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China's Wine Market(s)

Drivers, Technical Requirements & Opportunities for EU Producers

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This report was written by the EU SME Centre's in-house market access experts.

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- *How to Start Exporting Wine to China* (2017): https://www.eusmecentre.org.cn/publications/how-to-start-exporting-wine-to-china/
- *The Imported Wine Market in China* (2018): https://www.eusmecentre.org.cn/publications/the-imported-wine-market-in-china-2018/

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EXECUTIVE SUMMARY

The Chinese wine market has been witnessing a steady decrease in all indicators – consumption, imports and domestic production. The trend had begun before the COVID-19 pandemic but was certainly exacerbated by it. China also remains a difficult market, especially due to the competition with wine exporters from other countries, some of which enjoy preferential trade agreements.

Nonetheless, despite going through a "self-adjustment" phase, China remains a large market, highly relevant for EU wine exporters. Wine culture in the country has kept growing significantly and will continue to do so. Although 2023 has not shown signs of improvement, the **Chinese wine market continues to present opportunities for EU wine producers: the determinant factor will be knowing and being prepared to grasp such opportunities**. This report was prepared for this purpose. Specifically:

- The first chapter provides an overview of the **dynamics of the Chinese wine market(s)**. It highlights the recent consumption drivers, channels and trends emerging after the end of the pandemic. Detailed analysis of domestic production and especially imports into China will be provided for various wine segments: EU wine exporters lead in most segments, but not all of them. Considerations on the current situation and future outlook will also be given, reflecting the views of industry experts.

- The second chapter provides a detailed overview of the **regulatory and technical requirements for importing wine products into China**. Overall, the process is relatively straightforward, especially when compared with other F&B categories. Yet, there are strict steps to follow, in particular to register the product on the dedicated CIFER platform and to use the correct Chinese label. Failure to do so might lead to imports being rejected by the Chinese customs – an overview of which is provided in the chapter.

- The third chapter summarises a series of **tips and recommendations** that EU wine exporters should keep in mind or should leverage when selling in the Chinese market. These are mostly based on interviews done with industry experts and feedback received by EU exporters. The chapter also includes considerations on trademark registration as well as unique elements that EU producers can leverage, including the EU-China Geographical Indication Agreement, and funding opportunities at the EU level.

- The last chapter includes **three case studies developed through ad hoc interviews with wine industry experts in China** specifically for this report. These offer different insights into different aspects of selling wine in China, especially from an export perspective, communication and promotion perspective, and a livestreaming e-commerce perspective.

This report focuses on the trade of wine products under the following HS codes. Specifically, code 22042100 is normally referred to as 'bottled still wine'; together with 22041000 for sparkling wine, it forms the broader category of 'bottled wine'. The HS heading 22042200, normally referring to bag-in-box wine, is often grouped together with 22042900 under the broader category of 'bulk wine' (it is noteworthy that 22042900 represents about 90% of bulk wine imports). All the above wine categories follow similar requirements and procedures for being imported into China.

HS heading	Product category
22041000	*Sparkling wine*
22042100	*Other wine of fresh grapes in containers holding 2L or less*
22042200	*Other wine of fresh grapes, in containers holding more than 2L, but less than 10L*
22042900	*Other wine of fresh grapes, in containers holding more than 10L*

1. MARKET OVERVIEW

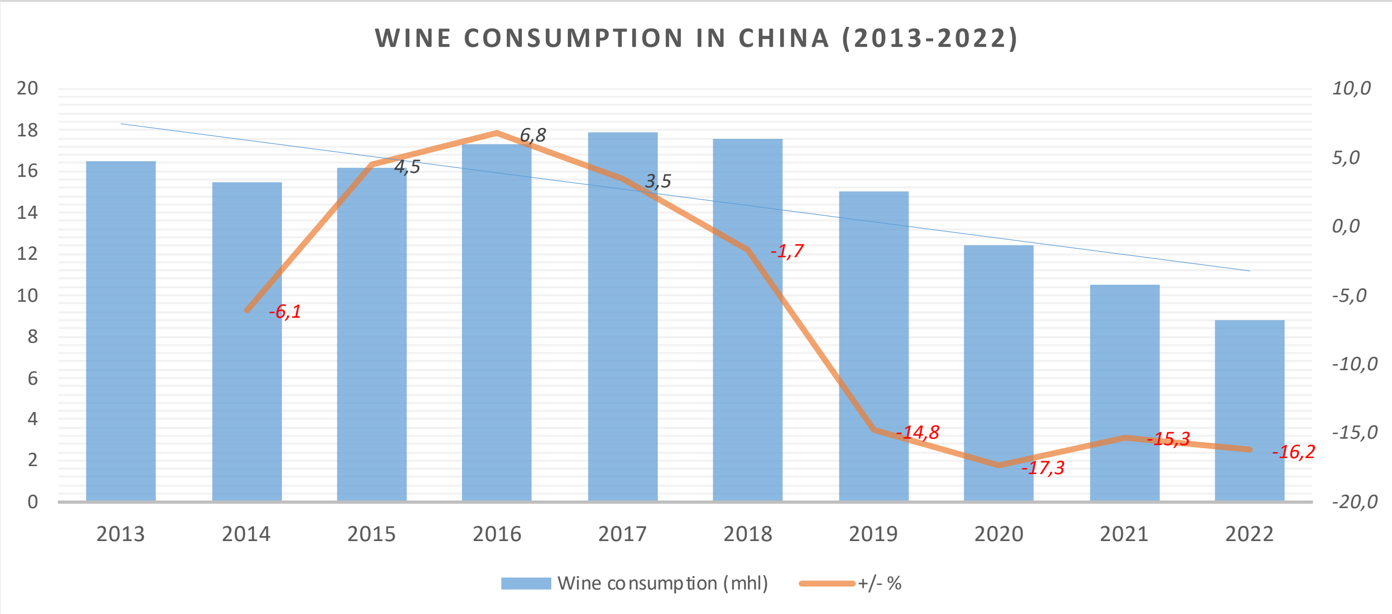
Similar to many other sectors, especially in the Food & Beverage (F&B) industry, the Chinese wine market has been witnessing a steady decrease in all indicators: consumption, imports, and domestic production. The trend had begun before the COVID-19 pandemic, but was certainly exacerbated by it. Online e-commerce platforms rose to become the most predominant channels for selling wine, and for branding awareness. Industry experts interviewed for this report believe that **the Chinese wine market is going through a "self-adjustment" phase**. Although in 2023 the situation has not manifested signs of improvement, the Chinese wine market will still present opportunities for EU wine producers: the determinant factor will be knowing and being prepared to grasp such opportunities.

1.1 CONSUMPTION DRIVERS AND TRENDS

China is the world's eighth largest consumer of wine, accounting for 4% of the global wine consumption. Consumption has increased enormously since the early 2000s, going from around 10 million hectoliters (mhl) to 17.9 mhl in 2017 – the highest year on record. Since then, however, wine consumption in **China has dramatically inverted its trend, decreasing 2 mhl per year and reaching 8.8 mhl in 2022.**[1] That equals to **0.6L per person per year**, a significant difference compared to other major wine-consuming countries around the world (e.g. Portugal: 52L, Italy and France: 46L; United States: 12.2L; Japan: 3.1).

Despite this decreasing trend, which started before the outbreak of the COVID-19 pandemic, wine culture in China has grown significantly – and is expected to continue doing so. Therefore, China remains a very relevant market for EU wine exporters.

Overall, still red wine remains the preferred variety, because of factors such as colour and temperature. Interest in white wines and sparkling wines is growing significantly, particularly among young consumers and women. Consumption levels are highest in the country's top cities of Beijing, Shanghai, Shenzhen and Guangzhou; consequently, the wine markets in these cities are the most competitive and difficult to penetrate. Therefore, other cities (e.g. "new tier-one cities" or tier-two cities) may present certain advantages. Finally, wine consumption is largely driven by Chinese millennials and Gen Z, although even within



1 Figures from the State of the World Vine and Wine Sector published annually by the International Organisation of Vine and Wine (OIV), see latest 2022 report: https://www.oiv.int/sites/default/files/documents/OIV_State_of_the_world_Vine_and_Wine_sector_in_2022_2.pdf. (accessed: 21 August 2023). Consumption of wine in China is generally calculated based on net trade and domestic production figures. However, the latter may not be entirely accurante as domestic statistics are usually collected only for "enterprises above designated size", which does not include small-scale wineries. On the other hand, some sources argue that national production statistics may have been exaggerated by imported bulk wine bottled in China (as it is or blended with domestic wines) and labelled "Product of China" under Chinese brands, as well as "double-counting" wine produced in one province blended with wine from another province, as output from both regions. In addition, smuggling issues (unrecorded wine re-exports and imports, particularly from Hong Kong) contribute to the uncertainty of the figures (see, e.g.: https://www.cambridge.org/core/journals/journal-of-wine-economics/article/abs/how-much-wine-is-really-produced-and-consumed-in-china-hong-kong-and-japan/B17C1E9B73B46121B5925CBAF1AADF4B).

these groups there are certain differences such as the growing importance of young female consumers.

Main drivers of the Chinese wine market

- Wine is largely recognised as a healthier alcoholic beverage compared to others, such as liquors (especially *baijiu*) or even beer.
- There is growing investment in wine production from Chinese companies, both private and state-owned, in some cases even hiring directly foreign experts. Foreign wine producers are becoming increasingly involved in marketing and promotion activities in China.
- Although there are still strong associations with wine as an "image product" to show one's cultural level and social status, it is slowly emerging as a product for ordinary household consumption. This trend, which was pushed forward by the pandemic, will further expand the market, especially for more price-friendly wines.
- Interest in tasting and learning activities has been growing significantly in China, in general for many F&B categories but especially for wine. Workshops on the pairing of imported wine and Chinese domestic food are very frequent nowadays in Chinese cities, combining promotion and direct sales.
- A growing number of Chinese consumers, especially younger, are more exposed to direct contact with wine, either in China (e.g. in international restaurants and hotels) or abroad, considering the resuming of outbound tourism from China and those who have lived in foreign countries for some time.

Finally, although the Chinese economy is struggling to recover after the COVID-19 pandemic, with consumer confidence hitting low numbers, disposable incomes continue growing, albeit on a smaller percentage and from a smaller base. The recovery of China's strongly-hit dining industry in 2023 may contribute to the stabilisation of wine consumption after the decline in past years.

However, **China is not homogenous and thus it is not accurate to talk about a "Chinese wine market"**. In fact, there are several wine markets within the Chinese market, distinct from each other, not only in terms of geography but also in terms of market segmentation. This is the reason why it is often possible to hear contrasting views from wine industry experts in China, highlighting e.g. the growing sophistication of many consumers or, at the same time, the growing price-sensitiveness of mainstream consumers. Each view can be true as it may in practice represent one or more different "wine markets". This **requires differentiated wine products, market strategies and sales channels**. Most importantly, this impels EU exporters interested in the Chinese wine market(s) to focus their initial strategy on one or two cities and channels, before eventually scaling up in a gradual fashion.

At the same time, the Chinese market is extremely competitive: many wineries have already established a solid presence, and many new wineries – both domestic and foreign – are trying to enter the market. **Although the EU has a very strong advantage thanks to its centuries-old tradition of wine production and consumption, it faces strong competition from a number of other non-EU countries**. In most cases, this is the result of free trade agreements that these have concluded with China (more details in chapter 1.3 of this report). This has led to different, often contrasting, experiences of EU wine exporters to China: some have been successful, some are seeing positive but not impressive results, while many have failed.

Hence, it is vital to know the Chinese wine market(s) way before planning to enter the market, and fully understand one's target group and retail channels. Considering the strong heterogeneity of the market(s), it is difficult to make a clear segmentation of Chinese consumers (there could be many), but a possible, reductive way to do so could be to **differentiate among the following consumer groups**:

Sophisticated consumer

Frequent drinkers, mainly between 36-45 years old, knowleadgeable and in closer contact with wine culture, willing to pay for quality.

Key purchasing factors: quality, unique experience, e.g. certain grape varieties, regions or production techniques (organic).

Ideal target for: EU fine wine.

Mainstream consumer

Irregular to somewhat frequent drinker (e.g. once or twice a month).

Price-oriented, very susceptible to promotional and marketing campaigns.

Key purchasing factors: price, origin, image, packaging, health.

Eventually will evolve into a sophisticated consumer.

Ideal target for: producers of price-friendly wines.

Affluent consumer

High income.

Key purchasing factors: famous brands, strong and well-recognised reputation, origin.

Occasionally also looking for new experiences.

Not the ideal choice for small, new EU producers.

Businesses

Chinese companies, periodically purchasing large volumes of wine for internal events or as gifts for employees.

Little knowledge of wine.

Key purchasing factors: price, but also origin.

Gifting channel

Gifting is a key element of Chinese culture and tradition. Wine is well suited for gifting.

Suffered from limited social gatherings during the pandemic, possibly resuming its potential.

Key purchasing factors: image, packaging.

1.2 DOMESTIC PRODUCTION

Similar to consumption, **Chinese domestic production of wine has been sharply decreasing every year over the last decade**, dropping from 13.8 mlh in 2012 to 2.14 mhl in 2022. This is in spite of rising investment in wine production from Chinese companies (both private and state-owned) as well as foreign companies, such as Pernod Ricard (with a winery in Ningxia province), LVMH (owner of China's Ao Yun wine), DBR Lafite (owner of winery Domaine de Long Dai), etc. Many foreign oenologists and experts are also being hired by Chinese companies to bring expertise and know-how.

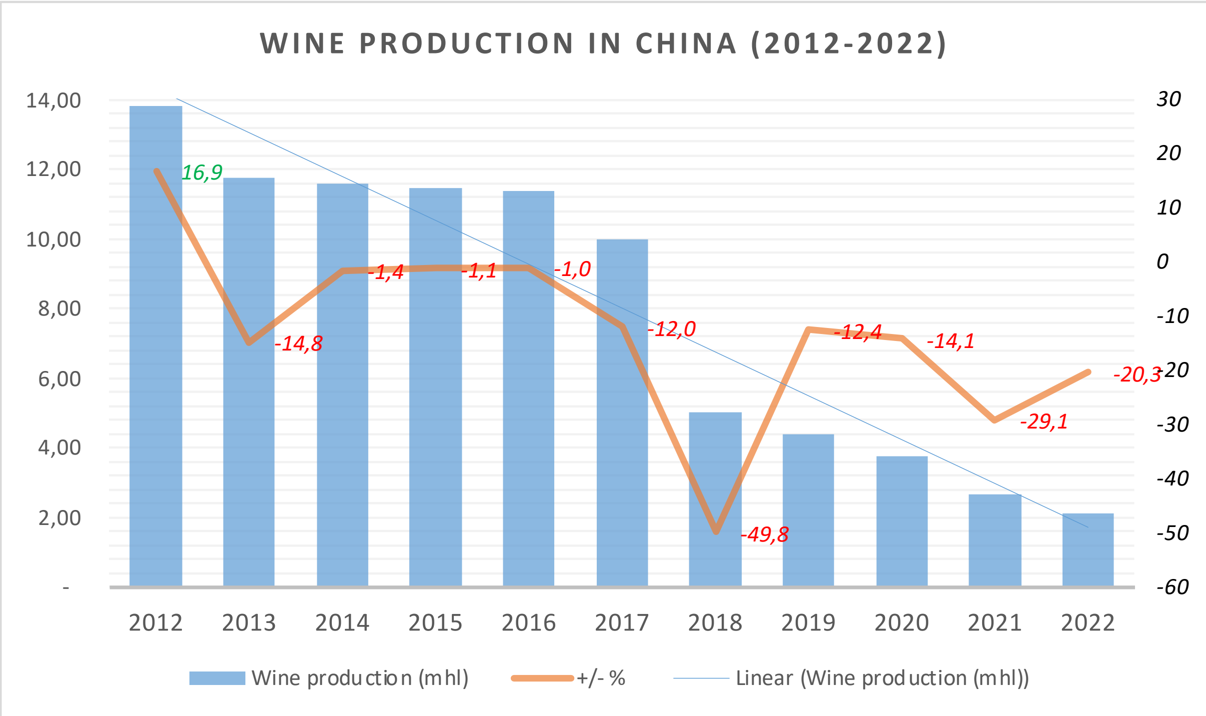
The sharp decrease in production volume seems linked to a sustained period of adjustment of the industry, **shifting from quantity in favour of more sustainable, higher quality wine**. According to some industry insiders,[2] in fact, the main type of wine affected is table wine, while **the production of premium wine is less impacted** – and in some cases even growing. This is also confirmed by the fact that sales revenue of domestically produced wine in 2022 grew 2% from the previous year to reach 9.19 billion CNY; profits grew 4% to 340 million CNY.[3] The **vineyard surface area in China has also registered some degree of expansion** in the last years, reaching 785 kha in 2022 and accounting for 11% of the world's total vineyard surface area.

The **most important wine regions in China** are:

- **Shandong**, especially in Penglai, Yantai municipality; to a lesser extent, Qingdao. Together with **Hebei** (home to one of China's largest wineries, the Great Wall Group), the two provinces account for around half of China's total wine production.
- **Ningxia**, which offers excellent natural conditions for wine production, is home to several of China's internationally-awarded wines. The wine industry plays a key role in the province's socio-economic development and is thus strongly supported by the local administration.
- **Xinjiang** has the largest wine grape production in China. Vineyards are also present especially in the Ili prefecture at the border with Kazakhstan, which has relatively favourable natural conditions, and Turpan in the eastern part of the region.

2 https://www.sohu.com/a/638166098_121123882 (accessed: 22 August 2023).

3 https://i.ifeng.com/c/8OYjUxR0CkN (accessed: 22 August 2023).



Other important areas are Beijing – which has a tradition of small scall wineries, particularly in the southwestern area of Fangshan and the North-western area of Yanqing, as well as Northeastern Jilin province, and Yunnan in the Southwest.

Source: WineChina
http://3g.winechina.com/News.aspx?id=297764

At the time, **international recognition of Chinese wine is growing steadily**. 274 Chinese wines were awarded a medal in the Decanter World Wide Awards 2023, a 17% increase from the previous year and confirming a growing trajectory initiated in 2020, despite the pandemic.[4] Among the awarded Chinese wines, nine wines were awarded gold medals. In addition, Chinese wines were awarded 179 medals at the IWSC International Wine & Spirit Competition this year, a 31% increase of medals won in 2022, making it its most successful year to date.[5]

One of the main challenges faced by **fine domestic wines in China is their high price**.[6] On the one hand, China has significant constraints in terms of natural conditions, such as scarcity of water and difficult weather conditions. On the other hand, the industry overall lacks cohesion and coordination. At the same time, it is also still constrained by a lower degree of mechanisation and few oenologists. Both aspects affect production volume and lead to high production costs, which is finally reflected in high prices for consumers. At the same time, Chinese wineries may appear to be excessively ambitious in setting their pricing, while still suffering from weaker

4 https://www.decanterchina.com/en/news/dwwa-2023-china-refreshes-its-record-of-medal-wins-at-decanter-world-wine-awards-2023 (accessed: 22 August 2023).

