

China Cognac Survey 2.16

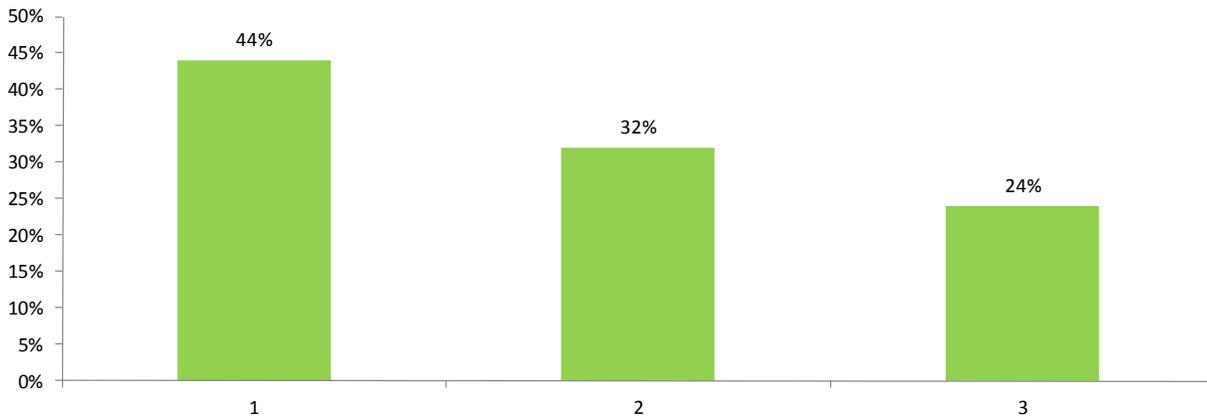
Survey completed February 19, 2016

 SURVEY DISTRIBUTION

No. of Responses

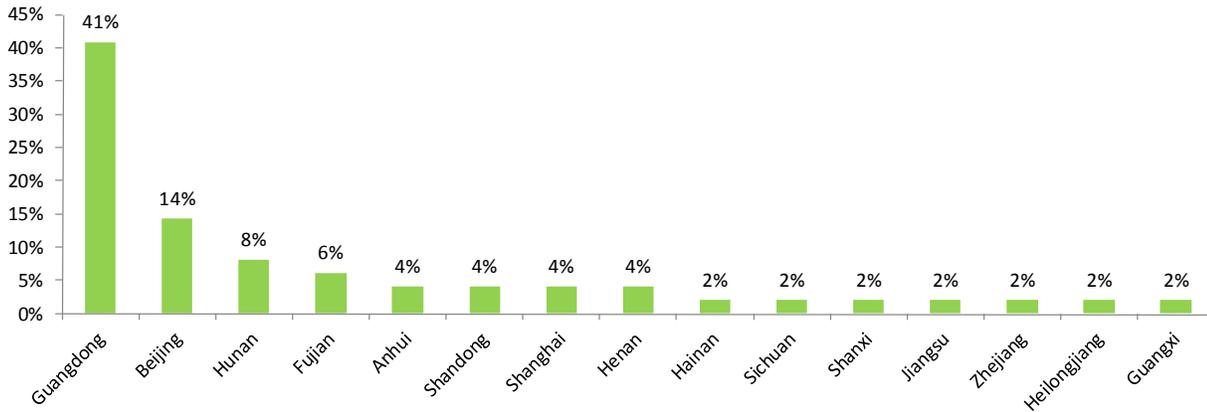
There were a total of 50 interviews with Chinese Liquor Wholesalers, specializing in Cognac sales, completed across mainland China; we conducted our interviews immediately after Chinese New Year 2016.

