in China, since gifts playing an important role in business life. A precious gift can help to have a good, successful business.

Biological factors: Wine drinking is more popular between young people, most of the wine consumers are between age 30-45. 70 percent of consumers are men, 30 percent are women. Weekly consumption is only considerable over age 40, usually 55 percent of the wine drinkers consume wine on a monthly base.

Socio-economic factors: Wine drinking is popular mainly in urban areas of the coastal provinces. Compare the average expenditures for beverages and the average price of alcoholic drinks, we can state that in rural areas the cheaper, local and domestic wines are popular, while in urban areas the more expensive, well known Chinese brands and import wines are favorable. There are also big differences between cities, depending on the geographic and economic location of a city. Rural people live on a lower living standard than the urban citizens. In the coastal area incomes are the highest in the third sector, while on the countryside people usually work in agriculture or in the second industry.

Cultural, religion factors: For Chinese consumer usually wine means red wine, they know that red wine is healthy, has good effects on cardiovascular and blood system. These factors are very important for Chinese consumers. Red wine has an important role in business life and social communication. Chinese people think, that red wine drinker is a modern, open minded, sophisticated person.

Intrinsic factors: Since Chinese wine drinkers do not know much about wine, they try to harmonize wine drinking with their eating habits. Average Chinese customer is looking for sweet, semi-sweet wines, but red wines are much more favourable than white wines. Local and domestic wines satisfy these requirements, while imported wines are positioned for higher educated and wealthier customers, with their dry taste and price level.

3.4 SWOT analysis of Chinese wine market

Strengths

- Dynamically growing, economy, GDP and population
- Governmental support behind the growth of wine sector, wine market
- Society open for wine culture
- Society open for Western trends, fashion waves
- Natural way of health care, a natur friendly products has an important role by Chinese consumers
- Wine drinker has a positive, sophisticated personality picture
- Wine plays an important role in social and business life

Weaknesses

- Traditionally Chinese do not drink wine
- Chinese people do not know too much about wine and wine culture
- Wine's symbolic role is more important, than its pleasure value
- Wine culture, education is on a low level
- Market is not uniform, there are significant regional differences
- Domestic distribution is very complicated
- Chinese wine law does not impede production of low quality products
- Import wines are expensive, because of the high customs and taxes
- Hungary as a country and Hungarian wines are not well known

Opportunities

- Good markets in the developing, remote cities
- Main cities have huge population and huge demands
- Decreasing price of import wines
- Marketing activity in the HoReCa sector can help to establish a brand for bigger markets
- Health care is a good marketing for popularizing wine
- Every year more and more wine shop is opening, wine culture is spreading
- It is possible to bottle imported bulk wine in local wineries to lower the price of the final product
- For Hungarian exporters it is a good opportunity to sell sweet red wine in China, which product is common with Hungarian market

Threats

- Increasing quality of Chinese wines decreasing chances for imported wines
- Wine law is not complex enough, products can be counterfeited
- Huge marketing costs
- Complicated sales and distribution channels, different way of business thinking
- Usually Chinese has a short term way of thinking, which makes problematic to establish long term partnership, business
- Chinese consumer do not trust products, which are coming from "unknown" countries like Hungary

3.5 Future trends in China

Changes of population and age composition: Changes of population and age composition has a strong influence on wine consumption. Regarding to the survey of IIASA (in Laxenburg, Austria), we can estimate a total population for China about 1,45 billion persons in 2030. It means, that the present consumers will still live, and the present market receives an additional new consumer class with the same size. We can say that in this case the number of consumers will receive a supply of minimum 100 million people in every 5 years until 2030, which means we should calculate with about 600 million consumers in 20 years.

Education, migration: Table 6. shows migration and education values in percent in 2045

Table 6.