5 https://vino-joy.com/2023/05/25/china-records-highest-medal-haul-at-iwsc/ (accessed: 16 October 2023)

6 It is not uncommon to find domestic wines priced at above 200 USD. See, for instance, the collection of one of the most renowned wineries from Turpan, Xinjiang: https://www.puchangwine.com/collections (accessed: 22 August 2023).

international image and marketing capabilities compared to other producers. The result is that **Chinese domestic wines might find it challenging to compete internationally**. So far, Chinese wines have not gained much popularity overseas, and exports barely reached 3mn liters in 2022 (from 10mn liters in 2016). Hong Kong is by far the main destination.[7]

However, within the domestic market, they represent an increasingly interesting option for local consumers, driven by the "national tide" (*guochao*) that is affecting several categories of consumer goods. The central and local governments also play an important role as they actively promote domestic wine when meeting foreign diplomats and delegations.

In conclusion, the relevance of Chinese domestic wine is expected to increase, following growing quality and international recognition. The biggest impact will be on the domestic market, thus affecting the competitiveness of imported wine. In any case, this can be seen as **a positive development for the whole industry as it will contribute to the wine culture deepening in China, thus expanding the market**, ultimately bringing opportunities to foreign wine producers as well.

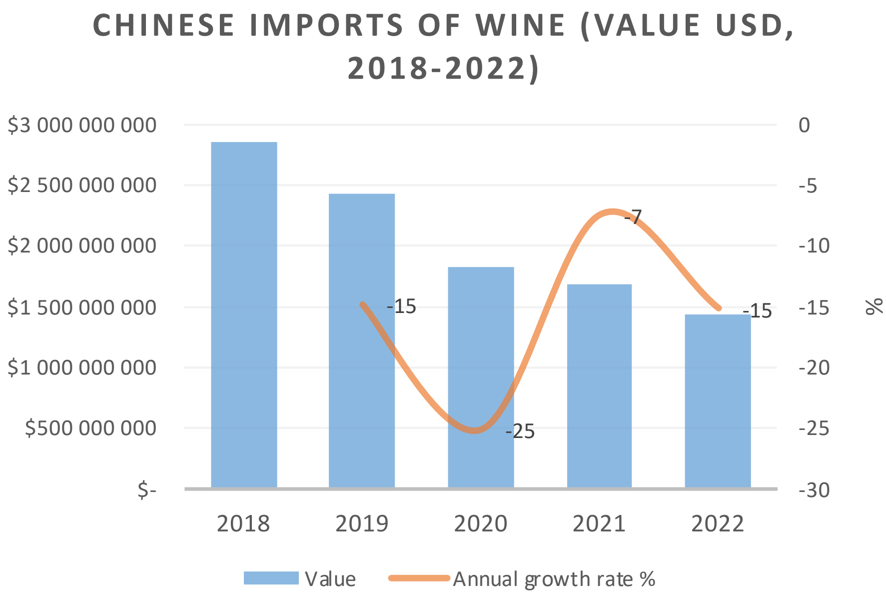
1.3 IMPORTS

This section provides a detailed picture of the situation of wine imports into China. Before doing so, however, it is important to highlight that even official statistics may not provide a fully accurate picture of imports: it is still common to find cases of imported wine with a value underdeclared by the exporter or the Chinese importer, in order to pay less in customs duties and taxes. Furthermore, statistics are not always the same among different sources.

Still, the general trend and a clear overview of the main actors involved can still be obtained from import statistics.

Official statistics from the Chinese General Administration of Customs[8] show that the value of **wine imports into China have decreased steadily over the past years – even before the beginning of the COVID-19 pandemic**, mainly as a result of accumulated, unsold stock from previous years.

The year 2021 represented an exception for some wine categories: the value of imported sparkling wine (220410) and bulk wine (220422 and 220429) registered impressive growth rates (from 17% to 58%). However, these figures are distorted from the low base of the previous year, which saw the value of imports plummet, mainly under the impact of the outbreak of the pandemic in China. Indeed, 2022 saw the value of imports decrease again – except for bulk wine in large containers (220429, +6%). Overall, the total combined value of all imported wines is significantly affected by the **consistent decrease, since 2018, of imported bottled still wine (220421),** which is the dominant category. A **similar trend can be identified for imported volume**, with 2022 registering -21% compared to the previous year.



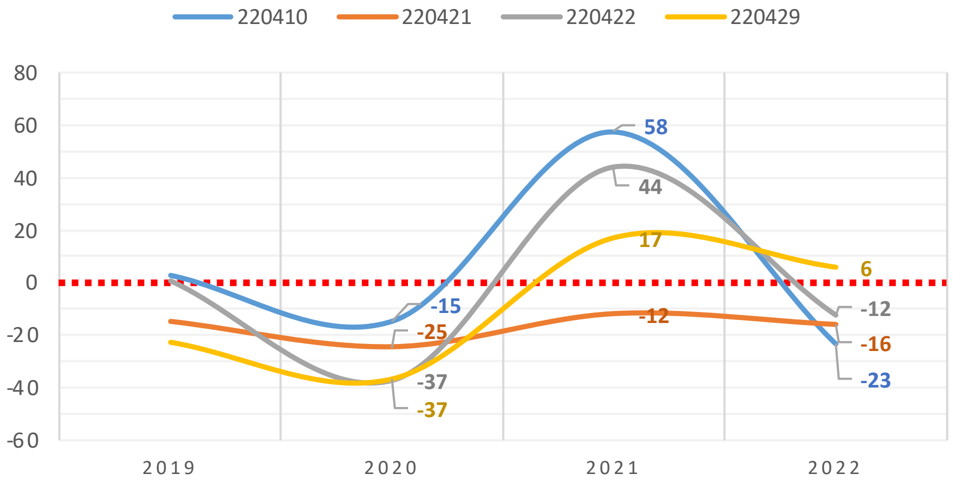
Specifically, **bottled still wine (220421) accounts for 86% of the value of total imports**. However, since 2021 and in particular since China imposed tariffs on imported bottled wine from Australia, the share has decreased slightly; by contrast, the

7 https://www.ft.com/content/8576ecef-844e-407d-8920-eef8729799f6 (accessed: 16 October 2023)

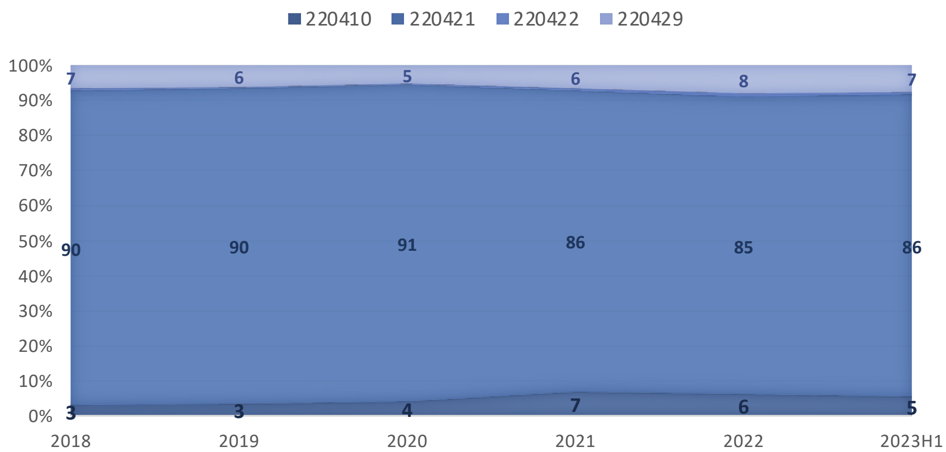
8 http://stats.customs.gov.cn/.

share of bulk wine (220422 and 220429) increased, mostly as Chile stepped in with its economically competitive, tariff-free bulk wine. A slight increase can also be seen for imported sparkling wine, although it appears to be losing its initial momentum. **In terms of imports volume, bottled wine (sparkling and still) holds the lion's share, although the gap with bulk wine is significantly narrower**, standing at a ratio of 2:1 against bulk wine in 2022. However, the share of bulk wine volumes has gradually increased over the years, a trend that is expected to continue in the coming years.

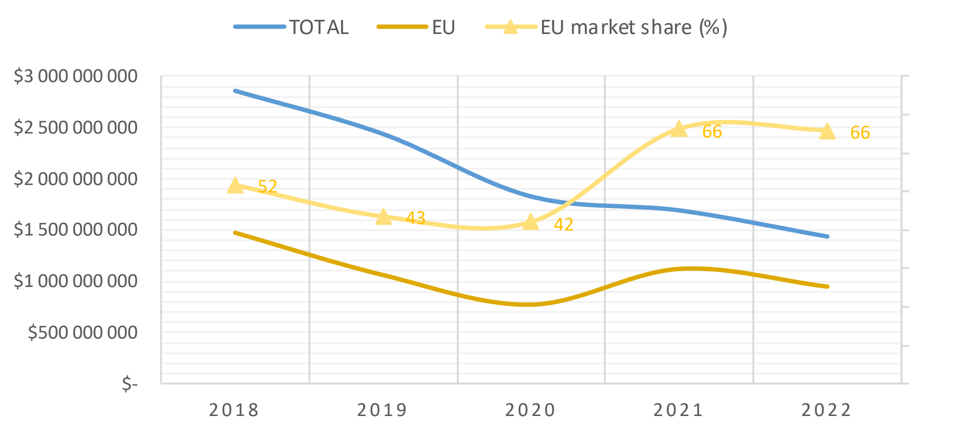
ANNUAL GROWTH RATE OF WINE IMPORTS VALUE (%, BY CATEGORY, 2019-2022)



CHINESE IMPORTS OF WINE, SHARE OF PRODUCT CATEGORIES (VALUE, 2018-2022)



CHINA IMPORTS OF WINE (2018-2022, USD VALUE)



The EU has a very solid market share in China's imported wine market of 66%. The share has increased significantly since 2021, mainly at the expense of imported Australian wine which suffered from hefty tariffs imposed by China. The EU's competitors are mainly found in bottled still wine and bulk wine. The main ones are:

- **Chile**: 17.6% market share of bottled still wine and 61% market share of bulk wine.
- **United States**: 5.3% market share of bottled still wine and 4% market share of bulk wine (although it exceeds 44% for bulk wine in containers >2L, <10L).

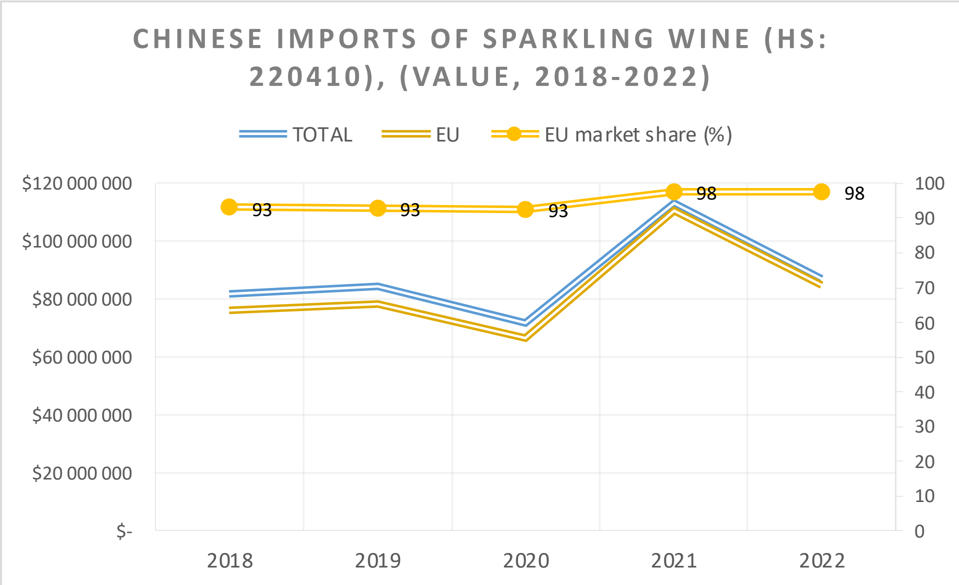
Other noteworthy competitors are New Zealand and South Africa, as well as other wine-growing countries such as Georgia (which has a good market share in China's northwestern regions), Moldova, and Argentina.

The table to the right summarises the tariffs involved when importing wine into China. It is noteworthy that **some of the EU's largest competitors in China's wine market enjoy preferential customs duties thanks to Free Trade Agreements signed**. This is the case for New Zealand, Chile and Georgia, who enjoy 0% tariff on all wine categories; Australia would also belong to this club, however, since 2021, China has imposed whopping 116% to 218% import tariffs as retaliation to political disputes. In practice, such preferential treatment significantly contributes to lower retail prices and thus stronger competitiveness, as demonstrated by import statistics.

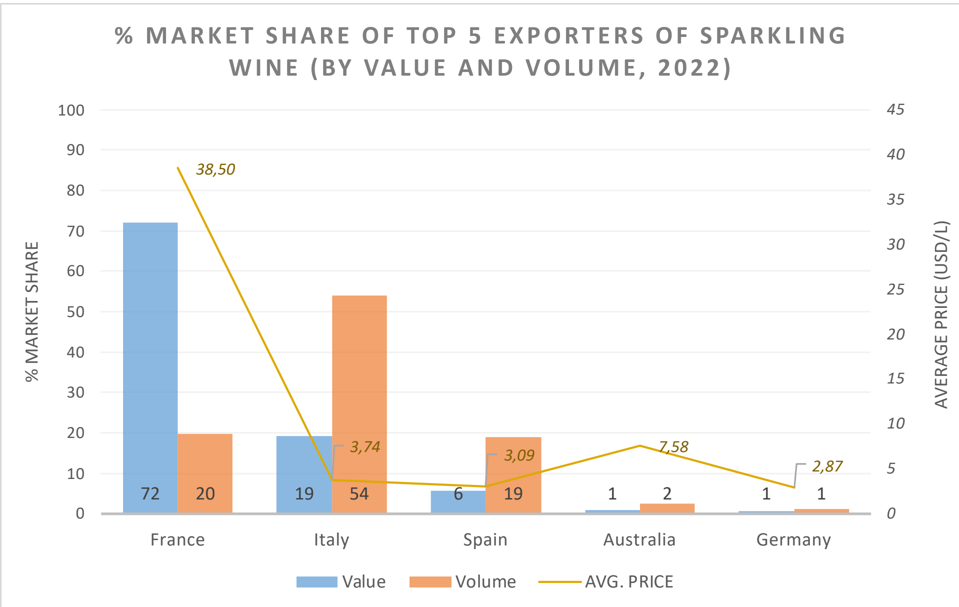
Wine category	Customs duty	VAT	Consumption tax
220410 – Sparkling wine	*14%*	*13%*	*10%*
220421 – Bottled still wine	*14%*	*13%*	*10%*
220422 – Wine in large containers (>2L, <10L)	*20%*	*13%*	*10%*
220429 – Wine in large containers (>10L)	*20%*	*13%*	*10%*

Sparkling wine (HS: 220410)

Sparkling wine accounted for 6% of China's total wine imports value in 2022, up from 3.5% in 2019. Although in 2022 the total value of imports decreased 23% from the previous year, overall the value of imports still exceeds the levels of 2019. Preliminary figures for the first half of 2023, however, seem to confirm a decreasing trend of imports.



The EU is the dominant actor, holding 98% of the market share of imported sparkling wine. More specifically, in 2022 **France** was responsible for more 72% of imported value, followed by **Italy** with 19%; the third spot was occupied by **Spain**, far behind at 6%. It is noteworthy, however, that in terms of **imports volume, Italy's sparkling wine has the strongest market share** in China (54%), while France and Spain stand at 19% each. This indicates the growing popularity of Italian bubbles, led by Prosecco and Moscato d'Asti, which are available at **significantly lower prices** compared to France's Champagne.[9] Indeed, in 2022, the average price of imported Italian sparkling wine was 3.74 USD/L, while French options stand at 38.5 USD/L.



9 https://www.ice.it/it/news/notizie-dal-mondo/245338.

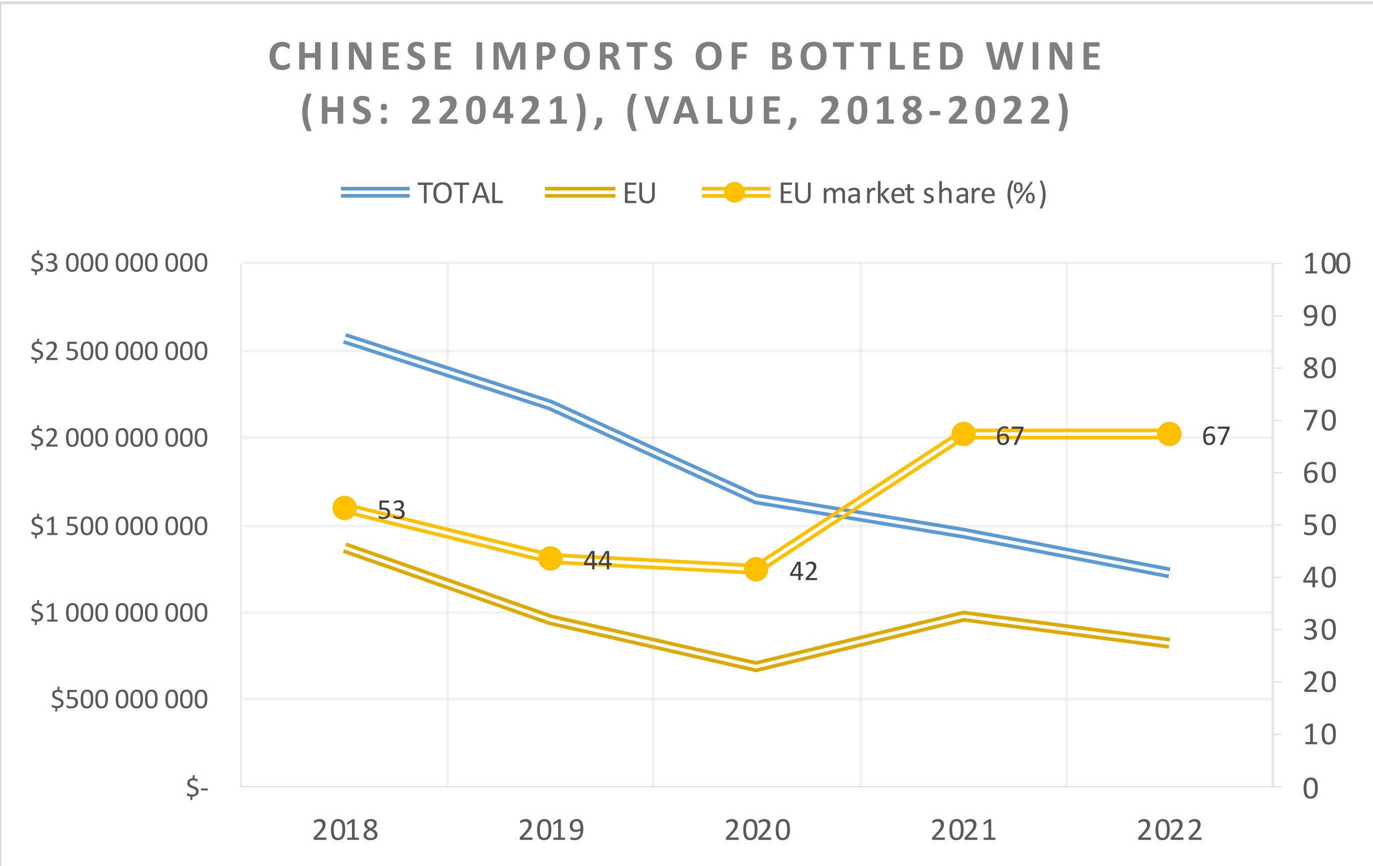
Bottled still wine (HS: 220421)

