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Relationship Quality in Wine Business to Business Portugal and China

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Abstract

The current chapter aims (i) to give an overview of the core constructs of the relationship quality based on a systematic literature review; (ii) to report a global view of major old and new international producers; (iii) to summarize the characteristics of the Chinese wine market and the opportunities for the Portuguese wines. Data were gathered by searching the database of scientific journals, secondary data from official statistical reports and primary data by carrying out interviews with wine producers. Results highlight the relevance in establishing quality relationships and understanding the Chinese market and culture. Four factors are considered as the most relevant in the relationship quality. Regarding difficulties in working with the Chinese market, three factors emerge: physical distance between, knowledge about Portugal and its grapes, communication and culture. The chapter also provides recommendations to help understand how to create and maintain a producer-distributor relationship in China.

Keywords: Relationship quality; Wine producers; China distributors; Portuguese wine; Chinese wine market

1. Introduction

The wine industry started in Europe, which transacted one of the world's oldest commodities. In the last twenty years, the European wine market has been confronted with major changes at economic and regulatory levels. The emergence of new producing countries has significantly increased the amount of competition, reinforcing the global dimension of the wine market (Cafaggi and Lamiceli, 2011).

In Portugal several brands from regions such as Douro, Vinho Verde or Alentejo are internationally known. At the top of the list is the Port wine from the Douro valley. The Douro valley was the first officially demarcated wine appellation in the world (Eighteenth Century) created under the guidance of Marquês de Pombal (Loureiro and Kaufmann, 2012) to guarantee the authenticity of its wines. Although many port-style wines are made around the world (Australia, South Africa, and United States), the strict usage of the terms "Port" or "Porto" is reserved only for the wines produced in Portugal.

The wine sector has unique features which have not yet been deeply studied and could explain management specificities. In the wine sector, the distributor is an important player

who greatly influences the retailing of bottled wine to the consumer. Moreover, producers and distributors may work together by focusing on their customers and improving the relationship they have with them (Crosby, Evans and Cowles, 1990).

The proactive effort to achieve strong business-to-business relationships is essential in order to develop loyalty and competitiveness (Bobot, 2011; Crosby, Evans and Cowles, 1990; Athanasopoulou, 2009). Loyalty itself is a strong relationship concept, as long as it is analysed as a long-term, committed, and affect-laden partnership (Fournier, 1998). But what differentiates a single transaction from a relationship exchange is time, that is, a business relationship happens when there are repeated exchanges among all known participants committed to developing interactions according to their context (Fournier, 1998). The willingness and the ability to create effective long-term relationships with positive outcomes for both partners may be regarded as relationship quality (RQ) (e.g., Athanasopoulou, 2009; Bobot, 2011; Fournier, 1998).

A relationship implies the interdependence between the partners. The meanings of the partners' actions have an active inter-influence in the dynamic building of the dyadic relationship and an important role on reducing uncertainty (Bobot, 2011; Crosby, Evans and Cowles, 1990; Dwyer, Schurr and Oh, 1987; Fournier, 1998). The quality of the relationship also requires the partners' ability to manage conflict situations (Bobot, 2011). However, what are the core constructs of the RQ? How is the RQ reflected in figures regarding the major old and new international producers? How do Portuguese producers view and deal with the Chinese market? Therefore, this study aims (i) to give an overview of the core constructs of the RQ based on a systematic literature review; (ii) to report a global view of major old and new international producers; (iii) to summarize the characteristics of the Chinese wine market and the opportunities for the Portuguese wines.

