

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



"The forty percentage point increase in the spirits market in 2010 seems to be a distant memory now. The golden ten years of the spirits market ended in such an abrupt way that few could ever have rightly predicted it happening."

– David Zhang, Research Analyst

This report looks at the following areas:

- Is the knowledge barrier of Western spirits breakable?
- Is drinking at home showing potential in the spirits market?
- Are milder, healthier baijiu products showing potential among the young?
- How to make baijiu more suitable for women?

The shrinking high-end spirits segment and the subsequently over-crowded mid-range have made life difficult for spirits brands in 2012 & '13, with the growth rate of spirits market in value terms shrinking substantially. Mintel's 2014 forecast puts the growth rate at just a couple of percentage points above the inflation rate, making it the worst performance since the start of the golden ten years at the beginning of 2000.

Baijiu is under pressure from both the regulatory perspective and the competition from its main rivalry, Western spirits. Although baijiu maintains the majority of the market share, its core user base, men in their thirties and forties and consumers from tier one cities, are showing signs of decline. In order to shield itself from the competition, baijiu brands will need to address consumers' concerns over its health implications and strong taste by offering milder and lighter versions of baijiu. An original liquid concept could also be utilised to solidify baijiu's presence in lower tier cities.

Western spirits are facing different types of challenges. Lack of knowledge makes adoption of Western spirits a slow and costly process. With the initial hype dying out, Western spirits brands are in the right place to nurture the market to achieve more sustainable growth in the future.

**BUY THIS
REPORT NOW**

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Introduction

Methodology
Limitation
Definitions
Abbreviation

Executive Summary

The painful reshuffle leads to a sustainable growth in the future
Figure 1: Best- and worst-case forecast of China retail value sales of spirits, 2009-19

Gender barriers most pronounced in baijiu category
Figure 2: Reasons for not drinking baijiu, June 2014

Lack of knowledge stops consumers from drinking Western spirits
Figure 3: Reasons for not drinking Western spirits, June 2014

Spirits users' willingness to trade up is high
Figure 4: General attitudes towards drinking spirits, June 2014

The eagerness to see product innovation is high in the baijiu category
Figure 5: Attitudes towards production innovation concepts for baijiu, June 2014

What we think

Insights and Issues

Is the knowledge barrier of Western spirits breakable?
The facts
The implications

Is drinking at home showing potential in the spirits market?
The facts
The implications

Are milder, healthier baijiu products showing potential among the young?
The facts
The implications

How to make baijiu more suitable for women?
The facts
The implications

Trend Applications

Make it Mine
Guiding Choice
Prove it

Market Drivers

Key points

BUY THIS
REPORT NOW

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100
EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Rising disposable income encourages consumers to trade up...

Figure 6: Disposable income per capita household in urban China, 2005-13

... but the ongoing anti-extravagance campaign will drive spirits prices down

Rising food prices further squeeze baijiu brands' profits...

Figure 7: Wholesale prices of key staples in China, 2009-14

... but the consumption tax reform is likely to ease the pressure

Market Size and Forecast

Key points

The end of the golden ten years and the new start of the spirits market

Figure 8: Value and volume sales for Chinese spirits, 2009-19

Figure 9: Value and volume sales for Western spirits

The painful reshuffle leads to a sustainable growth in the future

Figure 10: Best- and worst-case forecast of China retail value sales of spirits, 2009-19

Figure 11: Best- and worst-case forecast of China retail volume sales of spirits, 2009-19

Profit being squeezed in the baijiu category

Figure 12: Best- and worst-case forecast of China retail value sales of Chinese spirits, 2009-19

Figure 13: Best- and worst-case forecast of China retail volume sales of Western spirits, 2009-19

Fluctuation in the Western spirits market

Figure 14: Best- and worst-case forecast of China retail value sales of Western spirits, 2009-19

Figure 15: Best- and worst-case forecast of China retail volume sales of Western spirits, 2009-19

Forecast methodology

Market Segmentation

Key points

Western spirits are losing grounds

Figure 16: Segment performance of the spirits market in China, 2009-14

Different pictures within the Western spirits category

Figure 17: Market share changes from 2011-13 in the Western spirits category

Figure 18: Growth rate of selected types of drink in the Western spirits category, 2012-13

Market Share

Key points

The consolidation process in the baijiu category has ground to a halt

Figure 19: Market share of leading brands in the spirits category, by value, 2010-13

Figure 20: Market share of the top ten brands in the baijiu category

Brands and Companies

Leading baijiu brands

Yibin Wuliangye

Kweichow Moutai Co., Ltd

Leading Western spirits companies

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Diageo Plc

Pernod Ricard S.A.

