

NIMBILITY

KEY ASIA MARKETS SNAPSHOT
November 2020

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MAINLAND CHINA

CHINA BOTTLED WINE IMPORTS: YTD AUG 2020 BY VOLUME

Vol. Rank	Country of Origin	Volume (,000 9LC)				% Share of Vol. TTL	
		2019 YTD	2020 YTD	Variance	YoY %	2019 YTD	2020 YTD
1	Australia	9,011	6,631	-2,379	-26%	25.8%	29.1%
2	France	10,410	6,295	-4,115	-40%	29.8%	27.6%
3	Chile	5,691	3,559	-2,132	-37%	16.3%	15.6%
4	Spain	3,962	2,546	-1,416	-36%	11.4%	11.2%
5	Italy	2,261	1,462	-799	-35%	6.5%	6.4%
6	Portugal	539	334	-206	-38%	1.5%	1.5%
7	Georgia	434	291	-143	-33%	1.2%	1.3%
8	Moldova	368	269	-99	-27%	1.1%	1.2%
9	South Africa	493	258	-234	-48%	1.4%	1.1%
10	Argentina	331	230	-101	-30%	0.9%	1.0%
	<i>Others</i>	1,386	914	-472	-34%	4.0%	4.0%
	Grand Total	34,886	22,789	-12,096	-35%	100%	100%

- All countries in decline, Australia slightly better than the rest for now, prior to the anti-dumping investigation
- USA is no longer in Top 10 by volume
- A major decline is expected through to the end of 2020, in the vicinity of -30% for the year

CHINA BOTTLED WINE IMPORTS: YTD AUG 2020 BY VALUE

Vol. Rank	Country of Origin	Value (,000 US\$)				% Share of Val. TTL	
		2019 YTD	2020 YTD	Variance	YoY %	2019 YTD	2020 YTD
1	Australia	548,193	433,239	-114,954	-21%	36.1%	41.6%
2	France	452,876	277,126	-175,750	-39%	29.8%	26.6%
3	Chile	193,117	118,059	-75,059	-39%	12.7%	11.3%
4	Italy	90,641	61,555	-29,086	-32%	6.0%	5.9%
5	Spain	93,020	58,061	-34,959	-38%	6.1%	5.6%
6	United States	22,939	11,758	-11,181	-49%	1.5%	1.1%
7	Portugal	16,297	11,258	-5,039	-31%	1.1%	1.1%
8	New Zealand	13,843	11,055	-2,788	-20%	0.9%	1.1%
9	Germany	12,667	10,597	-2,071	-16%	0.8%	1.0%
10	Argentina	15,680	9,795	-5,886	-38%	1.0%	0.9%
	<i>Others</i>	59,885	38,150	-21,735	-36%	3.9%	3.7%
	Grand Total	1,519,159	1,040,652	-478,507	-31%	100%	100%

- In value Australia, Germany, and New Zealand performed slightly better than the field
- A major decline is expected through to the end of 2020

IMPORTER PURCHASING & SHIPMENTS TIMELINE 2020

Importer Activity

Late 2019 - Jan: Large wine shipments clearing through Customs for CNY

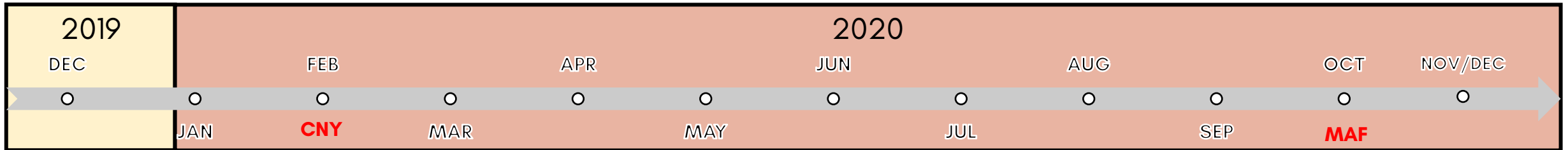
February:
 - Shipments for post-CNY restock are landing
 - Importers holding, cancelling or not ordering new stock as crisis deepens

March / April:
 - Last wine shipments from pre-Covid-19 orders arrive to China
 - Some if not most new orders are on hold

May / June:
 - Full impact of cancelled orders becomes clear as arrivals to China decline substantially
 - Some importers are cautiously beginning to re-order small quantities

Jul / Sep:
 The gap in importer orders from February through May continues to result in very depressed wine arrivals as reported by China Customs

Oct / Dec:
 Wine arrivals increase as the market revs back up, but annual arrivals reported by Customs will be down by more than 30%



Covid-19 Developments

Jan: News of virus in China is public / Wuhan in lockdown

Feb: virus spreads to S. Korea and USA / lockdown of multiple major Chinese cities

