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In the Mood for Wine: Hong Kong's New Love Affair

In today's Pearl of the Orient, a glass of a full-bodied Bordeaux seems easier to come by than a cup of a potent baijiu. Indeed, the Hong Kong wine market has experienced spectacular growth in recent years and this paper will explore some of the key drivers of that growth as well as recent trends of the oenophilia spreading across the city.

Hong Kong wine market uncorked

As wine consumption remains depressed after recession lows in much of Europe, the global wine industry is focusing its attention on Asia for growth opportunities. The Hong Kong SAR Government strategically repealed all import duties and taxes on wine in 2008 and Hong Kong has since positioned itself as not only the region's premier wine market but also a global wine hub for auction houses, retailers, and wine aficionados. Following the abolition of duties, wine imports rose by an impressive 401% in 2009, 73% in 2010, and 40% in 2011 to reach US\$ 1.2 billion in 2011.ⁱ With wine sales also soaring in China, Hong Kong's role as the wine distribution center for the region as well as its special wine import agreement with China promises continued robust growth for the Hong Kong wine market.

It's no longer just an investor's market dominated by vintage French fare. Alongside the surge in imports, consumption has more than doubled between 2006 and 2011 to reach 39 million bottles.ⁱⁱ Hong Kong's per capita wine consumption far outstrips the rest of Asia at 6.3 bottles per personⁱⁱⁱ and Hong Kong consumers are becoming increasingly wine savvy and more adventurous. For the wine lover in Hong Kong, it's no longer a Bordeaux versus Burgundy

debate. Old World wines still dominate imports, but New World wines from South Africa, Australia, and Chile have been quickly gaining market share.^{iv} In terms of consumption, French wines account for 28% while Australian wines follow closely at 20%.^v New entries to the market offer an increasing wealth of options for the burgeoning group of exploratory, aspiring aficionados. Local premium Chinese wines are also making an appearance—perhaps bolstered by the recent news of a surprising win by a Chinese wine from Ningxia over others from France's prestigious Bordeaux region in a 2011 blind test.^{vi} Nowadays, organic wines can also be found in most wine shops and more nonconventional “natural” and “biodynamic” wines are being introduced to Hong Kong. Matching the growth of diverse options and a more sophisticated market, the number of public and private training institutions for wine appreciation and sommelier training is increasing. More and more wine shops and bars offer not only tastings, but also formal classes and even guided wine tours for everyone from the well informed connoisseur to the wine neophyte.

Wine goes online

As more people grow curious about wine, the Internet plays an important role in the Hong Kong scene. Given the wealth of information online, it is not surprising that when wine drinkers look for more information, the very first place they turn to is the Internet. According to the Ipsos MediaCT database, 54% of regular wine drinkers (those who consume wine at least once a month) agree that they first look for information on the Internet (17% disagree). To fill Hong Kong's growing appetite for information about wine, a growing online community of wine



enthusiasts has developed and a proliferation of wine blogs, both local and global, offer and share information. 43% of regular wine drinkers in Hong Kong have read blogs in the past month and 44% always refer to comments on forums or blogs before making a purchase.

A wine for every need

Meeting the growing demand, wine has become more accessible and easily available. Once a scene dominated by wine auctions of fine and rare wines, fine dining restaurant, and niche wine stores, wine can now be easily found at convenience stores, supermarkets, and Chinese restaurants across the city. Wider pricing options are available with more affordable wines and smaller bottle options. New “user-friendly” wines such as wines with screw caps and crown seals and wines with English labels emphasizing primary grape variety offer added convenience and welcome more inexperienced wine drinkers who may be more unfamiliar with wine openers and appellation differences.^{vii}

Of course, there is certainly no lack of options or demand for the fine and rare wines. Wine auction sales in Hong Kong continue to break record prices and wine consumption in Hong Kong remains driven by high-income households with strong sales maintained by China's growing number of newly wealthy individuals. 58% of individuals in the top income bracket in Hong Kong (monthly income of at least HK\$125,000) are regular wine drinkers versus the population average of 24%. Fine wine sales in Hong Kong and China are likely to remain strong as luxury consumers expect to increase spending on top-brand wines, according to the Ipsos China Luxury Forecast 2012.

The drink of the gods?

Wine sales in Asia still center on business and gift-giving as the associations between wine and notions of wealth, status, and prestige remain strong among Asian consumers. Among Chinese luxury consumers, top-brand wines and spirits remain the most popular gifts for business acquaintances above all other luxury goods (Ipsos China Luxury Forecast 2012). Along with wealth, wine also implies a certain cultural sophistication. Unsurprisingly, Hong Kongers who frequently visit museums or art galleries are far more likely to be regular wine drinkers: 19% of those who visit museums or art galleries at least once a week are regular champagne or sparkling wine drinkers versus the population average of just 6%. Avid theater-goers are also more likely to be wine drinkers as 51% of people who watch operas or plays in theaters at least once a week are regular red wine drinkers versus the population average of 23%.

Associations between wine and health are also taking hold, as wine is increasingly considered a healthier alternative to spirits. Reported or perceived health benefits of wine for the heart, cholesterol, cancer dieting, and anti-aging contribute to growing sales, strengthened by the “well-being” trend in Asia. Health conscious Hong Kongers who exercise at least once a week are more likely to be regular wine drinkers of red wine (45%) than the population average (23%).

Strengthened by these associations between red wine and health benefits as well as cultural sophistication, red wine still dominates wine consumption in Hong Kong. 23% of people in Hong Kong drink red wine at least once a month compared to just 8.4% of people who consume white wine at least once a month. Red wine consumption, like alcohol consumption in general, is driven by males (34.1% of males drink red wine at least once a month versus 12.9% of females).

Future growth



Even with the recent growth in consumption, a huge opportunity exists in Hong Kong. 36.5% of the population have never consumed red wine and 48.2% have never consumed white wine, which lags considerably behind beer (11.5% for males and 37.8% for females). The percentage is even higher among younger age groups. 46.8% of the 18-24 year age bracket have never tried red wine, representing a sizeable opportunity for the industry to build awareness and consideration of wine among the younger age groups and increase usage for years to come.

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