

Wine

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Nicolas Heretiguan,
General Manager – Asia
Australian Vintage

Hong Kong: Asia's Wine Hub

Since the Hong Kong Government abolished import duties and taxes on wine in 2008, consumers in Hong Kong were able to indulge in an even greater range of good quality wines offered by retailers. Wine imports volume grew from 30.4 million litres in 2008 to 60.9 million litres in 2017 by 100 percent. Wine imports value grew from HK\$2.86 billion to HK\$11.95 billion over the same period by 318 percent.

A study by Euromonitor International (2014) suggested that over the 2008-2013 period, Hong Kong recorded the world's fastest growth in per capita consumer expenditure on alcoholic drinks, at 201 percent in real terms. In 2016, consumer spending on wine in Hong Kong reached HK\$675 per capita, up from HK\$216 in 2008. Hong Kong has further developed into a wine trading and distribution centre for the region, particularly for Mainland China.

Why Hong Kong?

- Free wine port – no wine duty for liquor with less than 30 percent alcohol strength by volume at 20°C, no VAT or GST
- Simplest imports and exports of wine – all duty-related administrative controls are removed
- Government support – both Hong Kong and the Mainland government provide supporting measures to wine trading and distribution
- Convenient location – geographically located at the centre of Asia and the gateway to the burgeoning Mainland China wine market
- Experienced in wine trading with world-class logistics and wine storage facilities
- Profound knowledge in the pairing of wine with different styles of cuisine
- Neutrality – as a non-grape-growing area, Hong Kong's neutrality in trading and promoting wine is widely recognised

Opportunities

- Excellent brand exposure – Hong Kong is Asia's most popular city destination welcoming more than 56.7 million tourists in 2016, of which 76 percent came from Mainland China
- Growing regional demand for wine – wine sales in Asia amounted to US\$63.8 billion in 2015, forecast to grow 7.4 percent per annum by 2020
- Preferential customs clearance for wine entering the Mainland China market via Hong Kong, where the imports into Mainland China will grow up to US\$870
- World famous wine expositions in Hong Kong - attract potential clients and trading partners

Hong Kong Wine Registration Scheme and Wine Storage Management System Certification Scheme

The Hong Kong Wine Registration Scheme is launched to strengthen traders' reputation and consumers' confidence by recognising traders that can identify the source and record of wine they handled.

The Wine Storage Management Systems Certification Scheme is applicable to all wine storage facilities and was developed based on ISO 9001 requirements and globally accepted practices. The Scheme encourages and rewards organisations which establish and implement management systems to identify, measure, reduce and offset risks that might lead to undesirable effects on their wine.

For more information, please visit: www.hkqaa.org



Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong

To strengthen Hong Kong's position as a wine trading and distribution hub in Asia, the Mainland and Hong Kong governments signed the Customs Facilitation Arrangement on 9 February 2010. Under the relevant facilitation measures, pre-registered Hong Kong wine traders may submit advance wine consignment information online and enjoy instant customs clearance upon their consignments' arrival at any ports under all 42 Customs Districts in the Mainland. The measures are exclusive for wine entering the Mainland through Hong Kong. The measures support international wine traders in tapping the Mainland market by making use of Hong Kong's top-notch business and logistics infrastructure, and further strengthen Hong Kong's unique position as Asia's wine hub.

Hong Kong wine traders may visit the website of Trade and Industry Department (http://www.tid.gov.hk/english/import_export/nontextiles/wine/index.html) for registration as Hong Kong Registered Wine Exporters.

Industry Snapshot

Consumer Expenditure on Wine (HK\$ Million)

Year	2013	2014	2015	2016
Consumer Expenditure	3,849.8	4,199.7	4,654.3	4960.9

Source: Consumer Expenditure on Wine, Hong Kong, June 2017, Euromonitor International

Wine import into Hong Kong by Volume (Million Litres)

Year	2013	2014	2015	2016	2017
Volume	50.2	52.4	63.4	62.9	60.9
Growth	-0.8%	4.4%	21%	-0.8%	-3.2%

Source: Hong Kong - Asia's Wine Hub-Trade Statistics, 2017, Commerce and Economic Development Bureau

Sales of Wine by On-Trade vs Off-Trade Split by Volume (Million Litres)

Year	2013	2014	2015	2016
On-trade	19.8	18.9	20.3	20.8
Off-trade	10.7	11.1	12.5	13.0
Total	30.5	30.0	32.8	33.8

Source: On-Trade vs Off-Trade, Hong Kong, June 2017, Euromonitor International

Major Retailers in Hong Kong (As at 26 June 2017)

Retailers	Outlets
Watsons Wine Cellar	28
Wai Shing Wine International	15
Cheung Kee International Wines	6
Rare & Fine Wines Ltd	4
voi_la!	3
Ponti Wine Cellars	3
Red Wine Village	3
Red Wine Cellar	3
Schmidt Vinothek	2

Examples of Foreign Wine Companies Operating in Hong Kong

Marketing Office of Winery

- Chateau Margaux (France)

Online Wine Store

- iDealwine (France)

Wine Merchant

- Anecoop Asia (Spain)
- Ginsberg + Chan (Canada)
- Harbour Wines (UK)
- Italian Wine Merchants (US)
- Pont des Arts (France)
- Sotheby's Wine (US)
- Vinoveritas (UK)
- Woodside Wine + Spirits (WW+S) (US)

Winery

- Australian Vintage Ltd. (Australia)
- Beyond Selection Srl (Italy)
- Vinovi (France)

Wine Storage

- China Merchants Godown, Wharf & Transportation Co Ltd (Mainland China)

A Toast to Hong Kong as a Wine Hub

Australian Vintage has achieved tremendous growth in business in Asia after setting up its regional office in Hong Kong

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Australian Vintage**



Leading Australian wine company Australian Vintage began exploring Asian markets some seven years ago but it was not until two and a half years back that a decision was made to set up a regional office in Asia. A number of cities were considered, and Hong Kong was chosen in the end.