Jul / Sep: domestic consumption picks up, On Trade opens up



GENERAL FACTORS & TRENDS AFFECTING CHINA WINE MARKET 2020

- Overall economic distress will continue to depress the market for imported wine throughout 2020 and possibly into 2021, based on shrinking consumer and industrial demand in both global and domestic markets and coupled with on-going travel restrictions.
- Consolidation in the wine trade will continue, perhaps accelerate, in all areas including importers, distributors, on-trade and retail.
- The market for home delivery and direct-to-consumer sales has been thriving in the first half of 2020, however, at-home consumption is still seemingly limited.
- China's global trading relationships are suffering from trade war and political disputes, including with the USA, Great Britain, and Australia, although there may be opportunities for other countries as a result.
- Many producers under stress from declining sales have and will cut back on market investments and personnel, leaving an opening to build market position in their place and take share.
- An ever-growing number of Chinese consumers are showing more interest in white wines.



STATUS OF RECOVERY AND RE-OPENING

- Local cases have been reduced to close to 0 daily. However recent outbreaks of local cases recorded in Xinjiang, Qingdao, and most recently in Shanghai have led to some travel restrictions to and from those areas.
- Major urban centers are removing restrictions at a different pace, with close governance at all times, although at this moment Beijing and other cities have also accelerated their opening up process.
- Domestic travel between cities and provinces for China residents has commenced, and accelerated during the October “Golden Week”, though most schools suggested restricted travel for students. Hotels reporting high occupancy in recent months due to increased domestic travel
- The border remains closed to the majority of international arrivals for business and leisure purposes. Strict quarantine procedures are in place to control imported cases. This in turn, however, has led to a significant expansion of consumer spend domestically as active international travelers are now remaining in China and spending here instead of abroad.
- Restaurants and bars in general are open, although still facing certain restrictions, in some regions still tight.
- Aggressive use of app-based contact tracing and monitoring of movement. Wearing masks is still requested for public transportation and many office buildings.

SIGNS OF A SURGE - GOLDEN WEEK STATS – 1st OCTOBER



62+ million

passengers/day



Tourist Attractions:

637 million visitors and **467 billion Yuan** → 70% of 2019



Retail & Catering

1.6 trillion Yuan → +4.9% YOY



3.7 billion Yuan

in movie box office

→ #2 in history

+64 %

Buyers
year on year



+167 %

sales
year on year



2.16 Trillion Yuan

in transaction

→ +6.3% year on year



CHANNEL INSIGHTS

HORECA

- On-trade recovery in Tier 1 cities like Shanghai has been strong, with business now back up to 100% for September and October; rest of China is back up to around 80% in the same period
- Preference for outlets with outdoor space/on ground floor level where consumers feel safe
- Preference for casual neighborhood outlets, particularly those with ground floor access
- Hotels are affected by a lack of international business travel and tourism, but offset by a surge in domestic travel and occupancy
- Restrictions remain in some cities related to number and spacing of diners
- The dining occasion remains strong as does the BYOB culture meaning that while consumption of wine may take place in restaurants, the purchase of those bottles is done via retail, wholesale or e-commerce



CHANNEL INSIGHTS

Retail

- Initial feedback from wine retailers is that consumption dipped hard during the China lockdown back in February but came back strong from March/April.
- Retailers are cutting back on inventory, being much more cautious with stocks in case of recurrence of lockdowns.
- Specialist retailers like Pudao Wines, have seen increases in average pricing since lockdown as with no ability to travel, consumers are spending their money within China itself, and as result they are increasing their premium offering.
- E-commerce continues to thrive as a preference for direct home delivery persists



CHANNEL INSIGHTS

Wholesale

- Consolidation continues in the ranks of wholesalers and importers.
- Many portfolios rationalized to most “resilient” SKUs and lower price points. Currently a very strong move away from Australian wine as the informal import ban solidifies, many importers and distributors seeking full replacement of their Australian offerings.
- Business drinking is now generally back up to normal levels which is boosting the wholesale channel, albeit without international inbound travelers.
- Clearance of slow-moving inventory has put downward pressure on pricing across the market.



