

Hu is China's Glamour Puss?



Misha Wilkinson

Shanghai, or 'Hu' as she's called for short in Chinese, has long been known by her more glamorous pseudonym, the Paris of the East, due to her outstanding art collection, inspiring art deco architecture, strong economic prowess and an unabashed willingness to embrace the West. However she also earned some rather unsavoury nicknames during the period of Western occupation in the 1800s and early 1900s when vices and indulgences got the better of her. But now she's back – in all her glory and larger than life. Shanghai has re-emerged as the Pearl of the Orient and once again proving her allure with a long list of suitors from all over the world who are queuing up to win favour and get her a little more intoxicated.

Just how popular Shanghai has become, is controversial in itself, with the *China Daily* remarking she "might have reached 23 million" (although her registered figure is a trim 14 million). Whatever that elusive number, she's clearly the wealthiest and largest prize in China's burgeoning wine market and one that deserves all the attention she's garnering. Mike Arand, New Zealand's Shanghai-based Trade Commissioner and Consul Commercial knows exactly how to characterise her allure. "In 2011 the GDP was US\$300 billion making it an economy slightly larger than Malaysia, Singapore or Chile," he says. "In fact Shanghai and the surrounding regions of Jiangsu, Zhejiang and Anhui make up just over 24% of China's total GDP. Often suppliers, exporters and distributors look at the huge 1.3 billion population in China and assimilate this with the growth story, to assume a huge and profitable market is ready and waiting for them."

However the statistics he quotes (from Wine Intelligence) report that only 18 million across the entire country are truly in the market for quality imported wine. "Of that total import market, France commands a share of over 50%, Australia approximately 20% and New Zealand around 2%," Arand says. So the big opportunity with China is all about its potential. But as Arand says, "The good news is that the market is continuing to grow, and tastes are changing and developing so China, and in particular the more developed cities like Shanghai, are hugely important for New Zealand."

Gavin Jones, director of Jebesen Fine Wines, one of the largest international wine importer and distributors in China says, "New Zealand, with its highest average FOB value per bottle will over the coming years play an important role in Shanghai and other leading cities." He says at this stage the opportunities are limited because of those relatively high prices, but says "this will continue to change as consumers show demand

for these wines and F&Bs recognise they need to venture away from a standard format wine list."

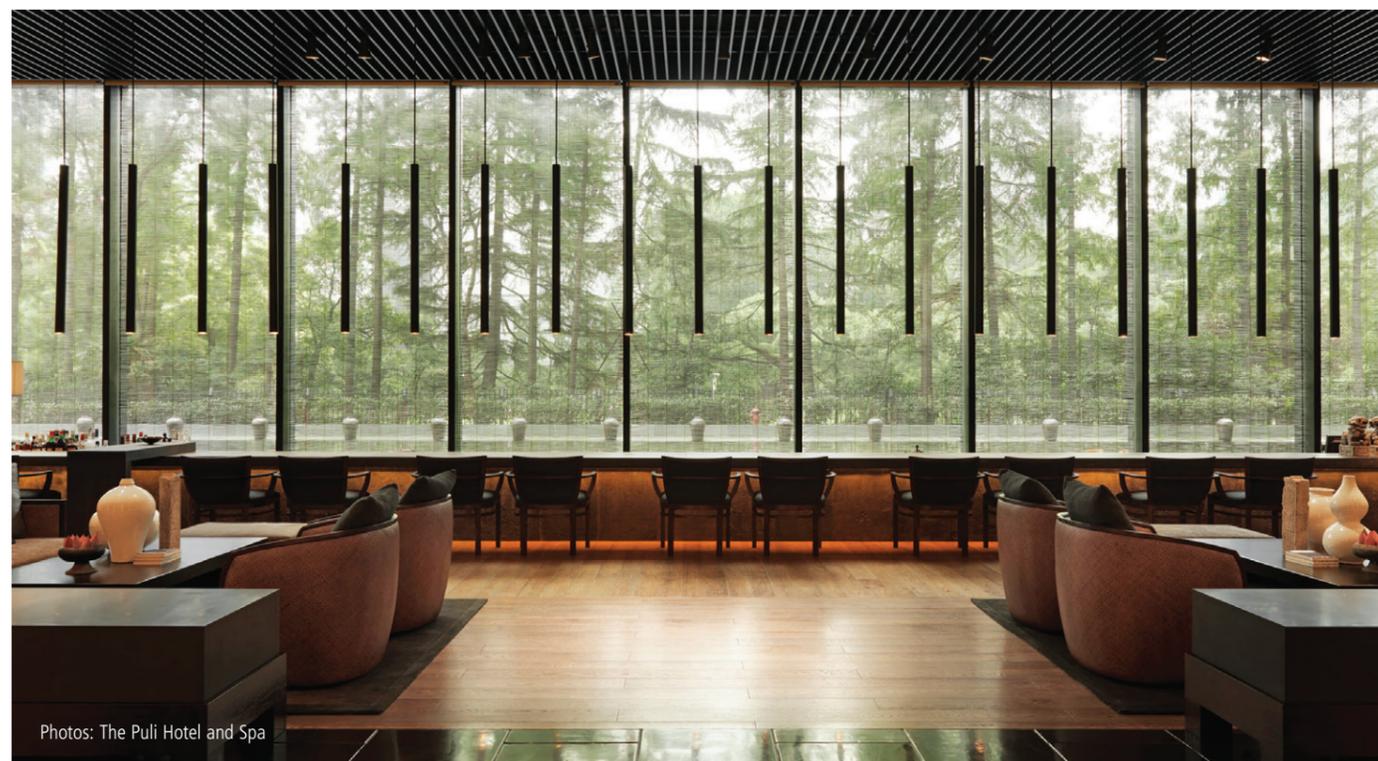
His company, part of the much larger Jebesen Group which first established its presence in Shanghai in the heady days of 1895, set up its China wine division in Shanghai in more recent years. It now has offices in four cities and a network of appointed distributors and wholesalers across the top 80 cities of China. He believes that all leading wine suppliers need to carry wines from New Zealand in their portfolio and currently Jebesen has strong brands from three leading regions of New Zealand – Marlborough, Central Otago and Hawke's Bay. "New Zealand's advantage is that it is perceived as a premium wine producing country with no entry level wines to confuse the consumer. It's a great starting place," he says.