Tier city



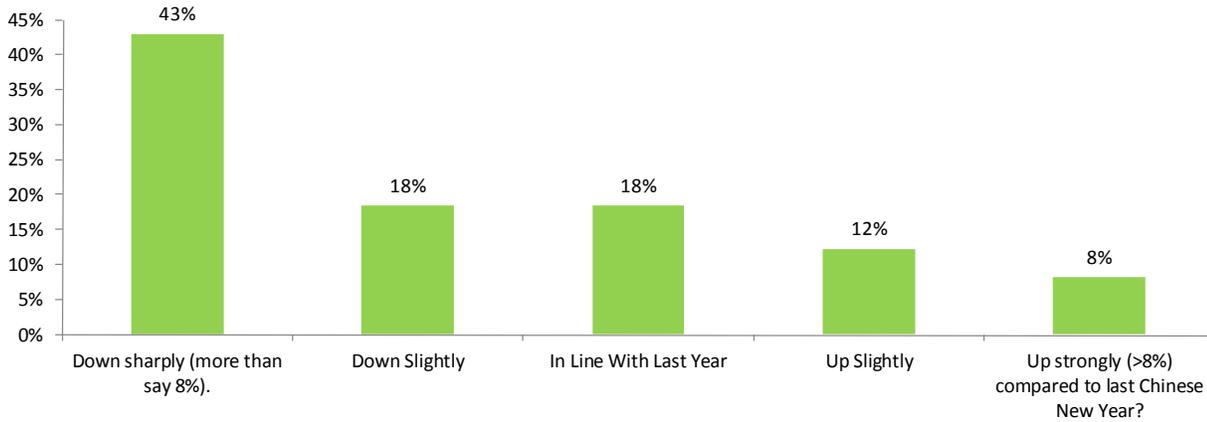
Response	Count	Percentage
1	22	44%
2	16	32%
3	12	24%
Total	50	100%

Province



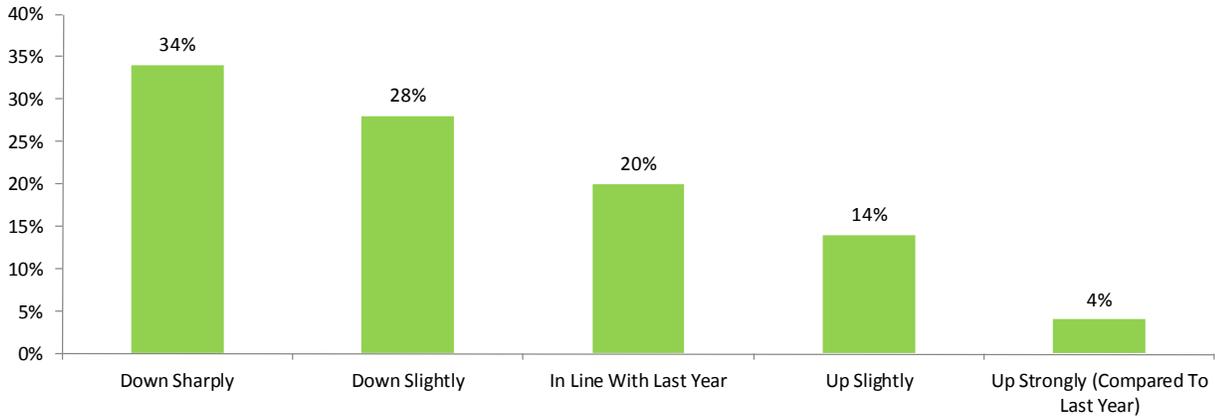
Response	Count	Percentage
Guangdong	20	41%
Beijing	7	14%
Hunan	4	8%
Fujian	3	6%
Anhui	2	4%
Shandong	2	4%
Shanghai	2	4%
Henan	2	4%
Hainan	1	2%
Sichuan	1	2%
Shanxi	1	2%
Jiangsu	1	2%
Zhejiang	1	2%
Heilongjiang	1	2%
Guangxi	1	2%
Total	49	100%

Q 1 In the weeks running up to Chinese New Year were your sales of cognac:



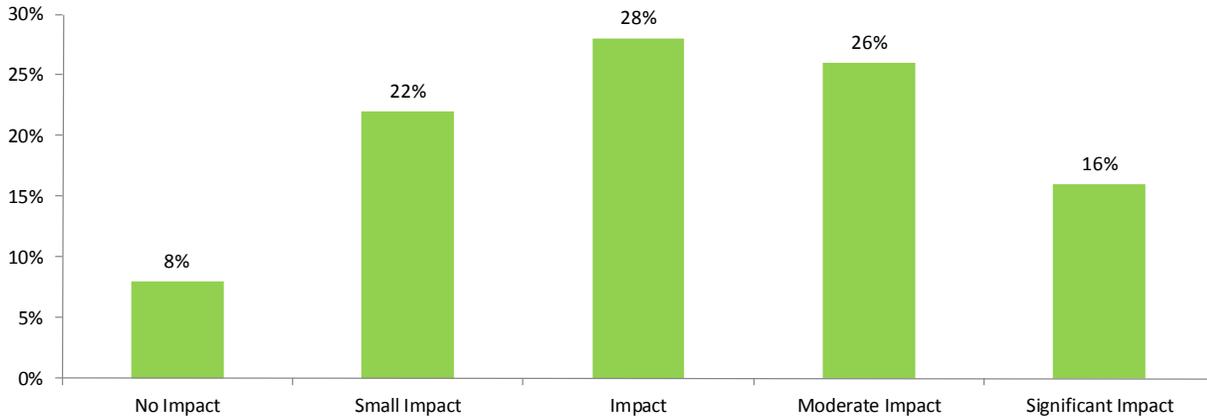
Response	Count	Percentage
Down sharply (more than say 8%).	21	43%
Down Slightly	9	18%
In Line With Last Year	9	18%
Up Slightly	6	12%
Up strongly (>8%) compared to last Chinese New Year?	4	8%
Total	49	100%

Q 2 What feedback are you getting from your customers on cognac sell out over the Chinese New Year?



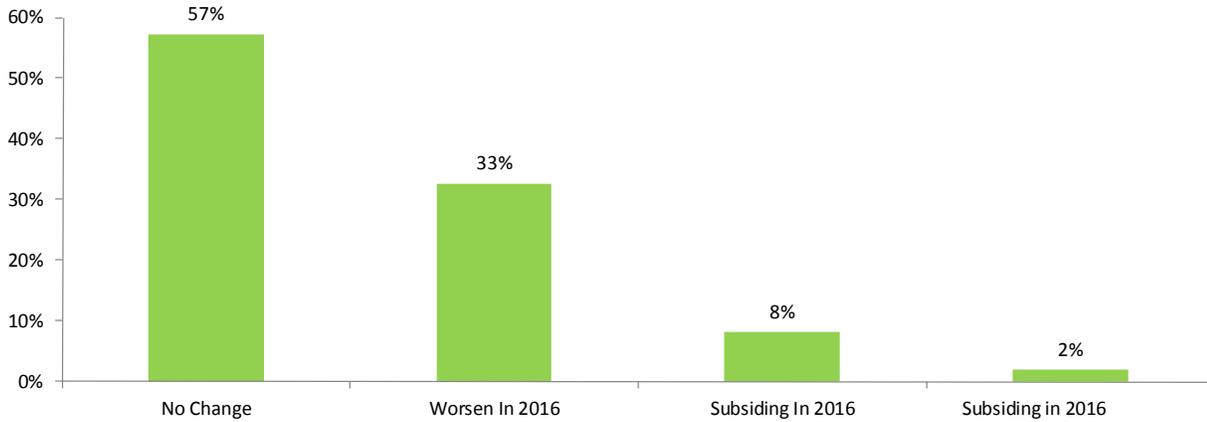
Response	Count	Percentage
Down Sharply	17	34%
Down Slightly	14	28%
In Line With Last Year	10	20%
Up Slightly	7	14%
Up Strongly (Compared To Last Year)	2	4%
Total	50	100%

Question 3a To what extent is the crackdown on extravagant consumption still impacting sales?