“They made what I think was the right choice to set up in Hong Kong,” Nicolas Heretiguian, General Manager - Asia, said.

“Hong Kong gives us the opportunity to be working with Mainland China and also the rest of Asia, because this is not only a local office but an office for Asia. Hong Kong, for us, is a hub for our Asia operations.”

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The office is manned by four, focusing on sales and marketing. There is also a sales representative based in Shanghai. In the coming year, Heretiguian has plans to hire another person for a regional role and perhaps move into a bigger office.

Business is growing. “Two and a half years ago, we shipped about 200 containers to Asia, and this year we are shipping about 300 containers. We achieved a year-on-year growth of about 30 percent in business from 2016 to 2017 just by having an office here,” he said.

Being based in Asia, Heretiguian has been able to open up new markets. The first major development following the opening of the Hong Kong office was the signing of a long-term, strategic country-wide distribution agreement with COFCO Wine & Spirits, a division of China’s largest food processing, manufacturer and trader. The company’s signature retail label, McGuigan, can now be found at the more than 1,200 Family Mart stores in Shanghai, as well as outlets of Lawson and Lianhua supermarkets.

Most recently, a shipment has been made to Myanmar and McGuigan will become available for retail in the country starting January 2017. “We would not have thought of doing that from Australia before,” Heretiguian said. Australian Vintage sells its products in 18 Asian markets in total.

But Heretiguian added that it is about having the right product, too. “Australian wine, as a category, is getting more and more consideration and attention from consumers in Asia. It’s easy to drink, it’s soft, and there is fruit flavour on the back that the Asians like. McGuigan is perfectly fit for the Asian palate,” he said.

Having personnel on the ground in Asia has also led to important product developments for the McGuigan brand. Its cult-like product, McGuigan Black Label Red, has recently undergone a makeover for the Asian market, with a limited edition “Year of the Rooster” label due to make an appearance on supermarket shelves in the Chinese New Year. With six bottles of McGuigan Black Label Red sold every minute in Australia, Heretiguian is expecting big things for this product in Asia.

McGuigan features Riesling, Cabernet Sauvignon, Shiraz and Chardonnay varietals grown in the Hunter Valley and has garnered many awards from around the world. Most recently it has once again been named International Winemaker of the Year at the 2016 International Wine & Spirits Competition in London and become the first winemaker in the world to win the award four times.

One of Australia’s largest vineyard owners and managers and responsible for 10 percent of the country’s annual wine production, Australian Vintage offers five brands of wine as well as tailored wine solutions, bulk wines and grape concentrate.

Australian Vintage

- Set up the regional office in Hong Kong in 2014
- Sells its products in 18 Asian markets
- Responsible for 10 percent of Australia’s annual wine production

australianvintage.com.au

Approximate Monthly Office Rental Costs (HK\$)

Districts (central business districts)	Rental (net effective)
Central/Admiralty	\$117.9/sq. ft.
Wan Chai/ Causeway Bay	\$67.9/sq. ft.
Tsim Sha Tsui	\$53.8/sq. ft.
Island East	\$49.1/sq. ft.
Kowloon East	\$34.4/sq. ft.

Source: Colliers International, April 2017

Average Monthly Salaries for Sale Staff (HK\$)

Title	Average Salary
Sales Manager	\$40,000-55,000
Strategic/ Major Account Manager	\$30,000-40,000
Sales Executive	\$10,000-20,000
Sales Coordinator	\$10,000-15,000

Source: 2018 Greater China Salary Guide, Adecco

Relevant Organisations in Hong Kong

Commerce and Economic Development Bureau

23/F, West Wing, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong
 Email: wine_enquiry@cedb.gov.hk
 www.wine.gov.hk

Hong Kong Quality Assurance Agency

19/F, K. Wah Centre, 191 Java Road, North Point, Hong Kong
 Tel: (852) 2202 9111
 Fax: (852) 2202 9222
 Email: hkqaa@hkqaa.org
 www.hkqaa.org

Wine Industry Association of Hong Kong

11/F, Heng Shan Centre, 145 Queen's Road East, Wan Chai, Hong Kong
 Tel: (852) 2389 9935
 Email: info@wiahk.org
 www.wiahk.org

Major Wine Events in Hong Kong

Event	Month	Website
ProWine Asia @ HOFEX	May (odd years)	www.prowineasia.com/hk/
Vinexpo Hong Kong	May (even years)	www.vinexpohongkong.com/
Hong Kong Wine and Dine Festival	Oct	www.discoverhongkong.com
International Wine and Spirits Fair	Nov	www.hktdc.com

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