2. Background literature on relationship quality

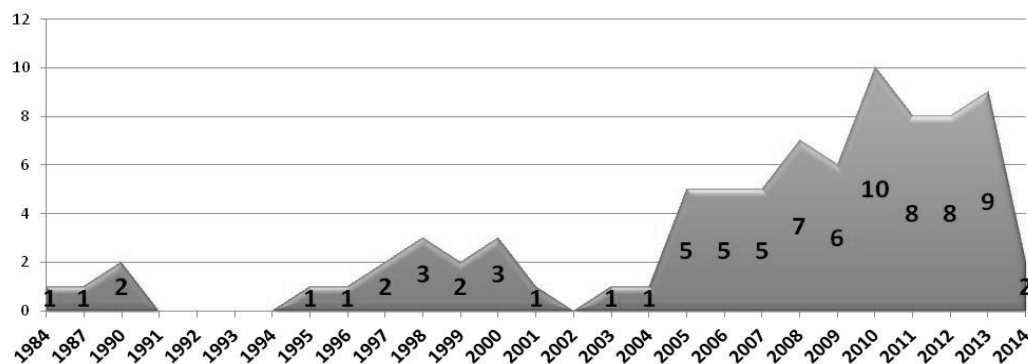
Based on a systematic literature review using the Web of Knowledge data base to search for articles from peer reviewed journals published between 1967 and 2014 (most journals do not have article accessed from online platforms before 1967) in top international journals of several fields, which are included in the "UQ Business School Adjusted ERA Rankings List", and incorporated in the Journal Quality List (JQL) (Harzing, 2012), we may highlight that RQ articles publications have gone through two clearly distinct stages in the period under analysis (see Figure 1). Overall and despite the initial interest in the 1990s (published in journals such as: *Journal of Marketing Research* (1987/1995), *Journal of Marketing* (1984/1990), *Journal of Business Research* (1996/1999) or *Industrial Marketing Management* (1997)), only from 2005 onwards did the number of articles published on the topic significantly increase. In reality, the study of the RQ in the relationship between producer-distributor has had a greater development since 2007, having 65% of the total references. When we restricted the focus of study to the wine sector, we did not find relevant studies (meaning publishing in top journals) pertaining to this dyadic relationship.

The main search terms were; "Relationship Quality", "Relationship Distributor-Retailer"; "Relationship Distributor-Producer"; "Relationship Supplier-Retailer"; "Relationship Wine Producer-Distributor"; "Relationship Wine-Distributor"; "Relationship Distributor-Retail"; and "Relationship Buyer-Supplier". Nevertheless, a combination of different terms, sequences, and strategies were used to include relevant literature as much as possible. The collected articles were subjected to a careful selection using filter parameters such as: Source type – article; Language – English; Research Area - Business economics; Operations research management science; Social sciences and other topics;

Psychology; Communication; International relations; Sociology. These initial filters were followed by title reading, abstract reading and finally full paper reading.

With regards to the supplier-distributor channel context, it is possible to find several constructs to measure RQ. However, three constructs are the most frequently employed and analysed by researchers: trust, commitment and satisfaction. *Trust* occurs when both parties have expectations and mutual confidence in order to develop exchanges (e.g., Bobot, 2011; Crosby, Evans and Cowles, 1990; Dwyer, Schurr and Oh, 1987). *Commitment* is established when mutual motivation and efforts exist, therefore ensuring and maintaining an on-going relationship, which is defined as very important for all parties (Bobot, 2011). *Satisfaction* is related to a positive affective evaluation which results from the overall appraisal of the meaning and development of the relationship with other partners (Anderson and Narus, 1984; Crosby, Evans and Cowles, 1990; Dwyer, Schurr and Oh, 1987).

Figure 1. RQ articles published by year.



Source: authors' own elaboration

In a second position, but still frequently analysed by researchers, we may point out three other constructs: cooperation, communication and conflict. *Cooperation* happens when the behaviour of the partners is centred on searching together for solutions that satisfy the concerns and goals of both, which characterizes a win-win relationship with mutual transactional benefits (Anderson and Narus, 1990; Bobot, 2011; Claro and Claro, 2010; Morgan and Hunt, 1994; Lacoste, 2012). *Communication* refers to information that circulates between the partners in a Downstream or Upstream direction. In the first case, the information is related with the consumers' demands, which is important for the producer to satisfy the current and future expectations of the customer (Claro and Claro, 2010; Fournier and Mick, 1999). A continuous communication between both parties helps prevent, support and solve problems and align the perceptions and expectations of both of them (Fynes, De Búrca, and Marshall, 2004; Morgan and Hunt, 1994). *Conflict* means the style of behaviour developed by the partners when a situation occurs making it more difficult to achieve their individual interests or the solution of their concerns (Anderson and Narus, 1984; Bobot, 2011; Deutsch, 1973; Gaski, 1984).