CHANNEL INSIGHTS

E-Commerce

- Home delivery & DTC business has thrived; ordering wine online is now part of the 'new normal' & a key focus for all wine business
- Huge increases were seen on the giant e-commerce channels - Tmall, JD.com - during lockdowns and smaller platforms were discovered as people had more time on their hands to explore online
- Live-streaming is booming and particularly successful when using influencers with their own consumer following
- Platforms such as WeChat remain a hugely powerful tool, not only for messaging but also for sales
- This year's 11.11 Single's Day festival was the largest ever with sales topping \$116 billion and entertainment of consumers via livestreaming with celebrities proving highly successful
- Sales performance in E-commerce is not universal, however, and many emerging brands for the China market struggle to build meaningful sales through this channel, particularly for wine



IMPORTER INSIGHTS

- Importers are generally keeping inventory to a minimum and focusing on most resilient categories and SKUs
- Handling existing business virtually (e.g. online training sessions with producers and sales teams in China) is likely here to stay, particularly with on-going travel restrictions
- However, building new business will remain tricky without the face to face interactions that are so important for relationship building in China
- Brands with on the ground support will have a considerable advantage until international travel re-establishes
- Due to the current price-dumping investigation into Australian wines, and the hefty deposits importers are having to pay at this point in time, many are looking for replacements, especially from Chile and to a lesser extent Argentina, while New Zealand may have opportunities vs other New World origins due to FTA tariff advantage

CONSUMER BUYING BEHAVIOUR – DURING & POST COVID-19

Dan Siebers, Global Sales & Marketing Director at Sarment reported seeing two general trends during Covid-19 lockdowns in China:

1. Some drinkers traded down to more everyday wines
2. Collectors went shopping and bought more expensive wines from a wider array of platforms

Alex Caillard, Head of Pudao Wines, likewise saw big increases in the purchase of fine wine and the average price increasing during the lockdowns and beyond as consumers are spending their money domestically as opposed to abroad.

Neither believe that large scale at home-consumption of imported wine is likely to take off in China any time soon, however, ordering wine online to BYOB to restaurants will remain strong.



Dan Siebers
Global Sales and Marketing Director
Sarment Wines & Spirits



Alexander Caillard
Head of Pudao Wines

JAPAN

JAPAN STILL BOTTLED WINE IMPORTS: BY VOLUME

Imported still wines - January - August 2019 vs 2020 (figures rounded), # of 9l cases, in less than 2L bottles

Rank (2020)	Country	Jan - Aug 2020 9l cases	Jan - Aug 2019 9l cases	2020 vs 2019 % change
1	Chile	3,930,599	3,536,661	11.10%
2	France	3,058,059	3,238,346	-5.60%
3	Italy	2,221,920	2,649,528	-16.10%
4	Spain	1,349,182	1,545,404	-12.70%
5	Australia	451,860	457,317	-1.20%
6	USA	448,637	601,127	-25.40%
7	Germany	175,230	244,213	-28.20%
8	South Africa	116,935	136,934	-14.60%
9	Argentina	107,979	134,367	-19.60%
10	Portugal	96,042	106,737	-10%
	Grand Total	12,171,790	12,894,317	-5.60%

In 2019 EU (France, Italy, Spain) imports grew, as a result of the Japan-EU Economic Partnership Agreement (effective February 2019), at the expensive of Chilean imports.

It seems that that situation did not hold in 2020 with Chilean wines moving back into top spot. It's possible that overstocking of EU wines in 2019 has also impacted on fewer imports for Fr, It, Sp so far in 2020.

Lower value wines have been the biggest beneficiaries of removing the tariffs.

Source: Ministry of Finance customs clearance figures reported in Shuhan News

* Total includes other countries not ranked - figures not given

JAPAN STILL BOTTLED WINE IMPORTS: BY VALUE

Imported still wines - January - August 2019 vs 2020 (figures rounded), # of 9l cases, in less than 2L bottles

Rank (2020)	Country	Jan - Aug 2020 JPY (000s)	Jan - Aug 2019 JPY (000s)	2020 vs 2019 % change
1	France	26,279,753	29,449,794	-10.80%
2	Chile	10,853,757	10,461,418	3.80%
3	Italy	10,187,218	12,240,334	-16.70%
4	USA	7,821,642	9,060,304	-13.70%
5	Spain	3,603,026	4,201,968	-14.30%
6	Australia	1,716,486	1,839,720	-6.70%
7	Germany	874,255	1,147,771	-23.80%
8	South Africa	575,529	679,647	-15.30%
9	Argentina	524,588	705,870	-25.70%
10	Portugal	342,146	356,351	-4%
	Grand Total	64,341,469	71,958,759	-10.60%

France leads by a considerable margin when it comes to value of imported still wine into Japan.

Chile's value has increased due to the big increases in volume in 2020 as consumers buying mainly in retail and online look for safe bet wines at lower price points.

