

# THE TRENDS AND CATEGORIES DRIVING GROWTH IN CHINA



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Between 2015-2020, China is expected to outstrip growth in the international alcoholic drinks market with a projected CAGR of 2.5%, compared with 1.7% globally. **Michelle Huang**, head of country research for Euromonitor, outlined the dynamics behind the surge.

China now has the potential to impact global consumption trends across the drinks categories – if China coughs, the entire world catches cold, and vice versa. It also mirrors ongoing international shifts in consumption, such as premiumisation and the significance of millennials and women, and is advancing towards greater market maturity, as evidenced by a broadening of the product range. Imported still grape wines are benefiting from these changes although their growth in recent years has been driven less by high-end offerings and more by competitive pricing.

Price competition became fiercer in 2015, mainly due to a surge in internet sales as distributors sought to offload excess inventories via the channel, pushing prices downwards. Internet retailing is dynamic, posting over 200% CAGR

from 2010 to 2015, and in 2015 accounted for 5% of total alcoholic drinks sales in China. Convenience of delivery, competitive prices, ease of comparison for flavour, price and packaging and a degree of transparency are all driving growth for e-tailers. According to Michelle Huang, the headway made by the internet is not likely to decline in the near future, particularly for wine and foreign spirits with younger consumers preferring to buy them online and using social media to guide their choices. However, the current price war is a cause for concern with prices too low to be sustainable in the long term.

The Euromonitor analyst predicts greater synergies in the future between on and offline channels, with bricks and mortar outlets offering opportunities for tastings, education and logistics solutions. The likelihood is that offline outlets will step up their online presence. For companies looking to sell online in China, Michelle Huang recommends they choose a local agency specialising in internet selling rather than approach behemoths such as Tmall directly.

## Encouraging spirits drinkers to trade up

For spirits, premiumisation is the name of the game and China has shown the potential to fuel the category: super premium baijiu, with sales of 251 million litres in 2015, is the largest luxury spirits category in the world with leading brand Jian Nan Chun retailing at an impressive US\$162 a litre. The government's anti-corruption crackdown, as for wines, has led to greater family and individual consumption, boding well for sustainable growth in the future. Imported categories such as single malt Scotch have latched on to the premiumisation trend and with



some savvy, long-term marketing strategies are encouraging consumers to switch from blended to single malt offerings. The future is likely to hold more of the same, with product innovation – mostly in the form of novel packaging options – and craft bottlings increasingly driving the market.

For wine, wellness and health issues will be key, particularly amongst young and female demographics. Affordability will of course also be a core issue for market development.