Wine Distribution Channel Systems in Mature and Newly Growing Markets: Germany versus China
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Abstract

Marketing channel decisions involve supply chain strategy at the policy level and channel management at the operation level. The complexity of these decisions is increased by widely different social, cultural, economic, and political patterns. Many approaches to distribution channels analysis exists. Although it is an important issue, there are a limited number of studies on international distribution channel (Cabaniss 1991; Griffith and Ryans 1995; Rosson and Ford 1980; Samiee 1993, Seifert and Ford 1989). Two general approaches are derived from a dichotomy arising in the literature, in the economic, physical, technical “hard” side and in the social, psychological, “soft” side. Wine distribution channels in wine sector remains a much understudied research field, and we hope through our research some of the important issues of this topic are uncovered.

Miracle (1965) suggests that the distribution policies should be considered as the characteristics of products. The specificity of the wine industry in terms of distribution channels comply with this statement, because wine production follows a rigid yearly cycle, wineries must allocate production across several sales channels before demand is known. Wine distribution is especially challenging due to the complex rules and restrictions (Camp, 2004). While the analysis of channel in one country does not provide sufficient answers for conducting activities in another country, it is crucial for wine companies to understand the different systems behind the wine distribution channels in different markets.

The wine industry is one of the most globalized industries in the world. Traditionally, wine has been viewed as a European product. In terms of consumption, the European Union (EU) market is shrinking today. However, Asian countries as China, Japan and Taiwan have increased their wine consumption significantly during the last five years and today they represent export markets of high potential (Lee, 2009). It becomes crucial to understand the distribution channels system development on these markets.

We have chosen a typical mature market (Germany), to compare it with an emerging wine market (China), we attempt to tract the similarities and analyze the differences between their distribution channel systems. We focus in particular on French wines significantly present on both markets.

Having carried out forty nine interviews with French wine producers, Chinese wine distributors and German distributors and triangulating these sources with the information also collected from research papers, online sources, government reports, consultant reports and medial search, we present the main differences of the two markets, mapping the distribution channel systems for both markets, explaining the reasons of the differences, and tracking the evolution trends from an emerging market to a mature market. The findings show a marked difference between the channel choices on German and China wine markets, based on five different factors (Environment factors, Marketing factors, Customer factors, Company factors and Intermediary factors). Mature markets have laid great focus on off-trade channels, while New developing markets are more likely to choose on-trade channels (such as restaurants; hotel...). However, it also becomes clear that the evolution of channels in emerging markets generates certain bottlenecks, the auto regulation promotes transparency and the development of other channels comes into view, in particular those channels which are favored in mature markets.

More detailed results, including graphical comparison of responses and an in-depth analysis to demonstrate statistical significant will be presented at the conference, along with implications.

Keywords: wine distribution channel, mature market, emerging market, Germany, China, French wines

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