POSITIONING SINGLE MALT SCOTCH WHISKY BRANDS IN CHINA: HOW COMPANIES CAN TAKE ADVANTAGE OF THE NEW MIDDLE-CLASS

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Abstract

The single malt Scotch whisky category of the spirits industry in China is experiencing rapid growth; and brands are attempting to understand and exploit this prosperous market. This dissertation examines how single malt brands can best position their offering to penetrate the Chinese market by targeting the rapidly growing middle-class. For brands currently serving the Chinese market, this dissertation investigates consumer insights and key success factors to grow market share. A comprehensive review of relevant scholarly material on luxury products and brand authenticity provide the academic foundation to address the problem statement and guide primary data collection. Qualitative data collected in the form of 10 in-depth, semi-structured interviews with industry experts instructs findings and guides analysis. Key findings are presented thematically and analysed to reveal patterns, synthesise results with academic literature, and derive conclusions. This dissertation fills an academic gap on Chinese luxury consumers and offers recommendations for future research to study this consumer group on a deeper level.

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Ethical approval documents are shown in <u>Appendix A</u>.

1 Introduction

This paper is about how single malt Scotch whisky[1] brands can best position their products to penetrate the Chinese market by targeting the rapidly growing middle-class. Positioning is defined as designing a company's offering and image to occupy a distinctive place in the minds of the target market (Kolter and Keller, 2016, p.320).

For brands already serving the Chinese market, this dissertation investigates consumer insights and key success factors to grow market share. It is widely recognised that China is experiencing a substantial socio-demographic shift and with that, Western companies from an assortment of industries are trying to determine how they can penetrate and grow within this emerging economy.

In 2017, the total value of Scotch whisky exports reached a record £4.37 billion, representing an 8.9 per cent increase from 2016 (SWA, 2018a). The fastest growing category within the Scotch whisky segment is occurring in single malt[2]. As illustrated in Figure 1-1 below, while the blended category[3] of exports has begun to stagnate, single malt is experiencing significant year-over-year growth.
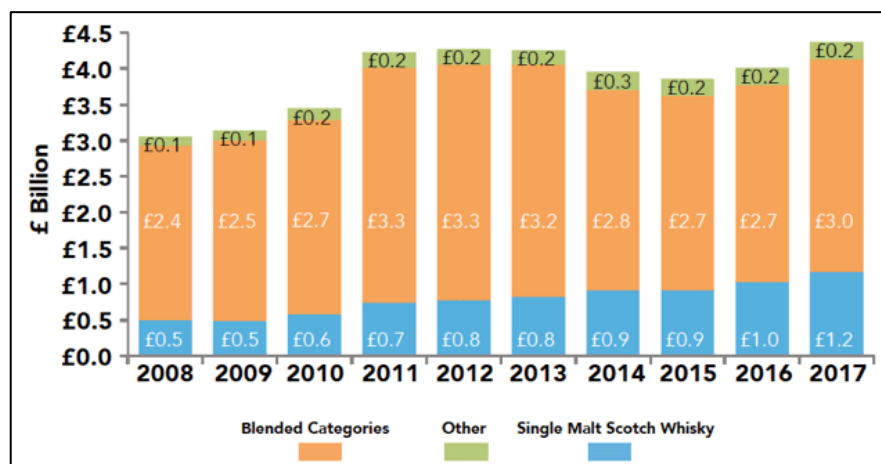
Figure 1-1: Scotch Whisky Exports by Category Share for Value (2008-2017)
(Scotch Whisky Association, 2018a)

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[1] Single malt is defined as a Scotch Whisky distilled at a single distillery from water and malted barley without the addition of any other cereals, and by batch distillation in pot stills. From 23 November 2012, Single Malt Scotch Whisky must be bottled in Scotland (Scotch Whisky Regulations, 2009).

[2] Single malt had a compound annual growth rate (CAGR) of 5.27 per cent between 2011-2015 and has a forecasted CAGR of 4.10 per cent between 2016-2021 (IWSR, 2017)

[3] Blended Scotch whisky is a blend of one or more Single Malt Scotch Whiskies with one or more Single Grain Scotch Whiskies (Scotch Whisky Regulations, 2009).

The single malt category is growing rapidly in numerous markets around the world, but nowhere is it growing faster than in China. Between 2016 and 2017, the Chinese single malt category grew by 47.7 per cent (SWA, 2018a). That growth shows no signs of slowing, with a forecasted category CAGR of 16.68 per cent from 2016-2021 (ISWR, 2017). These growth figures signify an opportunity for single malt brands to grow their revenues and invites new entrants into the market.

Despite the rapid acceleration, very little academic research has apparently been conducted on the Chinese market in the context of Scotch whisky. As brands seek to penetrate and grow in the Chinese market, it is essential for them to understand the consumer behaviour and key category success factors to determine appropriate market positioning. This chapter will introduce the problem statement, purpose, research question, methodology and rationale for the dissertation.

1.1   Problem Statement

As noted above, very few academic studies have apparently been conducted investigating the factors or consumer behaviour contributing to the significant growth of the single malt category in China. As result, there is an academic and practitioner gap. Brands lack academic framework to assist in positioning products for success in the Chinese marketplace. With three brands[4] leading sales in China, there is an opportunity for the other 120+ Scotch whisky distilleries (SWA, 2018c) to penetrate the market as the category continues to grow.

One occurrence happening alongside the growth of single malt is the rapid emergence of the new urban middle-class in China. According to a study by McKinsey & Company, 76 per cent of China's urban population will be considered middle-class[5] by the year 2022; up from just 4 per cent in 2000 (Barton et al., 2013). As summarised in Figure 1-2 below, 63 per cent of these households are predicted to belong to the upper-middle[6] and affluent[7] classes by 2022 (Barton et

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[4] The Macallan, Glenmorangie and Glenfiddich (IWSR, 2017)
[5] In their report, McKinsey & Company (2013) defined middle-class as those with household incomes of 60,000 – 106,000 renminbi
[6] Household incomes of 106,000 – 229,000 renminbi (Barton et al., 2013)
[7] Household incomes of more than 229,000 renminbi (Barton et al., 2013)

al., 2013). This redistribution of wealth presents an opportunity for businesses to serve the new social-demographic group with products and services they can afford for the first time. While McKinsey & Company (2013) identified income ranges to define each class, for the purposes of this dissertation, the emergence of the middle-class refers to an increasing level of affluence.
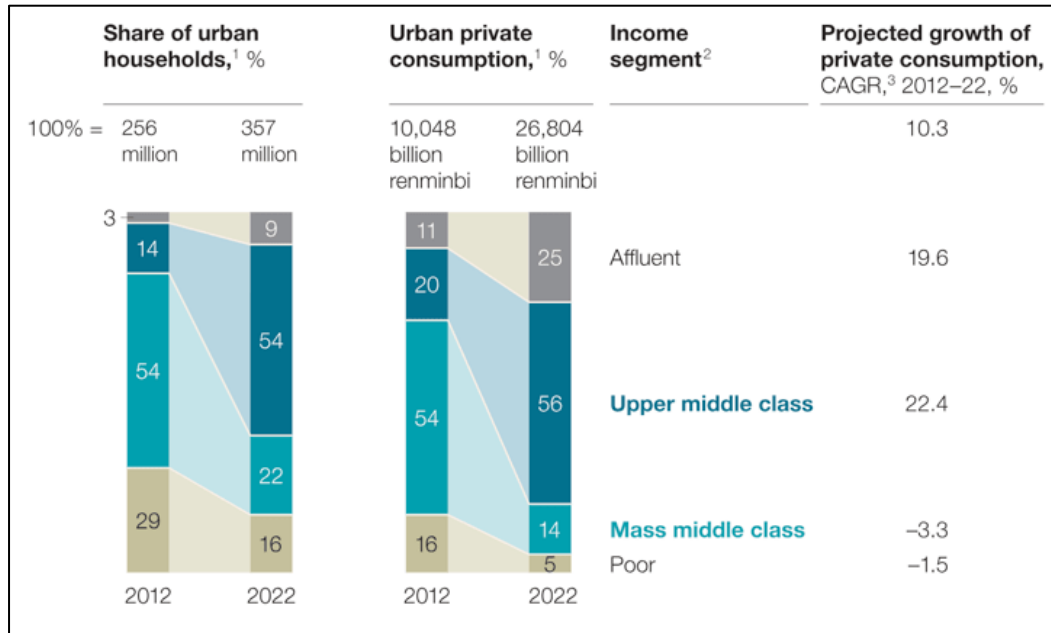
Figure 1-2: The Magnitude of China's middle-class Growth
(Barton et al., 2013)

As result of this socio-demographic shift, consumption is rapidly changing and growth in the luxury space is being driven primarily from the newly rich who are enthusiastic to enter the world of consumption and seeking to catch up with their Western counterparts (Kapferer, 2017).

1.2   Key Academic Theories

This dissertation will analyse the academic concepts of luxury products and brand authenticity; both of which are supported by a significant amount academic research. While this research will not test an existing hypothesis, it is postulated that single malt Scotch whisky is considered a luxury product in China. According to Kapferer and Valette-Florence (2016, p.120), China could become the number one country of the luxury goods sector by 2020; wanting to enjoy life after decades of deprivation. As result, a great deal of potentially transferable theoretical modelling will be explored in the literature review.

While very little has been conducted exclusively in the context of Scotch whisky, there are a number of studies which examine luxury and authenticity in the context of Chinese consumers. Chapter two expands on these academic theories in a comprehensive literature review of pertinent scholarly material.

1.3   Statement of Purpose

The primary intent of this study is to address how single malt brands can effectively position their products in China to exploit sales from the new middle-class. Secondly, this dissertation seeks to gain a deeper insight of consumer behaviour in China contributing to the rapid growth of the single malt category. It will explore pathways of building single malt desirability to reveal how brands can position products using elements of the marketing mix to best take advantage of the emerging Chinese middle-class.

Through interviews with commercial experts, this study seeks to integrate consumer insights and drivers influencing purchase behaviour to test applicability of existing luxury brand building and brand authenticity models. Additionally, it seeks to generate hypotheses to fill the current academic gap.

1.4   Overview of Methodology

The study consists of both primary research and secondary data collection. While this section provides a very brief outline of each, a full overview of methodology is covered in Chapter 3.

Primary data was collected in the form of 25 to 55-minute face-to-face, Skype or telephone interviews with industry experts residing in United Kingdom and/or Asia. In total, 10 interview participants took part in semi-structured, in-depth interviews guided by the questions shown in Appendix B.

From a secondary data perspective, a full review of scholarly material was conducted on the topics of luxury products and brand authenticity; particularly in the context of China. As noted in section 1.1, there is a great deal of academic theory and modelling in these subject areas and there may be direct or indirect applicability for single malt Scotch whisky.

1.5   Rationale and Significance

The study is justified by the presence of an academic gap. Separate studies exist in the contexts of luxury products, brand authenticity, the emerging Chinese middle-class and the drinks industry (wine, beer and spirits). Despite the studies conducted around the topic, very few exist in the specific context of luxury drinks in the Chinese market. While businesses possess consumer insight information on the Chinese markets, limited consumer drivers influencing purchasing have been published in academic material.

