

Asahi
SOFT DRINKS

WONDA
WONDERFUL COFFEE

LIQUOR SHOP カード拜見 年齢確認
Sake-Pass

白鶴
清酒

金楼
清酒
きんりょう

May 15, 2013
SCOTT GALLOWAY
NYU Stern

APAC
Supplement

DIGITAL IQ INDEX:

Spirits

A New Epicenter

The epicenter of growth in the Spirits industry has moved East. Growth, globally, in the drinks industry was 2.4 percent, versus 5.2 percent¹ in APAC. Domestic players have (to-date) dominated, however global icons are gaining traction. In China, the prestige Spirits sector is projected to rip up at a 118.3 percent CAGR over the next four years, led primarily by global brands.² Growth forecasts for Japan are more modest, however the land of the rising sun is the sixth largest Spirits market.³ Gateway markets including Hong Kong and Taiwan, are gaining relevance with growth in travel retail. Diageo reports Asia travel retail sales were up 37 percent YoY, while Remy Cointreau expects travel retail sales in Asia to overtake European sales “in the near future.”⁴ Sales of premium spirits in the region have grown at twice the rate of standard spirits.⁵

Several Factors Distinguish the Market:

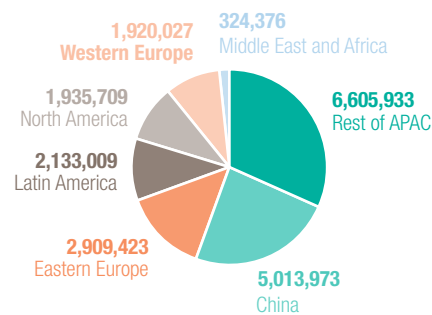
FREEDOM. The combination of lax online regulation and a digitally savvy consumer suggest the formula for success in the region is different. Much of the industry’s digital innovation is coming from Asia-Pacific.

E-COMMERCE. Effectively off-limits across the U.S. and Europe, several brands are beginning to dip their toes into e-commerce. Local brands Moutai in China and Choya in Japan feature direct-to-consumer e-commerce through brand sites and conglomerate Suntory provides a multi-brand e-commerce destination. In China, Pernod-Ricard and Bacardi host Tmall stores on local giant Taobao, that host their portfolio of brands.

LOYALTY + CRM. Brands including Hennessy, Johnnie Walker and the Glenlivet have invested in robust local content and mobile loyalty programs that track purchases and engagement, driving consumers to tasting events.

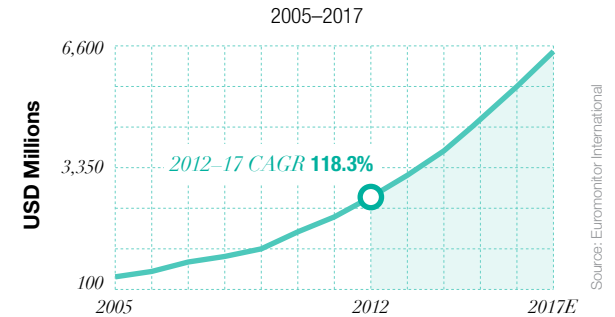
COMBATING COUNTERFEITS. Local Chinese giants Moutai and Wuliangye have crafted digital/mobile tools that verify the authenticity of product via RFID, product codes and robust on-site education.

2012 Spirits Market Size By Thousands of Liters



Source: Euromonitor International

China: Fine Wines/Champagne and Spirits Market Size, USD Millions 2005–2017



Source: Euromonitor International

Opportunity

One in five global brands do not have a Chinese site and load times are double their global peers. Two-thirds of brands fail to feature local video on Japanese sites, despite 50 percent greater video consumption versus the global average. Mobile, a must-have for the region, is underinvested across the board. Less than a quarter of brands feature a mobile site in any of the markets and only a handful have launched local-language apps.

Digital IQ = Shareholder Value

This study attempts to quantify the digital competence of 57 Spirits brands across China, Japan, and Taiwan. Our aim is to provide a robust tool to diagnose digital strengths and weaknesses and help brands achieve greater return on incremental investment. Like the medium we are assessing, our methodology is dynamic, and we hope you will reach out to us with comments that improve our methodology and findings. You can reach me at scott@stern.nyu.edu.