3. Methodology

In order to achieve the objectives, first we conducted a systematic literature review on RQ, which allowed us to understand the major concepts and construct employed. A short summary of those concepts and constructs are presented in background literature. Secondly, we searched for secondary data based on official statistical reports from International Organization of Vine and Wine (OIV), as well as the Portuguese Institute of

Vine and Wine (IVV), ViniPortugal (an interprofessional association of the Portuguese wine industry and the entity that manages the brand Wines of Portugal), and from the Agency for Investment and Foreign Trade of Portugal (AICEP), which deal with the internationalization of Portuguese wine, as well as the wine partnership between Portugal and China. Thirdly, we conducted interviews with wine producers to obtain the main factors influencing the business relationship quality with Chinese distributors. The interviews began by explaining the purpose of the research and requesting that the interview be recorded, followed by the intended questions, according to Gubrium and Holstein (2001). The average time for each interview was 50 minutes.

In order to do the first approach to the potential respondents, we went to the main national wine fair, which ensured the presence of the major Portuguese wine producers. There we explained the main intention of the research and scheduled the interview with representatives of the major corporate brand producers, which characterizes the majority of the Portuguese producers and wine regions (31 percent Douro; 14 percent Alentejo, Dão, Bairrada and Vinho Verde; 14 percent other regions).

Thus, the sample is composed of ten representatives of those major corporate wine brands who deal with Chinese market (see Table 1). Their profiles are characterised by someone qualified to represent the company, who is directly related with an exchange relationship with a Chinese wine partner. As a result, our sample has professionals with vast experience in the wine sector (30 percent had 5-9 years; 50 percent had 10-15 years; 20 percent had more than 15 years), that participate in the business with Chinese partners, such as: 50 percent are Exporter Managers; 30 percent Marketing Managers; and 20 percent Company CEOs.

Table 1. Sample profile

Respondent	Position	Wine sector experience (years)	Wine region of the Producers
1	Export Manager	11	Douro
2	Export Manager	8	Douro/Dão/Bairrada/Estremadura Vinho Verde/Alentejo
3	Export Manager	7	Douro/Dão/Bairrada/Alentejo/Vinho Verde
4	Export Manager / Area Manager	10	Alentejo/Douro/Tejo/Beiras/Vinho Verde
5	Export Manager / Area Manager	14	Douro/ Alentejo/Dão/Bairrada/Vinho Verde Peninsula de Setubal/ Beiras/
6	Export Manager / Area Manager	5	Douro
7	Marketing Manager	12	Douro
8	Marketing Manager	12	Douro
9	Company CEO	18	Bairrada /Dão
10	Company CEO	22	Douro

Source: authors' own elaboration

The interviews were recorded (the requested was made at the beginning of each interview) and later transcribed for analysis. The data analysis followed McCracken's process (1988, p. 41-48), which moves from an analysis of the particular utterances as individual units up through higher and higher levels of generality. WEBQDA software allowed the selection of the coding procedure and modification of the coding schemes as the analysis progressed and new factors or facets were uncovered.

As a complement of qualitative data, we had the opportunity to collect the testimony of the President of ViniPortugal, who had vast knowledge of this market, on the subject of the main factors influencing a business RQ with Chinese distributors.

4. Results

4.1 The Chinese wine market and consumption

China is a relatively small market but with a huge potential, whose operation does not yet match the standards of a mature market, nor is it informed about prices, varieties and qualities. For the President of ViniPortugal, “*The behaviour of the Chinese market has shown itself to be somewhat unpredictable, maybe because there is in fact no wine culture, only a taste for “what is fashionable” and especially for French brands.*” (J. Monteiro, personal communication, September 16, 2015). He goes on to refer that it is difficult to determine in which moments wine is consumed, “*...it is a common question “where are the wine consumers?”*”. He considers that the *ganbai* or *ganbei* is a simple act of drinking without taking into consideration tasting and savouring the aromas, the flavours and the harmonization” (J. Monteiro, personal communication, September 16, 2015).