The significance of this study is the provision of information to practitioners and academics, where very little currently exists. Secondly, this study identifies gaps in knowledge meriting further academic study. Beyond gap identification, it postulates potential directions for future more detailed research. Aware of the fact that this is a relatively short dissertation, this work offers a starting point for more robust and comprehensive research.

1.6   Organisation of the Dissertation

This dissertation has been divided into six chapters:

- **Chapter 1** is this introduction.
- **Chapter 2** is a comprehensive literature review designed to situate the study in the context of previous research and scholarly material pertaining to the topics of luxury products and brand authenticity.
- **Chapter 3** concerning methodology situates the dissertation within a methodological tradition, providing rationale for the approach and describing data collection/analysis methods.
- **Chapter 4** reports findings including the presentation of relevant qualitative data, categorised thematically for analysis purposes.
- **Chapter 5** synthesises and discusses the results in light of the research question, literature review, and relevant theoretical framework.
- **Chapter 6** presents a set of concluding statements and offers recommendations for further research

2   Literature Review

The purpose of this chapter is to explore and critically analyse relevant literature and theories concerning the subjects of luxury brands/products and brand authenticity. This chapter also reviews studies exploring the relationship between the two variables, particularly in the context of urban China.

This chapter will examine key studies in and out of the drinks industry to later test model applicability in the context of single malt Scotch whisky. The chapter has been divided into subsections of key academic theories and will conclude with a personal reflection to explore what went well, what I would have done differently and how I overcame difficulties during the process of this literature review.

2.1   Defining Modern Luxury

The luxury industry is a vast, complex and highly competitive space that has flourished in the last decade (Ko, Phau, and Aiello, 2016). While researchers have developed numerous models to provide framework for the term 'luxury', there is not a widely accepted definition of what exactly constitutes a luxury brand or product. Not only do definitions change among researchers, but also change through time (Yeoman, 2011) and can be viewed as highly complex with more than one meaning depending on context (Cristini et al., 2017).

Further complicating the debate is the fact the term luxury is somewhat of a paradox in that it is both a concept and a macroeconomic sector (Kapferer and Laurent, 2016). A study summarising the state of knowledge on luxury brand marketing by Ko et al. (2017, p.2) proposed the following definition of luxury, which has been widely cited and accepted among academics:

A luxury brand is a branded product or service that consumers perceive to:

- be high quality;
- offer authentic value via desired benefits, whether functional or emotional;
- have a prestigious image within the market built on qualities such as artisanship, craftsmanship, or service quality;
- be worthy of commanding a premium price; and

- be capable of inspiring a deep connection, or resonance, with the consumer.

From a practitioner perspective, Bernard Arnault (2001), founder of the world's largest luxury group Louis-Vuitton Moet-Hennessey once defined luxury as;

> 'Items that serve little purpose in the lives of consumers except to fulfill dreams; and those dreams don't come cheap'.

As Kapferer and Valette-Florence (2016, p.120) pointed out,

> 'Today's rising global appetite for luxury, far beyond the limited circle of the rich and powerful, has attracted the attention of scholars from all disciplines.'

There seems to be debate among scholars separating luxury versus premium products, as both occupy the top end of a product category (Sjostrom, Corsi and Lockshin, 2016), however luxury products evoke a unique set of antecedents.

The following sections will examine the literature pertaining to attributes and perceptions of luxury, branding pathways and models, and finally explore evidence exclusive to the Chinese market.

2.2   Attributes and Perceptions of Luxury Products/Brands

Just as the definition has varied and evolved, so too have the attributes and characteristics of luxury. Research has identified a number of attributes in different contexts and cultures, however there appears to be little consensus about what it comprises (Janssen et al., 2014). In the context of luxury fashion brands, Fionda and Moore (2009) identified nine interrelated key attributes crucial in the creation and maintenance of a luxury position [See shaded boxes in Figure 2-1 below].
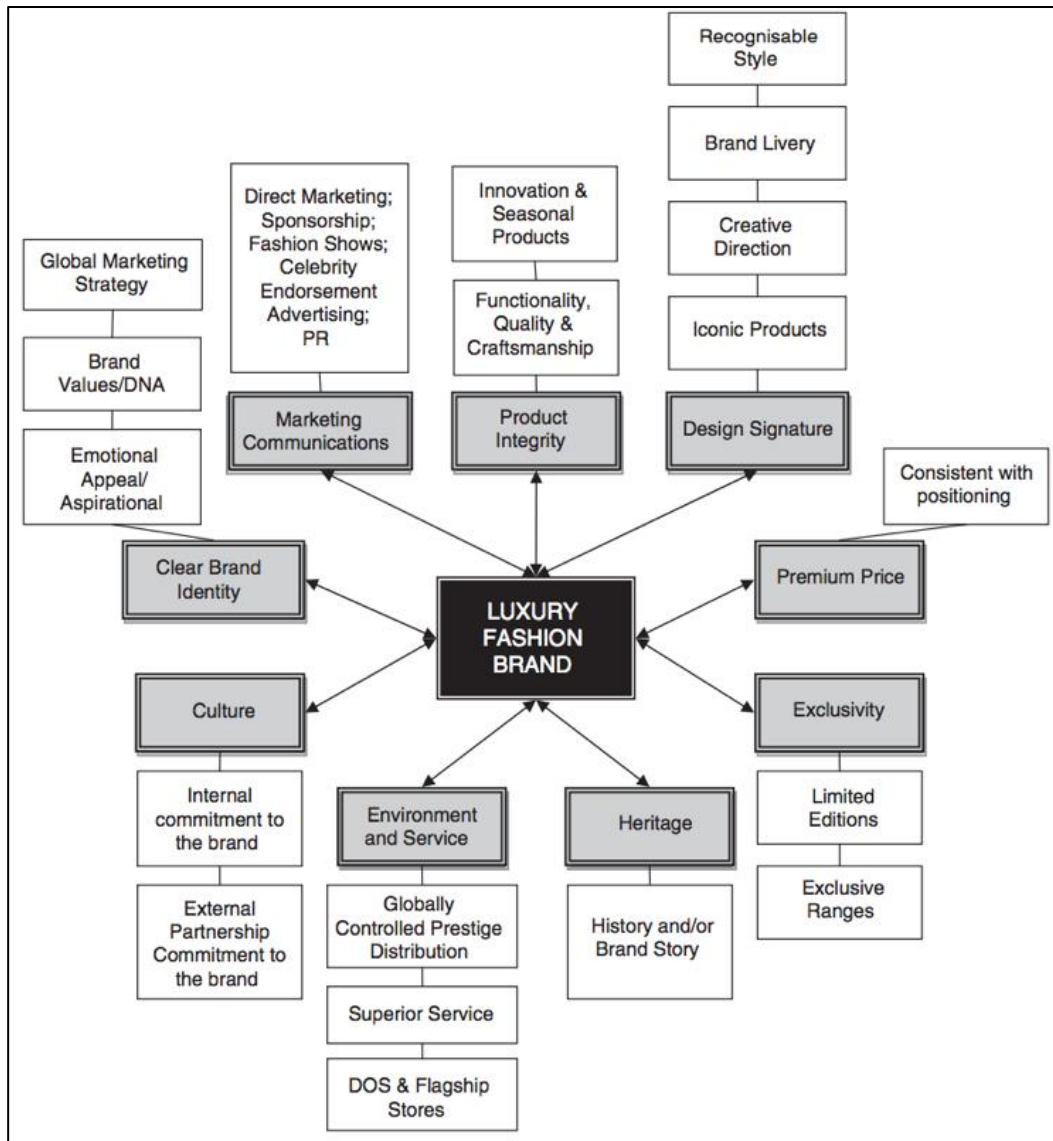
Figure 2-1: The Components of a Luxury Fashion Brand
(Fionda and Moore, 2009, p.359.)

This dissertation will study the factors of heritage, exclusivity, price, marketing and brand identification to examine how the attributes interact with one another in the positioning of single malt whiskies. Fionda and Moore's (2009) study was limited to fashion brands but many of their findings were consistent with the findings of researchers before them focusing on other industries, which increases the potential transferability of knowledge into other products such as Scotch whisky. Godey (2013) summarised a number of studies and determined that today's luxury products should deliver feelings of privilege, pleasure, exclusivity and uniqueness.

While the literature presents many attributes that belong to luxury products, few had tested whether they belonged exclusively to the luxury category or could be applicable to their non-luxury counterparts. Recognising the diverse and subjective attributes and perceptions of luxury, Vigneron and Johnson (2004), defined luxury through five perceived dimensions and developed the conceptual framework shown in Figure 2-2 below. The authors argue that a brand must establish all five luxury dimensions in order to create and maintain a lasting luxury position (Vigneron and Johnson, 2004). Their research provides marketers with an instrument to create and evaluate luxury brands, however it is somewhat limited by its outdated antecedents and implied broad applicability across products and cultures.
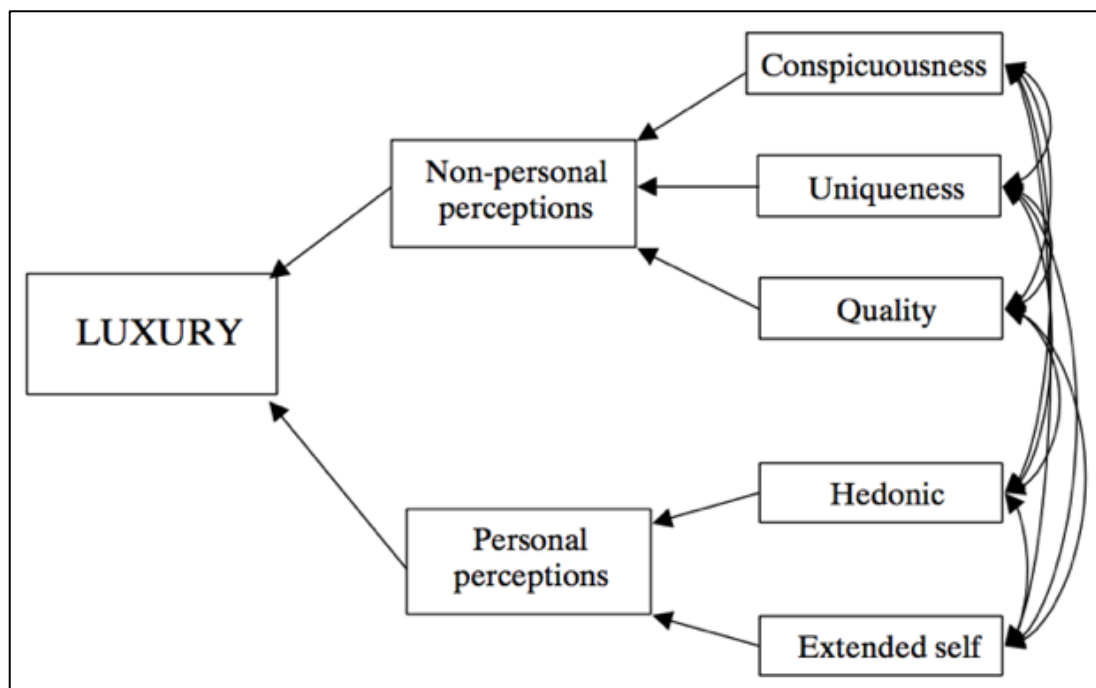
Figure 2-2: Proposed Framework of Brand Luxury Index
(Vigneron and Johnson, 2004, p.488)

While extensive research has been conducted concerning attributes and characteristics associated with the luxury concept, very little has been explored in the context of spirits. Sjostrom, Corsi and Lockshin (2016) evaluated specific attributes consumers most associate with luxury and identified the following three as most critical in the spirits category: premium quality, brand authenticity and brand reputation.