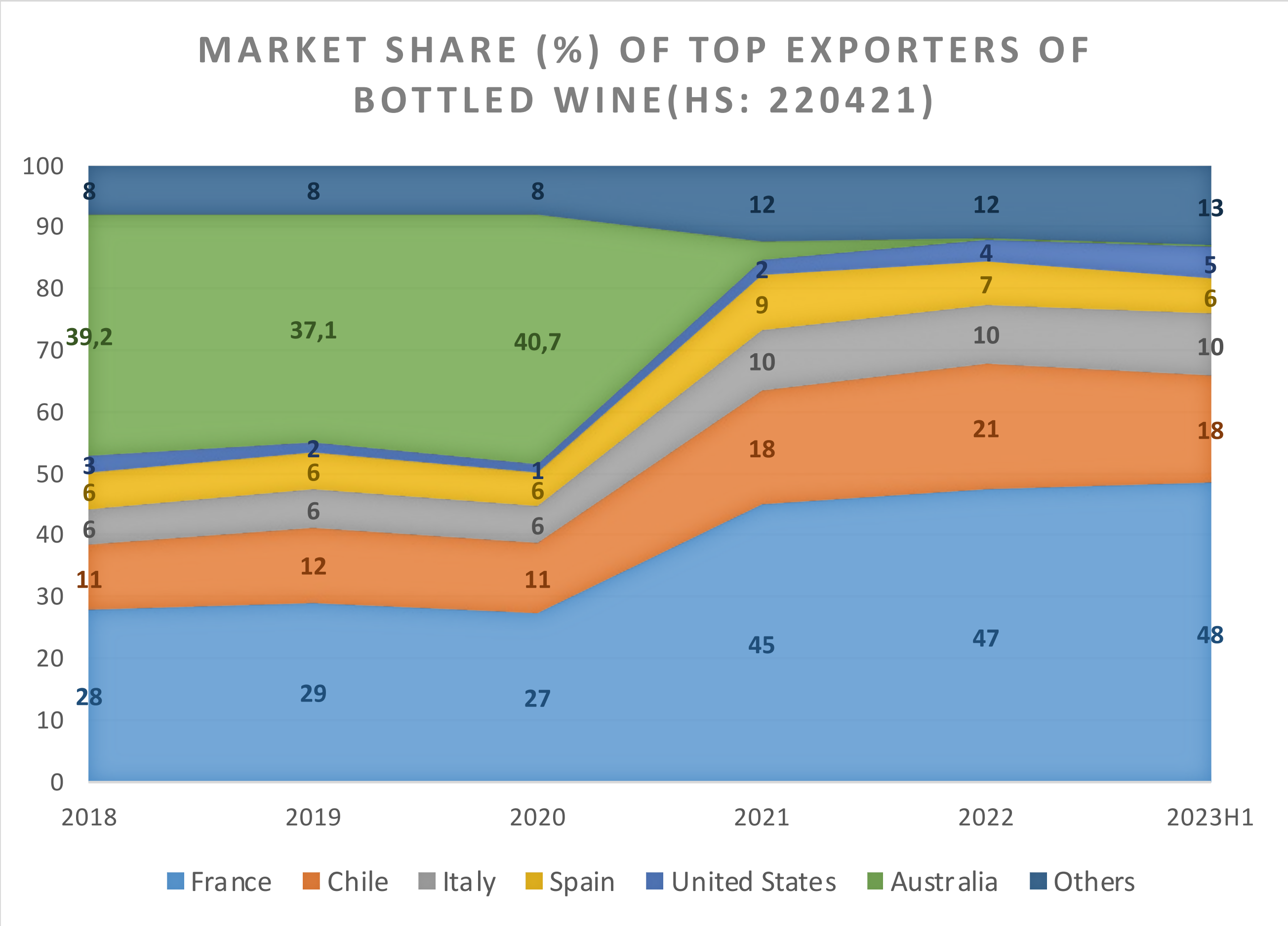
Bottled still wine is the dominant category of wine imported in China, accounting for 85% of China's total wine imports value in 2022. The value of imports, however, has been decreasing steadily over the past few years, before the outbreak of the COVID-19 pandemic. Preliminary figures for the first half of 2023 suggest that the decreasing trend is likely going to continue.

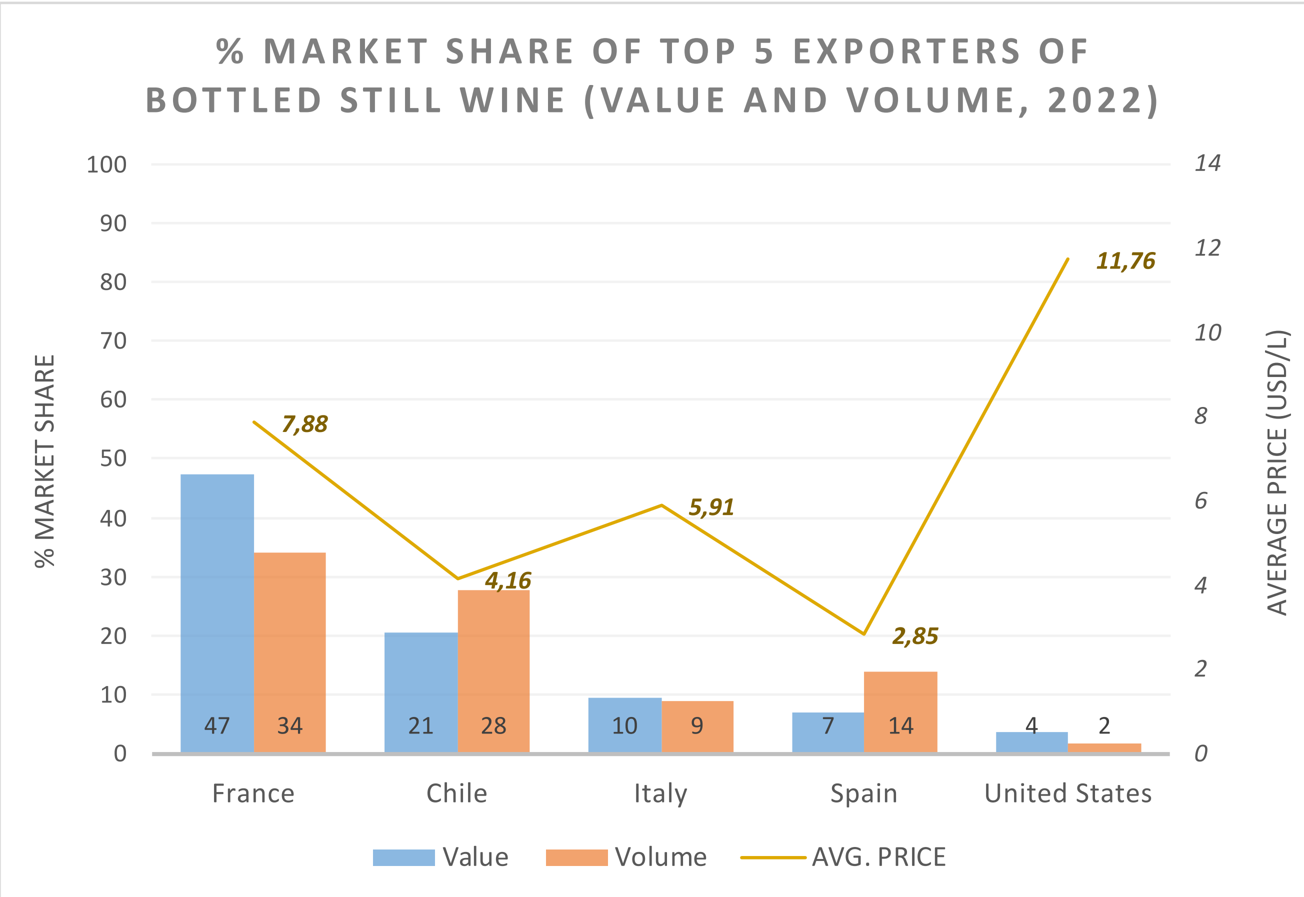
The EU is the most important player, holding 67% of the market share of imported bottled still wine, up from 42% in 2020. It has significantly benefitted from the **temporary tariffs that China imposed on imported Australian wine in 2021**, ranging from 116% to 218%. These have *de facto* kicked Australian wine exporters out of the market. Another winner is certainly Chile, which has increased its market share from 11% in 2020 to 21% in 2022.

It is noteworthy, however, that the gap between the top two exporters – France and Chile – is significantly reduced when taking into account the **volume of imports**. Indeed, Chilean wine is generally of lower price, which remains low overall as wine exporters from the country enjoy 0% import tariff in China, thus making it highly competitive in the Chinese market.

It is also interesting that wine **producers from the United States, predominantly from Napa Valley in California, have aggressively entered the Chinese market and been gaining market share year over year**, with an average import price of 11.76 USD/L – higher than France. The top selling US wine on Tmall (196 RMB/bottle at the time of writing) is Decoy Sonoma County Merlot produced by Duckhorn vineyard. At the same time, **Chile has also aggresively increased its share of bottled still wine**, in an effort to increase the image of its wine – traditionally associated with low-cost, bulk wine – by leveraging on premiumisation.




MARKET SHARE (%) OF TOP EXPORTERS OF BOTTLED WINE(HS: 220421)
100
90
80
70
60
50
40
30
20
10
0
2018
2019
2020
2021
2022
2023H1
8
8
8
12
12
13
39,2
37,1
40,7
2
4
5
9
7
6
10
10
10
3
2
1
6
6
6
6
6
6
18
21
18
11
12
11
45
47
48
28
29
27
France
Chile
Italy
Spain
United States
Australia
Others


% MARKET SHARE OF TOP 5 EXPORTERS OF BOTTLED STILL WINE (VALUE AND VOLUME, 2022)
% MARKET SHARE
AVERAGE PRICE (USD/L)
100
90
80
70
60
50
40
30
20
10
0
14
12
10
8
6
4
2
0
7,88
4,16
5,91
2,85
11,76
47
34
21
28
10
9
7
14
4
2
France
Chile
Italy
Spain
United States
Value
Volume
AVG. PRICE

Bulk wine (HS: 220422 and 220429)

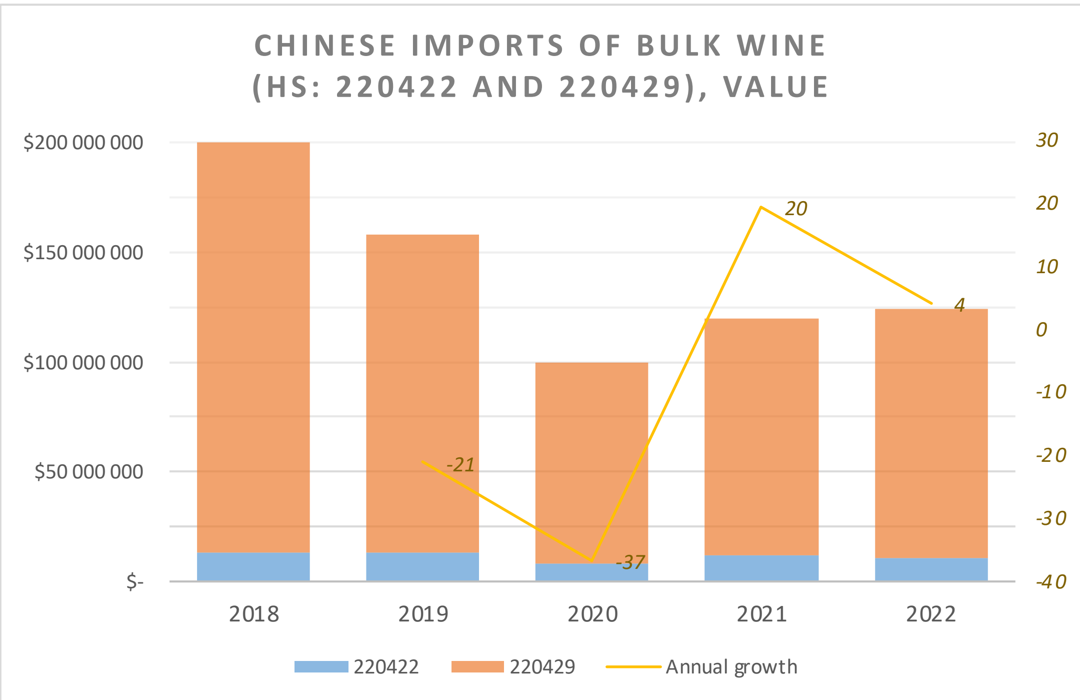
Bulk wine, referring to wine in containers >2L, <10L (HS: 220422) as well as wine in containers >10L (HS: 220429), has gained popularity in recent years. Although imports have decreased, both in terms of value and volume, **bulk wine was the only wine category in 2022 that registered growth of imports value** (albeit limited, at 4%). This was led especially by bulk wine in containers >10L, which constitutes more than 90% of imported bulk wine.

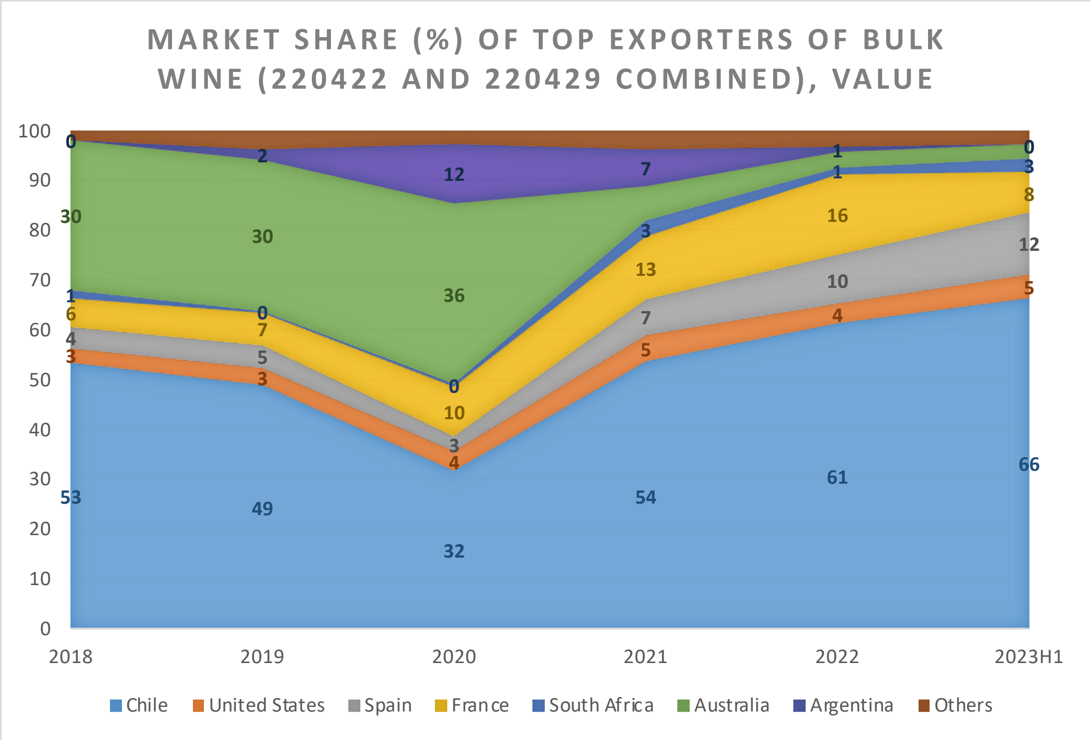
Unlike in other wine categories, **the EU is not the most important player for imported bulk wine**: in 2022, it held a 29% market share – although growing from the past years mainly at the expense of Australia as a result of Chinese retaliatory tariffs. By contrast, **Chile dominates with 61% market share in 2022, nearly twice the share it had in 2020**. Other important players, in addition to France and Spain, are the United States (4% market share), South Africa and Argentina (the latter was the third most important exporter until 2021, before its exports plummeted partly as a consequence of extreme weather and high inflation that led to skyrocketing costs – and weaker competitiveness in the Chinese market.

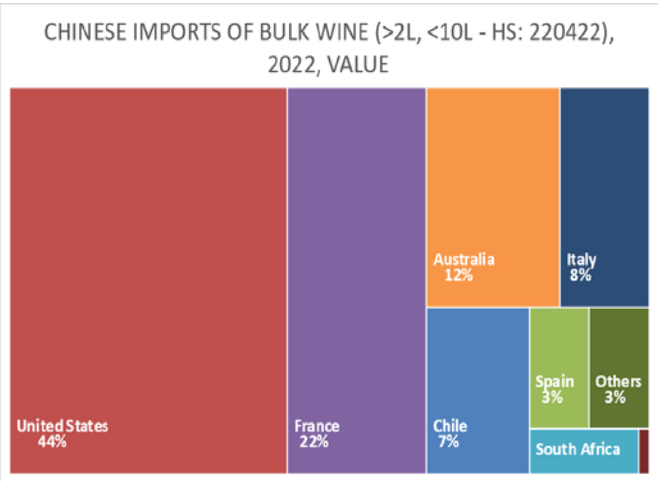
Still, there are noteworthy differences within the bulk wine category. **For bulk wine in containers >2L, <10L (HS: 220422), the situation is more diversified, the top exporting country being the United States** (44% market share in 2022), followed by France (22%), Australia (12%, keeping its presence in this market despite sanctions), Italy (8%); Chile only stands at 7%. Indeed, the top selling American wines on Tmall are bulk red wines in containers of 3L or 5L.

However, **for bulk wine in containers >10L (HS: 220429), which is about 90% of imported bulk wine, Chile reigns supreme with a whopping 67% market share in 2022**; the only two other relevant players are France (16%) and Spain (11%). Traditionally, bulk wine has been one of Chile's flagship wine exports to China, thanks to its low cost and zero import tariff. Often, **imported bulk Chilean wine would even be bottled in China and branded as Chinese wine**, mixed with local varieties. This continues to be the case, although Chile has been making significant efforts to increase exports of fine and premium bottled wine (as can be seen from the recent growth of its market share for that wine category). Indeed, the percentage of the value of bulk wine within Chile's total wine exports has been decreasing steadily over the years, from 28% in 2018 to 19% in 2021 – although it increased again to 23% in 2022.