One of the F&B managers pushing boundaries in Shanghai is Christopher Young, director of Food and Beverage at The Puli Hotel and Spa. Young is originally from Australia and prior to succumbing to Shanghai's charms was at Jacques Reymond restaurant in Melbourne for many years. "The opportunity for New Zealand wines in Shanghai, as well as that in all of greater China, is enormous," he says. And in spite of the "Franco-centric current mentality", he's part of a small group within the trade who are offering the opportunity for education and experimentation with varietals and regionality.

Young has certainly raised the bar by running a Gewürztraminer promotion and now serves a New Zealand Pinot Gris by-the-glass, which he also recently served at a party for 350 guests on behalf of the International Luxury Travel Market. However he admits "this is not a common listing in Shanghai" but then The Puli tries to be anything but common, describing itself as "Shanghai's first luxury, urban resort". Young says his clientele is a "discerning blend of local, regional and international design savvy guests" and when it comes to wine, he says they have an interest and knowledge that's in sync with current global styles and trends.

"The New Zealand representation on the wine list is around 5% of the total, and within this percentage there are 10 different varietals represented," he says. "I believe that this more than adequately showcases New Zealand's best, with Sauvignon Blanc without doubt capturing the number one position in sales." It's great to hear New Zealand is getting that sort of support from an Australian. While hotel guests may not be representative of your usual Chinese audience, there's no shortage of luxury hotels in Shanghai and the sector is growing with the city expecting to attract 240m domestic tourists and 10m international arrivals by 2015.

David Begg, operations manager for Shanghai



Photos: The Puli Hotel and Spa

Slim's, is a Kiwi who started out in Wellington then moved to Australia (where he admits "falling in love with Australian wine"), then went to New York. "Where do you go after New York?" Shanghai of course. A two-year stint has evolved into four years and now he says he's "hooked by the relentless pace, the challenges, and the opportunities to learn". In terms of his New Zealand wine listings, he says, "I have only two. I'm not very patriotic in terms of wine and it is difficult to justify from a business point of view when we're an American restaurant in a market that is not overly receptive to NZ wines. Having said that, I should have a couple more really – I have my eye on Otago Pinot." Begg admits that New Zealand Sauvignon Blanc is of course wildly popular with expats, but "not so much with the Chinese, who mostly drink red – although the ladies often prefer a sweeter white." He says Sauvignon Blanc is harder to sell to Chinese "unless it is the very fruity style – tart and herbaceous is just not popular".

Does he think there's a good opportunity for premium New Zealand wine in Shanghai? "Absolutely – but exclusivity and quality is key." He believes not only do you need a marketing program to educate the Chinese that the wine is good, but you also need status. "To get status, New Zealand's best option is to go for exclusivity and scarcity – go for numbered bottles and 'price on application' and that kind of thing," he suggests. "With a billion people here, the rich like to feel they have something that no-one else can get. Tell them they can't have it or it's difficult to

get and they want it! If you ever order a bottle of Champagne in a club here it gets paraded around the room with sparklers in the ice bucket before arriving at the table, and really, buying by-the-glass is for poor people who can't afford the whole bottle."