The Consumer – Drinking Habits for Spirits

Key points

Relatively low penetration of baijiu and Western spirits shows potential

Figure 21: Consumers' drinking habits for spirits, June 2014

Baijiu is more popular among men, high earners, and those in lower tier cities

Figure 22: Consumers who drank baijiu in the past six months, by selected demographics, June 2014

High earners and people from tier one cities drink Western spirits more

Figure 23: Consumers who drank Western spirits in the past six months, by selected demographics, June 2014

Guangzhou stands out with highest Western spirits penetration

Figure 24: Consumers who drank Western spirits in the past six months, by regions, June 2014

Consumers in their thirties and low earners more likely to be non-drinkers of spirits

Figure 25: Non-drinkers of spirits, by selected demographic groups, June 2014

The Consumer – Reasons for Not Drinking Baijiu

Key points

Gender barriers most pronounced in baijiu category

Figure 26: Reasons for not drinking baijiu, June 2014

Figure 27: Flavoured sake products launched in Japan 2010-12

Older non-drinkers tend to consider baijiu as "old fashioned"

Health implications and baijiu's strong taste deter consumers from drinking

Price barrier is very limited in the baijiu category

Milder baijiu products appeal to the young

Figure 28: Selected reasons for not drinking baijiu, by age group, June 2014

Taste barrier more pronounced among women

Young non-drinkers feel that baijiu is not for their age

Figure 29: Agreement with the statement "Baijiu is not suitable for people of my age", by age, June 2014

Geographic location is no longer a good indicator

Figure 30: Selected reasons for not drinking baijiu, by region, June 2014

The Consumers – Willingness to Try Baijiu

Key points

More than one in three non-drinkers of baijiu are willing to try

Figure 31: Willingness to try baijiu in the next six months, June 2014

Young consumers, high earners are more likely to try baijiu

Figure 32: Willingness to try baijiu in the next six months, by selected demographics, June 2014

Non-drinkers from Chengdu are less likely to try

Figure 33: Non-drinkers who are not willing to try baijiu, by region, June 2014

The Consumer – Reasons for Not Drinking Western Spirits

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Key points

Lack of knowledge stops consumers from drinking Western spirits

Figure 34: Reasons for not drinking Western spirits, June 2014

Figure 35: Agreement with the statement "I know little about Western spirits", by selected demographics, June 2014

Peer pressure remains as a key barrier

Figure 36: Most popular reasons for not drinking Western spirits, by demographics, June 2014

Non-drinkers worry about counterfeit Western spirits

Specially designed drinks for women do not appeal to the majority of female non-drinkers

Figure 37: Willingness to try Western spirits, by next most popular reasons for not drinking Western spirits, June 2014

Health concerns deter tier one consumers and mid earners

Figure 38: The agreement with the statement "Western spirits are not good for health" by selected demographics, June 2014

The Consumer – Willingness to Try Western Spirits

Key points

More than half of non-drinkers willing to try

Figure 39: Willingness to try Western spirits, June 2014

Figure 40: Willingness to try Western spirits, by demographics, June 2014

Shanghai as a market shows limited potential to expand

Figure 41: Willingness to try Western spirits, by demographics, June 2014

The Consumer – Drinking Occasions For Western Spirits

Key points

Repertoire consumption is widely seen in the Western spirits market

Figure 42: Drinking occasions of Western spirits in the past six months, June 2014

Drinking-at-home occasion is on the rise for Western spirits

Socialising with friends is the most popular occasion

The Consumer – Users of Different Types of Western Spirits

Key points

Whisky attracts older consumers and mid-to-high earners

Figure 43: Whisky users in past six months, by selected demographics, June 2014

Brandy more appealing to high earners and consumers in their forties

Figure 44: Brandy users in past six months, by selected demographics, June 2014

At-home occasions popular among women in their forties

Figure 45: Spirits users who drank brandies at home in past six months, by selected demographics, June 2014