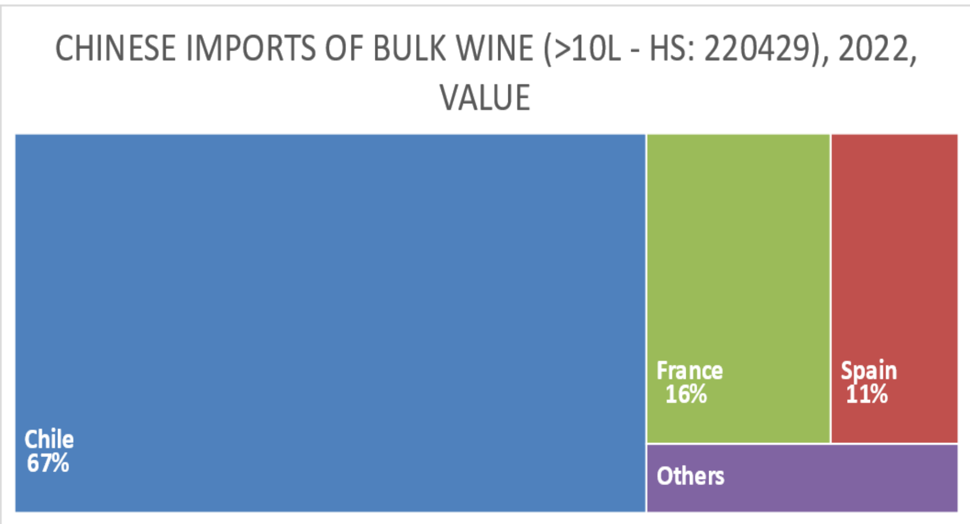
Average import prices vary significantly: in 2022, Chilean bulk wine had a relatively low price (1.01 USD/L) but far above that of Argentina (0.44 USD/L) and South Africa (0.69 USD/L). France also had lower prices (1.22 USD/L) compared to Spain (1.36 USD/L) and other players such as Italy (1.44 USD/L) and Australia (1.77 USD/L).




MARKET SHARE (%) OF TOP EXPORTERS OF BULK WINE (220422 AND 220429 COMBINED), VALUE
100
90
80
70
60
50
40
30
20
10
0
2018
2019
2020
2021
2022
2023H1
53
49
32
54
61
66
3
3
4
5
4
5
4
5
3
7
10
12
6
7
10
13
16
8
1
0
0
3
1
3
30
30
36
1
0
2
12
7
1
0
Chile
United States
Spain
France
South Africa
Australia
Argentina
Others


CHINESE IMPORTS OF BULK WINE (>2L, <10L - HS: 220422), 2022, VALUE
United States 44%
France 22%
Australia 12%
Italy 8%
Chile 7%
Spain 3%
Others 3%
South Africa


美国进口葡萄酒
综合
销量
价格
店铺
筛选
FRANZIA
98
78
158
140.5
芳丝雅FRANZIA加州红葡萄酒3L
FRANZIA芳丝雅盒装3L红葡萄酒
5L红酒FRANZIA芳丝雅美国原盒进口浓郁红葡萄酒盒装
加州乐事美国进口袋装红葡萄酒
¥95
¥78.88
¥155
¥140


CHINESE IMPORTS OF BULK WINE (>10L - HS: 220429), 2022, VALUE
Chile 67%
France 16%
Spain 11%
Others

1.4 DISTRIBUTION AND RETAIL CHANNELS

The most common way to enter the Chinese market is to do so via Chinese importers, which then sell the products through other distributors or via their own sales networks, involving both offline and online channels. In China, wine importers can be broadly divided into two types:

- **Large, national importers**, often covering the entire country (or most of it), normally working based on exclusivity agreements, and focusing on large volumes from well-established brands. They may also import other types of F&B products, including food. It is very difficult for new, small EU wine brands to get to work with such importers.

- **Smaller, regional importers**, usually operating exclusively in one or a limited number of cities/provinces, featuring very diverse portfolios covering products from different countries, regions, typology and pricing range. Although some might also import other products such as beer and spirit, their main focus is generally on wine. These types of importers are the main target of EU wine exporters.

In practice, in the Chinese wine market, there are a myriad of actors to interact with. It is possible to work with one importer only, or more than one, and pursue different strategies; some may require the EU exporter to allocate resources for marketing activities. **Exclusivity may be granted to Chinese importers in different ways**: for a specific brand, for a specific channel (e.g. Tmall; boutique store; etc.), or for a specific city/region (e.g. Chengdu and Chongqing; Yangtze River Delta; etc.).

It is also possible for EU wine exporters to **set up their own company in China**, and import and/or sell wine through their own channels. This is a "more advanced" option, which requires commitment and resources on the ground; it is not advised for new, small wine brands without extensive experience in the Chinese market.

The most important consideration of EU exporters working with exclusive Chinese importers is to nurture a positive relationship that benefits and protects the growth of the brand in China. An essential element in this regard is to **have a solid agreement in place**, outlining the objectives of the cooperation as well as safeguarding measures in case of underperformance or even negative behaviour of the exclusive Chinese importers, e.g. by establishing minimum sales targets, compensations, and stipulating IPR protection measures. Being stuck with the wrong Chinese partner is one of the worst possible scenarios in China; exiting an exclusivity-based relationship might prove very difficult.

EU wine producers may refer to the following resources:

- EU SME Centre report – *Drafting Sales Contracts when Exporting to China*: https://www.eusmecentre.org.cn/publications/drafting-sales-contracts-when-exporting-to-china-2022-update/

- China IP SME Helpdesk guide – *Guide to IPR Protection in China for the Wine and Spirits Sector*: https://op.europa.eu/en/publication-detail/-/publication/8230760c-0acd-11ec-adb1-01aa75ed71a1/language-en/format-PDF/source-227609488

Finally, EU wine exporters may also use the Cross-Border E-Commerce (CBEC) channel, which differs from general trade in allowing imported products to be sold only via specific online platforms and shipping models. However, the **CBEC channel is not a primary choice for wine exporters, as it is not particularly hard to import wine into China** (more details on this regard in chapter 2 of this report) – unlike other product categories that face strict market entry technical requirements in China such as health food, infant formula and cosmetics.[10]

10 CBEC involves the sale of imported products via specific online platforms. In this way, products are considered personal goods and are therefore not required to follow strictly Chinese technical requirements or go through time-consuming product registration procedures; they are also subject to a more favourable import tax policy. Therefore, CBEC offers the possibility of selling a product in China in an "easier way" and with lower upfront investment and commitment. For this reason, it is a primary choice for many product categories which face tough market entry technical requirements. Still, CBEC requires significant resources for marketing and promotion. For a detailed overview of CBEC, its pros and cons, as well as case studies of EU brands, see a recent EU SME Centre report: https://www.eusmecentre.org.cn/publications/selling-to-china-via-cross-border-e-commerce/.

Retail channels

Imported wine products can be easily found anywhere in China – from large supermarkets and hypermarkets (both international and domestic ones), to convenience stores, the Ho.Re.Ca sector as well as e-commerce platforms.

Supermarkets, Specialised stores	International supermarkets or boutique/specialised shops (more or less big) featuring a large variety of imported F&B products. Relevant for all categories, but **difficult to enter for new, small brands**. E.g. Jenny Lou, April Gourmet, Olé, Corner's Deli, CHEERS. **Online platforms (e.g. Hema) are increasing and expanding offline with physical stores ("new retail").**
Convenience stores	Limited selection of basic items, mostly ready-to-eat and at low prices, e.g. 7-Eleven, Lawson, Bianlifeng. They also feature imported wine and spirits, but are very **difficult to enter** for new, small brands.
Food service	Includes hotels, restaurants, but also mainstream bars and bistros. **Main channel for imported wines, including new, small and niche brands**, relatively easy to enter. It has been impacted by the COVID-19 pandemic but has since recovered.
E-commerce / Social commerce	Fastest-growing channel for wine sales. To use ideally in combination with other channels (e.g. retail stores or distributors doing B2C sales online; gifts). **Very relevant, no entry barriers, but solid marketing and promotion resources are needed. Increasing relevance of social media as selling channels (e.g., Douyin, Xiaohongshu...).**
Cross-border e-commerce, CBEC	Different from traditional e-commerce as it does not require a physical presence in China. **Not as relevant for wine** as it is for other F&B categories.
Gift channel	Requiring nice packaging, often in boxes of two and reflecting Chinese traditions, good marketing resources required. **More relevant for premium categories**, especially with strong reputation

The most relevant channels for EU wine producers are:

- **Specialty stores focusing on imported F&B products**. These can vary in size, from small boutique shops to pretty large supermarkets (sometimes referred as "top retail" chains). Originally, such stores emerged in tier-one cities to serve the expat community; nowadays, these can be found in any tier-one and tier-two Chinese city and mostly target Chinese consumers who want to try imported F&B products. New retail (i.e., online platforms going offline opening brick-and-mortar stores) and specialised liqueur/wine stores (e.g., CHEERS) can be included here.
- The **food service sector, especially international hotels and restaurants**, remains one of the most important channels that is steadily rebounding in 2023. This includes not only high-end but also mainstream restaurants and bistros offering international food, where many Chinese consumers may first experience imported products. Many have a very diverse selection of imported wines, from different price ranges and regions, including small producers. This presents a valuable opportunity to educate Chinese consumers about the quality of your wines and offers tremendous potential for targeted promotional activities.

E-commerce platforms, especially Tmall and JD.com (but not limited to these), offer an easy, convenient and often cheaper way to purchase larger varieties of imported wine products compared to offline channels.[11] According to IWSC's estimations, approximately one-third of wine sales in China occur through online channels.[12] E-commerce also allows imported products to reach basically any city, town and village in China. Sellers may set up their own store and sell their products there; indeed, it is common for Chinese wine importers and distributors to sell B2C through online platforms, in addition to other traditional offline channels. However, e-commerce requires significant human and financial resources for marketing and promotion activities. At the same time, a new form of e-commerce, called social e-commerce, is growing enormously, on platforms that integrate social interactions and shopping experiences (e.g., WeChat, Douyin, Xiaohongshu); such platforms already occupy a significant percentage of e-commerce purchases.

Price considerations

In general, price is a highly important factor for imported wine in China – especially for bulk wine, less so for premium wine. It is also **one of the key issues impacting the outcomes of negotiations with Chinese importers** – often, be ready to negotiate on decimals and cents.

Prices of imported wines in China change a lot compared to when they are purchased from the EU exporter, based on the winery's market strategy in China but largely depending on several variables such as:

- **Target audience in China**: e.g. sophisticated, affluent consumers vs mainstream, occasional consumers.
- **Retail channel**: e.g. high-end hotels/restaurants vs specialised stores; offline vs online channels; specialised liqueur/wine shops (consumers generally expect to find slightly lower prices on e-commerce platforms, thus leading to lower margins for the seller).
- **Region**: leasing costs for restaurants, hotels and shops might be particularly high in first-tier cities (e.g. Beijing, Shanghai, Shenzhen and Guangzhou; but also in emerging cities such as Chengdu, Chongqing, Suzhou, etc), reflecting on the final price for consumers.
- **Stock in China**: e.g. is the stock of imported wine in China managed by the EU exporter directly, through a WFOE on the ground? Or is it managed by their Chinese importer? In the former case, operating costs are necessarily higher.
- **Discounts and promotions**: e.g. in the case of China's popular shopping festivals, where consumer products are usually offered at highly discounted prices.
- **Exclusivity**: e.g. working with an exclusive Chinese importer, or with multiple importers? In the latter case, prices (and margins) may be lower as a result of competition. When working with several importers/distributors, it is important to consider potential conflicts arising from geographical coverage and price. Therefore, exporters should set in place a strategy regarding prices, brands, channels, etc., to avoid disparities across regions and/or channels as that can have a negative impact on your brand/s. This has become even more relevant since the emergence of online channels.

Even if the import tariffs and taxes for EU wines are 14%, 10% and 13% of the CIF cost (respectively customs duties, consumption tax and VAT), **the final price in China should be expected to be between 2.5 to 3 times higher than the sales price in Europe**. Inflation, especially in China, is exarcebating this trend. Whereas wines imported from Chile and New Zealand (and until 2021 from Australia) are able to keep prices significantly lower compared to EU wines, thanks to the absence of import tariffs in China.

1.5 OUTLOOK

It is clear that **the Chinese wine market is no longer characterised by rapid, double-digit growth as it used to be until a few years ago**. As seen in the previous sections, both consumption and imports of wine have been decreasing steadily. The COVID-19 pandemic further exacerbated this trend: strict pandemic prevention measures resulted in strong limitations on social gatherings, affecting retail

11 E-commerce ecosystem.

12 https://iwsc.net/news/wine/iwsc-insight-the-chinese-wine-market (accessed: 16 October 2023).

sales and spending on non-essential goods; EU wine exporters were not able to travel to China and therefore started to look for alternative markets. Even after the end of all pandemic-related restrictions in China in early 2023, the country's economy and consumption levels are struggling to roar back to pre-2020 levels – and forecasts do not seem to anticipate a change in the short term. This is an unprecedented situation for China. Indeed, a number of wine experts operating in China express some concern about the short-term future outline of the Chinese wine market.

However, the situation deserves a closer analysis. The **decrease in quantity does not seem to correspond to a decrease in quality**; according to Mr Michele Taccetti, one of the wine industry experts interviewed for this report (more details in the case study in chapter 4.1), the opposite may be true and is certainly expected for the future. In fact, this appears to be a natural development and direction of the market, a "**self-adjustment**" phase initiated before the pandemic. This is also demonstrated by new regulations issued in June 2023 by the State Council allowing for the first time the use of adjectives such as 'fine', 'noble', 'chateau', 'superior', and 'special selection' on wine labels imported via Chinese Free Trade Zones, marking a **clear differentiation between high-end and low-end imported wines**.[13]

In the past years, a large portion of the Chinese wine market focused on low-quality, extremely cheap wines, often purchased in bulk or at extremely discounted prices, and in some cases even produced in China. Now these types of wines are not as readily available overseas as before, and at the same time, these can be largely produced domestically in China and thus no longer need to be imported from overseas. Therefore, the focus of imports has been shifting towards higher quality and more expensive wines.

Interview with Michele Taccetti, CEO of China 2000 Srl and Tuscany Region Promoter at China-Italy Chamber of Commerce.

Chinese consumers appear less willing to take risks and more careful about their purchasing decisions. They are becoming increasingly educated on wine, thanks in part to internet and e-commerce platforms. Therefore, quality wines will continue to see opportunities in the Chinese market, especially as "beginners" and mainstream consumers become more knowledgeable and sophisticated. At the same time, the **market is also evolving from a pure import-export model towards a model of closer partnership between EU wine producers and Chinese wine producers**, involving foreign investment in local production.

Finally, **adversity also opens new opportunities**. The evolving trends of the Chinese wine market, especially that of growing consumption at home, were anticipated already before the outbreak of the COVID-19 pandemic by Mr Francesco D'Aprile, another industry expert interviewed for this report (more details in the case study in chapter 4.3). He decided to revolutionalise his business model in China, moving away from the traditional Ho.Re.Ca channel and focusing instead on e-commerce, specifically Douyin (the Chinese version of TikTok) and Xiaohongshu (Little Red Book, aka RED). He established a long-term partnership with a Chinese influencer based in Italy, to sell his clients' wines via ad hoc live sessions, often streamed from a winery's cellar or during grape harvest season. At the same time, all logistics, sales and after-sales operations in China were studied to optimise user's satisfaction, achieving impressive results.

It is exactly in such challenging times that international key players need to reconsider, approach and manage professionally their operations in the Chinese market – which remains a very big market.

Interview with Francesco D'Aprile, Partner of P&D Consulting, representing Polvanera wine in China

All in all, the Chinese wine market is constantly evolving; new trends continue to emerge, in spite of the unprecedented economic situation. **China will continue to present opportunities for EU wine producers, especially those with quality products; the key lies in grasping these opportunities through a carefully planned strategy, dedicated resources and commitment**.

13 https://www.gov.cn/zhengce/content/202306/content_6889026.htm (accessed: 12 October 2023).

2. REGULATORY AND TECHNICAL REQUIREMENTS

This chapter focuses on the regulatory and technical requirements that EU wine producers need to meet in order to export their product to China. Overall, **the process is relatively straightforward for wine, especially when compared to other F&B categories considered "high-risk", making wine especially suitable for general trade** rather than Cross-Border E-Commerce. Yet, there are strict steps to follow, in particular in terms of registering the product on a dedicated platform and in using the correct Chinese label. Failure to do so might lead to imports being rejected by the Chinese customs.

For any technical questions on the process, EU wine producers are invited to contact the EU SME Centre's team of experts via the **Ask-the-Expert service**.[14]

2.1 GENERAL TRADE VS CROSS-BORDER E-COMMERCE

There are two main pathways to enter the Chinese market: through **general trade** or **Cross-Border E-Commerce (CBEC)**. Each way has its own features, pros and cons, requiring different levels of resources, commitment and preparation.

General trade is the traditional way to export products to China. It can also be the most difficult and time-consuming one, as it may require several approval procedures. Products imported into China via general trade can be sold on any offline or online channels, either by working with Chinese importers, buyers, distributors, retailers, etc., which sell on behalf of the EU company; or by direct selling for those with a presence on the ground. By contrast, CBEC involves the online sale of certain products across borders and through dedicated online platforms. It enables certain products, including some of those considered "high-risk", to be sold online directly to Chinese consumers without the need to establish a company in China or to go through costly, complex and time-consuming product registration procedures. Although CBEC also requires significant marketing investment, it is in general less expensive and faster. Thus, it may represent a useful first step to enter the Chinese market and obtain initial feedback from consumers, while eventually preparing the paperwork for general trade, which in the long run will result in fewer constraints and higher margins.[15]

However, **the question of general trade vs CBEC is less relevant for wine. Wine is considered a "low-risk" product** and therefore it is not subject to strict testing and approval requirements as it is the case for "high-risk" products, such as meat, dairy, aquatic products, vegetables, etc. In fact, as confirmed by wine industry experts interviewed for this report as well as the numerous inquiries received by the EU SME Centre from EU wine producers, **importing wine into China via general trade is a relatively straightforward process**. The most important requirement is to register the product through a dedicated platform of the Chinese customs and affix the corresponding registration code on the product's label before it is shipped to China. The procedure might look challenging at first, but can be completed independently without much difficulty.

