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Baijiu Producers Eye Global Expansion

by The IWSR, www.theiwsr.com

Over the past few years, the major baijiu companies have all shown clear export ambitions in markets including the U.S., U.K., Australia, India and Singapore. Recent high-profile initiatives have included Luzhou Laojiao marketing flagship brand Guojiao 1573 at the Australian Open tennis tournament in Melbourne, and Wuliangye being advertised in New York's Times Square — but the impact of these measures on export revenues has so far been limited.



Overseas sales of baijiu remain minuscule compared to the vast levels of consumption seen in China itself and, according to IWSR forecasts, this is unlikely to change materially in the next few years — not least because there are a number of factors hampering baijiu's export growth.

"Chinese consumers are generally prepared to pay much higher prices for baijiu than people overseas," said Tommy Keeling, IWSR Research Director, Asia Pacific. "Also, the imposition of import and alcohol taxes means that profit margins will be much slimmer than they are in the domestic market."

This increased cost of exporting makes it difficult for baijiu to remain competitive at all pricing levels, from high-end brands such as Moutai to premium products such as Jiangxiaobai, a youth-oriented baijiu brand that has been actively promoting itself in Asian markets.

"Lower-priced producers have a disadvantage in that, by the time they pay all their duties and transport costs, their baijiu is likely to sell for standard prices — making it uncompetitive with local, value-priced spirits," added Keeling. "As such, producers are still investigating the pricing structure of foreign markets and where they might fit in."

Establishing strong routes-to-market is another crucial element of building a credible export presence. To date, baijiu companies have mostly attempted to do this using non-specialist third-party distributors rather than setting up their own distribution operations. However, Moutai has a longstanding partnership with Camus Cognac in travel retail, and Pernod Ricard signed up to distribute Wuliangye in Southeast Asia in November 2019.

But who are their target consumers? Chinese expats would seem to be the obvious choice because of their prior knowledge of the category, but baijiu companies often find that, once abroad, Chinese consumers leave baijiu behind and switch to local spirits categories instead.

"Baijiu producers would ideally like to recruit young, trendy overseas consumers to drink baijiu and, ultimately, establish it as one of the universally available international categories, but this process remains in its infancy at the moment," said Keeling.

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The Balance of Public Health & Alcohol Regulation

by Pamela S. Erickson, *Public Action Management*
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As we slog through this pandemic, people are learning how alcohol regulation is rooted in public health and safety. Such things as closing hours, food service and other measures are designed to prevent intoxication. We have always known that a lot of intoxication can foster violence, but now we are learning how it can promote virus transmission.

Bars are getting a lot of press these days for being one of the places where transmission of the COVID-19 virus takes place. This has reached the point where some public health officials consider bars as high-risk venues. For example, the Texas Medical Association created a scale of risk for various activities from 1 to 10 and "Going to a bar" is a 9 (there are no 10s). The National Institutes of Health's Dr. Anthony Fauci told a Senate Committee in late June that "congregation at a bar, inside, is bad news."

Many states have taken major steps to reduce this risk. Examples are states that have closed all bars, banned on-premise consumption of alcohol, limited the on-premise sale of alcohol unless it is with food service, reduced premise capacity to 25% or 50% and invoked early closure of service hours.

Most states have taken these measures in hopes of curtailing the virus spread. But a clearer picture can reveal that the problem is not all bars. The "all bars" narrative comes at a very high cost to businesses and their employees. Closing all, when in reality it's a few violators, creates a major hardship. As the pandemic drags on, these measures become more unpopular and bars and restaurants are hiring lawyers and fighting back. In addition, when drinking is not possible in commercial establishments, we see that people gather in large crowds in private venues where alcohol consumption is completely uncontrolled — with no age verification, no over-service compliance and other disregard for alcohol laws.

Alcohol is known as a "dis-inhibitor." This means as people become impacted by their drinking, they may be less likely to wear a mask and observe physical distancing requirements. Alcohol also adversely impacts the immune system making a person more susceptible to acquiring the virus and experiencing complications. Excessive alcohol consumption harms

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