Nevertheless, producers from around the world try to sell their products in this country which increases the popularity of wine. China is already a highly competitive market accessible only to companies with a consistent exportation experience and resources to make long-term investments (Agency for Investment and Foreign Trade of Portugal [AICEP], 2011). It is a persistence market, where the creation of a trust is essential to establish a business. And this relationship takes time to be built (ViniPortugal, 2015). Usually in China, neither hotels and restaurants, nor retailers’ channels negotiate directly with the producer. So the first step to enter the Chinese market is to find a distributor to the hotels and restaurants and then go to the supermarkets and specialty stores.

However, we can find only few prestigious distributors and so they are being massively contacted by wineries interested in the Chinese market, which means that their bargaining power is considerable. Furthermore, strategies have been clearly defined. They know the wines absent from the market, country of origin, type and price range. Therefore, the producers who want to go to Chinese market should be well prepared with regards to the market, have a good communication strategy and the intentions to establish a long-term relationship. The main factor to be pre-selected is the international communication, in other words, being mentioned in prestigious international wine publications. A continued good score from Robert Parker is especially valued in China (AICEP, 2011).

The Chinese wine market is growing, mainly because the wine companies adjusted their product portfolios to adapt to the market changes, this in a context of an economic downturn and when there is an anti-extravagance campaign. More mid-end products were promoted and achieved good results in part due to a significant decline in the premium wine. On the other hand, some companies choose to broaden their product line into more segments, including wedding and healthcare products, in order to gain the consumers attention (Euromonitor, 2015).

Margarida Cardoso (Cardoso, 2012, in Expresso) refers to a study of British Consultancy Wine Intelligence, featuring the Chinese market as a huge market at an early stage of development. The consultant estimates that in the near future the consumer trends will be leaning towards white or sweeter red wines. As for market segmentation, a fifth of consumers accounts for 40% of the value of sales, but it is only concerned about “buying expensive wines for business and gifts, not for personal consumption”. People buying wine to drink, for pleasure, accounts for half of total the consumption, but only 30% of sales.

Globally, with regards to the bottled wine market, the Chinese prefer red wine because of it has a better image. The white wine sales are around 20% and its core group of customers are expatriates. Rose wine presents marginal sales, around 5% of the total. Other types of wine, such as sparkling, have reduced sales because the knowledge among the Chinese population is limited, which translates into low consumption. The expatriate population maintains a certain consumption but the enormous competition and meagre sales show the current scarcity in these short and medium term markets. Some companies and distributors incorporate these products in small quantities in their range in order to expand it and develop the market (Institute of Vine and Wine [IVV], 2011). Thus, red wines not only dominate the market, but are also growing more significantly (IVV, 2011). Even so, Chinese consumers are changing and are starting to look for less expensive wines and wines from other countries, as mentioned by the President of ViniPortugal (Santos, 2014).

The best-known grape varieties such as Cabernet Sauvignon (for red) or Chardonnay (for white) have attracted more attention, although customers do not properly differentiate the flavour. The reason for this preference lies in the styles of bottle and other communication marketing activities because the Chinese tend to perceive red wine as a healthy beverage and basically consume it outside the home (restaurants, bars, hotels, etc.) (AICEP, 2011). The consumer type is mostly a young urban male (IVV, 2011). Red wine is also associated with the core symbolic aspect of Chinese culture; success, fortune and luck. Red wine is much appreciated at weddings because it is seen as something that brings happiness and romance. White wine eventually has negative connotations for most of the population (white can symbolize sadness or even grief). But the main problem lies in the white wine called "baijiu", which creates confusion with the very strong rice brandy, unpleasant to much of the population. In fact, the most auspicious colours are red and gold (relevant in terms of packaging). The numbers are also very important, since the Chinese give gifts in even numbers and never in odd numbers because it represents bad luck. So, they usually buy two bottles at one time in a very appealing package (AICEP, 2011; IVV, 2011).

In China, wine is a means of showing respect towards the business partner. It is also associated with the image of the perfect lives of wealthy families. On TV, if the hero wants to seduce the heroine, then the scene is often a restaurant where he has a glass of red wine waiting. That's why wine is associated with elegance, fashion, romance and passion (IVV, 2011).