2.2 GACC/CIFER REGISTRATION

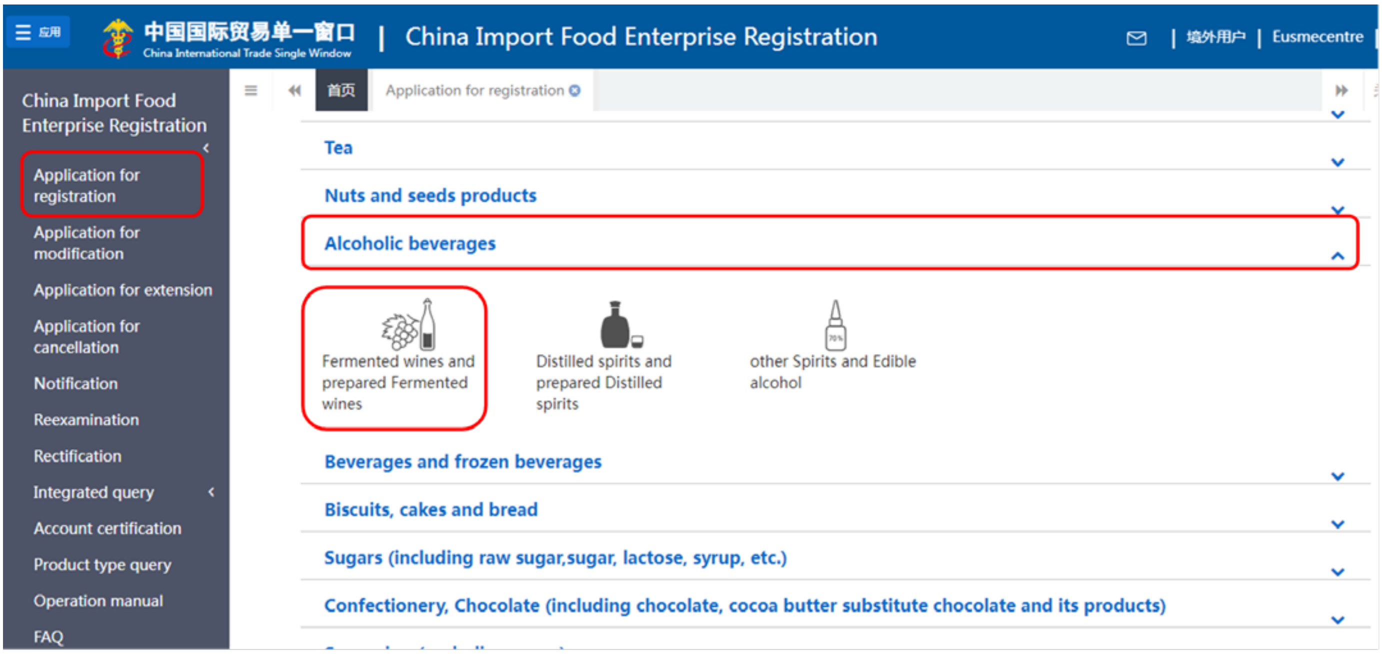
All individual establishments producing, processing or storing F&B products to be imported into China need to complete a registration on a dedicated platform created by China's GACC, namely the CIFER platform.[16] In the past, this was required only for four types of food categories deemed to present high risks to food safety. Since the entry into force in January 2022 of the *Administrative Provisions on Registrations of Overseas Manufacturers of Imported Foods* (commonly referred to as GACC Decree 248), however, **this requirement has been extended to producers of any F&B category – including wine**. The good news is that wine is considered a "low-risk" category; therefore, the procedure is relatively simple and can be completed independently by the producer.

Producers first need to **create an account on the CIFER platform**, using their tax number or business identification number in their own country. After that, information must be provided in the system, involving details about the production establishment (including production license, address and contacts of the legal representative, etc.), the product(s)

14 https://www.eusmecentre.org.cn/ask-the-expert/.

15 For detailed information on CBEC, including case studies from EU companies pursuing this approach, see dedicated guidelines produced by the EU SME Centre: https://www.eusmecentre.org.cn/publications/selling-to-china-via-cross-border-e-commerce/.

16 https://cifer.singlewindow.cn/.



to be exported to China (including the name, HS code, annual production capacity, pictures, etc. This must be done for each product, with raw materials, ingredients and suppliers, production methods, etc. Finally, a declaration must be signed and submitted.

Detailed guidelines on each step of the CIFER registration were produced by the EU SME Centre, including screenshots as well as FAQs encountered by relevant exporters during the process:

https://www.eusmecentre.org.cn/publications/mandatory-gacc-registration-for-european-food-beverage-establishments-2.

The EU SME Centre may also help individual producers in **contacting via phone CIFER operators,** free of charge. Please contact us via our Ask-the-Expert service.

Exporters may also consult the official user manual or the FAQs available on the CIFER system. Compared to the first months of operation of the CIFER platform, many improvements have been made in terms of clarity of language and information required as well as support tools.

Once the application is approved by GACC (usually requiring one to two weeks), a **18-digit registration code will be issued**, with a validity of 5 years. The registration code must be included on the Chinese label affixed to the product as well as on the outer packaging (more details in section 2.4 of this report).

At this stage, the product can be officially exported to China. The names of all the approved establishments are also published on the CIFER system for each country.

2.3 FOOD SAFETY STANDARDS

China's *Food Safety Law* requires all **imported F&B products to comply with relevant regulations and national food safety standards**. The main quality and safety requirements for wine are outlined in the standards *GB 15037-2006 Wine* and *GB 2758-2012 Fermented Alcoholic Beverages and their Integrated Alcoholic Beverage* – both currently under revision. The main requirements are summarised below.

Physical and chemical indexes

According to online sources, the limit levels of methanol and the requirements of sorbic acid/potassium sorbate may be removed in the future – although this is not confirmed. See the table on the next two pages.

ITEM			REQUIREMENTS
Alcoholic degree* (20°C) / % (volume fraction)	Wine		≥7.0
Total sugar** (by glucose) / (g/L)	Still wine	Dry wine	≤4.0
		Semi-dry wine	4.1 – 12.0
		Semi-sweet wine	12.1 – 45.0
		Sweet wine	≥45.1
	Over-sparkling wine	Brut sparkling wine	≤12.0 (tolerance of 3.0)
		Extra-dry sparkling wine	12.1-17.0 (tolerance of 3.0)
		Dry sparkling wine	17.1-32.0 (tolerance of 3.0)
		Semi-dry sparkling wine	32.1-50.0
		Sweet sparkling wine	≥50.1
Dry leachate (g/L)	White wine		≥16.0
	Rosé wine		≥17.0
	Red wine		≥18.0
Volatile acid (by acetic acid) / (g/L)			≤1.2
Citric Acid / (g/L)	Dry, semi-dry, semi-sweet wine		≤1.0
	Sweet wine		≤2.0
Carbon dioxide (20°C) / MPa	Semi-sparkling Wine	< 250mL/bottle	0.05-0.29
		≥ 250mL/bottle	0.05-0.34
	Over-sparkling Wine	< 250mL/bottle	≥0.30
		≥ 250mL/bottle	≥0.35
Iron /(mg/L) ≤			≤8.0
Copper /(mg/L)			≤1.0
Methanol /(mg/L)	White and rosé wine		≤250
	Red wine		≤400

ITEM	REQUIREMENTS
Benzyl Acid or Sodium Benzoate (by benzyl acid) / (mg/L)	≤50
Sorbic acid or Potassium Sorbate (by sorbic acid) / (mg/L)	≤200
Note: there is no requirement on the total acid, which is represented in the measured value (by tartrate, g/L). ** The marked value on the label for the degree of alcohol and the measured value should not be more than ± 1.0% (volume fraction).* ***The requirements for the total sugar in semi-sparkling wines are the same as in still wine.*	

According to online sources, the limit levels of methanol and the requirements of sorbic acid/potassium sorbate may be removed in the future – although this is not confirmed.

Microbiological requirements

ITEM	Content limit *		
	n	c	m
Salmonella	5	*0*	*0/25 mL*
Staphylococcus aureus	5	*0*	*0/25 mL*
** Analysis and processing of samples should be implemented according to GB 4789.1*			

At the same time, wine should meet the requirements of:

- *GB 2762-2017 Maximum Levels of Contaminants in Foods*.[17]
- *GB 2760-2011 Food Additives* (currently under revision).[18]

These are particularly important, as demonstrated by imported wine batches recently rejected by the Chinese customs, particularly for **excessive use of lead** (<0.2 mg/kg) and **sulfur dioxide** (< 250 mg/L, or <400 mg/L for sweet wine).

It is noteworthy that *GB 15037-2006 Wine* is currently under revision: according to the European Commission DG TRADE's Access2Market platform, **the revised GB 15037 standard may potentially constitute a trade barrier in the future**, as a draft version of the revised standard circulated in 2015 indicates diverging parameters from international OIV standards, especially in terms of methods of analysis and how these are applied, and the setting up numerical limits (diverging or more restrictive) for oenological practices which do not exist at the international (OIV) and EU level.[19]

17 An unofficial translation in English was done by the USDA GAIN: https://www.fsis.usda.gov/sites/default/files/media_file/2021-02/GB-2762-2017.pdf (accessed: 12 October 2023).

18 For detailed guidelines on the use of food additives in China, see a dedicated report produced by the EUSME Centre in 2022: https://www.eusmecentre.org.cn/publications/food-additives-in-china-regulations-and-practical-cases/.

19 More information is available on the Access2Markets portal: https://trade.ec.europa.eu/access-to-markets/it/barriers/details?barrier_id=13402&sps=false (accessed: 12 October 2023). For the OIV's International Code for Oenological practices, see: https://www.oiv.int/public/medias/7713/en-oiv-code-2021.pdf (accessed: 16 October 2023).

2.4 LABELLING AND PACKAGING

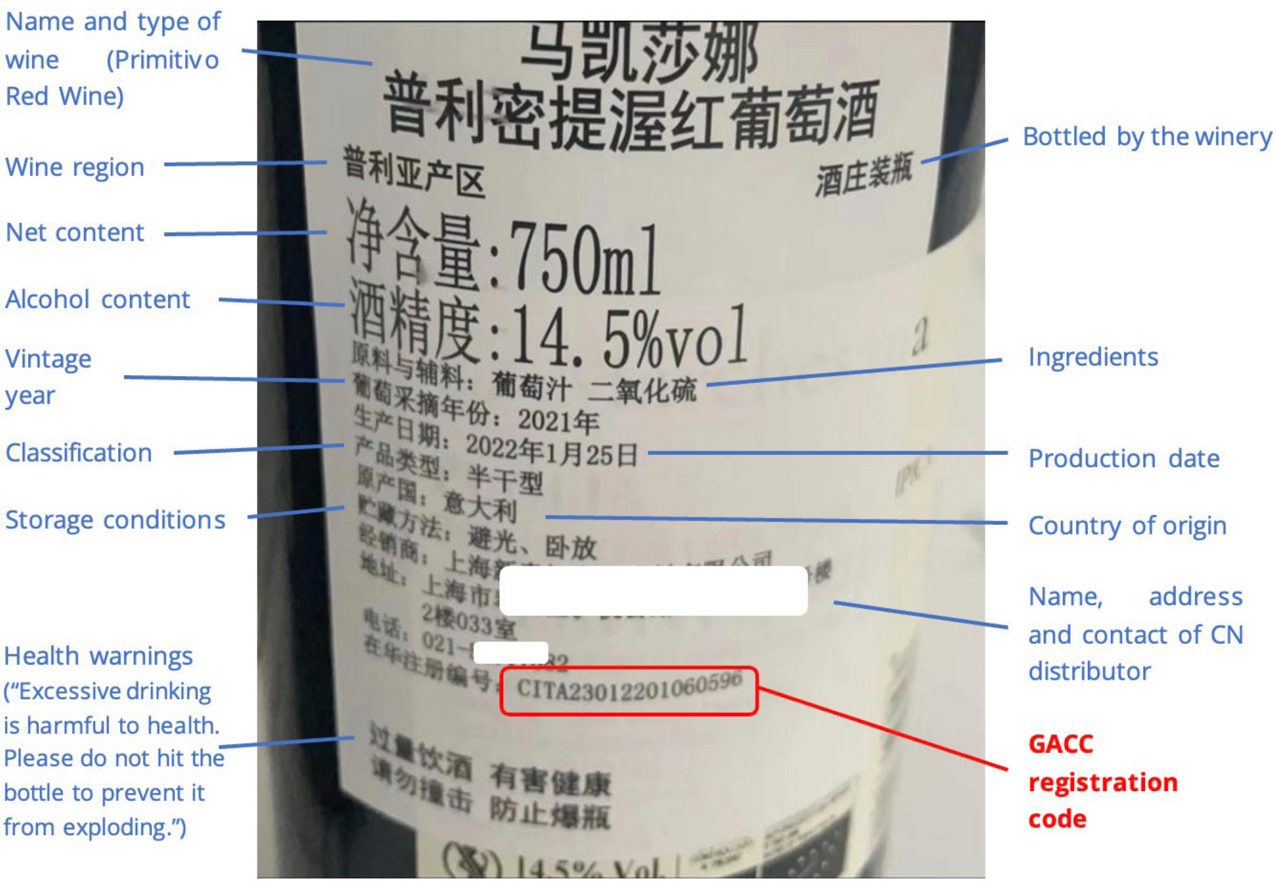
Similar to food safety standards, **imported wine must also meet the relevant requirements for labelling**. These are mainly outlined in *GB 15037-2006 Wine* and *GB 7718-2011 General Principles of the Labelling of Pre-packaged Foods* (the latter is currently under revision).[20] In short, the above information must be displayed on the label, in Chinese.

The label may be directly printed on the product; a more common practice is to **affix a sticker** on the product's original labelling (as shown in the example above).[21] The label information shall be true and accurate and may not mislead consumers or induce or promote uncontrolled drinking. If the label includes awards or other recognitions, such as the EU Geographical Indication schemes (see chapter 3.2 of this report), valid proof should be provided. Additionally, exporters must be aware that **China does not allow the use of certain claims (such as "organic") unless the products are certified by the relevant Chinese authorities**. Therefore, any reference to the term "organic" or foreign organic logos is not recognised in China and not allowed to be displayed in the label, although it is not uncommon to find exceptions or cases were labels are stuck in a creative way to hide the mark.

It is also noteworthy that there is an **increasingly frequent use of QR codes on the Chinese label**: if scanned, codes may redirect to more detailed information online on the wine, the winery, or even to the e-commerce shop on a Chinese platform, thus providing an excellent opportunity for O2O integration.

There are **two labelling options**:

- The label can be affixed in the origin country before the product is shipped to China



Chinese label of Polvanera – La Marchesana Primitivo. Affixed on the original label in Italian.

20 Another highly relevant standard was *GB 10344-2005 Labelling of Pre-Packaged Alcoholic Beverages*; however, this standard was officially terminated in 2015 and is no longer implemented.

21 The sticker shall meet the following requirements: height > 10cm; width < 7cm; size of Chinese characters > 2mm; size of net weight and name of the wine > 4mm.

(winemakers may also decide to print the label directly in Chinese).

- The Chinese label may be affixed on the product at the supervised warehouse after its arrival to China's port, before it goes through customs clearance procedures. This system requires close collaboration with your importer.

Did you know?

Adjectives such as 'fine', 'noble', 'chateau', 'superior', 'late bottled vintage', 'special selection', etc., were not allowed to be used on imported wine labels. The situation changed in June 2023, with new regulations issued by the State Council, but for the time being apply only to wine imported via certain Chinese Free Trade Zones. This is a major development which allows EU exporters to make a clear differentiation between high-end and low-end wine.

More information on the regulations:
https://www.gov.cn/zhengce/content/202306/content_6889026.htm

Unlike in the past, first-time exporters of wine **no longer need to pre-register the Chinese label of the product with the Chinese Inspection and Quarantine Bureau** (CIQ). In any case, when a wine is imported for the first time into China, its label and the relevant documentation will be carefully inspected by Chinese customs officers. All the **information on the label must be consistent with the information provided during the registration process with GACC through the CIFER system**; if not, the importation will be rejected by the Chinese customs (as can be seen in chapter 2.5 of this report).

For the packaging of products shipped to China, **wooden packages should be in compliance with the ISPM 15 standard**. Finally, the GACC registration code obtained during the CIFER registration must also be clearly displayed on the outer packaging.

2.5 CUSTOMS REJECTIONS OF WINE IMPORTS

Foreign exporters often fail to fully grasp the complexities and strict requirements of the Chinese customs. This is the case not only for first-time exporters; even more experienced exporters often struggle to keep pace with rapidly evolving regulatory requirements – and most importantly their implementation across different regions in China. The result is that **non-compliant imports are rejected for clearance when arriving into the Chinese port**. Fortunately, such cases are relatively infrequent for wine.

Documents required for customs clearance

Chinese customs, inspection and quarantine officers will make a thorough inspection and analysis of the goods upon their arrival in the port of entry (or upon leaving the bonded zone in the case of products for CBEC channels). In addition to the standard export documentation (e.g. commercial invoice, bill of lading, certificate of origin, customs declaration, form, etc), the following aspects will be verified:

- Health certificate (also called certificate of sanitation): released by accredited labs in the country of origin, it shall include aspects such as: (i) description of the goods and their characteristics; (ii) results of physical and chemical analysis; (iii) results of microbiological tests; (iv) presence of phtalates; (v) testing methods and maximum residual limits; etc.
- Product inspection, 4 to 6 sample bottles are randomly selected for each batch for inspection.
- Conformity of the packaging and product label.
- Conformity of the product with the information provided during GACC/CIFER registration.

The inspection of goods imported into China for the first time will be more thorough and meticulous compared to following imports. A certificate of clearance will be released if no anomalies are identified during the inspection process. The goods are authorised to be sold in China at this stage.

An analysis of official data released by the General Administration of Customs of China[22] shows that, from January 2022 to August 2023, a total of 1,402 batches of food and beverage products were rejected by Chinese customs for being non compliant. Among these, **only 17 batches involved wine – a much lower percentage compared to other F&B categories** such as meat, aquatic and dairy products. The majority originated from Australia (all rejected in August 2023), while the remaining originated from EU countries (Italy, France and Portugal), as well as the United States and Georgia.

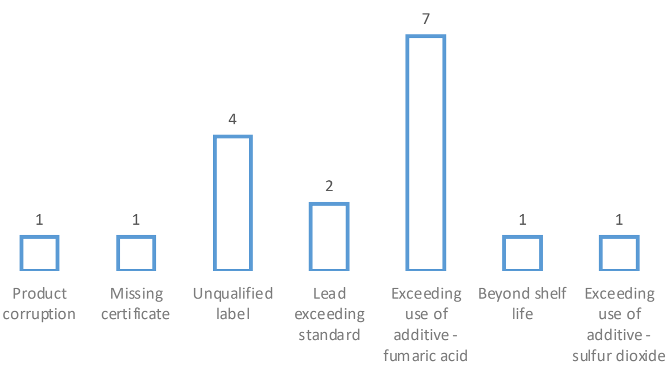
The predominant reason for customs rejection relates to **non-compliance with food safety standards**, in particular:

- Excessive use of food additive – fumaric acid (7 batches, all from Australia);
- Excessive use of food additive – sulfur dioxide (1 batch, from Georgia);
- Excessive use of lead (2 batches, from Italy).

Another frequent reason for rejection was "**unqualified label**" (4 batches, including 1 from France), i.e. wrong information or discrepancy with the label submitted during the CIFER registration. In three other cases, imports were rejected because of "product corruption" (1 batch from Portugal), "exceeded shelf-life" (1 batch from Australia), and "failure to provide certificates or conformity documentation" (1 batch from the United States).