Source: Ministry of Finance customs clearance figures reported in Shuhan News

* Total includes other countries not ranked - figures not given

JAPAN SPARKLING BOTTLED WINE IMPORTS: BY VOLUME

Rank (2020)	Country	Jan - Aug 2020 9l cases	Jan - Aug 2019 9l cases	2020 vs 2019 % change
1	France	904,258	1,101,567	-17.90%
2	Spain	780,831	879,595	-11.20%
3	Italy	510,199	607,528	-16.20%
4	Chile	127,802	182,154	-29.80%
5	Australia	96,421	155,642	-38.00%
6	Mexico	13,430	15,715	-14.50%
7	Germany	12,228	18,778	-34.90%
8	USA	11,527	7,738	49.00%
9	South Africa	5,980	14,607	-59.10%
10	New Zealand (Displaced Argentina)	5,105	Not given in 2019. Est. approx. 4,370.	11.70%
	Grand Total	2,482,567	3,006,823	-17.50%

Prior to Covid-19, sparkling wine was one of the most positive sectors in the market. Japan is a leading importer of high-end sparkling wines e.g. Champagne (#3 importer behind USA & Germany) and Franciacorta (#1 importer). Imports of sparkling wines are significantly down in 2020 as a large volume, notably prestige cuvees of Champagne (Krug, Cristal etc), is sold in nightclubs where company executives are entertaining on expense accounts. Many clubs were temporarily closed during the April/May lockdowns and have been particularly hard hit by the pandemic due to a reigning in of company expenses coupled with a greater wariness of people in general to go out.



JAPAN SPARKLING BOTTLED WINE IMPORTS: BY VALUE

Rank (2020)	Country	Jan - Aug 2020 JP yen (000s)	Jan - Aug 2019 JP yen (000s)	2020 vs 2019 % change
1	France	29,538,841	38,372,183	-23.00%
2	Spain	2,947,724	3,336,536	-11.70%
3	Italy	2,491,930	2,982,172	-16.50%
4	Chile	507,670	729,394	-30.40%
5	Australia	390,781	715,433	-45.40%
6	USA	170,204	128,702	32.20%
7	Germany	74,064	109,841	32.60%
8	Mexico	61,608	73,315	-16.00%
9	New Zealand (displaced)	38,394	Not given in 2019: Est. approx.: 36,800	4.20%
10	South Africa	36,766	81,240	-54.70%
	Grand Total	36,372,515	46,703,875	-22.10%



GENERAL FACTORS & TRENDS AFFECTING JAPAN WINE MARKET 2020

- October 2020: Tax on wine increased by JPY7.5 per 75cl bottle. This was part of a long-planned change in tax on alcohol; some beer and sake saw tax reduced. There was an upswing in purchases prior to the implementation of the new tax. One can foresee the biggest impact will be on low value wines.
- Vinotheque, one of the leading wine magazines, founded in 1980, announced in September that it will stop publishing. One reason given was that they are no longer able to travel overseas to report on overseas regions, wineries etc.
- There is a general trend towards 'no S02', 'organic', 'natural' wines although these terms may not be clearly defined or understood by consumers.
- Japanese wine is growing year on year and has become a more popular choice in 2020.



STATUS OF RECOVERY AND RE-OPENING

- The on-trade ground to a halt during the 'state of emergency' from April to May. Many restaurant and bars took their own measures to reduce crowding, shorter opening hours etc. These measures are largely still in place. Many restaurants, even high end, started to do takeaways, and licensing laws were relaxed so that they could sell wine to take away.
- Foreign inbound tourism has been non-existent since the spring when the borders were closed to foreigners. The Tokyo 2020 Olympics were postponed. A huge increase in tourism was expected and additional ordering of wines etc took place in anticipation of this. Consequently, there are reported to be large stockpiles of unsold wines.
- From October 2020 a limited number of business travellers are allowed to enter the country. The situation is unclear about when tourists will be allowed back. The government is still planning to hold the postponed Olympics in 2021, even in a modified format.
- On the other hand, the government has implemented a 'Go To' campaign designed to encourage domestic tourism. The central government subsidises up to 50% of costs travel/hotels/restaurants. There are also local campaigns devised by prefectures to encourage spending in their regions. The increase in domestic tourism since the beginning of October is noticeable, however, overall revenue in hotel F&B remains down as many outlets are focused on value propositions such as free-flows which are more inline with local Japanese consumer spending vs the more premium spend of international travellers.



CHANNEL INSIGHTS – HORECA

- Impact of Covid-19 in the on-trade has been very tough. Firstly through the lockdown period and now due to continued wariness of consumers not going out as much as before.
- The biggest impact has been the lack of tourists. In 2019 the number of tourists to Japan numbered 24m. This was expected to double in 2020 due to the Olympics. Hotels have been worst affected but also many wedding parties and bigger events usually hosted at hotels have been cancelled or postponed.
- Bars, restaurants, nightclubs have all been affected. Nightclubs are suffering especially due to the reign in of corporate expense accounts and a general decline in entertaining.
- Many restaurants are reporting decreases of 50-60% compared to 2019.