The Chinese New Year is a very important season for the Chinese population and they really enjoy drinking and offering wine on this occasion. There is a strong tradition of gift exchange (equivalent to Christmas) where the wine offered is a sign of sophistication (and packaging matters). Imported wine has a huge social importance and status in these social occasions (IVV, 2011).

According to Hofstede's (2001) cultural dimensions, the Chinese society is a very pragmatic culture and so Chinese people have an ability to easily adapt traditions to changed conditions, a strong propensity to save and invest, and perseverance in achieving results (Long-term orientation). They accept inequalities among people, that is, the subordinate-superior relationship tends to be polarized and individuals are influenced by formal authority and sanctions and are in general optimistic about people's capacity for leadership and initiative (Power distance). People act in the interests of the group and not necessarily of themselves ("we" and not "I"). In-group considerations affect hiring and promotions with closer in-groups (such as family) which get preferential treatment. Relationships with colleagues are cooperative for in-groups but they are cold or even hostile to out-groups. Personal business relationships prevail over task and company. The need to ensure success can be exemplified by the fact that many Chinese will sacrifice

family and leisure for work. The Chinese are comfortable with ambiguous meanings because the Chinese language is full of ambiguities and can be difficult for Western people to follow. Chinese do not put much emphasis on leisure time and control the gratification of their desires. Their actions tend to be restrained by social norms and they feel that indulging themselves is somewhat wrong (Hofstede, 2015).

Most Chinese consumers prefer wines of their own country, but among the imported, the French are their first choice, followed closely by the Australians and Chileans (ViniPortugal and IVV, 2014; International Organisation of Vine and Wine [OIV]). French dominance is due to the production size, the organization of the market and the trinomial Luxury-Wine-France (Chinese associate the French wine to luxury), which transmits elegance and sophistication (IVV, 2011; ViniPortugal and IVV, 2014). France is the only country with a market share above 45%, which corresponds to triple that of Australia, the second major supplier, and it is also the only country with region notoriety and widespread acceptance of small producers. Australia and also Chile, are clearly geared towards the Chinese market. These two countries focus on very few brands and consistency in terms of marketing. Italy has a good fourth position. Another noteworthy, Germany, with a very clear strategic choice in this market, proving that even the white wines can succeed. Portugal is positioned as the 11th largest supplier of wine in China and the European 5th, with a share of 1.2% in market value, since 2008 reporting a very good performance, both in terms of volume and value. Portuguese wines occupy the 9th place in the ranking of prices.

In relation to Portugal, the President of ViniPortugal confirms a great unawareness of this country and its history, which is generally restricted to Figo and Cristiano Ronaldo. In relation to this market, this lack of knowledge “*mainly relates to the profile of the proposal from Portugal Wines thus creating incompatibilities between what they are looking for and what we have to offer*”. Jorge Monteiro explains that Portugal’s proposal, “A world of difference”, is based on the fact that wines can be of the same quality as competitor countries, but have different profiles because they are produced with native varieties. Nevertheless, he goes on to refer that the Chinese consumer will look for cheap wines, according to the Chinese Import Association (CAWS) (J. Monteiro, personal communication, September 16, 2015).

Table 2. Major Chinese suppliers, with a market share of 1%

CHINA	Value				Average price		
	Country supplier	2013	Variation last year	Variation last 5 years	Share	2013	Variation last year
France	513.529.253	-10,20%	374,50%	45,50%	3,75 €	-8,10%	1,30%
Australia	171.589.698	4,20%	298,30%	15,20%	4,17 €	8,10%	43,20%
Chile	120.867.661	12,70%	192,20%	10,70%	1,45 €	-17,80%	82,40%
Spain	77.630.793	-4,30%	457,60%	6,90%	1,79 €	57,60%	81,90%
Italy	76.441.012	9,40%	290,20%	6,80%	3,23 €	50,30%	70,60%
USA	57.568.058	11,60%	311,50%	5,10%	3,64 €	12,80%	117,70%
South Africa	17.675.170	8,20%	340,30%	1,60%	2,65 €	-17,30%	171,20%
Argentina	16.831.871	25,00%	21,90%	1,50%	3,38 €	8,60%	553,50%
Germany	14.944.227	16,90%	138,30%	1,30%	3,38 €	13,90%	-5,50%
New Zealand	14.581.533	-15,30%	362,00%	1,30%	7,57 €	10,00%	26,50%
Portugal	13.719.034	21,10%	652,20%	1,20%	2,53 €	31,00%	12,90%

