

Moutai mulls expansion in US market

Leading Chinese *baijiu* brand lures international customers thanks to sponsorship exposure

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Moutai, China's leading brand of grain liquor produced in Southwest China's Guizhou province, continues its US market expansion by not only retaining existing Chinese American clients, but also luring mainstream customers via integrating Moutai's business culture with sponsorships of premium local events.

In its journey of internalization, Kweichow Moutai Group takes the Moutai brand and its cultural essence seriously, calling its history priceless.

The company started to explore the US market about 20 years ago. It chose New York, Los Angeles and later San Francisco to establish its three distribution centers. Liu Hongyuan, marketing director of CNS Enterprises, Moutai's Los Angeles-based wholesale and promotion center, said it's not easy to promote the Chinese liquor in North America.

Major consumers of Moutai are overseas Chinese and Chinese enterprises that operate in the United States, Liu said.

"Moutai has long been a trusted brand among Chinese people because of its complex flavor and a purity that prevents hangovers. Commercials and promotions through Chinese-language media networks and grocery stores would guarantee sales, especially at festive occasions such as Chinese New Year and Mid-Autumn Festival."

William Zhang, a Chinese immigrant from Shandong province who operates his own startups in the Silicon Valley, said his storage room is never short of several cases of Moutai.

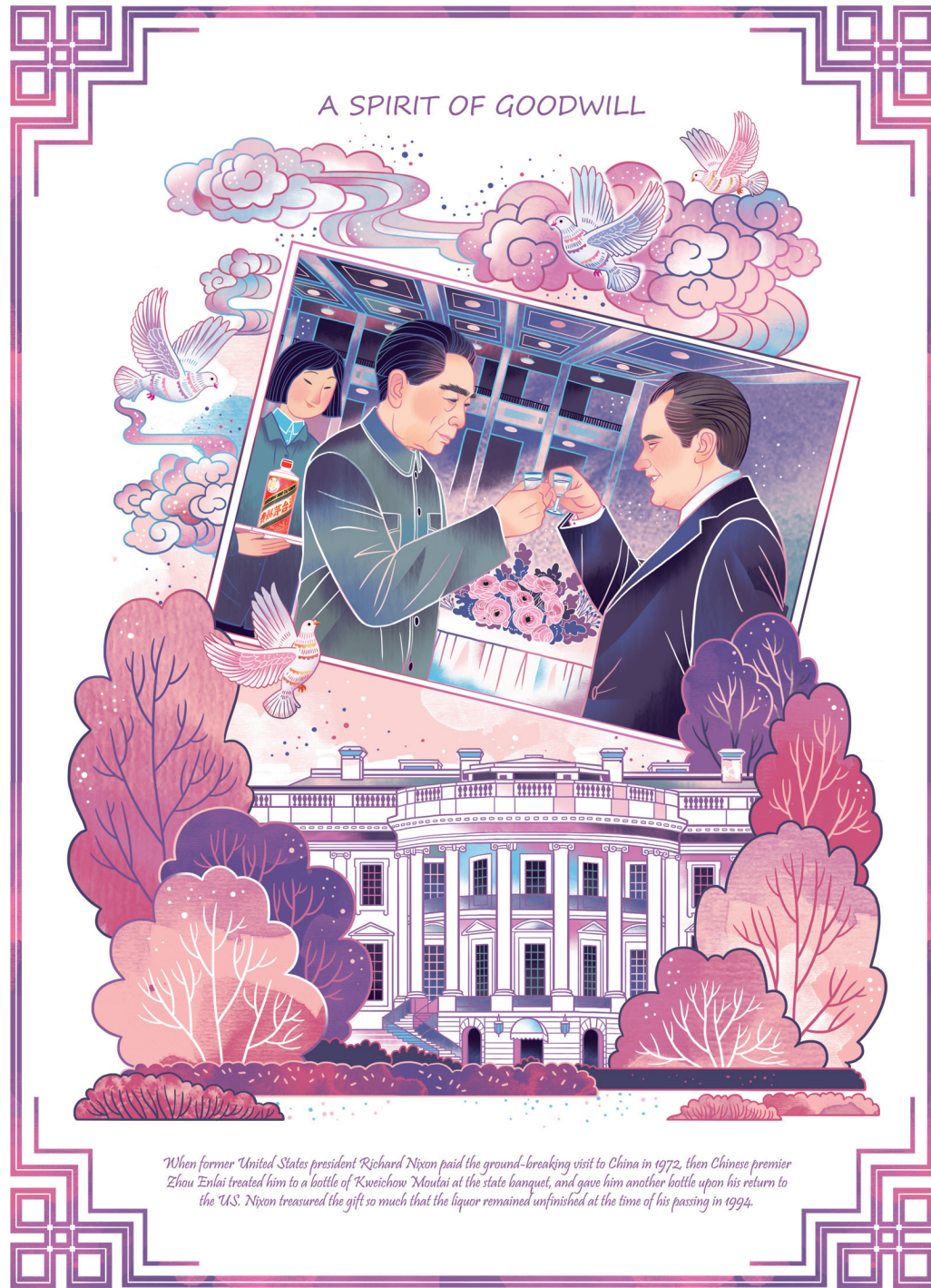
"Whenever I invite my important guests or business partners, it's a ritual that I will bring one or two bottles of Moutai," he said. "After several rounds of toasts of this strong liquor, everybody becomes friends and candid conversations begin."