Through correspondence analysis multivariate statistical technique[8], the study also revealed the following secondary attributes associated with spirits in the highest price point ($100+ per bottle): age/vintage, premium price point, limited production, originating from a boutique distiller and being handmade (Sjostrom, Corsi and Lockshin, 2016).

One of the most significant findings was that 'premium price' was only a secondary attribute of luxury as it is often mentioned in the literature as a primary identifier. Using best-worst scaling, the methodology in the study was one of the first which attempted to apply a quantitative approach to measure the size of attribute associations. The findings are significant for marketing practitioners, particularly due to the lack of research specific to the spirits category.

2.3   Luxury Product Pathways and Positioning

Early research focused on identifying attributes of, and developing scales for, luxury products but provided little in the way of actions brand managers needed to take based on the information (Kapferer and Valette-Florence, 2016).

As examined in the works outlined in sections 2.1 and 2.3, one of the recurring attributes of luxury products, particularly in the highest price-point, is rarity and scarcity. This creates potential problems for luxury brands looking to grow as they risk losing this feature. As observed by Kapferer and Valette-Florence (2016),

> 'Luxury brands have had no choice but to abandon product and ingredient rarity as the precondition of luxury and have adopted 'abundant rarity' strategies characterised by feelings of exclusivity rather than actual exclusivity and by artificial rarity tactics such as limited editions and capsule collections.' (p.121)

While Kapferer and Valette-Florence (2016) observed this trend across sectors operating in the luxury space, the single malt category of the Scotch whisky industry could be considered an exception as they cannot simply up production to meet growing demand. For example, unlike the manufacturers of luxury

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[8] Correspondence analysis is a statistical visualization method for picturing the associations between the levels of a two-way contingency table (Lee, 1994).

purses, whisky brands cannot simply increase production of old whiskies to supply the market. Single malts require significant aging, which preserves the rarity and actual exclusivity features.

Kapferer and Valette-Florence (2016) explored how highly successful luxury brands keep their cachet and desirability despite growing dramatically in size, and thus losing rarity. More importantly for the purposes of my research, they sought to reveal pathways to build luxury desire. Kapferer and Valette-Florence (2016) used a sample of over 1,200 luxury consumer interviews about twelve successful luxury brands on 42 experiential and perceptual items. A PLS hierarchical fourth-order latent variables model[9] unveiled two paths to build luxury desire, which are summarized in Figure 2-3 below.

Notes: Numbers refer to the bootstrapped path coefficients between higher-order latent variables and lower ones. In other words, they represent factor loadings between connected latent variables, and hence, the strength of the relationships between them
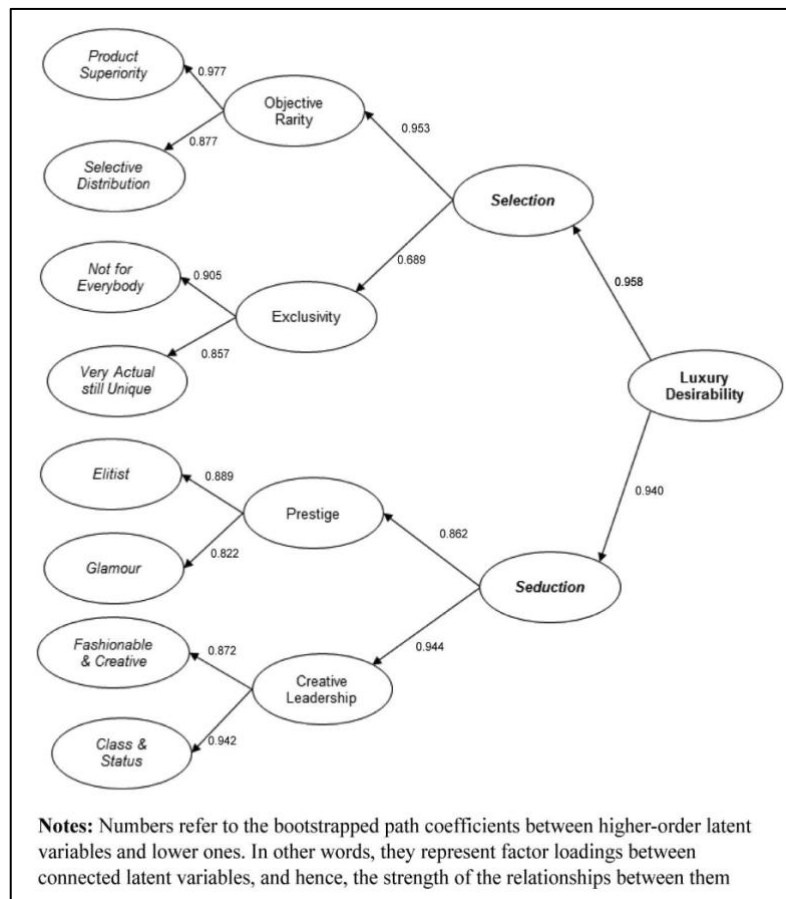
Figure 2-3: PLS Hierarchical Confirmatory Factor Analysis of Luxury Desirability
(Kapferer and Valette-Florence, 2016, p.127)

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[9] Partial Lease Squares Path Modelling (PLS-PM) is a statistical approach for modelling complex multivariable relationships (structural equation models) among observed and latent variables (XLSTAT, 2018)

The top pathway of the model (selection) relates to the classical model of luxury brand building, whereas the bottom (seduction) is related to fame where glamour is constructed by celebrities buying or using the brand (Kapferer and Valette-Florence, 2016). This model has direct applicability for managerial purposes as it shows how higher-order perceptions of value are built up to the final desire for a luxury brand or product (Kapferer and Valette-Florence, 2016).

This study was conducted exclusively in France, which could affect the paths coefficients for other countries, such as China. One of the most important aspects of this research (and model) for my purpose is that it can be used as a compass to manage, sustain and monitor a brand's desirability throughout its growth (Kapferer and Valette-Florence, 2016). While the single malt category is rapidly growing in China (IWSR, 2017), brands will be at different stages of the business cycle and the broad applicability of the model makes it suitable for my research.

2.4   Luxury Products in China

Chinese growth in the luxury space is being driven primarily from the newly rich in emerging economies who are enthusiastic to enter the world of consumption and catch up with their Western counterparts (Kapferer, 2017). Brands that were once traditionally targeting the wealthiest consumers have launched new product lines, new brands or product extensions to market their products to middle-class consumers (Vigneron, F. and Johnson, L.W., 2004, pp.487-488).

An important role of the 'China Dream'[10] is the development of a comfortable middleclass lifestyle for all (Goodman, 2013) and it is predicted that 'China could become the number one country of the luxury sector in 2020, wanting to enjoy life after decades of deprivation' (Kapferer and Valette-Florence, 2016, p.120). Furthermore, the rise of the BRIC[11] economies have shifted the emphasis for luxury brands from the West to the East and has had a significant impact on consumer perceptions and experiences with luxury brands (Ko, Phau and Aiello, 2016, p.5749).

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[10] The President of the People's Republic of China describes the China Dream as 'a better life that requires everyone to work. It is a commitment to build a comfortable, well-off society through expanding the middle class, at least in that part concerned with domestic affairs,' (Goodman, 2013, p.49)
[11] Brazil, Russia, India and China

Despite this rapid growth in emerging markets, literature pertaining to luxury has 'neglected to consider the consumer value perceptions and their impact on purchase intentions in cross-national settings' (Shukla and Purani, 2012, p.1422). Shukla and Purani's (2012) study was the first of its kind to focus on value perceptions in the cross-national setting and while the specifics of their findings are particular to India, their overall findings demonstrate the considerable cross-cultural variations in the perceptions of luxury products (Shukla and Purani, 2012).

Godey et al. (2016) argued that international luxury product companies cannot simply adopt a global marketing strategy as there are significant cross-cultural differences in the perception of luxury. In their study analysing perceptions of luxury from six countries[12], Godey et al. (2016, p.233) identified the following as the top four adjectives to explain luxury in the eyes of Chinese consumers: prestigious, extravagant, expensive and conspicuous. These adjectives differed significantly from mature markets such as the USA or Japan, a full list of which can be seen in the Figure 2-4 below. These findings will be relevant and referenced in Chapter 5 addressing market positioning.

[12] Italy, France, Germany, China, Japan and USA
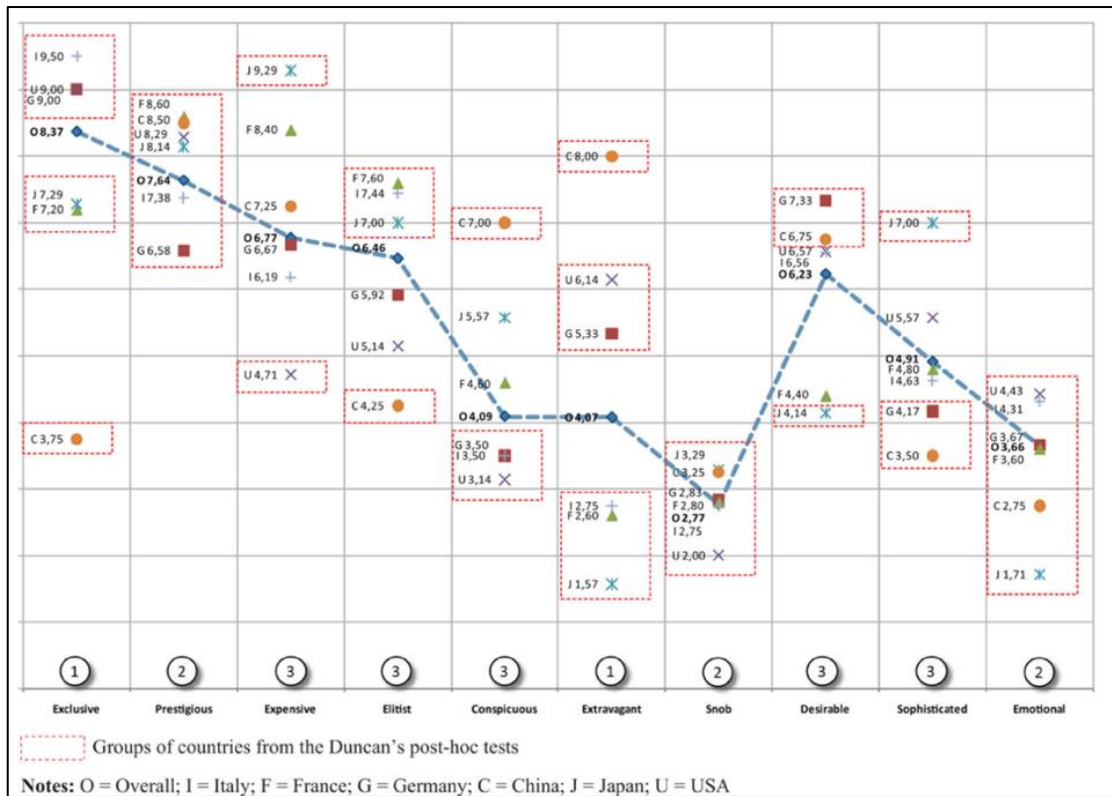
Figure 2-4: The Perception of Luxury
(Godey et al, 2013, p.234)

One of the most interesting findings of the study for the purposes of my research was that Chinese respondents ranked last in using 'exclusivity' as an adjective to define luxury. This is quite significant because 'exclusivity' has frequently been listed in more generalised studies as a key attribute of luxury products and brands. The findings from the Chinese consumers of the study developed a spontaneous definition of luxury as

> 'Something related to better quality and expensive. It is used to differentiate oneself to the others in order to satisfy one's vanity and happiness. Luxury is an unlimited desire. It is something neither practical nor essential for everyone.' (Godey et al., 2016, p.234)

The study was limited by the relatively small sample size of Chinese consumers and requires further analysis. Despite these limitations, the clear cross-cultural differences in the perceptions of luxury reinforce the notion that when it comes to luxury, there is no 'one size fits all' approach for branding, marketing and modelling. Cultural perceptions are critical for businesses as they target new markets.