Young agrees with the idea of prestige purchasing and says "without doubt, the majority of wine sales within Shanghai are driven by status, and generally speaking, wine taste is a distant second". And as to why there is a preference for red wines, he says, "Whether or not it is for the reasons that the Chinese palate is better attuned to red is hard to say, however I believe moreso that the status-driven reputation of Bordeaux has contributed to a general belief that red wine is better wine."

In terms of which wines are the most suitable matches, who cares! "Aromatics certainly are a good mix for Chinese cuisines and seem well liked in terms of wine style with a remarkable amount of trade and consumers at various wines shows in which we have participated," says Jones. "But the actual number of on-premise accounts currently prepared to promote these wines is quite small." And you have to admit that food and wine matching is challenging with Chinese and Asian cuisine where you normally enjoy a variety of dishes with many flavours and textures. As Begg quite rightly points out: "I think if you'd asked the average New Zealander 25 years ago about matching food and wine you wouldn't have got a very intelligent response. We have come a long way since the '60s and '70s and I think with time the Chinese will realise that

Bordeaux is not the ideal choice for bird's nest soup."

So what is it about Bordeaux and this passion for all things French? The French Concession which operated in Shanghai from 1849 to 1946 has long since gone but the Francophiles live on. Thomas Geffré is French, (originally from Bordeaux where he trained as a winemaker) and works as a senior sales manager with a large wine distributor selling to western restaurants and high-end hotels. He's currently proving the love affair between Shanghai and the French goes both ways as he's been seduced by her charms for more than six years. Although he works at the top end of the market which is mostly French and status-driven, he sees New Zealand Sauvignon Blanc starting to be recognised. "White wine is a very small percentage of the Chinese market but growing at a steady pace. And since there is a big presence of Moët Hennessy Diageo in many outlets, Cloudy Bay is paving the way."

Geffré describes Shanghai as a "nouveau riche market" with a poor knowledge of wine, but definitely a strong interest. "But knowledge is growing. Fast. So the biggest challenge is educating the masses. That's the key," he says.

The rapid pace of growth and change is something everyone talks about. Begg says, "I had one young waiter who left me to go on to the Waldorf on the Bund where he got to work with one of China's top sommeliers. I met him recently at a trade tasting – one of these sit-down guided affairs – and was a little galled to look over his shoulder and see that his tasting notes were *excellent*, better than mine in fact, and written in English to boot. He has a great future, I'm sure". His advice is that New Zealand should offer some kind of educational element and should "trumpet its image of quality and cleanliness – something that is very topical here after so many tainted food scandals," he says. "Did you hear about the exploding watermelons?"

Young also says that "product placement and promotion at this stage of market maturity will serve in good stead over the coming decades. Brand development is incredibly important right now to achieve future success in a buyer's market of what may seem to be infinite potential."

This potential has certainly been grasped and this year, New Zealand Trade & Enterprise (NZTE), together with national body New Zealand Winegrowers have launched a project "to give New Zealand wines a huge push into the market," says Arand. The project is all about "bringing suppliers together to educate and inform as much as possible about New Zealand wine". He explains this includes "more visibility at trade shows and key events, hosting more seminars and tastings, and bringing more experts into the market to help build consumer and trade understanding of this fantastic, yet still unknown, New Zealand wine offer". He says, "We're still at the stage where the initial reaction for many



consumers is 'You make wine in New Zealand?'"

Although New Zealand is a small wine producer, it still punches above its weight even in the China market. Arand says, "We've seen an increase in the 12 months to March 2012 of 53% so we want to keep building on that." So does he have any tips on what's needed to continue to woo and win in the highly competitive Shanghai market? "Nothing more that we'd want to give away to an Australian audience!"

The good news is that Jones predicts "Pinots will, I am sure, be a big success". The advice he gives is that "New Zealand needs to maintain its premium image, have a united front as a trade body and show patience. Their time will come!" He also suggests "Let the consumer fall in love with the wines and appreciate the value themselves. Pull not push."

Overall it seems Miss Shanghai is still a little naive when it comes to understanding wine but her tastes are evolving quickly. She still doesn't really care to mix her food with her wine and she's still hopelessly under the spell of the French. But she also appreciates quality, a smart presentation and is very curious to learn more. So if she appears a little aloof at first, bear with her as she's currently being pursued relentlessly and it's a little overwhelming. But over time, with some wooing and serious long-term intentions, she's likely to come 'round. And when she does, she'll lavish you and hold you close.

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