There are four major Moutai products available in the US — on volume 200 ml, 375 ml, 750 ml and 1,000 ml — the 375 ml is the most popular, which is sold at a retail price between \$170 and \$190.

In 2017, Moutai Group reported a net profit of \$4.18 billion, a 58 percent annual increase, due to a robust hike in national sales, which lead to the main brands of Moutai products selling out all over the country.

"The strong momentum somehow also influences the US market," said Liu. "Retailers told us that many Chinese tourists would buy Moutai from the American grocery stores and carry them back."

For many Westerners, however, Moutai is simply a foreign-brand liquor too strong in taste, said Liu. "This is a very strong obstacle, yet we have to overcome it if we aim at scalable sales



When former United States president Richard Nixon paid the ground-breaking visit to China in 1972, then Chinese premier Zhou Enlai treated him to a bottle of Kweichow Moutai at the state banquet, and gave him another bottle upon his return to the US. Nixon treasured the gift so much that the liquor remained unfinished at the time of his passing in 1994.

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in the US market. Basically, we have to deal with two distinctive markets — the Chinese Americans and the West. They are so different when it comes to lifestyles and liquor choices, so we need to tailor two different kinds of messages to the two groups of clients."

Educate the mainstream

The US mainstream market is still emerging. "We need to nurture this specific segment by positioning Moutai as a prestigious liquor brand," Liu said. It takes time and great efforts to educate the general public on how to appreciate the taste of this Chinese liquor.

"Compared to similar kinds of products in Western cultures such as whiskey, Moutai is so different and unique in its flavor and taste."

For example, Liu added,

Moutai needs to combine the history, cultural meaning and branding significance together and explain to mainstream clients that the complexity of Moutai's flavor comes from its artisanship.

Made mostly from sorghum and a bit of wheat, Moutai undergoes a fermentation and distillation process that is repeated seven times.

By contrast, the fermentation process for grain used in a batch of whiskey takes around a week, and the process for Moutai spans six months. After distillation, the spirit is aged in ceramic vessels for five years.

On the promotion and publicizing of Moutai, Liu said, "We choose with great caution our local partners and decided to sponsor a few high-end local events including LA Fashion Week, LA Film Market, among

others, to grow the brand familiarity and to increase awareness."

The most recent example was Moutai's partnership with the 2017 NBA champion Golden State Warriors on Feb 24 to sponsor the team's Chinese Heritage celebrations this season.

At the game against Oklahoma City Thunder on that Saturday, the Warriors wore special Chinese heritage uniforms that featured a chest logo combining the Golden Gate Bridge and traditional Chinese symbolism and the Chinese character for prosperity on the waistband of the shorts.

The team celebrated the Chinese New Year with a variety of activities throughout the event, including a lion dance during halftime, a red envelope parachute drop, and a Warriors Year of the Dog plush doll giveaways and

a Chinese New Year-themed mini-ball toss.

On the big screens within the Oracle Arena, Chinese New Year greetings were displayed in both Mandarin and English denoting Moutai Group as the event sponsor.

According to a statement from the NBA, Moutai branding and activities were also integrated into two other Chinese Heritage nights at Oracle Arena this season when the Warriors, in their Chinese Heritage jerseys, played the San Antonio Spurs on March 8 and the Milwaukee Bucks on March 29.

"We always strive to find a partner that fits our increasingly global brand, and in Moutai we have discovered a natural choice," said Warriors president Rick Welts.

"Moutai and its leaders think big, as evidenced by

“Moutai has long been a trusted brand among Chinese people.”

Liu Hongyuan, marketing director of CNS Enterprises

5 years duration of Moutai's aging process

their influence in China and around the world, and together we have crafted a relationship where we can both continue to grow while celebrating our successes and impact in the United States, China and beyond," Welts said.

A video series featuring Golden State assistant coaches Ron Adams and Mike Brown touring Chinatown in San Francisco, showed the pair learning about Chinese culture and tasting food and drink, including Moutai. The clip forms part of a series that will be played at Oracle Arena and has been released online.

The Warriors and Moutai also partnered to participate in San Francisco's Chinese New Year Festival and Parade, one of the top 10 parades in the world, which was initiated by Chinese immigrants more than 100 years ago. A co-branded float featuring Warriors staff and Moutai executives rolled along main streets in the downtown and Chinatown areas.

The Warriors events, together with several others, are in line with the current US marketing strategy of Moutai. "We are placing commercials and billboards, well-designed with modern concepts and sleek visuals, at well-known local landmarks and neighborhoods with high traffic," Liu added.

Internationalization

Not like two decades ago when Moutai was almost never-heard-of, now more and more Americans have come to know the brand. Some have even experienced tasting Moutai either on business trips to China or at grand-scale banquets hosted by local Chinese.