2.5 Brand and Product Authenticity

As discussed above, authenticity is consistently identified as a primary attribute of luxury products across studies and a thorough understanding of the concept is critical for my research. More importantly, one must comprehend how consumers perceive and assess authenticity and how it can be intentionally contrived by marketers. As Brown et al. (2003, p.21) stated, 'the search for authenticity if one of the cornerstones of contemporary marketing'. For many firms, brand authenticity has emerged as a strategic imperative (Dwivedi and McDonald, 2018).

Quite often in contemporary marketing, the term authenticity is used for positioning purposes with a misunderstanding of its meaning, antecedents or consequences (Gundlach and Neville, 2012). Regardless of its definition, academics are largely unified in their argument that consumer demand for authentic brands is steadily rising (Fritz, Schoenmueller and Bruhn, 2017), perhaps as an outcome of a growing trend of consumer mistrust towards business (Dwivedi and McDonald, 2018).

As consumers seek out authentic brands and experiences (Gundland and Neville, 2011), the topic has come to the forefront of research efforts over the past decade. The following subsections will explore the antecedents/attributes of authenticity, the role of consumer perceptions, the consequences of brand authenticity and finally, explore authenticity factors specific to the Chinese marketplace. Developing a thorough understanding of each will support primary data analysis and guide proper market positioning recommendations in the conclusion.

2.6 Attributes and Perceptions of Authenticity

a. Early Studies

Over the last few decades, academics have studied the attributes of authentic brands/products in a multitude of contexts[13] to contribute to the evolving literature on the topic. In an early study by Littrell et al. (1993) evaluating the authenticity of craft souvenirs, the following emerged as contributing factors to authenticity:

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[13] In various locations, across a number of product lines, industries, consumer types, etc.

cultural and historic integrity, workmanship, craftsperson and materials, esthetics, function and use, shopping experience and genuineness and uniqueness and originality. This was one of the first studies examining perception, however it was limited to tourist crafts and, as a pioneering study, lacked the support of additional literature to support arguments and hypotheses.

Beverland (2006) recognised a gap of transferability and studied the issue in a commercial context focusing his research on case studies of, and interviews with, 20 ultra-premium wineries (US$100+ per bottle) in addition to 30 interviews with consumers. He identified the following six attributes of authenticity: heritage and pedigree, stylistic consistency, quality commitments, relationship to place, method of production and downplaying commercial motives (Beverland, 2006).

One of the most noteworthy findings of the study revealed that 'marketer project-ions and consumer understanding of authenticity consisted of both objective (real) and subjective (stylised or fictional) factors' (Beverland, 2006, p.257). This is significant as it suggests brand managers and marketers have the ability to contrive authenticity through their efforts. This argument is supported by other studies, one of which found that 'deliberate marketing activity did create and recreate images of authenticity' (Beverland, 2005, p.1025).

Beverland (2006) draws clear conclusions on the identification of authenticity attributes, however it provides little in the way of modelling or influence to shape consumer perceptions. For example, while heritage was identified as an attribute, the study provided no evidence regarding the effect of the brand's strategic positioning on that heritage. In addition, these attributes were derived in the context of one industry and their transferability to other products or categories has not been tested.

Due to the fact this study involved a luxury alcoholic product, these findings are quite relevant to my research on single malt Scotch whisky as it occupies the same premium position in their category. Further research will benefit from exploring the transferability of the identified attributes and developing a model for consumer behaviour and purchase intentions.

b.   Recent Works and Theory Development

While the attributes revealed in Beverland (2006) have been widely cited and accepted in other works, additional factors have emerged through further research such as exclusivity (Gundland and Neville, 2011), sincerity (Napoli et al., 2014) and sustainable/ethical considerations (Cheah, Phau, and Zainol, 2016). The emerging factor of exclusivity crosses over into the attributes of luxury, only reinforcing the important role authenticity plays in the positioning of luxury products.

Most articles on authenticity highlight the tensions associated with the perceptions of authenticity (Grayson and Martinec, 2004), which has led to increased research over the past two decades. Authenticity is negotiated and socially constructed (Leigh et al., 2006) and while a number of theoretical frameworks of how consumers assess authenticity have been developed, most lack applicability for brand managers as they attempt to classify different forms of authenticity rather than its contributing factors (Gundlach and Neville, 2012, p.485). Recognising this gap, Gundlach and Neville (2012) identified the need for a deeper understanding of how consumers assess and perceive authenticity.

c.   Relationship Between Authenticity Factors

To do this, they sought to test Beverland (2006) and Littrell et al. (1993) factors of authenticity in a more generalisable context; in their case within premium beer. Gundland and Neville (2011) argued that while previous frameworks identified factors/attributes of authenticity, few explored the complex relationships between them. Their research proposed the alternative framework for authenticity in Figure 2-5, which suggested that factors play different roles in formulating authenticity. Some factors are tangible driving factors, some are attributes *of* these tangible factors, and others are judgements that occur subjectively within the consumer's mind (Gundland and Neville, 2011, pp.494-495).
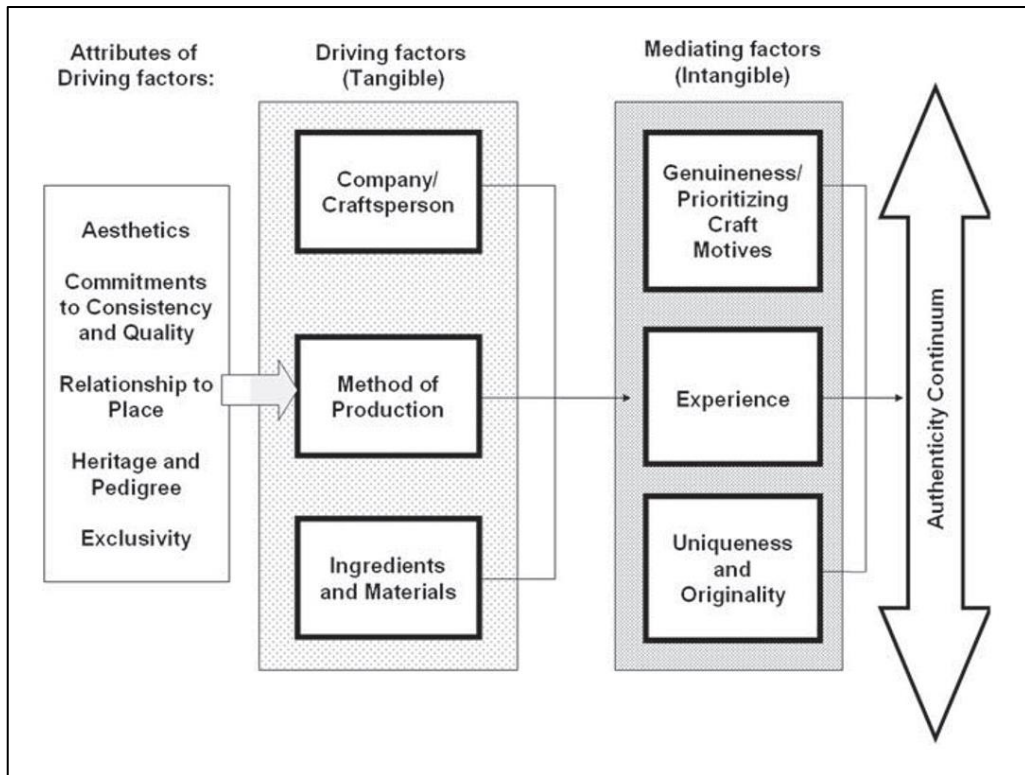
Figure 2-5: An Alternative Framework for Authenticity
(Gundlach and Neville, 2012, p.495)

This alternative model describes the interaction between factors and provides clear application for marketers and brand managers. While their research was conducted in the context of premium beer, there could be transferability to the single malt Scotch whisky category, as their sample size was primarily male and focused on a premium alcohol.

According to Carsana and Jolibert (2018),

‘Perceived brand authenticity can be defined by the interplay of objective facts (indexical authenticity), subjective mental associations (iconic authenticity), and existential motives about a brand (existential authenticity)’ (p.2018).

Consumers evaluate authenticity according to various cues, primarily separated into these two categories; iconic and/or indexical cues (Carsana and Jolibert, 2018). Iconic cues refer to marketing and promotional cues, such as a brand's advertising or design features to create a certain impression (Brown et al., 2003). Indexical cues refer to objective information about attributes that provide consumers with evidence of what a brand claims to be (Morhart et al., 2015). In

the context of whisky, this could include the provision of objective information such as country of origin or distillery/brand. A firm understanding of the distinction between the two cues are essential for application purposes.

2.7   Consequences of Brand Authenticity

More recent literature has focused on the operationalising brand authenticity (Dwivedi and McDonald, 2018), such as the application of marketing mass products like beer (Gundlach and Neville, 2012). Since the early studies by Beverland, the macro environment has changed significantly, which had altered consumer perceptions of authenticity.

Due to authenticity being a subjective construct (Gundlach and Neville, 2012), most topical research is qualitative in nature. Seeking to apply quantitative modelling to the construct, Fritz, Schoenmueller and Bruhn (2017) conducted an extensive literature review collecting 509 data sets and used structural equation modelling to test their hypotheses to identify antecedents of authenticity. In their summary of existing literature, they revealed a number of variables as potential antecedents of authenticity and integrated them into three categories; 'the past (i.e. brand heritage, brand nostalgia), variables encompassing a brand's virtuousness (i.e. brand commercialisation, brand clarity, social commitment) and the perceived cultural fit (i.e. brand legitimacy)' (Fritz, Schoenmueller and Bruhn, 2017, p.329).