Note: Value in Euros and price in Euros / liter. Source: COMTRADE (United Nations)

Source: ViniPortugal and IVV (2014)

Sales of bottled wine are concentrated in the East, where we may find the cities with higher wages, higher growth, more dynamic, and are the home of more expatriates and

where there is a greater acceptance and knowledge of imported products. The South, with Guangzhou and Shenzhen at the top, is the second centre of consumption (AICEP, 2011).

The Chinese consumer has great difficulty in reading and verbalizing the brand names, due to linguistic difficulty with western names. For them, the brands are mainly countries of origin, their cost and, to a lesser extent, some more well-known regions or castes. These aspects are critical to any country and so should use colour and iconic images of the country of origin of the wines (IVV, 2011).

In terms of communication, it is also a relevant fact that there is a practical difficulty in speaking a foreign language, especially English, by a large part of the Chinese Population, making it difficult to get a true perception of the purchase motivations of the Chinese consumer (J. Monteiro, personal communication, September 16, 2015).

4.2 Relationship quality in the wine sector

The content analysis of the interviews with Portuguese wine producers point out four major RQ factors that should be developed in order to create and maintain a favourable relationship with distributors: (1) Trust; (2) Interdependence; (3) Cooperation; (4) Long-term Relationship. Table 3 shows several statements mentioning these factors.

(1) *Trust* is a core factor in relationships with distributors. Trust represents a positive exchange relationship, alignment, and transparency.

(2) *Interdependence* is a second core factor, signifying the actions between producers and distributors and the dynamic of inter-influence with the purpose of reducing uncertainty. It is a relationship that ensures an efficient coordination by both parties, as a whole.

(3) *Cooperation* occurs when the behaviour of the producers and the distributors is focused on finding solutions that are beneficial for both.

(4) *Long-term relationship* refers to an effective partnership that lasts. It is the perception of stability of the relationship, ensuring the sustainability of the partnership in the future.

4.3 Factors influencing the relationship with China

Producers allude to four main inhibitors or difficulties in the relationship with Chinese distributors, which are, (1) physical distance between Portugal and China, (2) knowledge about Portugal and its grapes and (3) communication and culture. Table 4 shows several statements expressing these concerns.

(1) Physical distance between Portugal and China

The physical distant creates difficulties in establishing and maintaining the relationship, particularly because the Chinese usually require several meetings (being physically present) before deciding on a deal. The Chinese also prefer that those who are going to negotiate with them are previously referred by another partner. Someone they know very well.

(2) Knowledge about Portugal and wine castes

Although ViniPortugal and the Portuguese government have been making an effort to promote Portugal in China, wine producers consider that Chinese distributors still do not have any knowledge about Portuguese wine and grapes and demand more actions. Nevertheless, wine producers should also be prepared to allocate a promotional budget.

(3) Communication and culture

Language is a difficult issue but more than this aspect we may consider the difficulty in understanding the Chinese culture, which reduces the possibilities of negotiation and establishing long-term relationships.