CHANNEL INSIGHTS – RETAIL

- Covid-19 has prompted significant increases in sales through retail, particularly supermarkets, chain and convenience stores, as these outlets remained open during lockdown, and are continuing to reap the benefit of increased drinking at home culture since lockdown. A number of retail outlets have reported doing almost twice as much business compared to the same period in 2019.
- Chilean wines have reaped the reward due to their low price points and well recognized, safe-bet brands e.g. Alpaca, as well as their existing distribution networks via the beer companies who have access to these outlets.
- Wine shops have also been performing well as they also remained open during the lockdown in Apr/May.
- Retail chains are focusing on French, Italian, Spanish, Chilean, Australian and South African wines, with RRP's less than 1,000 JPY.
- Department stores, however, are having a tough time, as are shopping malls. While these represent a small % of wine sales overall, for a country like NZ they are an important channel. Their wine departments have high visibility with more affluent consumers.

CHANNEL INSIGHTS – RETAIL



Typical convenience store offering



Leading Chilean brand. Simple packaging. Priced around JPY600.



NZ selection in a mid-sized Seijo Ishii store – high end supermarket with reasonable selection of wines

 **CHANNEL INSIGHTS – WHOLESALE**

- The vast majority of wholesalers in Japan are selling to the on-trade with the advantage that they are able to deliver small quantities of wine e.g. a bottle at a time, to the many small on-trade outlets lacking the space to carry large amounts of stock.
- The heavy impact of Covid-19 on the on-trade has thus impacted very heavily on this channel.
- Since June, however, slowly business has been building back up and things are gradually improving month on month.



CHANNEL INSIGHTS – E-COMMERCE

- On-line sales increased during the 'state of emergency'.
- Sales of high-end wines increased as wealthier clients, unable to eat out, ordered those sort of wines for drinking at home.
- On the other hand, lower income and younger drinkers, who may be more concerned about their finances, were reported to have stopped buying.
- Many online retailers note that men in their mid-40s to late-60s are the most active buyers.
- There is a trend for buying "sets" of wine (mixed cases) online. Retailers are competing to provide ever cheaper sets and this is having a negative impact on the average price of wine sold online, on profit margins and on the quality of the wine being sold. Wineries and retailers are preparing sets specially to sell online.
- However, drinking wine at home is not yet mainstream, storage space is frequently limited and Japanese consumers have access to 50,000 convenience stores and supermarkets where most sales take place.



IMPORTER INSIGHTS

Manuel Rodrigues, GM Sarmet Wines & Spirits

“We saw two very different months during the lockdown period in April and May. In April our sales were very strong as private clients with time on their hands during lockdown and no where to go out bought plenty of wine. However, in May, this completely switched and sales dropped, we think due to a combination of people stocking up in April and therefore not requiring more wine by May, but also, as the global situation worsened, people getting scared to spend on non-essential items.

Things have been improving month on month since June, with trade sales generally up 10-20% each month which is positive. Value, however, particularly in the on-trade is down as outlets are looking for value products to pour for free-flows or by-the-glass.”

Satoshi Horio, Purchasing Manager, Three Arrows

“We’ve seen mixed results due to the impact of Covid-19. Retailers, chain stores and supermarkets have had very strong growth. Some are reporting almost twice the sales compared to last year. HORECA, however, has been completely reduced. Even in July and August, when things were starting to pick up, a number of restaurant owners told me that they were down by 60% compared to 2019.

I have heard some say that sales of higher priced wines has been growing in 2020 but this market is still relatively small. Certainly in HORECA wine priced over 3,000 JPY is proving really difficult at the moment.”

CONSUMER BUYING BEHAVIOUR – DURING & POST COVID-19

- The government (Statistics Bureau Ministry of Internal Affairs and Communications) reports that from January to August 2020 household spending on alcohol (all categories) consumed at home rose 15% by value compared to the previous year, while spending on drinking out fell 48%. Total spending (at home + drinking out) on alcohol fell by 6%.
- Bag-in-box wines have been increasing, which fits with the trend of more eating and drinking at home.
- In general, consumers seem to be going for the safe bets i.e. well-known brands like Alpaca, Cloudy Bay and Jacob's Creek

SINGAPORE

SINGAPORE STILL BOTTLED WINE IMPORTS: YTD JUN 2020 BY VOLUME & VALUE

Exporters	Vol (9LC)			Val (,000 USD)			Avg Price/9LC (USD)	
	2019	2020 YTD (Jun)	Share %	2019	2020 YTD (Jun)	Share %	2019	2020 YTD (Jun)
France	374,000	157,224		111,990	44,279		299.44	281.63
Australia	778,667	333,458		73,706	32,268		94.66	96.77
United States of America	-	-		18,918	7,468			
Italy	-	-		17,965	7,631			
New Zealand	145,889	60,893		13,143	4,959		90.09	81.44
United Kingdom	8,333	-		8,747	3,159		1,049.64	
Chile	235,667	89,673		8,488	2,969		36.02	33.11
Spain	110,778	-		6,178	2,893		55.77	
Argentina	64,889	25,359		3,450	1,238		53.17	48.82
South Africa	-	-		2,181	735			
World Total	2,105,111			273,532			129.94	

Source: International Trade Centre (trademap.org) | ITC calculations based on IE Singapore statistics. Vol figures calculated by Nimbility due to mixture of multiple UoM in raw data, figures for certain countries missing from raw data.