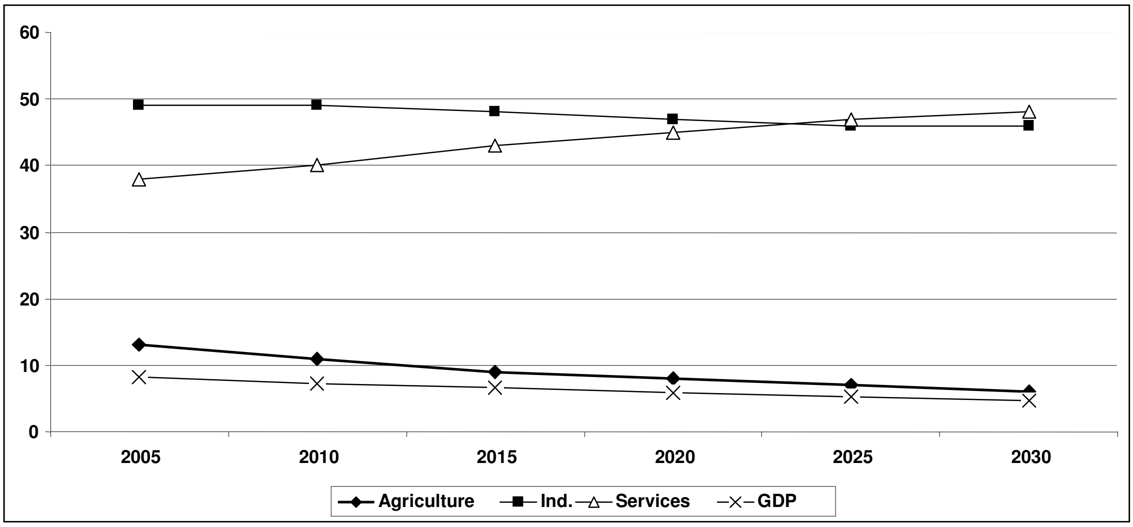
Migration and education changes

	Rural		Urban		China	
	1995	**2045**	**1995**	**2045**	**1995**	**2045**
No education (%)	27,17	9,45	15,93	7,72	18,36	8,84
Elementary school (%)	42,72	25,49	26,97	12,6	37,96	20,96
Highschool (%)	29,87	64,59	50,5	68	41,06	65,8
University (%)	0,24	0,47	6,6	11,6	2,62	4,4
Population (mill. pers.)	860,36	952,72	344,22	539,14	1204,58	1491,86

Source: Cao (2000)

Nearly 66 percent of the population will receive high-school education, while only 4,4 percent will enter higher education. People with higher education will live in cities, since urban areas will grow with 56 percent, while rural areas will have just an increasement of 10 percent. If we count with the number of people with high school (980 million people (65,8 %)) and university degree (66,5 million people (4,4 %)), we will have an approximate customer size of 1 billion.

Economic trends: During the next 20-25 years the economy of China is going through great changes. Present GDP growth, which is around 7,2 percent will slow down to around 4,6 percent, in 2030. In 2030 rural incomes will be on the same level as urban incomes are in 2010, while urban incomes will duplicate to 2030.

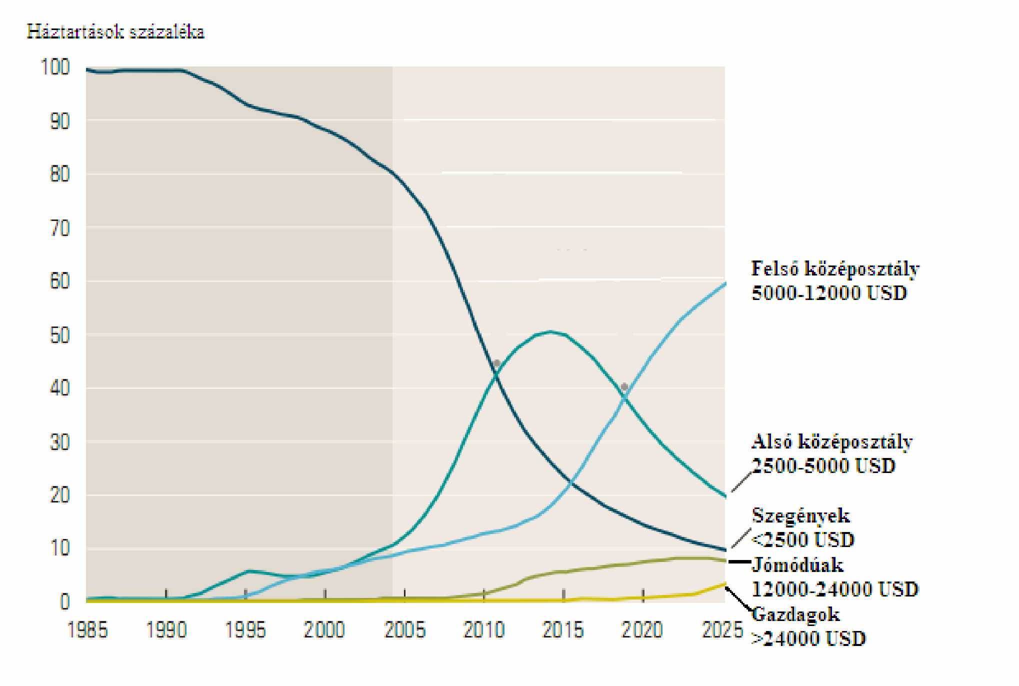


Source: Huang (2003)

Chart 2. Change of economic sectors role in the future (2005-2030)

Growing middle class: During the next 20 years Chinese society will have a dramatic change. Number of rural, well-off and rich people will grow. Average rural income will grow from USD 3000 (2005) to USD 12000 (2025). This means, that consumption of rural people will be the same of total consumption of Japan in 2005. Changes of social classes and their members are shown on Chart 3.