Finally, customs rejections occurred in many Chinese ports, including Shanghai, Shenzhen, Hangzhou, Guangzhou, Qingdao, Zhengzhou, Nanning, and Urumqi.

Reasons for customs rejection of imported wine (Jan-Aug 2023)



22 http://www.customs.gov.cn/spj/xxfw39/fxyj47/4677516/index.html (accessed: 11 October 2023).

3. OPPORTUNITIES, CHALLENGES AND RECOMMENDATIONS

China is a difficult market for EU wine exporters. Although there are not as many technical and regulatory barriers as other F&B categories, it is the competition with wine exporters from other countries, some of which enjoy preferential trade agreements, that make it challenging especially for newcomers. This chapter summarises some **elements that EU wine exporters should keep in mind or should leverage when selling in the Chinese market.**

3.1 TIPS FROM EUROPEAN INDUSTRY PROFESSIONALS

As part of its **free-of-charge Ask-the-Expert service**,[23] the EU SME Centre regularly receives questions and inquiries from European F&B professionals looking to enter or expand in the Chinese market. This includes EU wine producers, particularly for issues relating to technical requirements for export, customs clearance, as well as broader business development issues. Through the organisation of **training sessions** and **participation to trade fairs** in China, the EU SME Centre also regularly engages with industry operators which have successfully entered the market. This chapter provides a concise summary of the opportunities, challenges, *do*s and *don't*s in the Chinese market that we have learned during the process. Some of the findings will be elaborated in more detail in the **three ad hoc case studies** that were developed through interviews specifically for this report, in September 2023.

Time, resources and long-term planning are necessary to deal with extreme competition

Foreign wineries must face several challenges in China, regardless of the channel chosen. The biggest one relates to the fact that the volume and value of imports and consumption are gradually decreasing (as indicated in chapter 1 of this report), while the number of players in the market is increasing. Some have already established a solid presence over many years, others come from countries which enjoy preferential trade agreements with China and can thus sell at lower prices. **Competition, therefore, is extremely intense**. At the same time, providing a service that meets the expectations of Chinese consumers requires excellent logistics, financial, and organisational skills. **Strong commitment, a long-term perspective, and in-depth knowledge of China are thus fundamental**, **requiring significant resources to be invested and patience**. Concrete, significant returns will begin to be visible only after sustained efforts.

> Several industry experts, including Mr Francesco D'Aprile and Mr Michele Taccetti, who were interviewed for this report, indicate that the commercial strategy should not be short-sighted, i.e. focusing on a one-off, single sales transaction; instead, it should be a **medium to long-term strategy that brings benefits to the buyer** as well, not only the seller. Similarly, during the his interview, Mr Simone Semprini revealed that **the relationship with the Chinese client must be grounded on trust**, which can be built only through professionality, honesty and personal relations. Only once trust is gained – and regularly maintained – can interesting results emerge.

It's the marketing, stupid!

Considering the fierce competition in the Chinese wine market, **two elements become fundamental: marketing and branding**. As clearly indicated by various experts, these are more important for competing in the market, perhaps even more than the product itself. Significant commitment and resources should be dedicated to this area, regardless of the channel – though online channels and platforms offer the highest potential. Aspects to be highlighted during marketing campaigns include, for instance:

- Diversity, complexity, and linkage to the territory; history and traditions.
- Healthy lifestyle of wine producers and consumers in the region.
- International awards obtained, as these are easily recognised by Chinese consumers.
- Success of the winery in other markets.

It is also fundamental to remember that **marketing efforts are usually ramped up during China's major e-commerce festivals** or public holidays. Vouchers and aggressive discounts are basically granted by everyone on a daily basis; marketing

23 Ask-the-Expert is a free-of-charge service through which the EU SME Centre's in-house or external experts provide confidential information and advice on various aspects of doing business in China, e.g. market access, regulations, standards and compliance, legal issues, etc. Submit your inquiry via: https://www.eusmecentre.org.cn/ask-the-expert/.

messages emphasising Chinese traditional social values should be readily used.

At the initial stage of entry into the Chinese market, a higher investment is required to build your brand in China. With a stronger visibility and brand, you will be able to unlock new opportunities in the future, e.g. by working with influencers and live streamers.

> *In China, at first you need wine market experts, rather than oenologists or product experts. Technical knowledge of the product should not be prioritised until a later stage.*
> Interview with Michele Taccetti (see chapter 4.1 of this report).

> *The majority of Chinese consumers may lack the ability to fully appreciate the finer nuances of an imported wine. Therefore, the attention to the Chinese wine consumer, specifically their main characteristics and unique needs and expectations, must take the front seat compared to promoting technical aspects. Otherwise, it is like pursuing a Ph.D. degree when your primary audience has a secondary education.*
> Interview with Francesco D'Aprile (see chapter 4.3 of this report).

Readily embrace new, emerging social e-commerce platforms

China is the world's largest internet and e-commerce market. Many trends that we see in Europe were, in fact, born first in China. While popular Chinese e-commerce platforms such as Tmall and JD.com are widely known to the public, in recent years a number of new platforms are emerging, focusing on social e-commerce.[24] Two key examples are Douyin (the parent, Chinese version of TikTok) and Xiaohongshu (Little Red Book, or RED). The strengths of these platforms are their ability to **leverage impulse purchases by Chinese netizens who are watching videos, live streaming sessions or simply reading content or comments** from others. Netizens can make purchases simply by clicking on a link displayed on the platform. This has resulted in significant quantities of wine being sold in a very short amount of time.

EU wine producers should readily embrace these platforms and online trends and adjust their marketing strategies accordingly. A successful example is represented by Mr Francesco D'Aprile, who at the very beginning of the pandemic completely shifted away from the traditional Ho.Re.Ca sector to become entirely dedicated to Douyin sales, by partnering up with a Chinese KOL based in Italy to do livestreaming sales, often directly from the winery's cellar. A long-term partnership was established with a Chinese influencer based in Italy, to sell the wines of Mr. D'Aprile's clients, mainly through ad hoc live sessions, often streamed from the winery's cellar or during grape harvest season. In three years, it achieved impressive results both in terms of followers of the online store, as well as customers' rating for service. On average, one full container of wine is now shipped to China per month.

> Of course, working with Chinese KOLs is extremely challenging, especially for newcomers without extensive knowledge of the Chinese market. In addition to being tiring and pretty expensive, it also requires a large amount of stocking and logistics capacities in China. But there is one aspect which is more critical for KOLs compared to economic gain: reputation. **For a KOL, reputation is the bedrock of their business**. Their role is to establish a trust-based relationship with their followers by providing knowledge and opportunities rather than fabricated information. Without this, they would not exist.

Trade fairs are a useful platform for newcomers, but come prepared

Without local resources operating on the ground in China, **participating in trade fairs in China remains an effective approach** (and probably the only available) **to meet potential Chinese importers**. There are a number of renowned trade fairs in China, from general F&B fairs where wine is one of the represented categories (e.g. SIAL China, ANUFOOD, China Food & Drink fair, etc.) to specialised fairs for wine, such as Interwine or Vinitaly. Other emerging fairs may represent an interesting option to certain producers, e.g. the Global Geographical Indications Product Expo (held in Luzhou, Sichuan) for wines with a protected designation of origin.

To make the most out of your visit, **it is important that you do your homework and come prepared to make things easier for your potential partners** (and yourself). For example, familiarise yourself with export/import procedures and the GACC/CIFER system, know the market and retail channels, register your trademark in China, etc.

24 For a detailed overview of China's ecommerce system, see a dedicated EU SME Centre report: https://www.eusmecentre.org.cn/publications/the-e-commerce-ecosystem-in-china-a-checklist-for-european-smes-2021-update/.

Keeping up with past contacts/leads to announce your visit might be a good idea. In case you are taking your first steps into the market, conducting an initial market exploration can help you to identify some relevant contacts (this can be supported by third-party consultants or the trade promotion agency from your country). This way, you can set up some meetings in advance to facilitate your agenda. Communication is a fundamental issue: WeChat is the most important tool used for business on daily basis, so make sure to create your account and be familiar with its use before arriving in China: how to add and save contacts, how to use the translation feature in chats, etc. Additionally, if you or someone in your team can handle communication in Chinese, it will make things much easier.

Last, make sure to **follow up after the fair**. Be persistent and keep a close interaction to build up on your relations, providing all necessary information and proactively asking questions. These basic recommendations can help you to reduce risk and uncertainty for your potential partners, and to increase your perceived added value.

Some trade fairs may be more relevant for some producers than others. Some trade fairs may have a predominant presence of individual consumers who purchase wine on the spot: this may lead to revenue, but once the fair ends, nothing is left. By contrast, other fairs may feature fewer visitors but who come predominantly from the industry and thus more relevant for a winery's China market strategy. Some trade fairs may feature a strong presence of institutions and national representations, with country pavilions regularly organised, while other fairs usually don't.

All in all, **trade fairs are one component of the China entry strategy, and most importantly the promotion strategy on the medium/long term**. Assessing the value of participating in trade fairs merely on economic returns, thus not considering their contribution to branding and visibility, is not a suitable approach.

Guidelines and tips on how to select the most relevant trade fairs in China, not only in the F&B sector, are available in a dedicated EU SME Centre report: https://www.eusmecentre.org.cn/publications/guide-to-trade-fairs-in-china-2020-update/

Team up with other producers instead of going alone

Compared to other traditional markets, China is objectively a very difficult market for European wine producers, especially for newcomers. To minimise risks while maximising the potential benefits, **small wineries looking to enter the Chinese wine market are advised not to go alone but rather to join hands with one or more other wineries** that can offer a different—ideally complementary—variety of products, not necessarily from the same region or even the same European country. This approach was explicitly recommended by Mr Simone Semprini and Mr Michele Taccetti in their interviews. By teaming up to meet potential importers and participating in trade fairs together, **costs can be shared and negotiation leverage maximised**, thanks to a more diverse and wider product offering. This kind of approach has been pioneered e.g. by French wine producers, with great results. Ideally, wineries should consider joining promotional activities of wine consortia or associations in China – some of which are rather active in China. However some others have not proved very effective, so far. Alternatively, there are professional intermediaries and brokers who offer such services by gathering a number of wineries from one region and introducing them to the Chinese market.

3.2 REGISTER YOUR TRADEMARK IN CHINA – IMMEDIATELY!

European wine exporters should take into full consideration **intellectual property (IP) challenges that have long afflicted the Chinese market**. Despite significant improvements in the Chinese regulatory and enforcement framework, various IP risks still exist in the food and beverage industry, including wine, such as:

- **Malicious trademark**, namely the impossibility to use a trademark in China because it has already been registered in bad faith by a local company (which will often offer to sell the trademark to its rightful owner).
- **Counterfeiting products**, sold especially through e-commerce platforms (but not only).

Therefore, the importance of registering your brand in China cannot be underestimated. There are **dozens of examples in the wine world where a foreign brand has found that the name of its**

wine was already registered in China by someone else. The fundamental principle to keep in mind is that China is a different jurisdiction: IP rights regularly registered in the EU (or other countries) and effectively protected there, are not automatically protected in China (nor in Hong Kong, Macau and Taiwan, which have their own systems, not covered by Mainland China's system). An IP registration in China or via international registration mechanisms will be required.

From our 2016 wine report: Dispute between French wine merchant Castel and Shanghai trader Panati Wine

In January 2016, wine merchant Castel Freres lost the latest battle in a decade-long dispute with a Chinese company over the KA SI TE (卡斯特) trademark in China. The Supreme People's Court upheld a lower court's ruling that the French company had infringed the mark owned by Shanghai-based wine distributor Panati Wine. However, the nation's top court also threw out the CNY33 million damage award made against Castel, reducing it to CNY 500,000 and leading some observers to characterise the decision as a win for Castel. In subsequent comments made to World Trademark Review, a representative for Panati emphasised the court's affirmation that it is the rightful owner of the KA SI TE name. [..] Castel has chosen to abandon the KA SI TE (卡斯特) name and rebrand itself as KA SI DAI LE (卡思黛乐) for the Chinese market." [Cf. Cassie Lam, *World Trademark Review*, 25 March 2016]. The characteristics of China's "first-to-file" system for trademarks also causes disputes among EU brands in the country, see e.g. the conflict between Côtes de Bordeaux producer Château Lafitte, and Château Lafite Rothschild [Cf. *Decanter*, 11 September 2015].

It is frequent that wineries ignore this problem, often postponing the brand registration. Of course, any winery is sovereign to postpone the process of trademark registration but factual experience shows it is not a good decision. Although the situation in China has significantly improved, **cases of bad faith registration of trademarks are still frequent**, through which a local company in China first registers an existing trademark, then spontaneously approaches the legitimate trademark owner to sell the trademark to them. EU wine producers must not hesitate to include in their business plan for China, as part of the cost to get into the market, the money it takes to have the brand name registered. This is a non-recurring, negligible cost (a few hundred euros will be enough); the process is relatively straightforward. **Doing so will save headaches and potentially serious problems in the future**. The brand name should be registered in China already **before exhibiting products in trade fairs in China**. If this is not an option, EU wine producers should also take necessary precautions when attending trade fairs, as these venues are frequently used by fraudulent companies.

The **China IP SME Helpdesk**, an EU-funded initiative, provides free-of-charge technical assistance on intellectual property issues in China. It has produced numerous guides on IP protection in China, including one for F&B products, one specific for wine and spirits, and another one for Geographical Indications.

For more information: https://intellectual-property-helpdesk.ec.europa.eu/regional-helpdesks/china-ip-sme-helpdesk_en

3.3 EU-CHINA GEOGRAPHICAL INDICATION AGREEMENT

The EU food quality schemes aim at protecting the names of specific products to promote their unique characteristics linked to their geographical origin as well as traditional know-how. There are **over 3,300 geographical indications (GIs) registered in the EU**; the Chinese market is the world's second destination market of EU exports of GI products, accounting for 9% by value. Chinese consumers appreciate the safety, quality and authenticity of European agri-food.

In March 2021, the ***EU-China agreement protecting geographical indications*** entered into force.[25] The agreement grants effective protection to 196 iconic EU and Chinese agri-food names against imitation and usurpation, bringing mutual trade benefits and introducing consumers to guaranteed, authentic products from two regions with a rich culinary and cultural tradition. Among the **96 EU GI products included in the agreement** and thus effectively protected in China;[26] 54 are wine products.

25 https://agriculture.ec.europa.eu/news/eu-china-agreement-protecting-geographical-indications-enters-force-2021-03-01_en (accessed: 20 August 2023).

26 The full list is available in Annex IV of the agreement: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.LI.2020.408.01.

Country	Name registered in the EU	Chinese transliteration	Country	Name registered in the EU	Chinese transliteration
Spain	Rioja	里奥哈	**Germany**	Rheinhessen	莱茵黑森葡萄酒
	Cava	卡瓦		Mosel	摩泽尔葡萄酒
	Cataluña	加泰罗尼亚		Franken	弗兰肯葡萄酒
	La Mancha	拉曼恰	**Greece**	Σάμος / Samos	萨摩斯甜酒
	Valdepeñas	瓦尔德佩涅斯	**Hungary**	Tokaj	托卡伊葡萄酒
	Jerez / Xérès / Sherry	赫雷斯- 雪莉/雪莉	**Italy**	Asti	阿斯蒂
	Navarra	纳瓦拉		Barbaresco	巴巴列斯科
	Valencia	瓦伦西亚		Bardolino Superiore	超级巴多利诺
France	Alsace	阿尔萨斯		Barolo	巴罗洛
	Beaujolais	博若莱		Brachetto d'Acqui	布拉凯多
	Bordeaux	波尔多		Brunello di Montalcino	布鲁内洛蒙塔奇诺
	Bourgogne	勃艮第		Chianti	圣康帝
	Chablis	夏布利		Conegliano Valdobbiadene - Prosecco	科内利亚诺瓦尔多比亚德尼－普罗塞克
	Champagne	香槟		Dolcetto d'Alba	阿尔巴杜塞托
	Châteauneuf-du-Pape	教皇新堡		Franciacorta	弗朗齐亚科达
	Côtes de Provence	普罗旺斯丘		Montepulciano d'Abruzzo	蒙帕塞诺阿布鲁佐
	Côtes du Rhône	罗讷河谷		Soave	苏瓦韦
	Côtes du Roussillon	露喜龙丘		Toscano / Toscana	托斯卡诺/托斯卡纳
	Graves	格拉夫		Vino nobile di Montepulciano	蒙特普齐亚诺贵族葡萄酒

0003.01.ENG (accessed: 20 August 2023).

Country	Name registered in the EU	Chinese transliteration	Country	Name registered in the EU	Chinese transliteration
France	Languedoc	朗格多克	**Portugal**	Alentejo	阿兰特茹
	Margaux	玛歌		Dão	杜奥
	Médoc	梅多克		Douro	杜罗
	Pauillac	波亚克		Porto / Port / Oporto	波特酒
	Pays d'Oc	奥克地区		Vinho Verde	葡萄牙绿酒
	Pessac-Léognan	佩萨克-雷奥良	**Romania**	Cotnari	科特纳里葡萄酒
	Pomerol	波美侯	**Slovakia**	Vinohradnícka oblasť Tokaj	托卡伊葡萄酒产区
	Saint-Emilion	圣埃米利永/圣埃米利隆	**Slovenia**	Vipavska dolina	多丽娜葡萄酒

When sold in China, GI products may **bear the official symbols of the EU GI schemes**: these are widely recognisable by Chinese consumers, clearly differentiating products from non-EU products usurping/evocating EU products, and thus providing a triple guarantee of: (i) **Origin** of the product (link with place of production); (ii) **Quality** of the product (compliance with specifications); (iii) **Authenticity** of the product (protection against imitation). In practice, however, **EU GI wines rarely use such symbols on their bottles**, for aesthetic or even market positioning reasons (e.g., a premium wine might prefer to position itself as unique and thus not put on the same level of other GI wines, albeit equally of high quality and protected); rather, it is still preferred to recur to traditional, national-level terms like AOC, DOCG, DOCa, etc, which are equally recognisable by sophisticated consumers in China. Yet, this remains an option, and even if not used, the **meaning and elements of the EU geographical indication scheme can and should be leveraged during marketing and promotion activities** in China.[27] It is noteworthy that products on the EU-China GI list may also use the official logo of China's GI scheme.[28]

By 2025, the EU-China GI agreement will expand to cover an **additional 350 GI names from both sides**. Among the 171 EU GIs in the list,[29] 61 are wines, including: Дунавска равнина / Dunavska ravnina (Bulgaria); Dingač (Croatia); Κουμανδαρία / Commandaria (Cyprus); Rheingau (Germany); Ρετσίνα Αττικής / Retsina Attikes (Greece); Vinho da Madeira (Portugal); Dealu Mare (Romania); Štajerska Slovenija (Slovenia); etc.