*World totals include wines from all countries imported into Singapore

** Figures are by exporter not country of origin

***Much of the wine imported into Singapore is not consumed in Singapore, rather re-exported to other locations around Asia



GENERAL FACTORS & TRENDS AFFECTING SINGAPORE WINE MARKET 2020

- Pre-Covid wine dinners and shows were well attended, consumers were less conscious of restaurant mark ups vs direct purchase.
- Off trade volumes are tapering off but at a higher baseline than before. Wine merchants continue to discount and online purchase activity continues, however, the bias is generally towards everyday drinking wines at accessible prices.
- On-trade is recovering slowly but focus on neighbourhood spots and establishments offering something of interest and/or unique to customers; fine dining is doing well as Singaporeans cannot travel and thus spend money locally.
- Consumers are now more conscious of restaurant mark ups and with such good deals via retail and online, buying to consume at home is up and here to stay. This has also been impacted by the fact you can only be a group of x5 pax. in public but you are allowed to have x5 pax over to your home in a single day.



STATUS OF RECOVERY AND RE-OPENING

- On-trade is making a gradual recovery. Opening times remain restricted with 10.30pm cut off and strict social distancing between groups which are currently a maximum of x5 pax.
- A two-way travel bubble between Singapore and Hong Kong that is under discussion has been pushed back till the new year based on the recent spike in cases in Hong Kong. The finer details in terms of how this will work in practice and costs involved for testing each way have not yet been formally announced.
- A similar bubble is under discussion for Taiwan.
- Contact tracing in public places - shopping malls, retail stores, restaurants, bars, private members clubs, hotels, beaches etc - has been strictly controlled and will soon becoming obligatory via the Trace Together app.



CHANNEL INSIGHTS – HORECA

- Hotels have seen a 80-90% fall in business off the back of no events/banquets and total stop on international travel affecting both tourism and business travel upon which the hotel and much of the restaurant/bar sector depends. Many hotel restaurants and bars remain closed or only operating on limited days. Most are doing deep discounts on staycations including vouchers to use in F&B and spa etc., to attract local residents to bring business.
- Nightclubs and KTV/night venues have been most badly impacted and most are still shut.
- Restaurants are faring much better, generally busy and now hard to get reservations at many places even on a Monday/Tuesday due to reduced capacity because of social distancing measures enforced by the Government. In general the recovery is good. Some restaurants are reporting 25% increases compared to 2019! But most won't recover the losses from the first 6 months of the year.
- Neighbourhood outlets have found an uptick in residents wanting to stay local after lockdown.
- Worst affected have been the touristy outlets and those catering to expats after work crowd in the CBD. These will continue to be badly affected as tourists are unlikely to be back soon, expats are leaving and work from home will be the new normal



CHANNEL INSIGHTS – RETAIL

- High sales took place during lockdown given the lack of choice due to closure of premium liquor/wine merchant stores.
- Retail is currently at a higher base, but focused at low, everyday prices. Growth is seen particularly during public holidays due to travel restrictions.
- Consumers are buying 'safe' choices – well recognised brands, countries, regions, varieties etc., but trading up in upscale supermarkets, while buying more volume in mass stores.
- Limited in-store activation allowed e.g. tastings, so price promotions are driving any offers
- Dairy Farm Group reported approximately 40% up during lockdown in Apr/May/Jun

CHANNEL INSIGHTS – WHOLESALE & E-COMMERCE

Wholesale

- A number of players have collapsed or been folded into larger players.
- Most wholesalers are not abiding by volume commitments and dropping labels.

E-Commerce

- On-line sales increased during the 'circuit breaker' and have continued to remain strong, now driving from a higher base and at higher price points due to higher levels of consumer engagement within this channel.
- Many small, disruptive players work within in this channel making the online selection varied and highly competitive, however, heavy discounting on once premium items is in effect due to rife competition as all businesses pivoted online during and now post-lockdown.
- If they were not doing online sales before, wine companies are now ensuring they have a strong online platform for selling direct to private clients.
- Large platforms selling wine include Cold Storage, Redmart, Ishop Changi, Kris Shop, Paneco with smaller players like Vinomofu, Bottles & Bottles, Pop Up Wine, Brown Bag Wines

 **IMPORTER INSIGHTS****Derrick Quek, Founder, The First Pour**

"I am currently only buying SKUs that are consumed by key customers and will be consolidating over the months to come, trimming down the portfolio to core SKUs that are most resilient."

