



Japan

Too big, too hard or too good to miss?

Amidst the dynamics of a rapidly changing Asian marketplace, does Japan still represent one of the best opportunities in Asia for New Zealand wine?

MISHA WILKINSON reports.

For most, the perception of the Japanese market is one of a sophisticated and mature market where wine is well represented in terms of country and varietal mix. There is also a perception that people pay extraordinary amounts of money for wine (and all things considered 'luxury items') but want something truly unique and only of the highest quality. And it's a market obsessed with food and all things foreign. All in all, one may conclude it would be a highly attractive market to penetrate, although language and cultural barriers can seem a little daunting. But as an export market for New Zealand wine, is Japan as good as it gets?

Surprisingly, even though Japan has a population of 128 million, NZ exports twice the amount of wine to Singapore (with its tiny 5 million population), than it does to Japan! This wasn't always the case as just three years ago NZ exported

similar volumes of wine to both Singapore and Japan although in value terms the Japanese exports were worth 30% more. At that time Japan was ahead of all other Asian markets in terms of export value for NZ wine.

But the picture has changed dramatically and for the year ending June 2009, not only did NZ ship more wine to Singapore than Japan, but it also shipped more to Hong Kong and to China. In fact NZ recorded a growth in exports to Singapore of 32% in the last year (and 60% in the previous year prior to the impact of the global economic crisis) and growth of 128% in wine exports to China. However in the past year, exports to Japan decreased 8% although in the two prior years there was double digit growth.

So have things changed in Japan? Well, the point is, things *don't* really change much in Japan: it's more a case of dynamic change around Asia with Japan steadfastly clinging onto the status quo and perhaps edging forward slowly for those who happen to be in the right niche and with the right partnerships.

And that's about right for Japan—it's a



Photos courtesy NZ Winegrowers

market that's notoriously conservative and it's almost out of character for anything to change or happen quickly—although it is a market prone to fads but these are usually ripples that don't essentially change the fabric of the culture.

Carl Robinson, CEO of Jeroboam, a New Zealander who has been based in Tokyo for the past 14 years, says of Japan, "There is no particular demand for New Zealand wine... in fact there is no real demand for wine." He says the market is awash with wine with a plethora of brands to choose from, but that it's a market that doesn't really have an imperative to drink—*wine* that is! He says that Japan is not even at the stage where international restaurants feel the need to have a Marlborough Sauvignon Blanc on their list—but he's working hard on it!

So what does drive Japanese people to drink? And to drink one brand over another? Relationships—"They count for *everything* in Japan," Robinson says. The relationship you have with a friend, a sommelier, a wine shop owner, or anyone who is in a position of authority or influence, will ultimately determine what you drink—and if you drink.

First hand experience at a NZ wine fair earlier this year certainly proved the power of an 'opinion leader' in Japan. In this instance it was a fine wine wholesaler who also owns a Tokyo wine retail store who is revered for his opinions on wines. At the wine fair he made a pronouncement that a certain NZ producer was exhibiting some very good wine and let his opinion be known. Within 30 minutes there were hordes of potential tasters queued up at winery's table waiting to try the range of wines. Lucky indeed for the winery who was seeking distribution in Japan and subsequently ended up with a long list of potential suitors.

Overall Japan probably has the most 'potential energy' of any other market in

Asia. Ned Goodwin, wine director of Global Dining, with some 65 restaurants within the group, is an Australian based in Tokyo who speaks fluent Japanese and even hosted his own Japanese television show on wine. Goodwin believes the market has the potential to grow up to 1.5 litres more than its current 2 litres per capita wine consumption. But he says much of this potential energy in the market is stored within the stronghold of the Japan Sommelier Association (JSA). Japan reputedly has more sommeliers than any other country with some 13,409 sommeliers as of 1 January 2009, according to the JSA.

Goodwin says these sommeliers could really drive the market. "It's a hierarchical society, the sommelier is revered and there are a lot of them—but mostly they just don't use their influence," he says. Maintaining status quo is what's important



as it is a means to maintaining harmony.