A significant size of Chinese population will live in the middle and higher social classes. Main part of this future population of 700 million people will be at the age of 25-45. These people are going to have a huge expenditure power and demand for wines.



Source: Farrel (2006)

Chart 3. Changes of social classes in the future (1985-2025)

4. CONCLUSIONS, SUGGESTIONS

4.1 Effects of future trends on the wine market

In the view of future trends and social changes, the possible size of Chinese wine market will include around 400-500 million consumers in the middle of 2020 years. It means, that the market will be duplicated, with a yearly growth of 6-7 percent from 2010. Using data of Table 6., with parameters of formula 3.2 the result is going to include minimum 240 million men consumers in 2030. Based on this result the potential number of customers will be minimum 320 million people in 2030. However, this number is smaller than the numbers received during the trends researches, it still represents the market size and future opportunities.

Calculations showed that wine market in China has a dynamic development. China is going to be a member of globalized world economy and in this case Chinese customers' demand will create its own market. Since wine culture is in his child faze at the moment, it has two possible directions to develop into. In the first case, Chinese consumers will adopt the world's wine consuming culture and wine producers of the world can sell their usual, international wines in China without any problem. This scenario assumes, that Chinese wine producers will produce international wines with international technologies, though the taste and demand of Chinese customers are different. In the other case, the Chinese consumers and demand will force the market to satisfy their own needs and taste. In this case a brand new style will be born with special Chinese wine culture and industry, and international wine makers should change their technologies to produce special wines for the Chinese market. Chinese wine consumers will be „market creators", not „market followers" anymore.

Chinese wine drinking habits are strange. They mix wine with ice or beverages. They do so, because Chinese people's taste is naturally „sweet", while traditional wines are „sour". Moreover as a result of their biological aptitude their body disassemble alcohol slower then Europeans organism does. This is the reason why they need to dilute wine or drink very slowly. It is interesting that these customs are similar to the modern European trends, who are focusing on the declining amount of alcohol content in alcoholic drinks. This is why alcoholic cocktail drinks are very famous these days (for example Bacardi Breezer).

As I mentioned above Chinese consumers mainly like sweet wines, which is a strange case for international wine makers. However, they forget that most famous wines of the Western world are all sweet, like the wine of Porto, Tokaji, Madeira, Samos etc. wines. Sweet taste gives happiness, fulfills couples with the feeling of felicity. Anyway in Hungary , which is a traditional wine drinking culture, 58 percent of annual consumption comes from the sweet wine area. [Ez kell a magyarnak: műanyagpalackos édes vörösbor – GfK felmérés, 2010], and teenager Hungarians used to drink a special wine based cocktail, the red wine with Coke.

4.2 Opportunities for Hungarian wine producers in China

Our main markets are the traditional wine markets, since these are geographically and culturally near to us. However we need to explore new markets, market opportunities like China, which can help us to solve the financial problems of the market. The only problem is that we can spend unlimited sum of money on marketing in China, without any success.

Based on the analysis and results above in the following I will describe the opportunities for Hungarian wine growers. Before entering Chinese markets, the first questions are:

- Which market to choose?
- What kind of wine to sell?
- Do I have enough wine?
- How to do business in China?
- How to marketing my products?
- What are the business rules in China?

Which market to choose? China's market is huge, we need to choose a segment of it always. Analyzing the result of territorial market potential we have many choices. If we choose a city with high wine culture, we face many contenders. If we choose a remote city, with lower wine culture, we face distributions and administrative problems, moreover the lack of wine interest.

What kind of wine to sell? The color of wine must be red these days. Taste is another question. Interest is higher for dry wines in the higher price market segments. The only problem is that Hungarian wines are not famous in China, mainly French, Australian, wines are on the market. If we sell Hungarian wine, the originating country should be shifted into the background and the emphasis must be put on the name of the wine, which should sound like a French name. In the cheaper segment we have good choices, since on the Hungarian market sweetened red wines are very popular, so we can sell this unique, cheap product in China. Price is also important. With the increasing Chinese production the prices of imported wines have decreased. However, the USD 1 FOB priced wine will have a retailed price in China minimum of USD 3. However, this price for Chinese wines is quite high, consequently Chinese customers will decide to buy the cheaper, local wines in these price segments.
Do I have enough wine? If a company can manage to make business with China, it will face the problem of quantity. Hungarian wine producers usually do not have enough wine to satisfy their partners' demand on their own. It is advised to establish association with other wineries to satisfy the engagement.