Based on those attributes, they developed the conceptual model in Figure 2-6 below predicated on the assumption 'that brand authenticity is influenced by the identified variables and that brand authenticity enhances the quality of consumer-brand relationships, which in turn enforces positive behavioural consumer outcomes' (Fritz, Schoenmueller and Bruhn, 2017, p.331).
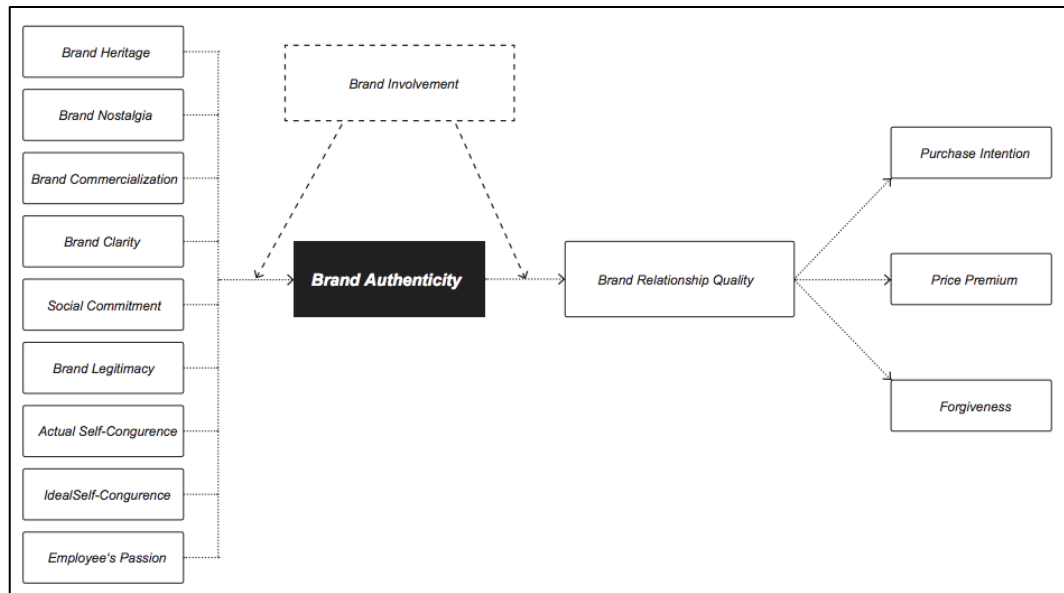
Figure 2-6: Conceptual Framework I
(Fritz, Schoenmueller and Bruhn, 2017, p.330)

After testing and validating the model against their hypotheses, the authors derived four primary findings, the most relevant of which for my research was the provision of empirical support for the presumption that brand authenticity generates enhanced emotional bonds between the consumer and brand (Fritz, Schoenmueller and Bruhn, 2017). This was one of the first comprehensive quantitative meta-analyses measuring antecedents and outcomes of authenticity.

2.8   Authenticity as a Marketing Tool

Furthermore, the research supports the assumption that a company can influence its authentic brand perception via various cues, which will be critical in the answering of my research question. This study provides an excellent foundation for understanding which factors can be manipulated by brand management to positively impact the perception of the brand's authenticity (Fritz, Schoenmueller and Bruhn, 2017, p.341). The research was limited by not separating the participants' perception of indexical versus iconic cues, which limits the application of manipulating each to increase perceptions of overall brand authenticity.

Dwivedi and McDonald (2018) produced results indicating that perceptions of brand authenticity can be developed with the use of marketing communications in fast-moving consumer goods (hereinafter FMCG) setting. While single malt Scotch whisky would not fall into the category of FMCG, the conceptual model in

Figure 2-7 below provides a framework to test applicability in the context of higher end products. The diagram depicts how marketing communications exert a direct influence on brand authenticity by way of providing diagnostic cues that consumers use to deduce authenticity (Dwivedi and McDonald, 2018).
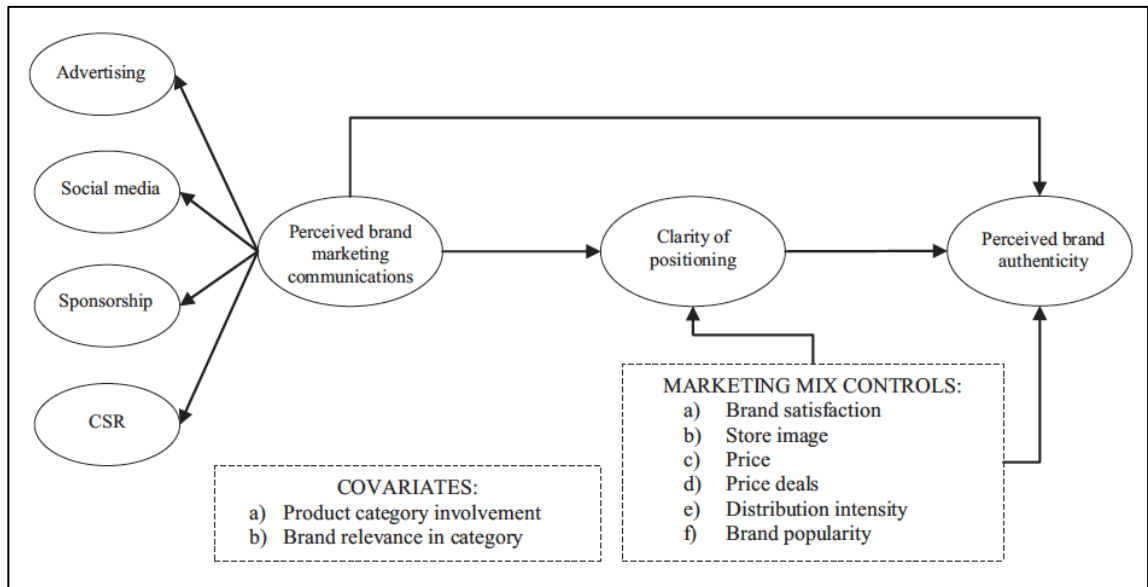
Figure 2-7: Conceptual Framework II
(Dwivedi and McDonald, 2018, p.1393)

One of the most significant findings of the study was that 'consumer evaluations of brand marketing communications help shape clarity of brand positioning, which in turn affects perceived brand authenticity' (Dwivedi and McDonald, 2018, p.1405). For single malt whiskies looking to position their products effectively, perceptions of brand authenticity can be developed with the use of marketing communications. While mass marketing communication efforts in FMCG were shown to produce positive results for authenticity (Dwivedi and McDonald, 2018), this approach is questionable in the luxury sector as it would undermine the down-playing of commercial motives attribute (Beverland, 2006). Further research is required to evaluate applicability in other categories.

2.9   Authenticity Perceptions in the Chinese Marketplace

In the Chinese marketplace, the term authenticity extends far beyond the constructs of contrived iconic authenticity into the objective, where counterfeiting and mimicking are commonplace (Veloutsou and Bian, 2008). There is also a distinction between the terms authentic and genuine, where authentic refers to the

constructive iconic authenticity consistent with the Western marketing construct and genuine refers to non-counterfeit or mimicked products (Lie et al., 2015).

Liu et at. (2015) conducted the first study of its kind to bridge the knowledge gap of cultural effects on authenticity perceptions by exploring Chinese consumers'. While there were commonalities with their Western counterparts, there were also significant differences. The three main product attributes Chinese use to assess authenticity are; country of production, knowledge-based know-how, and brand name (Liu et al., 2015, p.31).

The research of Liu et al. identified that Chinese consumers differ from their Western counterparts in a number of ways. For one, they do not evaluate products based on a perceived binary relationship between authentic vs. inauthentic (Liu et al., 2015). Consumers have poor perceptions for counterfeit products, however the authenticity perceptions for mimicked (or Shanzhai) products[14] is much more subjective (Lui et al., 2015).

> 'Although Chinese consumer do not associate mimic products with any of the basic authenticity concepts, such as genuineness, reality and truth, they do evaluate these products based on concepts such as the imitation's sincerity, truthfulness, and accuracy.' (Liu et al., p.31)

Liu et al. (2015, p.31) proposed the hierarchical relationship in Figure 2-8 which presents the forms of consumer-experienced authenticity of product offerings and illustrates their interrelationships, summarizing their findings that suggest 'for the first time in the literature that consumer-perceived authenticity is a multifaceted concept that, in the context of the Chinese market, includes authenticity, domesticated authenticity, mimicked authenticity and inauthenticity'.

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[14] Mimic (or shanzhai) products are imitations which mimic authentic products to the best of their ability, and although the quality is not as high, their prices are much more affordable (Lie et al., 2015)
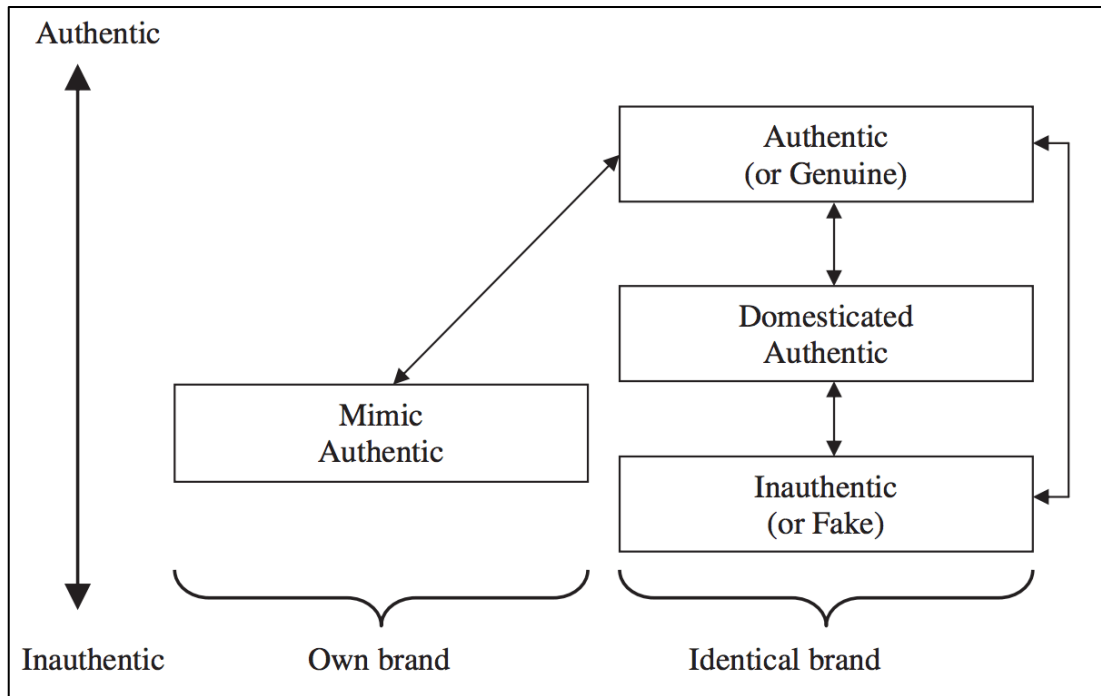
Figure 2-8: Hierarchical Relationship of Product Authenticity Evaluations
(Liu et al., 2015, p.31)

For whisky to be legally named Scotch whisky it must be produced and bottled in Scotland (Scotch Whisky Regulations, 2009) which limits its ability to be mimicked. They are further protected by the fact that Chinese consumers tend to show a greater preference for foreign-branded products if they are from countries that represent status and modernity (Zhou and Belk, 2004).