Table 3. Constructs made evident by those interviewed

Construct	Respondent	Representative evidence from interviews
Trust	2	"The positive exchange relationship created is very important."
	3	"There are many moments in which we will have to be in line with each other."
	5	"It is necessary to develop trust, mutual respect and an understanding that the Chinese market takes time to advance and develop, and therefore a long term vision is needed."
	8	"The relationship with distributors is established on the basis of trust; trust and assurance complete transparency."
	10	"Complete openness and transparency."
Interdependence	1	"This has to be a partnership."
	4	"It's about being interconnected."
	5	"The distributor will work the market as an extension of the producer."
	7	"Talking is the first thing that someone should do."
	10	"A relationship that requires daily contact, close daily contacts"; "It is a relationship based on an exchange of shared information."
Cooperation	3	"We review and make common decisions"
	5	"To perceive the point of view of the distributor and try to find a solution to the problems that arise."
	7	"It is essential that the business relationship be supported by a personal relationship. This is particularly true when the goal is to grow together, and not merely that of making a sale. A solid personal relationship, I would even go as far as to say one of friendship, solidifies business ties and so the Chinese customer becomes not only customer but a trading partner as well, the obvious and ultimate goal in a business relationship."
	8	"We work a lot as a team, in other words, we practice decision making as a group."
	10	"It's truly a partnership. It is working together."
Long-term relationship	1, 2	"Building a sustainable relationship; a good relationship."
	5	"It is having a good relationship and a continuity connection among the team (producer and distributor)."
	6	"Accumulating a business relationship with a private one (the Chinese do not distinguish one from the other, as they consider them to be interconnected)".
	7	"Visiting the customer, sharing a local meal with him, going out for a local drink together (sometimes in excessive amounts...) with him and his friends, etc., are all very specific and fundamental ways of developing the business relationship, sometimes more important than actually doing business."
	8	"We have some sustainability values and in the long term we intend to build value for the company and for the distributor."

Source: authors' own elaboration

Table 4. Inhibitors made evident by those interviewed

Inhibitors	Respondent	Representative evidence from interviews
Physical distance between Portugal and China	1	“Have the right partner.”
	2	“The agent / importer is very relevant and should be well positioned.”
	4	“A commitment to building an ongoing relationship of trust.”
	6	“Continued support and commitment to a close relationship.”
	3	“Reverse visit, greatly cements commercial and personal relationships. Reassures the importer about the origin of products, it is formative and helps to develop good personal relationships, which is as important as delivering and receiving on time.”
	5	“If possible, plan inverse visits to Portugal, owners, board members and top managers.”
Knowledge about Portugal and wine grapes	6	“It is common to find Chinese businessmen who largely exaggerate their capabilities in order to achieve advantages in the prices of products. The trading companies often do not give out email addresses without evidence of existence facilities or personnel and sellers.”
	1	“Lack of knowledge of Portugal.”
	3	“Lack of knowledge of wine in general, and variety of Portuguese wine grapes.”
	4	“Do not allocate a budget to promote the wine during the New Year's celebrations or Fall Festival.”
Communication and culture	10	"Generalised lack of knowledge with regards to the wine product (from Vitis Vinifera) and its consumption."
	1	“Difficulties in communication.”
	2	“Difficulties in negotiating”
	4	"Unable to adapt products (image and taste) to the Chinese market (the Chinese have a very different taste / flavor / experience from that of Europe)."
	5	“Nothing is more inconvenient for a business relationship than to make the Chinese businessman "lose face" in relation to their local customers. Usually this leads to a total rupture of the relationship.”
	9	“Patience and resilience in key in Asian markets, especially in China.”
	10	"The Chinese people's distinctiveness regarding the complex process or route taken to attain a true and stable business relationship which works on a regular basis."

Source: authors' own elaboration

5. Conclusions and implications

5.1 Remarkable conclusions

Portugal is an old and relatively small wine producer, but the wine has been regarded all over the world as being top quality, original and unique, having won several awards. Overall, Portugal and China have a long-term business relationship (more than 500 years), however, only for the last 10 years has the Portuguese wine industry started to go further in promoting their wine in China, using below the line strategies, mainly through Public Relations with the help of ViniPortugal and the Ministry of Foreign Affairs.

The first step when going to China is finding an importer or a local distributor. This is a hard task: there is only a small group of prestigious distributors. On the other hand, wine consumption in China has been growing, due to the increase of the middle class. For the Chinese consumers, red wine is regarded as a healthy drink, connected to romance,

success, and luck and so they tend to prefer to drink red wine. From abroad, they want prestigious wine brands, which they associate to good taste and pleasure.

Wine producers stress four core factors to RQ between producers and distributors: trust, interdependence, cooperation and long-term relationship. Trust has been widely considered and analysed in literature (e.g., Bobot, 2011; Crosby, Evans and Cowles, 1990; Dwyer, Schurr and Oh, 1987; Morgan and Hunt, 1994). In the wine sector achieving mutual confidence is crucial in developing trade. This is particularly true in the case of the Chinese market due to their cultural nature. The Chinese do not negotiate and maintain a relationship with those who they do not trust.