SCOTT GALLOWAY
Professor of Marketing, NYU Stern
Founder, L2

1. “Alcohol in Asia: Sobering Thoughts,” The Economist, November 12, 2012.
2. “Jewellery, watches, pens and alcohol see the highest growth for luxury items in China,” Bend Trend, April 8, 2013.
3. “China still world’s thirstiest country, APAC sees stagnant growth,” RJ Whitehead, Food Navigator-Asia, May 7, 2013.
4. “Analysis: Spirits in Travel Retail,” Chris Mercer, The Spirits Business, November 29, 2012.
5. *ibid*

About the Ranking

The Methodology

Site

35% ————— China 

Localization of Site Features

Gateway
Site Technology
Navigation & Search
Retail & Account
Content
Product Page

35% ————— Japan 

Localization of Site Features

Gateway
Site Technology
Navigation & Search
Retail & Account
Content
Product Page

30% ————— Taiwan 

Localization of Site Features

Gateway
Site Technology
Navigation & Search
Retail & Account
Content
Product Page

Digital Marketing

25% ————— China 

Search, Digital Media, and Email

Search: Traffic, SEM & SEO—Baidu, So.com, Web Authority

Advertising & Innovation: Online and Offline Synergies, Cross Platform Initiatives

BBS and Social Brand Buzz: Mentions

25% ————— Japan 

Search, Digital Media, and Email

Search: Traffic, SEM & SEO—Yahoo, Google, Web Authority

BBS and Social Brand Buzz: Mentions

25% ————— Taiwan 

Search, Digital Media, and Email

Search: Traffic, SEM & SEO—Yahoo & Google, Web Authority

BBS and Social Brand Buzz: Mentions

Mobile

20% ————— China 

Compatibility, Optimization, and Marketing on Smartphones and Tablets

Mobile Site: Compatibility, Functionality, Transaction Capability

Mobile Applications: iOS & Android Availability, Local Language Availability, Popularity, Functionality, iPad Differentiation

20% ————— Japan 

Compatibility, Optimization, and Marketing on Smartphones and Tablets

Mobile Site: Compatibility, Functionality, Transaction Capability

Mobile Applications: iOS & Android Availability, Local Language Availability, Popularity, Functionality, iPad Differentiation

20% ————— Taiwan 

Compatibility, Optimization, and Marketing on Smartphones and Tablets

Mobile Site: Compatibility, Functionality, Transaction Capability

Mobile Applications: iOS & Android Availability, Local Language Availability, Popularity, Functionality, iPad Differentiation

Social Media

20% ————— China 

Brand Presence, Community Size, Content, and Engagement

Sina Weibo, Tencent Weibo, Renren, Douban, Q-Zone, WeChat

Brand Presence, Video Views, Uploads, Viral Videos: Youku, Tudou

20% ————— Japan 

Brand Presence, Community Size, Content, and Engagement

Facebook, Twitter

Brand Presence, Video Views, Uploads, Viral Videos: YouTube

25% ————— Taiwan 

Brand Presence, Community Size, Content, and Engagement
























































Facebook, Twitter

Brand Presence, Video Views, Uploads, Viral Videos: YouTube

Brand List

In Alphabetical Order

● China
● Japan
● Taiwan

 ● ● ●	 ●	 ●	 ●	 Red Star Er Guo Tou ●	 ●
 ● ●	 ● ● ●	 ●	 ●	 ● ●	 ● ● ●
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Top 5 Ranking

China



1



Moët Hennessy

2



Diageo

3



Rémy Cointreau

4



Kweichow Moutai Co Ltd

5



Pernod Ricard

Japan



1



Moët Hennessy

2



Brown Forman

3



Gruppo Campari

4



Bacardi

5



Diageo

Taiwan



1



Moët Hennessy

2



Diageo

3



Pernod Ricard

4



Moët Hennessy

5



Pernod Ricard

Key Findings

Site 

Tick, Tick, Tick

Local sites are slower than global peers, except in Taiwan, where sites registered roughly equal load times. Sites in China trailed at 7.36 seconds primarily because of heavy flash components.