Women in their twenties show potential to become users of brandy

Figure 46: Spirits drinkers who did not drink brandy in the past six months, by gender and age, June 2014

Women in their forties are more likely to drink gin

Figure 47: Gin users in the past six months, by selected demographics, June 2014

Vodka holds a premium image

Figure 48: Users of vodka in the past six months, by personal income, June 2014

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

The Consumer – Users and Drinking Occasions of Baijiu

Key points

Baijiu is unnecessarily perceived as an old man's drink

Figure 49: Users of baijiu in the past six months, by gender and age, June 2014

Figure 50: The usage of baijiu, by drinking occasions, June 2014

Socialising with friends a popular drinking occasion for consumers from the north

Figure 51: Users who drunk baijiu when socialising with friends in the past six months, by regions, June 2014

The Consumer – General Attitudes towards Drinking Spirits

Key points

Spirits users' willingness to trade up is high...

Figure 52: General attitudes towards drinking spirits, June 2014

... but promotion deals are still welcomed

Word of mouth as an information channel is getting increasingly important

Health concerns hit baijiu consumption

Figure 53: Agreement with the statement "I am drinking less spirits compared to six months ago due to health concerns", by type of spirits drunk, June 2014

Men show greater interests in spirits' taste and flavour

Figure 54: Agreement of selected attitude statements, by gender, June 2014

Mobile phones and in-store information channels work better with Western spirits

Figure 55: Agreement of selected attitude statements, by types of spirits drinkers, June 2014

Regional differences play a key part

Figure 56: Attitudes towards drinking baijiu with specific flavours, by region, June 2014

Figure 57: Attitudes towards drinking Western spirits with authentic taste, by region, June 2014

Different types of Western spirits show disparity in attitudes

Figure 58: Selected general attitudes towards spirits, by different types of Western spirits, June 2014

At-home occasion for baijiu shows potential

Figure 59: Selected general attitudes towards spirits, by drinking occasions, June 2014

The Consumer – Innovation for Baijiu

Key points

The original liquid shows potential to appeal to the core user group of baijiu

Figure 60: Attitudes towards production innovation concepts for baijiu, June 2014

Highlighting mixability of baijiu makes it appealing to women

The Consumer – Product Innovation for Western Spirits

Key points

Unique and innovative packaging shows potential

Figure 61: Attitudes towards production innovation concepts for Western spirits, June 2014

Figure 62: Medea vodka launched in the US in Q2 2013

Single malt whisky shows potential

Figure 63: Attitudes towards single malt whisky for Western spirits, June 2014

BUY THIS
REPORT NOW

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100
EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Women shows greater interests in production innovation in Westerns spirits category

Women are more willing to join both online and offline activities

RTD drinks appeal to women

Limited edition appeals to female drinkers in their forties

Appendix – Drinking Habits in the Last Six Months

Figure 64: Consumers' drinking habits for spirits, June 2014

Figure 65: Consumers' drinking habits for spirits, by demographics, June 2014

Appendix – Reasons for Not Drinking Baijiu in the Last Six Months

Figure 66: Reasons for not drinking baijiu, June 2014

Figure 67: Most popular reasons for not drinking baijiu, by demographics, June 2014

Figure 68: Next most popular reasons for not drinking baijiu, by demographics, June 2014

Figure 69: Reasons for not drinking baijiu, by willingness to try baijiu, June 2014

Appendix – Willingness to Try Baijiu

Figure 70: Willingness to try baijiu, by demographics, June 2014

Figure 71: Willingness to try baijiu, by most popular reasons for not drinking baijiu, June 2014

Figure 72: Willingness to try baijiu, by next most popular reasons for not drinking baijiu, June 2014

Appendix – Reasons for Not Drinking Western Spirits in the Last Six Months

Figure 73: Reasons for not drinking Western spirits, June 2014

Figure 74: Most popular reasons for not drinking Western spirits, by demographics, June 2014