With that said, counterfeiting remains a major issue for the Scotch whisky industry, in terms of lost sales and brand harm, with annual losses estimated around £20m per year and growing at a rate of 94 per cent per year (Lascelles, 2017). This issue is complicated by the fact that most consumers have a difficult time distinguishing by taste, so it can occur unbeknownst to them. In a blind taste-test of expert and novice whisky drinkers, a study revealed no perceptual distinct-ions in the tasting condition between blends and single malts (Smith et al., 2017).

Despite the counterfeiting issues, the true risks in China will be measured by the factors driving consumers into the single malt category. As Phau and Teah (2009) explain, consumers may abstain from purchasing counterfeit products if their reference groups have expert knowledge in determining the difference between genuine and counterfeit goods.

The Liu et al. (2005) study was limited as the first to explore Chinese consumers' perceptions of authenticity and the authors were clear in stating there is much remaining to be studied. While the findings of this research are significant for the purpose of understanding Chinese consumers, above all it reinforces the need to recognise the important role cultural perceptions play in the assessment, and modelling, of authenticity in the marketplace.

2.10   Corporate Growth Strategy

For companies looking to penetrate the Chinese market, it will be critical for brands to identify and execute the appropriate corporate growth strategy. Ansoff's product/market growth matrix featured in Figure 2-9 below is a classic framework for generating four basic directions for organisational growth (Johnson et al., 2017).
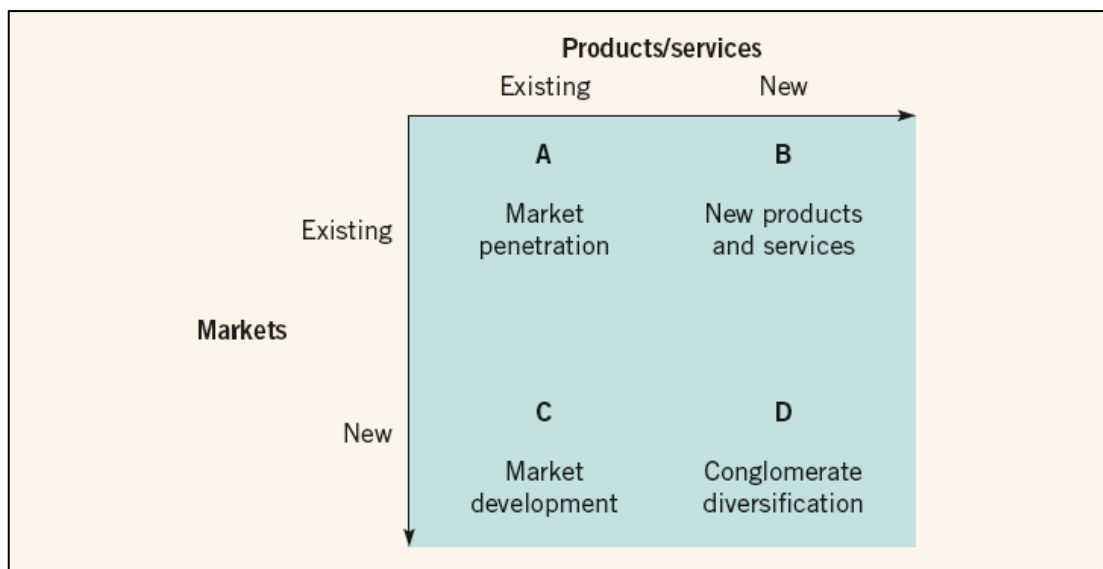
Figure 2-9: Ansoff's Growth Matrix
(Johnson et at., 2017, p.245)

For the purpose of the research question, the most significant quadrant of the matrix is market development as whisky is an existing product seeking to penetrate a new market, in this case China, as a form of related diversification. According to Johnson et al. (2017), market development takes two basic forms; new users and new geographies, the latter of which being the target. As discussed throughout, success will depend on a brands' ability to identify the different need states and critical success factors for new markets and consumers and, in turn,

develop marketing strategies to exploit them as a source of competitive advantage.

2.11   Personal Reflection

I found the literature review to be a particularly difficult task to complete. This was the first major independent research project I'd undertaken and determining where to start was difficult. In the beginning I only wanted to read 'the right' material, but on my supervisor's advice, I started 'reading around' the topic to gain a better understanding of the overarching themes to narrow my focus.

As my supervisor predicted, doing so helped me identify primary focal areas, which enabled me to organise my thoughts and categorise materials thematically by key theoretical underpinnings. I learned not to worry about wasting time reading 'the wrong' information as there is no such thing. Even articles I didn't end up referencing gave me a clearer understanding of the topic as a whole and contributed indirectly.

One of the most difficult aspects of the review was determining a stop point for relevant material. It seemed like each article opened Pandora's box where I started examining the cited works contained within and asking myself 'Should I be including this as well?' and 'Is this more important than my original theoretical area?' The secondary research process forced me to develop strict boundaries of relevance by asking myself how a particular material could contribute to my specific research question.

At times I questioned if I was disregarding important information, however I had to remind myself this was a three-month Masters-level dissertation designed to address a very specific question, not revolutionise a field. I also learned a valuable lesson on the importance of the 'suggestions for further research' and 'limitations' sections of a research paper, as you simply cannot address everything in one dissertation.

Despite how challenging I found the literature review at times, the whole process proved to be invaluable in refining my research topic and providing direction for the dissertation as a whole. To be honest, I initially viewed the literature review

as a check box exercise, however without it, I would have lacked direction and accomplished very little. It truly is the foundation of original research and I now sincerely value the critical role it plays.

2.12   Chapter Summary

This chapter provided a detailed overview of academic literature investigating the theoretical links between luxury product and brand authenticity variables by assessing relevant theories. Furthermore, this chapter reviewed previous studies that explored those variables in the context of urban China to develop a thorough knowledge base.

The next chapter will explore study methodology, which situates the dissertation within a methodological tradition, providing rationale for the approach and describing data collection/analysis methods

3   Methodology

This research is an exploratory study[15] to gather and analyse the appropriate data to present and conclude how single malt Scotch whisky brands can best position their products to penetrate the new middle-class segment of the Chinese marketplace. The objective of this chapter is to situate the study within a particular methodological tradition and provide a rationale for the chosen approach. Furthermore, it describes the research setting, sample, data collection and analysis methods in an overview of designs and procedures.

3.1   Rationale for Research Approach

This dissertation is a monomethod qualitative study employing semi-structured interviews as the single form of primary data collection. Despite the study being qualitative in nature, as Saunders et al. (2016, p.165) explain; while quantitative and quantitative research are viewed at two ends of a continuum, in practice they are often mixed. For example, several questions from the interviews evoked quantitative responses from participants.

Similarly, with yes and no interview questions, the sum of answers can be quantified[16] to derive meaning and impact from responses. Product positioning is a subjective and complex construct requiring the rich data provided through in-depth interviews to extract meaning and analyse results.

An important element in justifying a research approach involves the examination of research philosophy, which refers to a system of beliefs and assumptions about the development of knowledge (Saunders et al., 2016, p.124). This study falls under the research philosophy of interpretivism, which emphasises that humans are different from physical phenomena (Saunders et al., 2016). Interpretivism is characterised by the study of meanings to create new, richer understandings of organisational realities. Furthermore, as Saunders et al. (2016) explain:

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[15] An exploratory study is a valuable means to ask open questions to discover what is happening and gain insights about a topic of interest (Saunders et al., 2016, p.174)

[16] For example, '90 per cent of interview respondents answered yes to question X'

'The purpose of interpretivist research is to create new, richer understandings and interpretations of social worlds and contexts. For business and management researchers, this means looking at organisations from the perspectives of different groups of people.' (p.124)

Identifying where research sits amid the five major philosophies in business and management[17] is important as it guides a researcher's approach to theory development, strategy and data collection technique and procedure; all of which will be explored in the following subsections.

There are three main approaches to theory development: deductive, inductive and abductive. As summarised by Saunders et al. (2016, p.152):

- With deduction, a theory and hypothesis (or hypotheses) are developed and a research strategy designed to test the hypothesis.

- With induction, data are collected and a theory developed as a result of the data analysis.

- With abduction, data are used to explore a phenomenon, identify themes and explain patterns, to generate a new or modify an existing theory which is subsequently tested, often through additional data collection.

This study would be considered abductive in that it is not testing an existing hypothesis nor is it implicitly designed to develop new theory. An abductive approach moves back and forth, in effect combining deduction and induction (Suddaby, 2006). This study explores the complex construct of product positioning in the Chinese marketplace, searching for relevance in existing academic models from the disciplines of luxury products and brand authenticity while simultaneously being open to developing hypotheses for further testing.

Through this dissertation process, I had to learn the whole new subject area of research methods, which was challenging given the tight completion timeline. This was the first time I'd ever collected primary data. As a result, it took me several attempts to understand and select an appropriate collection method. In

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[17] The five major philosophies in business and management: positivism, critical realism, interpretivism, postmodernism and pragmatism (Saunders et al., 2016, p.135)

the future, I would develop a deeper understanding of alternative research methodologies to a make a more confident and informed decision on which method(s) is/are most appropriate.

3.2 Research Sample and Data Sources

In total, ten participants from eight companies were selected to take part in interviews, which were conducted over a six-week period. According to Saunders et al. (2016), research interviews are formally defined as:

> 'A purposeful conversation between two or more people, requiring the interviewer to establish rapport and ask concise and unambiguous questions, to which the interviewee is willing to respond, and to listen attentively. Essentially it is about asking purposeful questions and carefully listening to the answers to be able to explore these further.' (p.388)

The purpose of this subsection is to explain and justify the sample used, describe participant selection, and outline ethical considerations.

a.   Participant Selection

Interview participants were systematically selected by determining the value each individual's perspective could bring to the research objectives. To be deemed qualified for an interview, individuals required detailed China-specific knowledge on customer profiles, segmentation bases, consumer behaviour, routes-to-market, product positioning, industry trends, and other themes identified in the interview questions (Appendix B) for the brands they represent.

It was understood that few interviewees would be qualified to speak in expert capacity to all themes, which reinforced the importance of a diverse sample. Thankfully, this process of identifying and contacting potential interviewees was expedited with the help of a few key individuals, which are summarised in the paragraphs below.

My initial dissertation supervisor, Alison Gibb, spent many years working in the drinks industry. As result, she has a vast professional network and helped

connect me with individuals who could contribute to my research. She made introductions on my behalf with a number of individuals, which helped me secure three of the ten interviews.

Alison's industrial insights also helped identify the appropriate roles to target for interviews in order to extract the information required. Through our discussions, she emphasised the importance of interviewing an assortment of roles as each would have a different, but equally valuable, perspective on the subject matter. Similarly, she informed me on the risk of response bias if I limited my interviews to a small number of brands or companies.

A professional contact from the MBA program [currently working in a marketing role with Edrington] also made contacts on my behalf. Based on my topic and research goals, he identified and introduced me to six individuals, five of whom I interviewed. This professional contact was also interviewed himself.

Finally, through the alumni mentorship program with the MBA program, my mentor helped me secure an interview with a senior marketing professional working in China managing a large brand. The last interviewee was found on LinkedIn, whose credentials were verified.

b.   Sample Size and Characteristics

In the end, a total of ten interviewees were selected from a variety of organisations and roles. Each held a position, or had experience, in marketing and/or sales. The job titles of the ten interviewees are listed below alphabetically.