Video

Brands in the APAC region are underinvested in video. Taiwan leads with 24 percent of brands providing video content in the local language. Sixty-seven percent of Japanese brand sites include no video, even though the Japanese are voracious consumers of video, viewing 1.5 times the global average.⁶ Johnnie Walker is the only global brand with local language video, in both China and Taiwan.

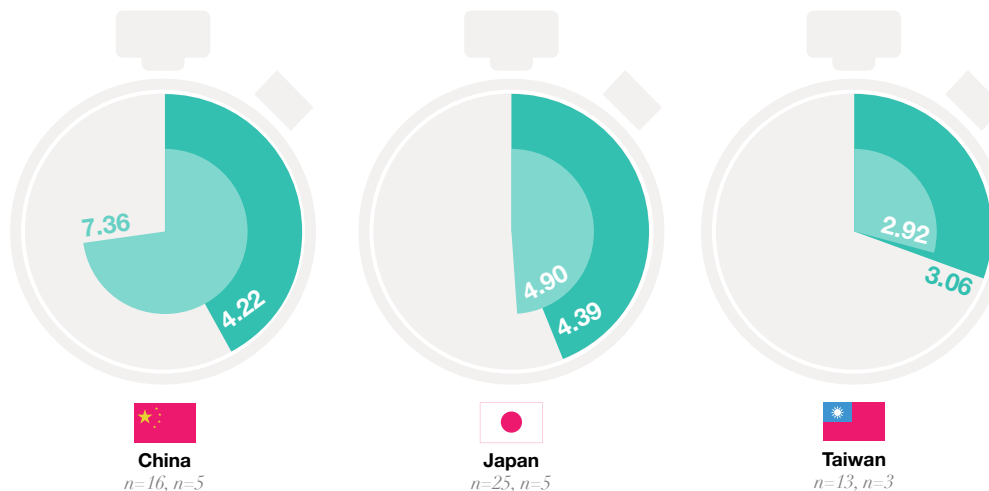


Johnnie Walker China includes video highlighting their “Keep Walking” campaign featuring local celebrity Chen Kun.

Site Load Time

Seconds, April 2013

● Global ● Local



Site Video Language Features

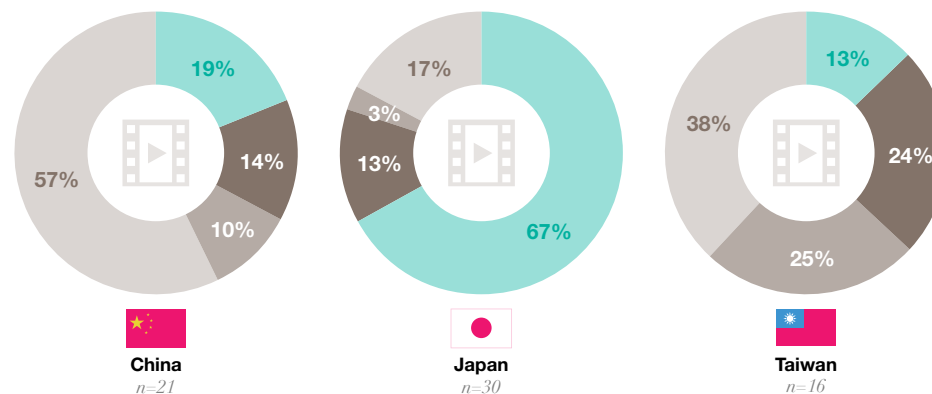
April 2013

✕ No Video on Site

● Includes Video in Local Language

● Includes Video in English but is Subtitled/Dubbed

● Includes Video in English



6. "Video Overview by Market Ranked by Videos," comScore Video Metrix, June 2012.