Figure 75: Next most popular reasons for not drinking Western spirits, by demographics, June 2014

Figure 76: Reasons for not drinking Western spirits, by Willingness to try Western spirits, June 2014

Appendix – Willingness to Try Western Spirits

Figure 77: Willingness to try Western spirits, by demographics, June 2014

Figure 78: Willingness to try Western spirits, by most popular reasons for not drinking Western spirits, June 2014

Figure 79: Willingness to try Western spirits, by next most popular reasons for not drinking Western spirits, June 2014

Appendix – Drinking Occasions in the last 6 Months

Figure 80: Drinking occasions of Western spirits, June 2014

Figure 81: Drinking occasions of Western spirits, June 2014

Figure 82: Drinking occasions of baijiu, June 2014

Figure 83: Drinking occasions of baijiu, June 2014

Figure 84: Most popular drinking occasions of Western spirits – Western spirits, by demographics, June 2014

Figure 85: Next most popular drinking occasions of Western spirits – Western spirits, by demographics, June 2014

Figure 86: Most popular drinking occasions of Western spirits – Whisky/bourbon, by demographics, June 2014

Figure 87: Next most popular drinking occasions of Western spirits – Whisky/bourbon, by demographics, June 2014

Figure 88: Most popular drinking occasions of Western spirits – Brandy/Armagnac/Cognac, by demographics, June 2014

Figure 89: Next most popular drinking occasions of Western spirits – Brandy/Armagnac/Cognac, by demographics, June 2014

Figure 90: Most popular drinking occasions of Western spirits – Gin, by demographics, June 2014

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

- Figure 91: Next most popular drinking occasions of Western spirits – Gin, by demographics, June 2014
- Figure 92: Most popular drinking occasions of Western spirits – Vodka, by demographics, June 2014
- Figure 93: Next most popular drinking occasions of Western spirits – Vodka, by demographics, June 2014
- Figure 94: Most popular drinking occasions of Western spirits – Tequila, by demographics, June 2014
- Figure 95: Next most popular drinking occasions of Western spirits – Tequila, by demographics, June 2014
- Figure 96: Most popular drinking occasions of Western spirits – Liqueurs, by demographics, June 2014
- Figure 97: Next most popular drinking occasions of Western spirits – Liqueurs, by demographics, June 2014
- Figure 98: Most popular drinking occasions of Western spirits – Cocktail, by demographics, June 2014
- Figure 99: Next most popular drinking occasions of Western spirits – Cocktail, by demographics, June 2014
- Figure 100: Most popular drinking occasions of Western spirits – Rum, by demographics, June 2014
- Figure 101: Next most popular drinking occasions of Western spirits – Rum, by demographics, June 2014
- Figure 102: Most popular drinking occasions of Western spirits – Wine, by demographics, June 2014
- Figure 103: Next most popular drinking occasions of Western spirits – Wine, by demographics, June 2014
- Figure 104: Most popular drinking occasions of Western spirits – Other Western spirits, by demographics, June 2014
- Figure 105: Next most popular drinking occasions of Western spirits – Other Western spirits, by demographics, June 2014
- Figure 106: Most popular drinking occasions of Western spirits – Don't remember, by demographics, June 2014
- Figure 107: Next most popular drinking occasions of Western spirits – Don't remember, by demographics, June 2014
- Figure 108: Most popular drinking occasions of baijiubaijiu, by demographics, June 2014
- Figure 109: Next most popular drinking occasions of baijiubaijiu, by demographics, June 2014
- Figure 110: Drinking occasions of Western spirits, by repertoire of drinking occasions of Western spirits, June 2014
- Figure 111: Attitudes towards drinking spirits, by repertoire of drinking occasions of Western spirits, June 2014