As China becomes the second largest economy in the world and plays an increasingly important role in domestic and international affairs, leading Chinese brands such as Moutai have bigger and better chances to go global.

Considered the national liquor and often served on official occasions and at state banquets, Moutai is

the "liquor of diplomacy and friendship" and has played a big part in China's international relations and celebrating major festive events.

It was chosen as the drink of the toast for the normalization of China-US relationship in the 1970s through to the current building of a new type of major power relationship between China and the United States.

At the famous state dinner in 1972, then Chinese premier Zhou Enlai proposed a toast to visiting US President Richard Nixon with a glass of Moutai as the whole world looked on.

Last November, Moutai signed a memorandum of understanding with a visiting San Francisco government delegation in a bid to promote bilateral cooperation in trade, investment, culture and tourism.

Under the agreement, Moutai will open an office in San Francisco to increase its sales in the city and further expand its market share in the United States, said Kweichow Moutai Group executives.

San Francisco remains a city of opportunity and a shrine to generations of Moutai employees as it is the place where the group won an award at the 1915 Panama Pacific International Exposition.

"Our ancestors rarely traveled outside of the local town but all of us know the liquor we made through hard work and artisanal spirit is well received throughout the world," said a Moutai executive at an event held in November 2016 in San Francisco to commemorate the centennial.

For 100 years, the group has been sustaining the original artisan spirit, adapting to changing environments and embracing technology innovation in order to maintain the legacy of the "Moutai miracle" and Moutai's iconic ranking in China's liquor industry, the Moutai executive said.

San Francisco's late Mayor Ed Lee, who died last December, was a strong supporter of introducing Moutai to the city and promoting Moutai culture.

"Moutai is associated with many important celebrations — celebrations of the New Year, celebration of birthdays, celebrations for meaningful events that bring tons of understanding between many people," he said at the 2016 event to commemorate the 100th anniversary of Moutai's receiving the Panama Pacific expo award.

Calling himself a "big supporter of the success of Moutai not only in the US but the world", Li said: "When we drink Moutai, it brings us closer and can help us accomplish more than we think — on the people-to-people level, on the local level, national level and international level."

Currently, Moutai products are sold in more than 60 countries and regions in Asia, Europe, the Americas, Oceania and Africa.

Spirited away in Shanghai: businessman tackles country's top tippie

By SKIP WHITNEY

I was introduced to Moutai in 1982 on one of my very first trips to Shanghai, China. I was the guest of a client and a local government official then.

Moutai is a sorghum-based spirit and China's top brand of *baijiu*, or "white alcohol". The liquor, often served on official occasions and at state banquets, is considered a luxury item and has long been a popular gift.

China was a very different country over 30 years ago than it is today.

The tallest building in Shanghai at that time was the Peace Hotel. Pudong was nothing more than open space and an agricultural area. There were few cars and thousands of bicycles everywhere.

I was picked up at the old Shanghai airport and whisked away to a dinner which was hosted by my sponsors and which was held in one of the few Chinese restaurants open to foreigners. There, a large banquet was arranged in my honor.

I was served dish after dish of Chinese delicacies and tra-

ditional Shanghai-style food which I never had tried before.

The food was a far cry from the food I was accustomed to in Hong Kong, and a huge improvement from the so-called Chinese food I used to eat in the United States.

The hosts knew I enjoyed wines, so during the course of the banquet they were proud to introduce me to Moutai.

When the liquor was served to me I was overwhelmed by the scent and the high level of alcohol — most of all, the burning sensation when I drank my glass!

We went around the table of more than 20 guests quaffing Moutai, with *ganbei*, the bottoms-up toast, repeated again and again.

In order not to offend my hosts, I kept pace with the toasts. So needless to say at the end of dinner, I was completely smashed and had a very big hangover the next day!

As I continued to do business in China, I quickly learned the custom of drinking Moutai. Now, whenever I drink, I am careful that I don't try to outdrink my hosts!

I have come to enjoy the drink and have learned to differentiate the good from the bad.

As with other alcoholic beverages such as wine, tequila and whiskey, there is a wide range in the quality of Moutai Group's products. It can be aged and blended and bottled very elaborately.

The best comparison for me with Moutai would be tequila.

As you become acquainted with tequila, there is a variety of taste and quality that goes with many elements, including the year of production,

the aging and alcohol content, and I have found Moutai to be the same.

After 35 years of business in China and hundreds of banquets and dinners there and in the US, I have had my fair share of Moutai.

China has changed tremendously since my early days of drinking Moutai.

Other beverages have now been introduced as part of a dinner or banquet to the nation.

You can now have the finest wines in the world for dinner and all other forms of liquors have been introduced into

the world's second largest economy.

However, the tradition of Moutai, the hospitality, the sincerity and friendship still live on. I welcome a shot of Moutai now and then.

I now have a more refined taste for the drink which has made me spoiled. I will enjoy a bottle of Moutai with my hosts, as long as it is a great bottle!

The author is a senior vice-president and head of the China service at Kidder Mathews, a commercial real estate company based in San Francisco.