Finally, EU GI wines **not included on the list of the EU-China GI Agreement are not legally protected in China against imitations**, **but may still use the EU GI symbols and their meaning for marketing purposes**.

27 For more insights on how to promote GI products in China, see a dedicated webinar organised by the EU SME Centre in January 2022: https://www.eusmecentre.org.cn/events/communicating-the-value-of-european-gi-products-to-chinese-consumers/ (accessed: 20 August 2023). The webinar includes a case study on Italian GI wines.

28 However, this logo is known by few Chinese consumers, therefore its added value is perceived to be limited; it might even be perceived as negatively affecting the authenticity and quality of the product. Still, the situation in the future may change as Chinese consumers' awareness of the concept of geographical indication and of the EU-China GI agreement deepens. At the same time, Chinese people tend to appreciate foreign products fully recognising and supporting Chinese initiatives ("giving face").

29 The full list is available in Annex VI of the agreement: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.LI.2020.408.01.0003.01.ENG (accessed: 20 August 2023).

3.4 EU FUNDING FOR AGRI-FOOD PROMOTIONAL ACTIVITIES

The European Commission, through its Research Executive Agency (REA), co-finances campaigns and events to promote EU farm products worldwide – including wine products. Under the slogan "**Enjoy, it's from Europe**", these are aimed at raising awareness of the efforts made by European farmers to produce quality products, thus boosting their profile on international markets, in line with EU promotion policy. Four different types of information and promotional initiatives are co-funded for EU agri-food products in non-EU markets – including China. Specifically:

- Promoting **organic products**, **EU sustainable agriculture**, and the role of the agri-food sector regarding the environment and climate action;
- Highlighting the **high safety standards** of EU agri-food products;
- Highlighting the specific features of **agricultural production methods** in the European Union, as well as the diverse and traditional range of products supported by EU quality schemes;
- Raising awareness of the **authenticity** of those European food types protected by origin, geographical area and traditional specialities.

2
Types of programmes

SIMPLE programmes:
1+ proposing organisation from the same EU Member State

MULTI programmes:
2+ proposing organisations from 2+ EU Member States; or 1+ pan-European organisation

4
Types of co-funded activities

Ads in the press, TV, radio or internet

Sales promotions

Public relations campaigns

Participation in exhibitions and fairs

To be eligible for co-funding under either SIMPLE or MULTI programmes, it is essential that the **promotional programme has a strong EU dimension**, both in terms of content and impact. The message promoted should not only focus on the product promoted, but also to EU production standards, quality and safety schemes, etc. This is one of the reasons why only trade organisations, producer associations or sectoral representations are eligible for co-funding; **private companies can only participate indirectly through such organisations**. There are other **eligibility conditions applying to wine products**, for instance:

- Only wine with designation of origin or protected geographical indication status, as well as wine carrying an indication of the wine grape variety, can be covered by promotional campaigns.
- Within SIMPLE programmes, wine can only be promoted in combination with other eligible products such as cheese or meat.

Applications for co-funding may be submitted on an annual basis. The **application process** is relatively straightforward: see at the top of next page.

The next submission period will be January-April 2024! Interested applicants should be aware of **common mistakes during the application process**. Each MULTI and SIMPLE calls have different topics, each focusing on different elements/schemes, as well as different countries; therefore, the scope of each topic should therefore be carefully analysed before preparing applications. For instance, promotional activities in China (and other Asian countries) in 2023 were eligible under the Topic AGRIP-SIMPLE-2023-TC-ASIA (SIMPLE programmes), as well as AGRIP-MULTI-2023-TC-ALL and AGRIP-MULTI-2023-TC-ORGANIC OR SUSTAINABLE (MULTI programmes); however, the latter only applies to products produced with organic methods or sustainable agriculture, not necessarily featuring other elements such as GI.

More details are available on the **website of REA**.[30] Finally, other campaigns may be directly organised and managed by REA, through framework contracts with external contractors, such as business delegations as part of high-level missions to Asian countries.

30 https://rea.ec.europa.eu/funding-and-grants/promotion-agricultural-products-0_en (accessed: 22 May 2023).

Call for SIMPLE and MULTI proposals published on the **EU Funding and Tenders** portal, usually in the first quarter of the year.

→ Account creation, partner search (for MULTI programmes), **completion and submission of proposal** before deadline.

→ **Evaluation** with independent experts and specialists.

→ **Grant agreement** signed, campaign starts

Each call has ***different topics****, addressing different aspects and/or countries.*

2023 call *(closed in April): search AGRIP-MULTI-2023 or AGRIP-SIMPLE-2023 on:* [*https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-search*](https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-search)

An interactive map of all ongoing and closed campaigns co-funded, including those targeting China, is available at: [*https://agri.easme-web.eu/*](https://agri.easme-web.eu/)

Did you know?

Funding may also be provided by individual Member States or trade promotion organisations at the municipal or regional level, such as ITA (Italy), ICEX (Spain), etc. Check with your national or local organisations!

Member States competent authorities may also allocate European funds specifically for promoting wine in non-EU countries, is available through the **Common Market Organisation (CMO)**.

4. CASE STUDIES FROM INTERVIEWS WITH INDUSTRY EXPERTS

4.1 MICHELE TACCETTI – CEO OF CHINA 2000 SRL, TUSCANY REGION PROMOTER WITH THE CHINA-ITALY CHAMBER OF COMMERCE – CICC

Mr. Michele Taccetti has been involved in doing business with China since 1995, following in the footsteps of his father who had been among the pioneers of international trade exchanges between China and Italy in the 1980s. At the beginning of his career, Michele worked for five years in the Florence-based office of China Resources, one of the most important state-owned trading enterprises in China. After that, he founded China 2000 Srl, a consulting and import-export company promoting Made in Italy products and services in the Chinese market, also with education and training activities. Although the firm's main focus was originally the textile industry, in recent years, the agri-food sector has become more prominent. Michele has been accredited by the Italian Ministry of Economic Development and SACE as a Temporary Export Manager.[31]

An evolving market for wine, increasingly shifting towards deeper synergies among producers

Like the Chinese market for many other F&B products and other sectors, **the Chinese market for wine has evolved significantly in the last two to three decades**. At the beginning, trading agencies and pure import-export activities had a more prominent role: foreign businesses' knowledge of the Chinese market was limited (and vice versa for Chinese businesses looking outwards), traveling between China and Europe was harder, and communication, therefore, more difficult. Trading agencies helped European and Chinese businesses to overcome many of these issues.

Following the deepening of international trade and communication tools, knowledge, and contacts have intensified—though cultural differences still exist. Trading agencies remain important but have gradually lost their prominence to other forms of business cooperation. **We are now witnessing deeper forms of synergies going beyond the traditional import-export model. For instance, we see direct cooperation** among producers, distributors, and consumers, as well as with universities, institutions, and educational institutions. Chinese consumers and distributors are more eager to enter into **direct contact** with foreign wine producers, not only for business reasons but also to gain access to first-hand knowledge and information. The opposite is also true: foreign wine producers actively present on the ground in China and engaging directly with Chinese consumers tend to have a deeper knowledge of the market and, consequently, higher sales volumes. Promoting such synergies is our mission.

Unlike in the past, **deeper collaboration among producers** (e.g., through a joint venture) **seems to be the most important approach** and not necessarily viewed only as a risk. If the producer of a wine with a protected designation of origin, say Brunello di Montalcino, cooperates with a Chinese wine producer, it is not jeopardizing the unique connection it has with its territory, it is not trying to produce the same wine in China. Instead, it is exploring an alternative business segment by working with local Chinese producers to produce wine for the domestic market, thus further increasing sales.

French wine producers have pioneered this approach, also thanks to sustained investment to bring into China a solid commercial distribution network. By doing so, French wine producers have contributed to the shaping of a wine culture in China: the word 'château' nowadays appears on many Chinese domestically produced wines, and the most important production sites are built with a design effectively resembling French châteaux.

31 Temporary Export Managers are individuals accredited by Italian authorities to guide and support Italian companies to internationalise and export.

A stronger focus on quality rather than quantity, boosted by the pandemic. A preference for softer, red wines

Chinese imports and consumption of wine have been decreasing steadily in recent years, even before the outbreak of the pandemic. There are several reasons behind this, such as excessive stocking of wine against decreasing demand. However, Mr. Taccetti thinks that **this is a natural development and direction of the market**, which has occurred in other sectors (e.g., tourism) and even in other countries. Even wine producers in Italy may abandon certain lower-quality wines to favour higher-quality production. In practice, **in China, the decrease in quantity does not correspond to a decrease in quality; the opposite is true**. In years past, a large portion of the Chinese wine market focused on low-quality, extremely cheap wines, often purchased in bulk or at extremely discounted prices, and in some cases even produced in China. Now, these types of wines are not as readily available overseas as before and they can be produced domestically in China. Therefore, there is no longer a need to import them from overseas. **The focus of imports has been shifting towards higher quality and more expensive wines**. In Mr. Taccetti's opinion, the Chinese wine market is going through a "self-adjustment" phase, which was accelerated by the COVID-19 pandemic.

The undisputed leader of the market is still red wine. This is the type of wine that was first introduced from abroad, by the French. Other types of wine, such as sparkling wine (including Prosecco), have seen interesting growth, but in Mr. Taccetti's opinion, these are mostly consumed by Chinese consumers who have been exposed to international culture or by specific target groups. In terms of specific grape varieties, **Cabernet and Merlot are at the forefront** (also because these were brought into China early by the French), **and in general, all grape varieties that are soft and easy to drink, even alone without food pairing**, are appreciated. In contrast, hard grape varieties face more challenges in China, as they usually require certain food pairings that are not traditionally found in Chinese culture. This is also why among Italian wines exported to China, those that perform better are from the Puglia and Piedmont regions, while those from Tuscany, especially from the inner regions and not those along the coast, are traditionally consumed with heavier foods such as steaks, which are less part of Chinese food habits.

Competition in China is mostly based on industrial structure, marketing, and commercial strategy

The most important competitors for wine producers from European countries are historically their European peers. However, there are wines from other countries that are popular in China, such as Chile, New Zealand, the United States (California), Australia, and South Africa. There are also wines from other countries, such as Georgia, which are not very popular in Europe but can be successful in China and other countries.

Mr. Taccetti thinks that there are two main factors that drive the competition. One is to do with **political agreements and industrial structures**. Wines from countries such as Chile and New Zealand (and until a few years ago, Australia as well) enjoy zero customs duties when imported into China, thanks to Free Trade Agreements signed at the government level; this inevitably keeps final prices lower. The industrial structure in a certain country of wine producers is also very important. For instance, wine producers in Chile are traditionally of a large scale, thus having more resources and a solid industrial structure dedicated to international marketing and sales. **In contrast, wine producers in Italy, and generally in other European countries, are traditionally of small to medium scale, with strong ties to their territory** and often still using traditional production techniques.

The second point to emphasise is that **the success of an imported wine in China is often based on marketing, branding, and commercial strategy**, more than on the product quality itself. Chinese consumers may know that a certain wine from a country is exceptional, but if the wine cannot be easily found in China, consumers will not buy it. This is also Italy's traditional problem in China: it has a strong policy on product quality, contributing to the outstanding quality of its products, but it focuses less on commercial strategy and product marketing.

> *The main export approach of Italian wine producers is too short-sighted and fragmented, focusing on the single transaction. Once the order has been placed and the wine is shipped, the transaction is finished; that's it. For instance, the importer pays for 10 boxes and I ship 10 boxes. In my opinion, it would be more logical to include a small quantity of wine for free, say 2 boxes on top of the 10 boxes paid, to be used by the Chinese importer for tasting or other marketing activities.*
>
> *Of course, part of the reason is to do with the smaller size and limited resources of Italian wine producers. This is not always the case: I have seen small producers investing heavily in their China activities.* ***A commercial strategy and vision focusing on nurturing longer-term relationships and paying attention to the customer are more suitable for creating new opportunities in the peculiar Chinese market****. This is also where wine consortia and institutions could help: increasing coordination and promotion efforts in support of small producers.*

Finding truly committed wine producers is the most important challenge, not Chinese regulations for imports

Unlike other categories of F&B products, wine does not seem to be particularly problematic to import into China. Like any other F&B product, wine requires successful registration on the CIFER platform of the General Administration of Customs of China (GACC). However, **wine is considered a low-risk category, and therefore the process is relatively straightforward**. Of course, you have to be careful and ensure that all the information filled during the registration is correct, and that the GACC code is properly located on the product's label; otherwise, there might be issues at customs when the product arrives in the Chinese port. In case of doubt, it is recommended to get assistance from professionals. But overall, this aspect is not among those that cause the biggest headaches.

In Mr. Taccetti's opinion, **the most important challenge to overcome is finding a wine producer who is truly committed to investing in exporting to the Chinese market**. In fact, wine is a very peculiar product: it is often produced by very small companies; however, it has a strong orientation toward export, which usually requires bigger resources and structures. In fact, at least in Italy, **it is common to have wine producers that export products, but it is very rare to find wine products that *truly internationalise* to foreign markets**. It is revealing that in most cases, the wine to be exported is stored directly in the winery, rather than at the port through which it will be exported. It is even rarer to have wine producers storing the wine directly in the country where

Mr Taccetti giving an interview during the China International Fair for Trade in Services (CIFTIS).

it is sold, for instance, in a warehouse in a bonded zone. Such traditional export models may work in several markets, but probably will not work in China. Therefore, it is fundamental to be extremely committed to internationalising to the Chinese market by investing and dedicating sufficient resources, and of course, by working with qualified professionals.

Advice to small wineries approaching the Chinese market: do not go alone

China is objectively a very difficult market for European wine producers, compared, for instance, to other traditional markets such as other EU Member States, the United Kingdom, or the United States. Therefore, strong commitment, a long-term perspective, and in-depth knowledge of China are fundamental, which require significant resources to be invested. To minimise risks, Mr. Taccetti's **advice for small wineries approaching the Chinese market is not to go alone; rather, join hands with one or more other wineries that can offer a different—ideally complementary—variety of products**, not necessarily from the same region or even the same European country. By doing so, wineries can share costs and bring a more diverse offer to potential customers.

Emerging flagship events such as the **Global Geographical Indications Product Expo**, held annually in Luzhou, Sichuan province, offer an interesting platform for European producers of wine with protected designation of origin. This fair promotes the concept of geographical indication, quality, and European wine, which, in Mr. Taccetti's opinion, **is the fundamental objective of participating in trade fairs**: **promoting your culture, traditions, and brand**, rather than increasing sales. Importantly, this fair also features a large presence of institutions, which significantly helps in the Chinese market as it increases your credibility. Furthermore, it targets a region in China with huge market potential, and where competition is not as fierce as in first-tier cities such as Shanghai, Beijing, and Shenzhen. This fair might be even more appropriate than other well-known, large-scale F&B fairs. However, trade fairs are just one component of the promotion strategy, and not the final goal.

Finally, it is important to be ready to work with experienced professionals to guide you in navigating the Chinese market. **These professionals should be market experts, rather than wine experts**; this is essential, at least initially, to penetrate the Chinese market. Technical knowledge of the product is something that should be promoted only at a later stage.

4.2 SIMONE SEMPRINI – SALES AND WINE EDUCATOR, VM FINE WINES

Mr Semprini, a professional sommelier trained in Italy and London and based in Shanghai since 2013, is the Shanghai Area Manager of VM Fine Wines. VM Fine Wines was founded in 2010; it stands for Vinicio, an Italian entrepreneur who has been doing business in China since 1994, and Martin, a Chinese businessman with a passion for Italian wine and food. The company directly imports and sells Italian wine in the Chinese market; it is also active in other product categories such as coffee. VM Fine Wines is the exclusive importer and distributor in China of around 250 different labels from 30 wineries from all over Italy. It has a number of warehouses and offices across China in order to guarantee a quick delivery of products and optimise its services to Chinese consumers.

For more information on VM Fine Wines, visit its official website: http://www.vmfinewines.com/.

Main characteristics of Chinese wine consumers

Overall, the Chinese market for wine has been slowing down in recent years, but the trend has become more evident particularly since 2023, in line with the broader economic situation of the country after the end of pandemic-related restrictions. Consumers tend to be more cautious about where and how they spend their money. Still, **wine largely remains a "status symbol" product** in China; it is not a luxury product, but still not a primary necessity.

The mainstream Chinese wine consumers are **business professionals**, aged between 25 and 40 (or younger), often single, with a good social life and strong purchasing power. There is a **growing number of women** approaching the wine market. Their palate is softer, they prefer wines with a strong alcoholic structure but a sweeter taste, thus with softened tannins. Regardless of the target, however, we have to keep in mind that while in Italy, and in general in Europe, we often are very meticulous about **pairing wine with food**, this is not the case in China: wine is often drunk alone, as a standalone beverage.

Although the general knowledge of wine is overall lower than in other markets and Chinese wine consumers cannot yet be described as sophisticated consumers, the situation is improving. When Mr Semprini arrived to Shanghai in 2013, he recalls finding no more than a dozen wine bars in the entire city; now the city is teeming with wine bars and bistros. There are even coffee shops that serve coffee during the morning and afternoon, and turn into wine spots for aperitif and dinner. Education on wine is also becoming more popular: a growing number of schools and institutions offer degrees or training courses on wine; several world-class Chinese sommeliers enjoy a wide recognition. Therefore, overall, **Chinese wine consumers are becoming more and more educated about wine**.

Growth and trends of locally-produced wine

Domestic production of wine has grown significantly in recent years, thanks to sustained investment from various industry players – including foreign-invested ones, large (Rothschild, Moët Hennessy, etc.) and medium/small alike. We are starting to see a highly defined mapping of Chinese wine regions and wineries: among these, it is interesting to see that **many are focusing their efforts on natural, biological and organic wines**. This is a real trend, according to Mr Semprini. Usually, overseas, this would be a later step of wine production; while Chinese local producers are getting there ahead of other steps. One of the reasons could be that such types of wine suit better the taste preferences of local consumers, who are not yet highly sophisticated and experienced wine consumers, and therefore more readily select wines for these characteristics.

Market competition: mainly based on marketing and branding

Another peculiarity of the Chinese market, which makes it very different – and challenging – for many wineries, is that **competition is mostly based on marketing, promotion and branding, rather than product quality**. Although in general the overall knowledge of wine among Chinese consumers is lower than in other countries, they are very aware of brands: often, they would not ask you for wine from Tuscany or Veneto regions; rather, they will ask directly for a Sassicaia or Amarone. The brand of a wine is extremely important. Therefore, brand building and visibility should be highly prioritised in China, regardless of the channel – though online channels and platforms offer the highest potential.

Elements to emphasise during promotional activities

Italy has an excellent quality/price value and certainly has the richest variety of grapes in the world. It has an immense potential; but this has not yet been fully tapped, partly as Italian wineries arrived later in the Chinese market compared to other competitors. Another opportunity perhaps was lost in 2021 when Australia was literally shut out of the Chinese market through retaliatory measures: Italy's market share increased slightly, but not as fast as that of other competitors.