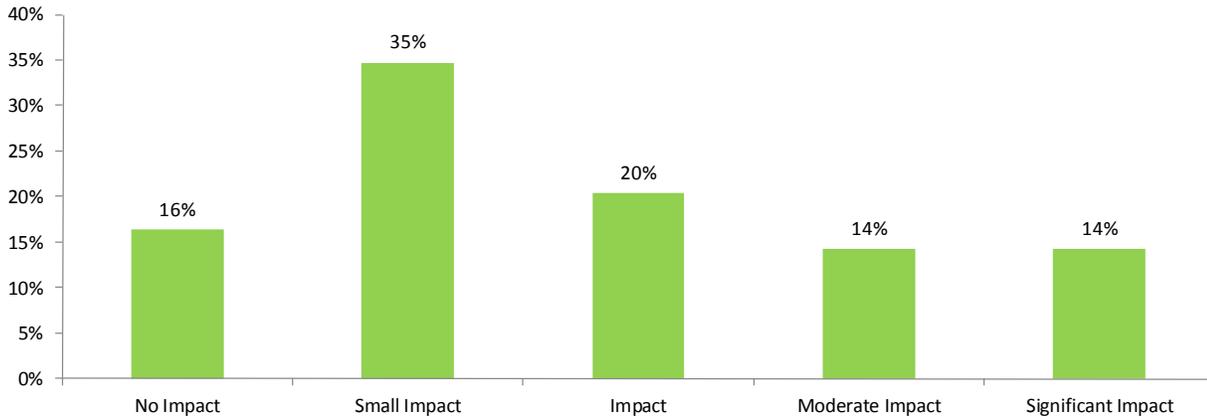
Response	Count	Percentage
No Impact	4	8%
Small Impact	11	22%
Impact	14	28%
Moderate Impact	13	26%
Significant Impact	8	16%
Total	50	100%

Question 3b Do you think the crackdown on extravagant consumption will be a worsening concern in 2016 or is it subsiding?



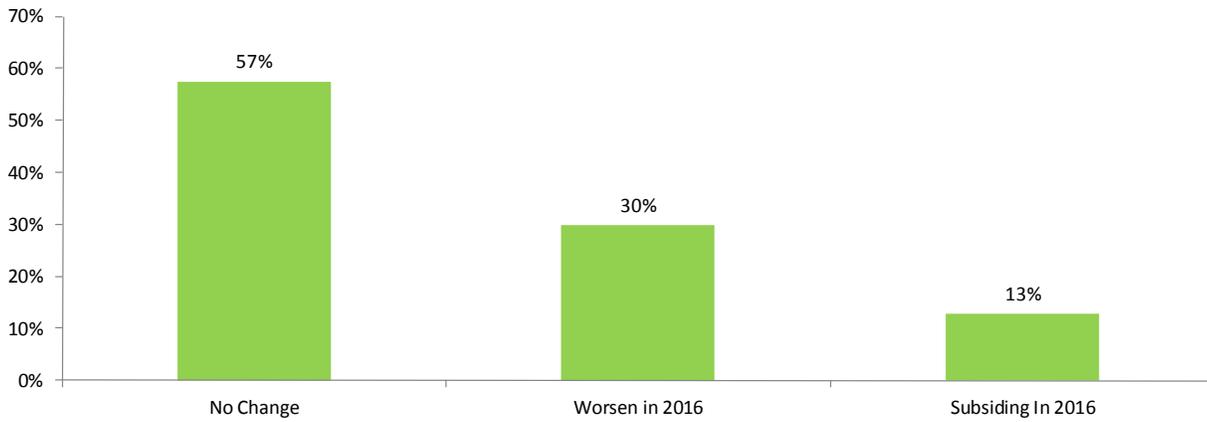
Response	Count	Percentage
No Change	28	57%
Worsen In 2016	16	33%
Subsiding In 2016	4	8%
Subsiding in 2016	1	2%
Total	49	100%

Question 4a To what extent is the worsening macroeconomy impacting sales?