When establishing relationships with the Chinese, producers should be prepared to attend several less formal meetings. Seeing as personal meetings are considered more appropriated than virtual ones, producers (their representatives) should be resilient and count on travelling frequently. In this vein, interdependence and cooperation emerge if producers from European countries are able to operate with “we” instead of “I”. A dynamic relationship between the producer’s group and the distributor’s reduces uncertainty (Bobot, 2011; Crosby, Evans and Cowles, 1990; Dwyer, Schurr and Oh, 1987; Fournier, 1998) and contributes to long-term relationships.

Long-term relationship is viewed in literature as important but not a core factor of RQ which gains importance in the context of wine and particularly the Chinese market. As Hofstede (2001, 2015) alludes, Chinese people are oriented to make adaptations and persevere in order to achieve result and once they trust each other, they maintain relationships.

The inhibitors and difficulties of introducing and sustaining the wines in China mentioned by wine producers reflect that the efforts to promote and transmit the characteristics of Portuguese wine and grapes are not enough. Even so, wine producers need to acquire more knowledge about the Chinese market and culture and learn how to negotiate and be perseverant and patient.

5.1 Managerial and social implications

The Chinese market is large but not easy to deal with. Based on the current study it is possible to point out several recommendations to Portuguese wine producer, which may be extended to other European wine producers.

First. Before establishing contact, it is important to understand Chinese culture and have a reliable linguist who works with the producer company. Linguist should be updated beforehand by the wine producer about the context at hand, so that they may carry out a more appropriate translation.

Second. Wine producers should distinguish between importers and distributors. In China, most of time they will deal with importers who resell the product in more or less opaque circuits. The Chinese entrepreneurs are extremely reluctant to reveal details of the deal, because in their mind, from the moment they purchase the products, they become the masters of the products’ destiny. The circuit of the product can be extremely complex and even follow informal roles.

Third. Wine producers should be aware of the distributors, understand the type of market portfolio they have and decide who could be the best for that particular wine product and brand.

Fourth. Producers should be prepared to travel to China and establish direct contact, have several meetings before closing a deal. Even when apparently the deal is closed, it is

important to realize that a signed contract only means the beginning of a business, not its conclusion. It is crucial to maintain contact with the distributor, to develop a long-term relationship.

Fifth. Chinese give a lot of importance to personal reputation and hierarchy. Therefore, when meeting someone for the first time we should give a business card in English and Chinese and it is important to include the educational qualifications. Never call someone by their first name until they ask to do so (position is very important). The Chinese like to work with people they know. Thus, producers should find an individual or an organization that can introduce them formally to the producer's representative. To formalize the deal, they insist that the owner or someone senior represents the company.

Sixth. During the meetings, be prepared for sentences like "we will see," or "let us think about it" which in Chinese society means "no". Avoid asking pointed questions (Chinese live well with some ambiguities). Losing temper, confronting someone, putting someone on the spot, arrogant behaviour or failing to show proper respect can cause a loss of face ("Mianzi"). This is fatal in negotiations. Chinese teams need to have time in meetings to consult each other.

Seventh. Patience and resilience are key characteristics. Do not expect decisions to be made at meetings. At some of the meetings, business is sometimes not even referred to. Meetings are merely a means of exchanging information, of creating true relationships. Expect frequent rescheduling of meetings. So, appointments should be set up a few weeks in advance and reconfirmed 1-2 days before the scheduled meeting.

Eighth. Always remember that in the Chinese context great importance is given to interpersonal relationships. Knowing how to respond positively to invitations for lunch or dinner and exchanging gifts, are important moments needed to demonstrate esteem for the business partner and to promote their confidence.

Ninth. Colour code, shape, packaging have different interpretations in China. The Producer team should study and understand all of those meanings beforehand.

Tenth. The country of origin image is very important for the Chinese. Therefore, cooperatives, producer associations and the Portuguese Government should jointly develop a plan to promote Portugal in China. Although some effort has been made, producers should go further in coordinating the visibility of wine products and associating it to an icon which can symbolise Portugal.

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