Moritz Deyle, GM, Ampelia

"The biggest trend has been a huge increase in home consumption. We are now doing around 30% of our total sales to private clients, before it was 5-10%."

"Another trend I see is an increase in the interest for organic and biodynamic wines, especially among the locals and often younger locals, who are more and more open minded to different things. I saw the trend in the years before with Sommeliers, but now more and more locals are asking us directly for these kind of wines."

"In my opinion outlets that don't have clear concept and direction suffer a lot. People cannot travel but still have money, and they are not spending their money on bog-standard dining. Fine dining and outlets with a smart food and beverage program are the big winners."

"I think in general consumers are spending more. White collar workers are not really affected yet and still have money. They cannot travel or do other things, so they go out for dinners. Also I think the new 10.30pm rule helps us for the wines. People stay longer at restaurants and have a 2nd bottle rather than go to a bar."



IMPORTER INSIGHTS

Fiona Stephens, Buyer, Dairy Farm Group

“I’m generally focused on keeping up with the demand of existing products but I am increasing lower and no alcohol products as this is a growing trend and adding a few different NPDs to keep the range fresh for customers. We are buying more to ensure we can meet the increased demand over Christmas and CNY.”

“Home consumption is definitely here to stay. The fact that our sales are so strong even with the on-trade now open gives clear signals there is a difference in shopper behaviours. I think people have really seen the value in wine purchased from retailers and consumed at home vs the high mark-up in restaurants. People are enjoying cooking at home more now and also many top restaurants are providing high quality takeaway which complements purchasing finer wines from retailers than would be purchased in a restaurant.”

CONSUMER BUYING BEHAVIOUR – DURING & POST COVID-19

- Drinking has shifted away from the city centre towards casual, neighbourhood spots as well as increased drinking at home.
- French / Italian / Aus-NZ wines predominate in terms of consumer choices for wine, but Spanish, South American (Chile/Argentina) have quietly entered the market at high volumes given their low absolute price points. i.e. sub S\$25 a wine retail, with some at S\$15 a bottle.
- Majority of consumers are trading down to more everyday wine choices. Some are willing to experiment but only to a certain price point. Overall consumers are watching their spending more closely.
- Ex-pats favour everyday drinking wines S\$30-45 from known regions. NZ SB is still a highly popular choice, NZ PN also and Provence Rosé.
- Locals, especially younger locals with money, are much more open minded. They buy less quantity but more quality and are not as price sensitive as expats.

HONG KONG

HONG KONG STILL BOTTLED WINE IMPORTS: YTD AUG 2020 BY VOLUME & VALUE

Exporters	2020 YTD (Aug)				
	Vol (9LC)	Share %	Val (,000 USD)	Share %	Avg Price/9LC (USD)
France	684,679	26.6%	256,635	48.6%	374.83
United States of America	496,462	19.3%	42,985	8.1%	86.58
Australia	409,349	15.9%	33,138	6.3%	80.95
Chile	232,169	9.0%	6,371	1.2%	27.44
Spain	150,293	5.8%	6,764	1.3%	45.01
Italy	109,973	4.3%	11,767	2.2%	107.00
Singapore	100,860	3.9%	15,600	3.0%	154.67
New Zealand	98,203	3.8%	4,240	0.8%	43.18
United Kingdom	78,864	3.1%	114,170	21.6%	1,447.68
Netherlands	51,403	2.0%	2,850	0.5%	55.44
Total	2,577,942	100.0%	528,508	100.0%	205.01

**UK figures do not represent imports of UK wine, rather imports of all wines coming into HK from the UK, usually from UK merchants and supermarkets like M&S

Source: International Trade Centre (trademap.org). Vol figures calculated by Nimbility due to mixture of multiple UoM in raw data.

*Total includes wines from all countries imported into HK

** Figures are by exporter not country of origin

 **FACTORS & TRENDS AFFECTING HK WINE MARKET 2020**

- Natural wine, unfiltered, skin contacts and lighter fresher styles are starting to get some significant traction.
- Small restaurants are offering a very personal dining experience and can shift exceptional volumes of wines through owners recommendations.
- Premium price points have slowed with mid-tier performing well.
- Generally consumers are becoming more price sensitive.
- A growing interest amongst locals for white wine.