Key Findings

Digital Marketing 

Data Capture

Email and account sign-up percentages, 59 percent and 36 percent, respectively, are comparable to global figures. However, brands approach the email medium differently in APAC. There are more than 258 million email users in China, but the preferred method of communication is instant messaging (445+ million users).⁷ Yahoo China, a smaller player in the space, recently shuttered its email service.⁸ The Japanese still use email, though almost 57 percent access it from their mobile phone⁹ and some are shifting over to LINE, the popular social network service that offers free phone service and text messaging.¹⁰



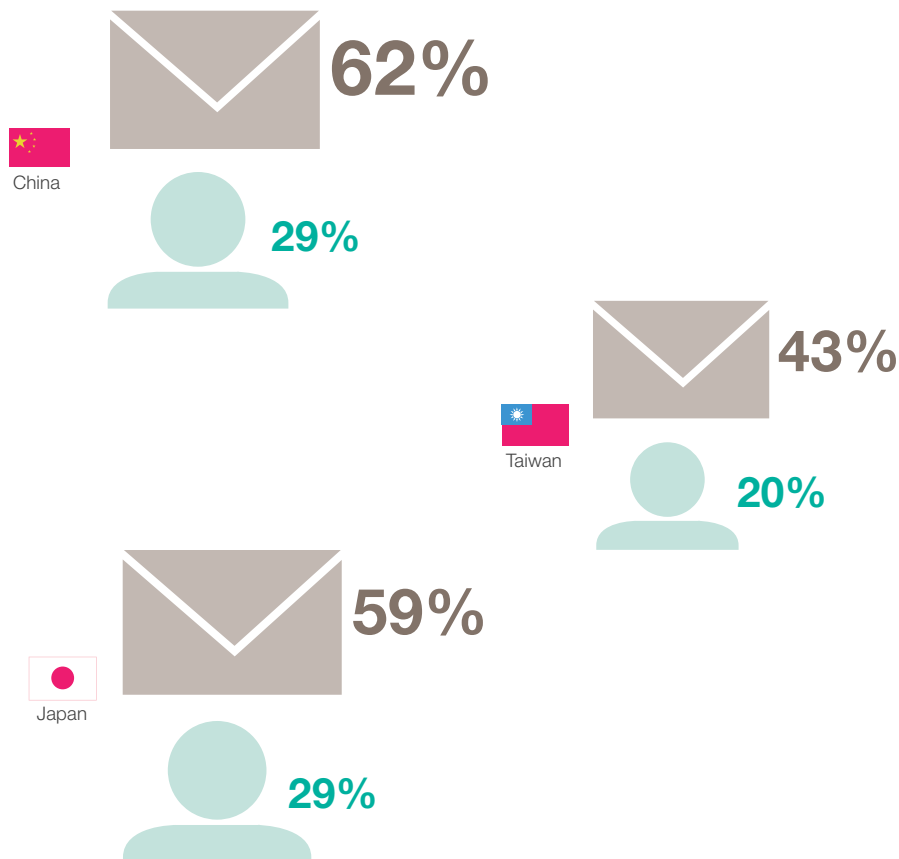
Wild Turkey Japan emails club members with news and local events.

Account and Email Sign-Up by Country

Percent of Brands that Offer the Following

March 2013

 Email  Account



7. "HOW CHINESE USE THE INTERNET: 2012 USAGE STATISTICS," The China Observer, November 28, 2012.

8. "Loss of market share sees Yahoo China shut mainland email service," South China Morning Post, April 19, 2013.

9. "In Japan, Smartphones Surpass Feature Phones among Newly Acquired Devices for First Time Ever," comScore, April 23, 2012.

10. "Introducing LINE, an Emerging Social Network for Mobile in Japan," Taro Kaji, Covario, March 20, 2013.

Key Findings

Mobile 

Mobile Site

Despite the prevalence of mobile devices in APAC countries, investment lags. China leads with 330 million smartphone users, a 150 percent increase over 2012.¹¹ In Japan, over 100 million people use mobile devices, of which 24 million are smartphones (23.5 percent).¹²

Only four brands offer mobile-optimized (non-QWERTY based) age gateways: Glenfiddich (Japan and Taiwan), Glenmorangie (Taiwan), Hennessy (China, Japan, and Taiwan), The Balvenie (Taiwan). Only Hennessy (China and Taiwan) offers mobile site search.