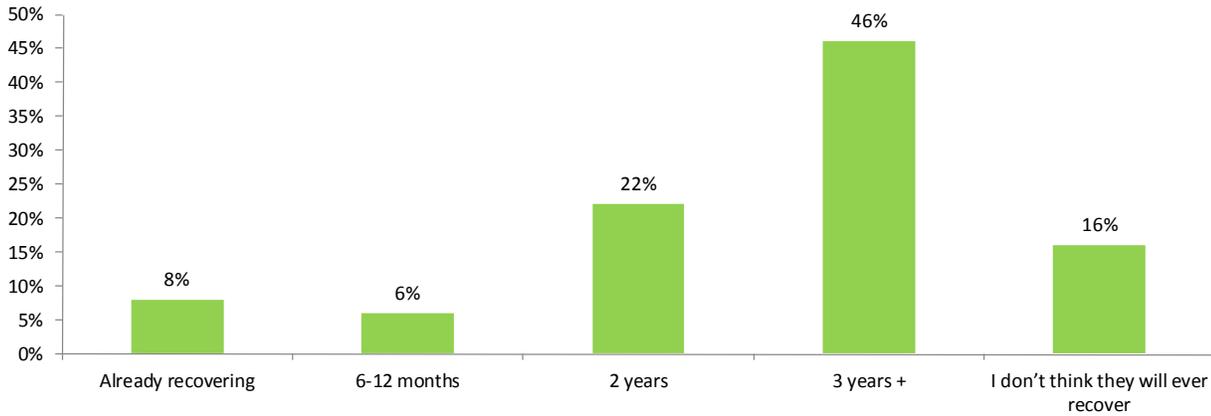
Response	Count	Percentage
No Impact	8	16%
Small Impact	17	35%
Impact	10	20%
Moderate Impact	7	14%
Significant Impact	7	14%
Total	49	100%

Question 4b Do you think macroeconomic conditions will be a worsening concern in 2016 or is it subsiding?



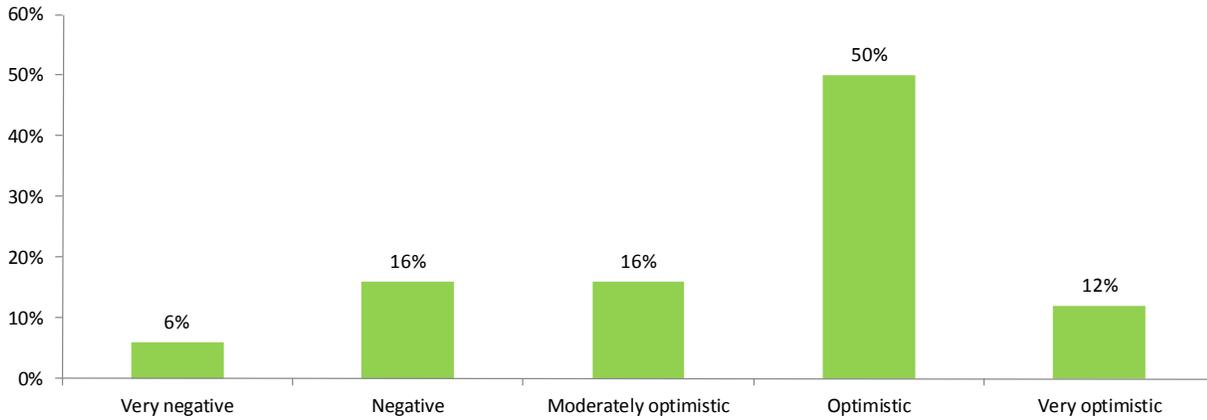
Response	Count	Percentage
No Change	27	57%
Worsen in 2016	14	30%
Subsiding In 2016	6	13%
Total	47	100%

Question 5 How long will it take for cognac sales to recover?



Response	Count	Percentage
Already recovering	4	8%
6-12 months	3	6%
2 years	11	22%
3 years +	23	46%
I don't think they will ever recover	8	16%
Total	49	98%

Question 6 How optimistic are you about the long term growth of cognac in China?