STATUS OF RECOVERY AND RE-OPENING

- F&B and Catering:
 - Due to the recent uptick in cases in HK patrons limitations are back down to x2 people at a table in bars and restaurants
 - Eating and drinking establishments are back to 10pm curfew
 - Catering venues (banquets, weddings, etc) are still capped at max 50% capacity and no more than 4 person per table
- Gatherings:
 - Public gathering of more than x4 pax. is still forbidden
 - Official local tours are allowed 30 pax, weddings increased from 20 to 50 pax and business meetings from 20 to 50 pax



CHANNEL INSIGHTS

HORECA

- The lack of tourism, has meant hotel F&B has struggled, however, some outlets are doing well, in particular the more premium establishments like Rosewood and Shangri-La. A reduced client base means that they are needing to offer better deals to win their share of the market. With a reduction in travel options outlets seem to be recovering well.
- Hong Kongers' still love to go out but the current restrictions have mainly effected local dining such as Hot Pot & Banqueting, traditionally not a large part of the wine market. Western outlets are having to compete quite heavily so they are often looking at set meals and free flows and this leads to lower price wines.
- Premium outlets seem to be doing best with many new outlets opening in this category.
- On the other hand, value for money is also winning with most restaurants offering very good deals.
- A new category of small independents seem to be really growing well and this is primarily because they offering something different to their consumers. Those that have never offered anything of interest to their customers can no longer get away with it as the offerings improve.



CHANNEL INSIGHTS

Retail

- Retail benefited greatly, as elsewhere, during lockdowns and restriction periods for the on-trade. Price discounts are still the primary mechanism for promotion.
- Specialist retailers did particularly well as consumers looked for quality products at better prices.
- The higher base for home consumption is expected to stay intact as people have learnt to enjoy drinking at home, although the small size of HK apartments means that this trend won't be as prevalent as a market like Singapore where people generally have more space to entertain.
- Japanese wine has seen significant increases through retail in 2020, in part due to HK's obsession with anything Japanese.



CHANNEL INSIGHTS

Wholesale

- Channel remained relatively strong during lockdown as many wholesalers sell direct to private clients who were still looking to purchase wine.
- Generally these customers were looking for quality products at better prices which they couldn't find as easily in the supermarkets.

E-Commerce

- E-commerce is really starting to lift and this is a great time to partner with those that have solid structures in this area.
- Premium products are generally selling well online but with discounts, the key mechanic to drive volume sales through this channel as customers perceive great value.
- Key online platforms for purchasing wine include Watson's, Victoria Wines, Wine n Things, Wine Asia, My Wine Man and Cru

 **IMPORTER INSIGHTS****Dean Aslin, GM of North East Wines & Spirits****On E-commerce...**

"Premium products do well online but must be discounted. Significant volume can be achieved when customers perceive great value. In April when we first experienced shut downs we led with 25% off everything and doubled our revenue on our online platform. E-commerce also allows us to react quickly to market forces and to add value through things like Virtual Tastings & Master classes etc."

On Retail...

"With lockdowns and restrictions on bars and restaurants retail was exceptional. 40% of our top 50 clients by revenue were resellers or retailers. Specialist retailers and resellers seemed to do better as people looked for quality products at better prices. Supermarkets were down a little. Home consumption will decline a little as restrictions are lifted on outlets but overall it will stay up as people have learnt to enjoy drinking at home. Apartment living still makes home entertaining difficult so it can be a challenge to retailers."

 **CONSUMER BUYING BEHAVIOUR – DURING & POST COVID-19****Dean Aslin, GM North East Wines & Spirits**

“There is certainly a new drinker that wants an approachable wine, from a winery with a great story (sustainability) and out of a bottle with an interesting label.”

Fifi Kirsten, Managing Partner, Golden Gate Wine Company

“I have found at home consumption to be inversely proportionate to on-trade. So any week that the on-trade picks up, direct-to-consumer goes down.”

CONSUMER BUYING BEHAVIOUR – DURING & POST COVID-19

Group Sommelier, Restaurant Group with 15+ outlets, HK

“The restrictions that have come into play due to Covid-19 have meant regular diners have now got used to staying in and eating at home. I believe we have now permanently lost around 10 -15% of dining business as customers will no longer eat out as much, even after Covid is resolved. For now business is compensated a bit by family/party gatherings but this will likely not last after the lift on gatherings returns to normal.

Lots of people don't want to have dinner in the "city" where they feel they have been stuck this past year, but prefer to get out of it anyway possible. They are choosing to go to new locations on The Peak, for example, still close enough but it feels like a getaway.

Consumers have become much more price sensitive and many are trying to find other ways to make money. Considering you don't need an import license in Hong Kong, there has been an increase of personal parallel imports where individuals order pallets from wineries and resell to their close networks. This is really damaging the business for importers and trade as they have much leaner margins.

Locals are not spending money on wine in most cases in HK in restaurants. Some of course are collectors or investors but for drinking in restaurants they go for the cheap wines. Better and pricier items are bought only by expats in restaurants. But young locals are also more likely to buy things they don't know if they feel it is good price quality ratio. There is also some red wine fatigue with locals becoming more enthusiastic about white wines, although volumes are still small.”

NIMBILITY