Appendix – General Attitudes towards Drinking Spirits

- Figure 112: Attitudes towards drinking spirits, June 2014
- Figure 113: Attitudes towards drinking spirits – Consumption behaviour, by demographics, June 2014
- Figure 114: Attitudes towards drinking spirits – Information channel, by demographics, June 2014
- Figure 115: Attitudes towards drinking spirits – Price and promotion, by demographics, June 2014
- Figure 116: Attitudes towards drinking spirits, by drinking occasions of spirits – Western spirits, June 2014
- Figure 117: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Whisky/bourbon, June 2014
- Figure 118: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Whisky/bourbon, June 2014
- Figure 119: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Brandy/Armagnac/Cognac, June 2014
- Figure 120: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Brandy/Armagnac/Cognac, June 2014
- Figure 121: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Gin, June 2014
- Figure 122: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Gin, June 2014
- Figure 123: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Vodka, June 2014
- Figure 124: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Vodka, June 2014
- Figure 125: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Tequila, June 2014
- Figure 126: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Tequila, June 2014
- Figure 127: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Liqueurs, June 2014
- Figure 128: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Liqueurs, June 2014

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com
 CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100
 EMAIL: reports@mintel.com

Spirits - China - September 2014

Report Price: £2463.80 | \$3990.00 | €3129.79

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 129: Attitudes towards drinking spirits, by most popular drinking occasions of spirits – Cocktail, June 2014

Figure 130: Attitudes towards drinking spirits, by next most popular drinking occasions of spirits – Cocktail, June 2014

Figure 131: Attitudes towards drinking spirits, by drinking occasions of spirits – Rum, June 2014

Figure 132: Attitudes towards drinking spirits, by drinking occasions of spirits – Wine, June 2014

Figure 133: Attitudes towards drinking spirits, by drinking occasions of spirits – Other Western spirits, June 2014

Figure 134: Attitudes towards drinking spirits, by drinking occasions of spirits – Don't remember, June 2014

Appendix – Attitudes towards New Product Innovation Concepts in Baijiu

Figure 135: Attitudes towards new product innovation concepts in baijiu, June 2014

Figure 136: Interest in the statement 'Products containing added traditional Chinese medicine ingredients', by demographics, June 2014

Figure 137: Interest in the statement 'The original liquid without being blended', by demographics, June 2014

Figure 138: Interest in the statement 'Products suitable for mixing with other alcoholic beverages/soft drinks', by demographics, June 2014

Figure 139: Interest in the statement 'Packages designed for special occasions', by demographics, June 2014

Figure 140: Interest in the statement 'Fashionable packaging', by demographics, June 2014

Figure 141: Interest in the statement 'Products designed for the young^', by demographics, June 2014

Figure 142: Interest in the statement 'Products designed for women^^', by demographics, June 2014

Figure 143: Interest in the statement 'baijiu with milder taste', by demographics, June 2014

Figure 144: Interest in the statement 'Products with low alcohol content', by demographics, June 2014

Figure 145: Interest in the statement 'Products from well-known brands but lower priced', by demographics, June 2014

Figure 146: Interest in the statement 'Products in small pack', by demographics, June 2014

Appendix – Attitudes towards New Product Innovation Concepts in Western Spirits

Figure 147: Attitudes towards new product innovation concepts in Western spirits, June 2014

Figure 148: Interest in the statement 'Packaging with Chinese elements', by demographics, June 2014

Figure 149: Interest in the statement 'Limited edition especially for Chinese market', by demographics, June 2014

Figure 150: Interest in the statement 'Western spirits designed for women^', by demographics, June 2014

Figure 151: Interest in the statement 'Ready-to-drink spirits drinks', by demographics, June 2014

Figure 152: Interest in the statement 'Products with customized taste for Chinese consumers', by demographics, June 2014

Figure 153: Interest in the statement 'Products with a brochure about drinking knowledge', by demographics, June 2014

Figure 154: Interest in the statement 'Products offering offline brand/membership activities', by demographics, June 2014

Figure 155: Interest in the statement 'Products offering online brand/membership activities', by demographics, June 2014

Figure 156: Interest in the statement 'Western spirits with more accessible price', by demographics, June 2014

Figure 157: Interest in the statement 'Fashionable/unique packaging design^^', by demographics, June 2014

Figure 158: Interest in the statement 'Innovative gift packaging^^^', by demographics, June 2014

Figure 159: Interest in the statement 'Western spirits with additional flavours^^^', by demographics, June 2014

Figure 160: Interest in the statement 'Single malt whisky^^^^', by demographics, June 2014

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com