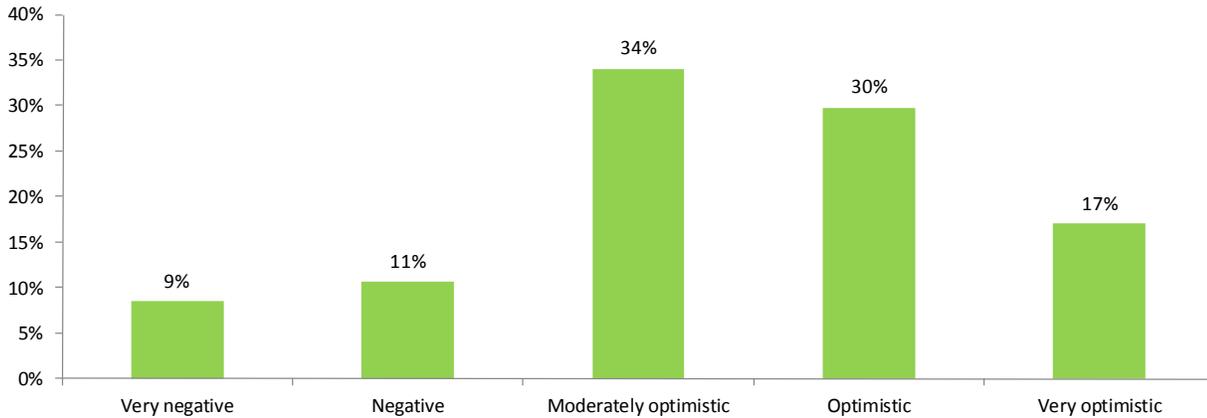
Response	Count	Percentage
Very negative	3	6%
Negative	8	16%
Moderately optimistic	8	16%
Optimistic	25	50%
Very optimistic	6	12%
Total	50	100%

Why ?

- The coming two years, the economic environment will be better. (Beijing)
- Customers Know More Knowledge Of Cognac, They Become More Potential. (Beijing)
- We Are Continue Educating The Culture, Customers Increase Continuously. (Beijing)
- The Economic Environment Will Become Better, Consumption Level Increase. (Guangdong)
- The Economic Environment Need Some Time To Recover. (Hainan)
- Good Brand Recognition. (Anhui)
- Built The Brand, Customers Trust Their Products. (Fujian)
- Government Anti-Corruption; The Prices Of Cognac Are High, People Of Consumption Are Not Used To Drinking Cognac. If The Gift Market Not Longer Existing, Future Is Bad (Guangdong)
- The Nightclub' Customers Are Long Term And Stable; And The Publicize Of Cognac Are Good, Not Have Any Big Effect. (Shandong)
- Consumption Of Customers Become More Rational. (Fujian)
- Economy Will Be Poor In The Future (Guangdong)
- Market Atmosphere Is Not Good. (Beijing)
- Economic Environment Should Be Better. (Beijing)
- The Economic Environment Should Be Need Some Time To Recover. (Heilongjiang)
- Cognac Products Are Good, The Sales Should Be Quite Good. (Shanghai)
- This Few Years, The Sales Are Quite Weak. (Guangdong)
- Future Prospect Should Be Good. (Shanghai)
- Wealthy And Strong Country, Consumption Level Continues To Rising. (Guangdong)
- Government Policy Affected. (Guangxi)
- Consumption Group Expand; Consumption Ability Increase; Market Demand Increase. (Guangdong)
- Economic Will Improved From Depression (Guangdong)
- Economic Environment Weak. (Guangdong)
- Little Profit Room; Big Competition. (Guangdong)
- The Consumption Level Increase; Have Demand Because Restaurants Affected. (Anhui)
- Have Some Stable Customers. (Guangdong)
- The Consumption Level Increase. (Guangdong)
- The Customers Is Still Existing And Will Grow With The Increasing Consumption Capacity (Shanxi)
- Increasing Lifestandard. More People Will Join To Drink Cognac As It Is Popular And Has Good Reputation In China Market (Zhejiang)
- People Do Not Buy, As The The Government Watching Closly And The Economy Is Not Good (Beijing)
- Economy Will Grow I The Longterm And China Has 1.4 B Population, A Lot Of Buying Power (Shandong)
- Because Most Of Cognac Is Bough As Gift, Gift Market Dispppeared, Market Will Be Very Small (Fujian)
- Consumption Market Is Still Still, But Will Not As Crazy As Before (Hunan)