Both Goodwin and Robinson share some common gripes about newcomers to the Japan market. Both believe they would be rich men if they had a dollar from every winery that came to Japan saying their wines were a perfect match to Japanese food. "The ubiquitous

suggestion from the New World is that Riesling goes with sushi," says Goodwin. "The reality is the Japanese don't really care what wine goes with Japanese food because for them, wine and Japanese food are neither cultural nor automatic synergies." And besides, they already know what goes best—beer and sake.

However, the Japanese eat food from all over the world and they do care about the wine and its harmony with food and the recommendation of a sommelier becomes very important. The whole thing is rather dichotomous and one of the reasons that Japan gets a reputation for being such an idiosyncratic market.

In one of Goodwin's own experiments with 15 wines from around the world tasted by a Japanese panel, he said the Japanese certainly had a preference for the subtle fresh wines, "ones that are not too in-your-face or harsh", and those wines are quite often, although not exclusively, from the New World. Although the Japanese may prefer these types of wines, they aren't the wines that are being purchased. Of the top 10 wines sold in Japan, a couple are from France and the rest are New World wines mostly from California, but also from Chile and Australia, and in a style that Goodwin characterises as "innocuously fruity and less-than subtle".

Some hope in terms of growing wine consumption is emerging from a younger crowd who are drinking wine in some non-traditional venues. A phenomenon called the *tachi nomiya* which are standing-only bars has been sweeping the country in the past few years with their popularity fuelled by low wine prices and the ability for the shy Japanese to mix and mingle. Usually the wines are imported and accompanied by tapas or nibbles. And it's not only the young who are in this "mood of frugality", as Robinson describes it. Even the older

groups of Japanese women, who would meet in the Ginza district over a bottle of fine French Bordeaux, now tend to go back to venues closer to their suburban train stations and share a less expensive meal with a less expensive bottle of wine.

It's not that all the money has really dissipated from the everyday Japanese consumer. In fact Robinson believes that the older generation still have mattresses stuffed with money all over Japan. However the appetite for spending this money on fine wine has decreased because of two key things—the need to be thrifty (Goodwin's word for it), which comes as a consequence of the world economic downturn, and the fact that corporate entertaining has dramatically been reduced.

Corporate budgets fuelled the purchase of expensive wines—one wouldn't want to lose face by ordering anything less than an icon wine. Indeed most business deals are closed over a golf game, good meal or expensive Bordeaux.

Other new and encouraging trends include the increase of online sales with portals for wine retailers like www.rakuten.ne.jp. With an inexpensive and fast delivery system across Japan, this is an obvious growth area but it doesn't necessarily help those trying to build a brand, nor develop a niche. Another trend is the acceptance of screwcaps which makes sense for a market where most consumers don't own a corkscrew, nor know how to use one, so that's good news for New Zealand and Australian wines.

In trying to build awareness and exports to Japan, New Zealand Winegrowers has been running an annual trade fair in Tokyo for many years and now holds a wine fair in Osaka every second year. New initiatives this year included a by-the-glass restaurant promotion, a media lunch and a bilingual brochure written by Lisa Perrotti-Brown MW on matching Japanese cuisine with NZ wines. It may well be ignored, but it still certainly feels

like the right thing to try and promote.

Using big events are also opportunities to gain exposure for Brand New Zealand and one such event came about recently when the All Blacks made an appearance in Tokyo for the Bledisloe Cup match. It was an opportunity to promote the Rugby World Cup 2011 and all things Kiwi including wine with many wineries participating in various high-brow events.

Overall Goodwin believes that although people genuinely tend to like NZ wine, it would be better to sell NZ wine as 'fine wine' as opposed to trying to sell it as 'New Zealand' wine. Robinson's view on this was that he'd like to see the All Blacks visiting Japan a lot more often to raise the awareness of NZ in general—but something tells me his comment was tinged with a little homesickness!

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