How to do business in China? It is always a big question how to coordinate Chinese business. Options are the followings:

- Chinese sales representatives.
- Hungarian sales representative office.
- Chinese-Hungarian joint venture.

Marketing: Marketing in China is very expensive, also. Television, radio advertisements or pr articles, advertisements is special wine related magazines have huge costs. Regional and local medias cheaper for sure. Pr-articles are more useful, than advertisements, since those communicating more information, than a simple photo and slogan. Good marketing opportunity to advertise and offer our products in restaurants, since Chinese people often go to restaurants and there directly they can meet the product and can taste it.

5. NEW AND ORIGINAL RESULTS

In my literature review I was analyzing history of Chinese wine industry its past and present status, tendencies, institutional, juridical background. I was surveying and systematized the different production areas and companies. I have figured the main distribution channels and made separate analysis for on-trade and off-trade sales sectors. Based on the theoretical background I was analyzing price, quality, social behaviours and marketing channels influenced by these factors. Collecting national and international statistical data and results of surveys I have delineated results of my research. Based on the corrected database I have defined minimum and maximum values for Chinese grape production and plantation size. In the next chapter I was trying to define the main Chinese wine market segments, I was looking for such correlations, which can help us to calculate the size of a specific provincial market. I could prove my first hypothesis, that the main markets are lying in the coastal area of the country. My second hypothesis, that GDP has a strong relation with other criteria's of a region, I could not prove, I have found several factors, which are influencing the wine market, independently from the GDP. I have calculated, the potential number of Chinese consumers, also. With the method of territorial market potential I have defined the exact main provincial wine markets and proven my former calculations regarding to these main markets. In the next chapters I was analyzing Chinese consumer preferences and later on with the help of a SWOT table opportunities of the Chinese wine market. I have surveyed the forthcoming social, demographic, education, migration and economic changes of China in the next 15-20 years. Based on the results of this reviews and analysis I have defined the possible number of wine consumers, the consumer trends and the developing directions of the Chinese wine market in 2025. As a conclusion of the chapter I have formulated proposals for Hungarian wine producers, how to prepare for the Chinese market and what steps, strategy and business behaviour to do on the market.

6. SUMMARY

The main objective of my doctoral thesis was the collection of the features and explore the possibilities of the Chinese wine market. In the literature review I have presented past and present trends, institutional context and legal regulations of the Chinese grape and wine production, sector and I have examined and systematized the various producing areas and companies. Using the available information I have determined the different segments of the market, in the geographic, demand and social point of view. I have described the changes of market and consumption trends during the recent years. I have dealt separately with the import, which makes about 10-12-percent of the market, and importers. I have separately described the factors, influencing the prices of the import wines. I have described the distribution channels of the Chinese wine market, and analyzed the two main, on-trade and off-trade sales channels. In this chapter I was paying attention to the sales opportunities of import wines via the above described sales channels. I have reviewed the theoretical background of the customers decision making behaviour and defined the main streams, motivations of Chinese wine buyers and drinkers. I have put an emphasis on the field of pricing, quality and social expectations, and the marketing channels which are influenced by these parameters. After studying international and national, statistical, research and methodology theories, I have presented results of my research. Firstly, I have verified the available, official, international statistical data, since I have found relevant differences, between particular sources. As the result of the investigation, I had to reject the data of OIV and had to accept the data of AWBC for further use. Based on these information with the use of European wine producing efficiency parameters I have defined the minimum and maximum size of Chinese grape production and plantation size and average consumption per capita. In the next chapter I tried to define main Chinese wine market segments and was looking for connections between several factors. I have set up two hypothesis: **$H_{(kl)}$1-**Main markets are in the coastal area, **$H_{(kl)}$2-**There is a linear relation between GDP a regional, provincial wine markets. I could proven my first hypothesis, but disproved the second, since size of wine market and GDP are not strongly connected. So, to determine the wine market is not possible via GDP statistics, only. I have found many factors which are influencing wine market. In the Western region relation is strong between wine market, tourism and per capita expenditures on wines. It is interesting that share of personal incomes spent on food has a strong relation with criteria's of wine market, per capita consumption and average price. It means demand for wine in Western regions is generated by tourism and expenditures for food (it means that wine drinking is a part of everyday consumption). In the third chapter using SWOT analysis I was defining the characteristics of the Chinese wine market, based on the prior literature and calculations.

In the fourth chapter I was analyzing future trends of Chinese demoCharty, education, migration, economy and society. At the end I have traced strategic steps and practical strategy for market entering companies. My results have proven that the Chinese market is before a dynamic development, but still in its infancy. This is the clue, why it is very complicate to provide exact information about the market, so it is only possible to outline the main strategies and trends.

7. THE MOST IMPORTANT PUBLICATIONS OS THE AUTHOR

a) Scientific publications

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