- Asia Pacific Business Development Manager
- Asia Regional Sales Manager
- Brand Manager (China)
- Director of Business Development (China)
- General Manager
- Global Brand Development Manager
- Founder & CEO
- Founding Partner

- Managing Director
- Marketing Director

Interviewees were from a total of eight companies, a summary of which can be found below alphabetically. While three individuals were interviewed from the same company, they worked for three separate brands within that organisation.

- Cask 88: Rare & Old Whisky
- Crucial Drinks
- DIAGEO
- Distell
- Douglas Laing & Co
- Edrington
- The Glenmorangie Company
- Rare Whisky 101

Demographically, all ten interviewees were male. Seven originated from Great Britain, one from China, one from United States of America, and one from Ireland. Of the ten interviewed, three were based full-time in Asia[18] and four travelled to China frequently, spending a significant portion of the year in the market. The three remaining interviewees were based primarily in United Kingdom. The following subsection outlines ethical considerations pertaining to participants.

c.   Ethical Considerations

This was a low-risk study that does not employ any of the procedures listed as high-risk[19]. Targeted respondents were over 18 years-old and commented on non-sensitive issues. To protect participant confidentiality, respondents will remain anonymous and will only be referred to by job title and geographic location in any publication arising from the research. All research data, including audio recordings and interview notes were stored on a password protected personal computer in my locked flat.

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[18] Two are based in China and the other in Taiwan
[19] As defined by the University of Glasgow's risk guidance document

The research was formally approved by the Adam Smith Business School's College Ethics Committee.

3.3 Data Collection Methods

This subsection describes and justifies all data collection methods, tools, instruments and procedures involved with the research.

a. Interview Structure

The interviews were conducted in a semi-structured, in-depth format guided by a set of themes and key questions (Appendix B). Questions varied slightly from interview-to-interview. As noted in subsection 3.2, interviewees had different areas of expertise and the semi-structured format allowed me to omit questions to conduct an interview most suited for their role and experience.

All interviews lasted between 25 and 55 minutes. Many questions were prefaced with some comments to open discussion, contained prompts to promote further discussion and provided closing comments to close the topic. Questions evolved throughout the interview process.

It took me three interviews to understand the right questions to be asking to extract the data required. With a diverse participant group, I learned there is no one size fits all when it comes to interview questions; each has a distinctive perspective on the topic. In the future, I would develop a better understanding of each participant's background before an interview to identify where to focus my efforts to extract the most information given their experience and expertise.

b. Research Setting and Procedures

As interviews were confirmed, it was obvious that geography would make face-to-face interviews difficult in most cases. As noted, many of the individuals were based in China. As result, interviews were conducted in the following settings:

- Face-to-face: 1
- Skype: 3
- Telephone: 6

Shortly after the interviews were scheduled, participants were emailed a plain language statement (PLS) outlining the research as well as a consent form. Consent forms were signed and returned. In three instances interviewees requested additional information about the specifics of the interview. Additional details were sent by email. While no specific questions were revealed beforehand, a more detailed outline of themes were sent in order for participants to prepare appropriately.

Before beginning each interview, I confirmed receipt of the PLS and consent forms. Participants were asked if they had any clarifying questions before beginning. Participants were reminded that interviews were being recorded for future analysis and would be destroyed upon dissertation completion. During each interview, I had a printed version of the question set to guide discussion and categorise my notes. Regardless of setting, I followed this same procedure for each interview.

While face-to-face interviews simply weren't possible in many cases, the variety of settings opened my eyes to the benefits of face-to-face conversations. While telephone interviews delivered the basic information, it was not as easy to have a natural conversation to extract as much information as possible. Using Skype [versus telephone] produced a richer conversation with a better interviewer/interviewee rapport due to the visual element. In the future, I would try to set Skype as the minimum standard for conducting interviews.

c. Personal Reflection on Data Collection

With limited time and reduced participant availability over the summer months, my literature review and interviews were being completed simultaneously. While I didn't initially see this as significant, I quickly learned the valuable role the literature review plays for developing appropriate interview questions.

Several times I was kicking myself after interviews as I was reading additional material, thinking to myself 'I should have asked so and so about this' or 'I probably should have phrased that question a little differently with that person'. In an ideal world, a thorough literature review would be completed before conducting interviews, however in this case the timeline did not allow it.

Thankfully, participants were open to follow-up emails for additional questions and clarifications, so it minimised the effect on final results.

3.4   Data Analysis Methods

After interviewing, a strategy was required to begin making sense of the rich and complex narrative data. Each audio recording and interview notes were thoroughly reviewed to become family with the dataset. As a starting point, I reviewed Chapter 13 of Saunders et al. (2016) titled 'Analysing qualitative data' to familiarise myself with methodological alternatives. This enabled me to compare and select an appropriate analysis tool given my research philosophy, paradigm and approach to theory development.

After reviewing all options, a thematic analysis was identified as most suitable. A thematic analysis is defined as 'a technique used to analyse qualitative data that involves the search for themes, or patterns, occurring across a data set' (Saunders et al., 2016, p.729)

This method was chosen because it was systematic yet flexible. This was a large and complex data set requiring analysis that would lead to rich descriptions, explanations and act as the starting point for theorising. This thematic analysis was conducted in the following four-stage process (Saunders et al., 2016, pp.580-586):

1. Become familiar with the dataset
2. Code the data
3. Search for themes and recognise relationships
4. Refine themes and test propositions

As identified in section 3.1, this research is abductive and as result, coding and theme development was directed by the content of the data and by existing theoretical concepts. The process of searching for appropriate themes was directed by the research question and existing literature. With over 9 hours of recorded audio, it was critical to determine appropriate thematic areas to accurately report findings and analyse relevance.

During the first review of each audio recording, I asked myself 'What key areas do I need to dissect and analyse to address the research objectives?' Furthermore, 'How can existing literature from the literature review contextualise those findings?' This led to the identification of six primary theme areas:

1. Chinese Whisky Consumers
2. Product
3. Price
4. Place
5. Promotion
6. Market Threats and Challenges

From those overarching thematic areas, second and third level themes were identified during the coding process. Once the data was categorised thematically in sub-themes, the analytical narrative and data extracts were synthesised; and the write up was conducted under appropriate subheadings. Determining the barriers of relevance proved challenging as all interview data was interesting. With limited space, it was essential during this writing stage to report only on material which would help address the research question.

Once interview results were categorised thematically, data was reviewed to reveal emergent patterns among findings. Those patterns were then examined in light of the research objectives and literature to draw meaning within the scope of the study and across other studies. Key academic literature and models were applied to results to examine whether they agree with, or contradict, other studies' findings.

To guide analysis and discussion, I posed myself a series of questions.

- What does all this data mean?
- How does it connect?
- Why is it relevant?
- How does it help address the research question?
- How does it connect to the literature?

By asking these questions, I was able to focus my efforts and systematically synthesize data to start deriving conclusions.

The next section will explore the limitations of the study.

3.5 Research Limitations

As with any study, the research had limitations and areas of potential weakness. External constraints can restrict a study's scope or outcomes and the researcher can impose intentional delimitations in order to limit the scope of a study. The limitations of this study will be explored and summarised in the subsections below.

a. Time Constraints

As a three-month dissertation, the primary limitations of the study were rooted in time constraints. While that may appear to be a simple summary of what was a major limitation, it cascaded to all branches of the study. For example, with additional time, a more detailed literature review could have been conducted to identify additional areas of academic relevance. From there, additional interview candidates could have been identified to bring in distinctive perspectives on the research objectives and so on. Consequentially, there was not a considerable amount of time to pause and reflect on decisions or progress mid-research. I had to trust in the predetermined pathway and persist. In the future, I would create a more structured timeline and stick to it as much as possible.

b. Participant Limitations

It was difficult securing interviews given the time of year. The dissertation is scheduled from June through August and many potential interviewees were on annual leave and could not participate. This limited availability was further complicated by the tight time frame to complete interviews. While the dissertation is scheduled for three months, the realities of completing a preliminary literature review and receiving ethical approval limited the data collection window to six weeks.

Geography and varying time zones made scheduling interviews even more difficult, with many interview participants living in Asia. Most of the Chinese offices

are located seven hours ahead of Glasgow, which one potential interviewee considered an insurmountable barrier. As result, I was unable to interview this individual, which is quite unfortunate given that his position was different from the other participants.

c.   Academic Constraints

As noted in Chapter 2, the availability of academic material on Scotch whisky in China is very limited. As result, I had to postulate that single malt Scotch whisky is considered a luxury product in China to draw relevance from academic research in that area. While I was able to confirm that hypothesis in my interviews, there were other subject areas that could have supported answering the research question.

Further complicating the academic gap is the rapid pace of change occurring in China. Academic literature is always restricted by a time gap between research and publication, however the rapid pace of change in Chinese social-demographics and economic conditions makes that time lag even more significant. Published research is quickly out of date, forcing a reliance on non-academic sources, such as consulting reports, which cannot be trusted for complete accuracy due to their lack of peer-reviewed rigour.

d.   Researcher Experience

Finally, I would be remiss not to acknowledge my own limitations as a researcher. As my first work of original research, this process has been a learning opportunity for my academic development. As a working professional for the past eight years, it was almost as though I needed to learn a new language of academic research. The size of research as a subject area left me questioning my methodology several times throughout the process.

While not necessarily identified as a limitation by the definition, this process revealed a number of recommendations for further study, which will be discussed in detail in Chapter 6. For example, this study approached the topic by interviewing marketing practitioners; however, an insight study directly with consumers could shed new light on the topic and derive more robust conclusions.

3.6   Chapter Summary

This chapter introduced and rationalised the selection of methodological tradition by describing the research approach, setting, sample, data collection, and analysis methods. It identified and summarised key study limitations and provided an overview of learnings based on those limitations.

The next chapter organises and reports the study's main findings, including the presentation of narrative data.

4   Findings

The purpose of this chapter is to organise and report the study's main findings by presenting narrative data from the in-depth interviews. Interview notes and audio recordings were thoroughly reviewed and the data will be presented thematically to support analysis and discussion in Chapter 5. As mentioned in 3.2c, in order to preserve participant anonymity, only individuals' roles and locations will be used in the presentation of findings.

The primary objective of the research is to determine how single malt Scotch whisky brands can best position themselves penetrate and grow in the Chinese market by focusing on the new middle-class.

This research postulated that single malt Scotch whisky occupies a luxury product position in the minds of Chinese consumers. That hypothesis was confirmed during the interviews, with all respondents stating the postulation was correct. When asked directly if single malt is considered a luxury product in China, one Director of Business Development based in Shenzhen, replied after a brief pause '…of course it is', as if the answer were so obvious, he wondered why the question was being asked.

With the luxury positioning hypothesis confirmed, the research question shifts to; how can single malt Scotch whisky brands position themselves as a luxury product to penetrate and grow in the Chinese market by taking advantage of the new middle-class? To accurately answer this question, it is critical to present a detailed depiction of Chinese whisky customers/consumer[20], and scrutinise the marketing elements that combine to capture and promote the distinct and luxurious selling points of single malt in China. Determining the differentiating factors from mature markets is essential, because, as one participant explained,

> 'It takes a lot of sophisticated thinking to take whatever a brand pro-
> position is globally, and tailor it for the local market in China. This is
> not a case of one-size-fits-all when it comes to market campaigns.'