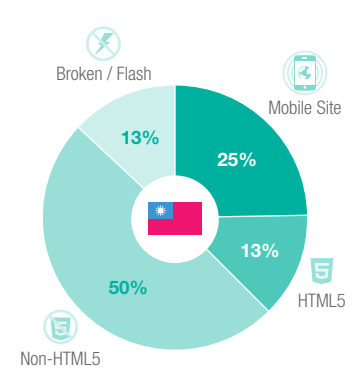
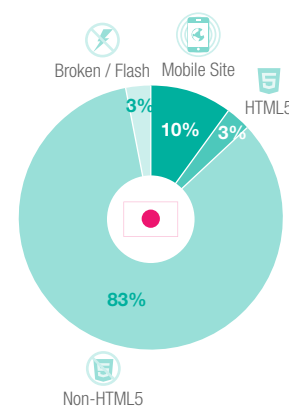
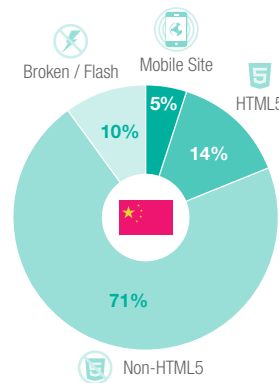
The Balvenie's Taiwan mobile site is available in three languages.



Jameson's flash-based China site fails to load on a mobile device.

Mobile Site and HTML5 Adoption by Country

March 2012



Average Mobile Site Load Time (seconds)



11. "Smartphones: China's next great economic indicator," Jack Hidary, CNN Money, January 14, 2013.

12. *Japan Trend Watch*, European Travel Commission, June 2012.

About L2



L2 is a think tank for digital innovation.

We are a membership organization that brings together thought leadership from academia and industry to drive digital marketing innovation.



RESEARCH

Digital IQ Index® is the global benchmark for digital performance of prestige brands. By analyzing more than 650 data points across four dimensions—Site & E-Commerce, Digital Marketing, Social Media, and Mobile—we quantitatively diagnose brands' digital strengths and weaknesses and rank peer-to-peer performance within the following verticals: Luxury, Beauty, Retail, Travel, Drinks, Auto, and CPG.

L2 Intelligence Reports complement L2's flagship Digital IQ Index® with a deeper dive on platforms or geographies of future growth. Critical areas of investigation include: Mobile, Video, Emerging Platforms, APAC and Brazil Russia India.

L2 Supplements provide an in-depth regional or platform-specific analysis of our Digital IQ Index® reports.



EVENTS

The Forum: Our annual flagship conference, held each November. The Forum is a one-day, TED-style event where the largest gathering of prestige executives in North America learn about case studies and best practices within the broader categories of Leadership, Genius, Organization and Behavior, among others.
300+ attendees

Clinics: L2's version of the one-day M.B.A, our quarterly clinics, held at NYU Stern and Hotel Palais Brongniart in Paris offer members an in-depth look at the issues, trends, strategies and technologies changing the face of prestige marketing.
120–180 attendees

Working Lunches: Held in cities across the world every month, our working lunches provide members with a midday opportunity to learn about our latest research releases and gain insight into digital opportunities.
40–80 attendees



CONSULTING

Advisory Services: L2 works with brands to garner greater return on investment in digital initiatives. Advisory work includes Digital Roadmaps, Social Media Strategy, and Organizational Strategy engagements.



MEMBERSHIP

For membership info and inquiries: membership@L2ThinkTank.com

Upcoming Events

CLINIC: DISRUPTION

June 11, 2013 • NYC

CLINIC: SOCIAL CRM

June 18, 2013 • Paris

LUNCH: MULTI-CHANNEL

June 19, 2013 • London

LUNCH: RESEARCH BRIEFING

June 21, 2013 • Shanghai

LUNCH: RESEARCH BRIEFING

June 24, 2013 • Hong Kong

Upcoming Research

DIGITAL IQ INDEX® REPORTS:

*Specialty Retail
Department Stores*

RESEARCH SUPPLEMENTS:

*Russia: Luxury
Brazil: CPG*

INTELLIGENCE REPORTS:

*Multi-Channel
Platform Analysis*

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