- China Government On Crackdown On Extravagant Attitude Will Not Change, Luxury Market Is Cool Down (Hunan)
- Chinese Consumption Market Is Ok (Hunan)
- Starting My Career Just 2 Years Ago, Very Positive In This Business In The Long-term (Hunan)
- Long-term Everything Is Good For China Market, We Have Large Population And A Lot More Young People Want To Try Western Style Life (Guangdong)
- Market Is Large (Guangdong)
- Economy Is Cool, Consumption Is Weak (Guangdong)
- Sales Is Getting Weak In Recent Years (Guangdong)
- Market Is Stable (Jiangsu)
- Customers Will More Likely Affordable Products And Better Value (Beijing)
- Customers More Recognized Our Brands (Guangdong)
- Good Quality Product (Sichuan)
- Brand Affect (Guangdong)
- Increasing In Sales More Demand (Guangdong)
- China Will Become Largest Consumption Market In The Future And Chinese Love Western Luxury Brands (Henan)
- Chinese Will prefer To Buy More Affordable Brands Instead Very Luxury (Guangdong)
- Too Much Depends On The Policy Makers, Very Hard To Predict ()
- Market Demand Huge (Henan)
- Economy Will Improve Later (Guangdong)

Question 7 How optimistic are you about the long term growth of scotch in China?



Response	Count	Percentage
Very negative	4	9%
Negative	5	11%
Moderately optimistic	16	34%
Optimistic	14	30%
Very optimistic	8	17%
Total	47	100%

Why?

- The coming two years, the economic environment will be better. (Beijing)
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- We Are Continue Educating The Culture, Customers Increase Continuously. (Beijing)
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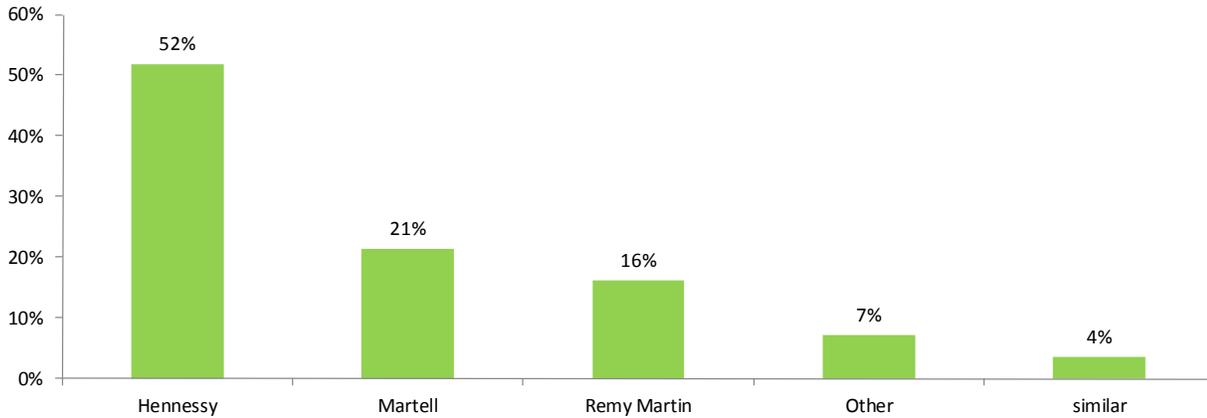
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Original Question 8 Do you think other categories of international spirits could become interesting over the next few years?



Response	Count	Percentage
Vodka	16	35%
Irish Whisky	15	33%
Cognac	6	13%
Us Whisky/Bourbon	5	11%
Whisky	1	2%
Cocktail	1	2%
Blue Cover Martell	1	2%
Big Brands	1	2%
Total	46	100%

Original Question 9 Which brand has been selling better at Chinese New Year?



Response	Count	Percentage
Hennessy	29	52%
Martell	12	21%
Remy Martin	9	16%
Other	4	7%
similar	2	4%
Total	56	100%

Notes

- The young people like the foreign wine more. (Beijing)
- In China, Us Whisky/Bourbon Is Not Well-Known. (Beijing)
- High Consumption Customers Not Prefer Brandy, But The Medium And Low Consumption Customers Are Accepted. (Beijing)
- He Think The Sales Should Be Not Good. (Guangdong)
- The Worst Sales Is Us Whisky/Bourbon. (Guangdong)
- (Luxury kind has bigger impact, not much impact on affordable products) (Shanxi)
- Cognac Is Good Quality But Too Expensive ()
- A Lot More Young People Like It ()