In any case, according to Mr Semprini's experience, there are a few elements that should be actively highlighted during promotional activities in China. Taking Italian wine as example, these elements relate to **the complexity, diversity and beauty of the Italian territory, the history, tradition and DNA of wineries**, as well as the constant search for excellency and quality particularly notable since the 1970s and 1980s. DNA refers to the linkage between the winery and the territory, its history and traditions, each creating different shades even if coming from the same grape variety. DNA reflects the fact that a Sangiovese wine from Tuscany is different from a Sangiovese wine from Umbria; or that Chianti comprises different types of wine across various subzones in the Chianti region of Tuscany. Chinese consumers respond well to such messages, but of course **it takes a lot of time and sustained efforts before you are able to see concrete returns**.

A typical format used by Mr Semprini to promote wines in China is to organise wine dinners with Chinese professionals and consumers, featuring wines from a single winery or multiple wineries, e.g. from a single region or from all over the country. **Perhaps in order to be really successful in China you need to be a storyteller and communicate the message in an impressive and effective way**, but always refrain from exaggerations and unproven claims. **The relationship with your Chinese client must be grounded in trust**, which can be built only through professionality, honesty and personal relations. Once trust is gained, it needs to be constantly cultivated and maintained.

Challenges of using the concept of Geographical Indication for promoting wine in China

The concept of Geographical Indication is extremely important, but at the same time is highly complex.

According to Mr Semprini, **Chinese consumers' overall awareness of geographical indication is not as strong as other countries**, and thus it may not always add value to leverage on it during promotional activities. This has been one of the main obstacles faced by Italian wines in China. It is not uncommon to find Italian wines with DOCG denomination (i.e., the highest tier in the current system) actually priced lower than IGT (i.e., the lowest tier of denomination). This rarely happens in other countries, where Grand Crus are always more expensive than lower-tier denominations. This sometimes confuses Chinese consumers and makes it harder for them to fully grasp the quality of the wine.

Mr Semprini's approach is to stay as simple as possible. First, aim at building awareness on the broader concept of protected designation of origin (DOP); only after that should you aim at further refining such knowledge into more detailed tiers of designation (such as DOC and DOCG in Italy), the certification process and criteria, etc.

Advice for small wineries approaching the Chinese market: do not go alone

For small wineries not already present in the country, the Chinese market can be extremely challenging to enter, especially when compared to other traditional wine markets such as European countries, but also the United States, the United Kingdom or even Japan. **Mr Semprini's advice is to try to team up with other wineries in the same situation, not a competitor but complementing the wine offering**, visiting retail channels, meeting potential importers, and participating to trade fairs together. In this way, costs are shared and your negotiation leverage is increased. Ideally, wineries should try to join promotional activities of wine consortia or associations in China. For instance, at the recent Global Geographical Indication Products Expo held in Luzhou, Sichuan, Consorzio dell'Asti was present with its own stand and a number of wineries to promote Asti DOCG, i.e. Asti Spumante and Moscato d'Asti. Traditionally, Italian wineries have not sought this approach and preferred to go individually, in contrast e.g. to French chateaus which now dominate the Chinese market. Alternatively, there are professional intermediaries and brokers who offer such services by gathering a number of wineries from one region and introduce them into the Chinese market.

Without local resources operating on the ground in China, **participating to trade fairs in China is the most effective approach to meet potential importers. However, while there are many fairs for wine in China, not all of them may be relevant**. Some may have a predominant presence of individual consumers who purchase wine on the spot: this might also lead to revenue, but once the fair ends, no impact is left. By contrast, other fairs may feature fewer visitors but who are predominantly from the industry and thus more relevant for a winery's China market strategy. For Italian wineries, Vinitaly in recent years has grown steadily; Gambero Rosso is also expanding its influence in the country. Traditional fairs such as Interwine are also relevant for small wineries. In any case, it is important to be present on the ground, not only at the initial stage but also once the product lands in the market.

4.3 FRANCESCO D'APRILE – PARTNER OF P&D CONSULTING, REPRESENTING POLVANERA IN CHINA

Pioneering Live E-commerce Sales of Italian Wine in China

Francesco D'Aprile is an experienced entrepreneur and business consultant with more than two decades of experience in doing business with China. Francesco is a partner at P&D Consulting, a boutique consulting firm that offers customised business and management consulting solutions, primarily to Italian entrepreneurs and SMEs looking to internationalise in the Chinese market. Most of the clients represented come from the agri-food sector, especially wine, but also olive oil and traditional foods from the Italian southern region of Puglia.

Anticipating Evolving Consumption Habits: From Traditional Channels to Live E-commerce

Francesco D'Aprile established a Wholly Foreign-Owned Company in China in 2013 to introduce products from Italian clients into the Chinese market, particularly the reds and whites from winery Cantine Polvanera in the Bari region.
His approach differed from that of most other competitors of imported wine in China. **Instead of opting for the traditional model of working with Chinese importers and distributors, Mr. D'Aprile decided to set up a Wholly Foreign-Owned Enterprise in China in 2013 and to sell directly to the Chinese market**. This allowed the firm to develop and expand its own sales networks while having full control over the sales process, logistics, and quality. Of course, this also required strong support from the Polvanera winery that it represented: the winery's owners frequently travelled to China to meet with key clients and partners.

Within a few years of activity, the company had achieved stable growth, although the overall volumes were still relatively low (around 1 ½ containers per year). Challenges started to emerge, notably with growing requests from Chinese clients, especially within the Ho.Re.Ca. channel, for a wider variety of wines, from different countries and regions, when they started to ask to their suppliers to provide for the whole wine list. This demand could not be met by Mr. D'Aprile as his company, while offering various wine types and grape varieties, only represented one winery. Most importantly, during these years, Mr. D'Aprile observed the consumption habits of Chinese consumers. He noticed that people favoured frequent outdoor dining with groups of friends, regardless of social status (from high-end clubs to popular restaurants in the hutong, the traditional alleyways of Beijing). They **rarely hosted social gatherings at home**, as is common in many parts of Italy. This also explained the relevance of the Ho.Re.Ca channel for imported wine in China.

The situation changed drastically with the outbreak of the COVID-19 pandemic in China. Strict pandemic prevention measures resulted in strong limitations on social gatherings, leading people to consume more at home. This shift was also aided by the world-class level of Chinese e-commerce and the emergence of new trends in live and social e-commerce. Unlike most other observers, Mr. D'Aprile firmly believed that these changes would have a profound, long-term impact on Chinese consumption habits rather than fade away as soon as the pandemic ended. This spurred Mr. D'Aprile to **revolutionise his company's business model in China, moving away from the traditional Ho.Re.Ca channel to focus on e-commerce, specifically Douyin** (the Chinese version of TikTok) and Xiaohongshu (Little Red Book, aka RED). Interestingly, he did not consider other popular e-commerce platforms such as Tmall and JD.com.

The Polvanera store on Douyin, its video feed, and that of the KOL selected by Mr. D'Aprile to promote his company's wines.

Working with a Chinese KOL to promote wine as part of the Italian lifestyle

In the first months of 2020, Mr. D'Aprile and his team collaborated with external professional partners to open a store on Douyin for the Cantine Polvanera winery, a process that took roughly three months. Meanwhile, Mr. D'Aprile selected a Chinese influencer based in the Dolomites region in northern Italy who was very knowledgeable about wine and gaining significant popularity on the platform with video content created to share his daily life there. A crucial aspect of his choice was the influencer's admiration for the local lifestyle, especially that of his father-in-law.

Mr. D'Aprile established a **long-term partnership** with this influencer to sell the wines of his clients in ad hoc live sessions, often streamed from the winery's cellar or during grape harvest season. One of the key strengths of Douyin is its ability to leverage impulse purchases by Chinese buyers who are watching the live streaming session. They can make purchases simply by clicking on a link displayed on the platform. This has resulted in significant quantities of wine being sold in a very short amount of time. Over the course of three years, the Polvanera store on Douyin has managed more than 235,000 orders; it is now **ranked within the top 1% of stores on Douyin. It has also received impressive 5-star ratings for quality, customer service, and logistics**. On average, Mr. D'Aprile ships one full container of wine to China per month.

Advantages, methods, and challenges of working with Chinese KOLs

According to Mr. D'Aprile, most Italian wineries selling in China seem to adopt an excessively defensive approach. They primarily focus on investing in promoting the technical aspects of their products and safeguarding them against the challenges of the Chinese market, including counterfeiting. This isn't necessarily a negative strategy; however, it appears that attention to the Chinese wine consumer, specifically their main characteristics and unique needs and expectations, takes a backseat. He describes it as akin to pursuing a Ph.D. degree when your primary audience has a secondary education; **the majority of Chinese consumers may lack the ability to fully appreciate the finer nuances of an imported wine**.

In this context, a Chinese influencer with technical knowledge of wine becomes immensely valuable. The influencer can **elucidate what the Chinese market demands and effectively communicate the quality and features of an imported wine to Chinese consumers**, conveying the "mood" of a wine in an easily understandable manner. According to Mr. D'Aprile, having such an intermediary is fundamental.

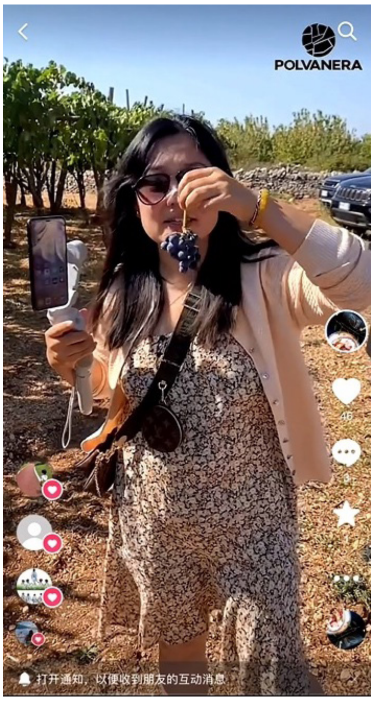
Of course, working with Chinese KOLs is extremely challenging, especially for newcomers without extensive knowledge of the Chinese market. This is perhaps an area where national institutions and representatives can provide assistance (more details at the end of the case study). However, if executed well, it can be extremely rewarding, with a long-term and mutually beneficial mindset. **It should not be a one-off approach aimed at selling a single batch of products; instead, it should be a medium to long-term strategy that benefits both parties**.

Tips for working with Chinese KOLs

Chinese KOLs generally seek two main benefits. The first is economic gain, which can be quite substantial (more details below). The second, according to Mr. D'Aprile, is even more critical than the first: reputation. **For a KOL, reputation is the bedrock of their business. Their role is to establish a trust-based relationship with their followers** by providing knowledge and opportunities rather than fabricated information. For example, when a KOL describes the characteristics or lifestyle in a particular area, such as the Dolomites, it piques curiosity among their followers. These followers will conduct further research, most likely through other channels on the same platform or other social media, to confirm the KOL's authenticity. If the information checks out, trust in the KOL grows; if not, they may stop listening to the KOL. If, at a later stage, the same KOL discusses wine while describing the Italian lifestyle, their followers will trust that the information shared by the KOL is genuine. Therefore, without this trust-based relationship, KOLs would not exist.

Foreign wine sellers interested in working with Chinese KOLs should firmly keep this in mind: **just as KOLs help increase sales, they should also assist KOLs in further enhancing their reputation**. This will also positively impact the fees required to engage them.

At the same time, foreign wineries tend to underestimate what is actually required to work with KOLs. If your aim is to sell one or two thousand bottles of a single type of wine, **you need to have the necessary inventory available already in China** (for instance, ten thousand bottles available). This requires exceptional logistics, financial and organisational skills – as well as full support from the wine producers. **This is also why Cross-Border E-Commerce is not a suitable option for wine**, in Mr D'Aprile's opinion: it can be used to sell a few bottles for tasting purpose, but it does not guarantee the volumes and most importantly the speed of the logistics that Chinese consumers seek.



A Polvanera livestreaming session on Douyin, filmed during grape harvest season.

Costs of working with a Chinese KOL

The fee structure for Chinese KOLs is as follows:

- **Commission on sales**: This can vary significantly depending on the popularity and follower base of the KOL, generally ranging from 10% to even 30% of the revenue.

- **Fixed fee**: This also varies, but it could be as high as 2k or 3k EUR per single session, without guaranteeing any performance target. Typically, if the fixed fee is low, the commission fee is higher, and vice versa. Alternatively, it is also possible to negotiate more stable options, such as monthly agreements, during which the KOL commits to regularly promote the winery in their activities. In this case, the investment is certainly more significant (e.g., 30k to 40k EUR per month), but it encourages the KOL to perform well, often leading them to be proactive and propose new approaches to increase sales.

Wineries looking to collaborate with Chinese KOLs should bear in mind that their bargaining power depends on the notoriety of the brand (with the exception, of course, of large-scale, world-class brands). KOLs will have little interest in working with unknown foreign wineries; hence, in such cases, their negotiating power will be low. However, if a foreign winery is already well-known in China, perhaps due to strong sales records and positive ratings on popular e-commerce platforms, then the winery's negotiating power vis-à-vis the KOL will be higher, potentially resulting in lower fees. Ultimately, KOLs benefit from working with renowned brands.

Mr. D'Aprile is fully aware that, in practice, this poses a barrier for new foreign wineries trying to enter the Chinese market. Therefore, during the initial stage, a higher investment is required to build the brand in China; it's only in a later stage that profits can be maximised.

How can you find Chinese KOLs?

For many professionals engaged in business in China, the potential of the country's e-commerce, especially live e-commerce, is nothing new. Even those without direct experience but with an interest in the Chinese market are aware of the opportunities offered by working with Chinese KOLs. However, **a significant obstacle often faced is how to find the right KOL—how to identify the right one, and subsequently, how to engage with them**. An approach often chosen is to work with third-party marketing agencies that handle everything for a fee. According to Mr. D'Aprile's experience, after working with four such agencies, this approach might work well for certain product categories or larger wineries, but not as effectively for wine, especially for small to medium-sized wineries. The fees requested by these agencies are usually very high, your negotiating power is limited, and often their focus is on quantity rather than quality. Additionally, the KOLs they work with may not possess a solid technical knowledge of wine.

Of course, in the beginning and without a well-established network in the market, there might not be many alternative options. However, **if possible, wineries should attempt to identify potential KOLs on their own or with the help of close partners and work from that list**. The criteria for selection should not be limited solely to the number of followers that a KOL has or the volume of sales achieved in a single session. Other criteria, such as knowledge about the country and lifestyle, specialisation in wine, knowledge of grape varieties and regions, and higher user engagement, should also be taken into account. Nevertheless, it may be challenging to effectively bring these KOLs on board. Even Polvanera, despite its impressive ratings on Douyin, still expends a considerable amount of effort to engage with new KOLs they are interested in cooperating with. At some point, KOLs may even approach you on their own.

Recommendations for national institutions and representations

Foreign wineries, especially small ones entering the Chinese market for the first time, **might encounter challenges when trying to establish themselves or remain competitive over the long term**. There are several barriers that make working with KOLs even more difficult and costly than it already is. These issues can potentially be mitigated, at least in part, by the representations of specific countries, regions, or product consortia in China. Rather than primarily focusing on traditional events such as trade fairs, exhibitions, and store promotions, **national representations could take the initiative to establish a network of Chinese KOLs who specialise in the foreign country/regions and in the wine sector**, possibly even covering the fixed fees that KOLs require for each individual livestreaming session. This approach would reduce costs and facilitate the participation of more wine producers. While it's true that some representations have organised livestreaming sessions on occasion, such as for Tmall's Singles Day or the 618 Shopping Festival, these efforts have typically been isolated campaigns centred around a single event. **A more structural, long-term approach would likely be more beneficial. KOLs may also be more willing to participate, as they effectively become ambassadors for their respective countries, enhancing their own reputation in the process**.

Other considerations and future outlook

Regardless of the channel, whether it's KOLs or the traditional Ho.Re.Ca sector, there are several challenges that foreign wineries need to confront in China. First and foremost, they need to **compete with products from all over the world, often from countries that enjoy preferential trade agreements** with China, resulting in significantly lower prices. Providing a service that meets the expectations of Chinese consumers requires excellent logistics, financial, and organisational skills, as well as a strong commitment of resources. Additionally, there are technical requirements that products must comply with.

However, according to Mr. D'Aprile, **these challenges can be overcome simply by working with the right professionals**. Despite having its own legal entity in China, which allows for hiring people on the ground, Mr. D'Aprile chose to collaborate with external providers, each specialising in a specific aspect of the value chain: one logistics company that houses the wine in its warehouse and handles domestic logistics (strictly Shunfeng), one professional brokerage firm responsible for customs clearance, one professional firm handling customer service, one professional firm managing the Douyin store, and so on. There is only one full-time resource on the ground in China to oversee all these processes. **Costs are inevitably higher, reflecting on pricing. However, this approach guarantees the quality of service and helps avoid unpleasant surprises**. For instance, the GACC/CIFER registration required since January 2022 did not pose an issue for Mr. D'Aprile; the process was efficiently handled within a short period before the deadline.

Last, Mr. D'Aprile expresses little concern about the short-term future outlook of the Chinese wine market. On one hand, the pandemic and the overall political context have caused foreign wineries and exporters to explore other markets. On the other hand, **China's current economic situation is negatively affecting consumption levels**. Consumers and importers are more cautious and less willing to take risks, marking an unprecedented situation for China. On the other side, it is exactly in this time of challenges that, such big market as China is, international key players need to consider, approach and manage professionally.

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Do you want to know more details on China's F&B market? Or the advantages of CBEC as a market entry approach? **Try our brand-new Self-Diagnosis Tool**! It will allow you to gauge your readiness in entering the Chinese market – in an easy and interactive way:
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Further resources

The EU SME Centre has over 200 **reports, guidelines, webinars and case studies** in its Knowledge Centre, the following may be relevant to you:

REPORTS

- *China's Dairy Sector: Market, Technical Requirements and Opportunities* (June 2023):
https://www.eusmecentre.org.cn/publications/chinas-dairy-sector/
- *Guidelines on Exporting Health Food to China* (May 2023):
https://www.eusmecentre.org.cn/publications/guidelines-on-exporting-health-food-to-china/
- *Results of the EU SME Centre F&B Survey on the CIFER System* (May 2023):
https://www.eusmecentre.org.cn/publications/fb-survey-results-customs-processes-and-the-cifer-system-2/
- *Selling to China via Cross-Border E-Commerce* (March 2023):
https://www.eusmecentre.org.cn/publications/selling-to-china-via-cross-border-e-commerce/
- *Food additives in China: Regulations and Practical Cases* (December 2022):
https://www.eusmecentre.org.cn/publications/food-additives-in-china-regulations-and-practical-cases/
- *How to Draft Sales Contracts When Exporting to China* (October 2022):
https://www.eusmecentre.org.cn/publications/drafting-sales-contracts-when-exporting-to-china-2022-update/
- *Mandatory GACC registration for European F&B Establishments* (June 2022):
https://www.eusmecentre.org.cn/publications/mandatory-gacc-registration-for-european-food-beverage-establishments-2/

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