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[20] Customers are those who purchase whereas consumers are the end users of a product/service.

While the terms customer and consumer are not necessarily interchangeable, the remainder of this chapter will use the blanket term consumer for two reasons. First, the differentiation was not explicitly stated during each interviewee response and second, as one participant indicated, 'When it comes to single malt, most customers are drinking the bloody stuff'.

One of the greatest challenges in writing this chapter was determining appropriate thematic categories. Most of the interviews were incredibly dynamic and interesting, especially for me due to my immersion in the topic. To overcome this challenge, I continued to ask myself how a theme, or more specifically the findings within that theme, would contribute to the research objectives.

Despite how interesting the interview data was to me personally, in the end the research question is about how to position a product for success in a particular market, for a particular demographic. In this case, the product is single malt Scotch whisky in China for the new middle-class demographic. This chapter will report interview findings with data thematically organised into subsections analysing Chinese consumers, exploring key elements of the marketing mix[21], and presenting threats and challenges for the category.

4.1   Target Consumers and Demographic Segmentation

As an emerging market, it should not be assumed that Chinese single malt Scotch whisky consumers will bear any resemblance to their Western counterparts. When asked to describe his brands' target consumer in the Western world, a Global Brand Development Manager based in U.K. explained:

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[21] The four elements of the marketing mix this section will address are: product, price, place and promotion.

'Our target consumer is somebody who loves whisky. We've given him a name of Will. Will is 70 per cent male, 30 per cent female. Will's between 30 and 50 years of age, although he can be outside that range. He's technologically connected. A global traveler working in a key city in one of our markets. For Will, whisky is love and life. He's somebody who is very much within the whisky category, who looks to explore within that category, wants to impress with knowledge, understanding and facts around whisky.'

Another U.K.-based General Manager recognised his Western-world target consumer as an over 40, craft enthusiasts looking to impress with knowledge. The remainder of this section addresses the profile of Chinese single malt consumers and reports the bases for segmenting consumers.

When asked to describe his brand's target consumer in China, an Asia Pacific Business Development Manager divided the market into two distinct consumer profiles, which he identified as equally weighted opportunities for the single malt category.

'The first group is the young upwardly mobile professionals in their late 20s or early 30s. Unlike Western markets, it's this group [as opposed to the typical 35 to 49-year-old demographic] that's driving interest in the malt category. The second is the super high net worth consumer who will buy massive quantities of aged rare whisky.'

A Chinese-based rare whiskies Director of Business Development, who sells exclusively by the cask, described a mix of these consumer profiles, noting that:

'We're looking to exclusively serve the upper-middle class, sub 30s individuals who are living the high life. You need to understand that in China, you can accumulate wealth incredibly quickly. Two of our biggest clients here in Shenzhen are 28 and 30-years-old.'

While echoing many of the aforementioned segmentation bases, a China-based Managing Director added, 'overseas educated or at least friends with someone who was overseas educated' as a critical feature of his brand's target consumer.

Another participant observed 'What I'm seeing more and more in China is there's certainly much more discernment [for single malts]'.

Another trend that emerged from the interviews [which differs from the West] was the increased female participation driving the category. As one participant explained, 'Female participation is on the rise! It's low in calories and tastes great in a cocktail. They'll have it as a mixer with sweetened green tea.' Another respondent noted 'Female consumption is on the rise as result of their presence in the on-trade. Now 25-35-year-old females are going out more.'

As a whole, target ages ranged from sub 30s to 55-years-old; however, respondents emphasised a focus on a younger demographic than Western markets. One commonality among all respondents was the targeting of higher income individuals. While primarily male, the emergence of female participation was recognised as an opportunity.

One of my greatest challenges in assembling this section was presenting findings without skipping ahead to analysis and discussion. I had to constantly remind myself to stick to the findings or I will have nothing to write about in the next chapter.

4.2   Consumer Journey

Understanding *when*, *how*, and *where*, consumers enter the category is a critical insight for the development of effective marketing strategies and consumer recruitment. The importance of this consumer journey was reaffirmed by the passion and detail in which respondents spoke on the topic.

While answering the question of which type(s) of consumer(s) their brand(s) were looking to recruit; most respondents spoke of the distinct customer journey they were observing in Asia. A respondent with extensive experience across several Asian and Western markets described the disparity between the two markets:

'In the West, we expect consumers to come through American whisky, Irish whisky, blended Scotch and then into single malt. In Asia, people are just diving straight into high-end single malt whiskies a lot of the time. People are short-circuiting the journey just going to whatever they think is the best.'

The consumer journey question was asked more directly to another respondent with over ten years' experience in the Chinese market across multiple spirits. He explained the typical traditional [Western] versus Asian journey.

'Traditionally consumers enter the single malt category through blended whisky, perhaps in a cocktail. They would then progress into trying a blended whisky on its own. They would then develop their palate and interest in the category moving onto a single malt[22]. From there, they would progress their way up through the malt range and they would become more intrigued by finishes, age profiles, regions, etc. In Asia we're seeing consumers entering into single malt from multiple channels. You have highly mobile, internationally educated, Chinese consumers who have studied in the Western world returning to Chinese cities who very much want to continue their whisky journey.'

The importance of this distinct consumer journeying was reinforced throughout the interviews, brought up in several questions. When asked about industry trends observed in the Chinese market in 2018, the founder of a rare-cask brokering business listed 'Individuals coming into the category going straight to buying a 25-year-old whisky' as the most significant.

4.3   Consumer Recruitment

All respondents spoke directly or indirectly on the size of the Baijiu market in China. While statistics of Baijiu's overall market share varied[23], it was evident it

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[22] That single malt would likely being one of the most accessible whiskies in terms of brands and styles, such as a Glenfiddich, Glenlivet, Glenmorangie. Something very pure floral, delicate, type of spirit that's not too overpowering.
[23] Responses of Baijiu's dominance of the Chinese spirts market ranged from 93-97 per cent of overall spirits sales

completely dominates the spirits market. When asked about Baijiu drinkers as a source for consumer recruitment, no participants viewed it as a worthwhile source.

All respondents listed trading-up brown spirits drinkers as the primary target for recruitment. Cognac, brandy, and blended Scotch whiskies were named specifically in several interviews. A Brand Manager based in Shanghai summarised Baijiu recruitment efforts as the following; 'It's just so much easier to recruit from within the brown spirits market than Baijiu. Imported brown spirits or blended whisky are an easier trade-up.'

Despite stating that recruitment efforts remained on brown spirits drinkers, a Managing Director noted that 'Baijiu has made no attempt to renovate itself for a younger generation and there's a generation of sub-40s who are rejecting the stuff.' On why cognac [which dominates the brown spirits market in China] is considered a fruitful source for recruitment, respondents explained 'Cognac is seen as something parents drank', 'Very old-school', and 'Deep, sweet and dull with no story to tell.'

One respondent, who deals exclusively with high net-worth individuals, made a distinct observation noting 'A lot of our clients have been interested in red wine before whisky'. Another participant noted; 'We are even looking to recruit beer drinkers. There's a health movement right now and whiskies are lower in calories.'

Overall, the single malt recruitment process was described as 'Having a much broader scope now on where the category can recruit from than ever before.' Despite these insights, a manager for one of China's best-selling single malt brands conceded 'We need to develop a better understanding for what makes our consumers tick and where those consumers are coming from. We're actually in the process of an external insights report because it's one of our biggest challenges at the moment.'

4.4   Consumer Behaviour

Consumer behaviour is defined as 'how individuals, groups or organisations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy needs or wants' (Kolter and Keller, 2016, p.93). This section will present the findings on how Chinese consumers select, buy and use single malt Scotch whisky.

a.   Selection

While it was revealed that many specific product features[24] lead to ultimate product selection, this subsection will present overarching psychological factors in the selection process.

When asked why certain brands were doing so well in the Chinese market, a Managing Director for China and Asia explained:

> 'The way the Chinese work and the reason Martell[25] is the biggest brand in the market [in the brown spirits category] is because Chairman Mao and his cohorts used to consume that brand. It was the norm that you would go with the view of your superiors just in case you got something wrong. There was no concept of maverick to start with in China and that still pertains today to some degree. That's why brands like Macallan [and to an extent Glenlivet] do so well. They default to a safe choice. They also consume it in group occasions, so when you buy a bottle, you're more likely to go with something that's a safer choice. That safety is not inspired by what you see on the billboard, it's inspired by what the boss like.'

Another interviewee echoed those sentiments in response to an open-ended concluding question, explaining:

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[24] These product-specific features will be addressed in section 4.5
[25] Martell is a best-selling cognac

'The Chinese have almost a copy-cat mentality. So, if they see Jack Ma [26] drinking Macallan [he loves Macallan], everybody assumes that's the big thing to drink so they want a bottle. When it comes to his birthday in September [Ma is born September 10, 1964], our clients are trying to order Macallan 64 because that's what they know they can give to people in Jack Ma's circle.'

Referring to the critical role influencers play in affecting product selection, another respondent added, 'You build loyalty with them [the influencers], and then, monkey see, monkey do!'

b.   Purchase and Use

Understanding how end users buy and consume a product or service is critical for marketers to position their offering effectively for the target audience. Interviewees described very different usage and consumption patterns than in Western markets. As a Global Brand Development Manager explained:

'Cultural differences play a huge role in consumption. People drink for different reasons in different countries around the world. If you take China for example, they tend not to drink by themselves. Their first occasion for drinking is in a business setting to show respect, before they would drink in a socialising setting with friends. It is pretty well unheard of that you'd sit around at home and crack open a bottle to yourself while watching television.'

In mature Western markets, most single malt sales occur off-trade[27]. As an interviewee who managed some of the world's best-selling brands summarised 'In the West and in the U.K., there's been a shift to off-premise rather than on-premise because it's cheaper and people like to drink and entertain at home'. That trend is not the case in China. As a Shanghai-based Brand Manager from one of China's most successful single malt brands details:

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[26] Jack Ma is the founder of Alibaba and has become a cultural icon in China.
[27] Off-trade refers to the part of the alcohol market which is made up of off-sales, such as grocery stores or independent retailers

> 'Our key channel to consumers is through on-trade[28] in night clubs. Specifically, just over 86 per cent of our product is being sold through night clubs. Just under 10 per cent are sold through liquor shops and the remainder through bars and hotels.'

Amazed by the size and growth of the modern on-trade, another participant noted, 'China now has over 400-450 whisky bars. Not cocktail bars, whisky bars! When China does something, they don't mess around. They do it with scale and enthusiasm.' Along that same theme, a Brand Manager added 'As with everything, China seems to be able to get to its destination much quicker than any other market because it's jumping forward.'

An interviewee representing another one of China's best-selling brands shared information regarding the on versus off-trade split saying, 'I'm not going to detail our channel figures, but I can confirm our channels are much more weighted to on-premise'. Shedding additional light on the cultural factors leading to the on-trade consumption phenomenon, a Managing Director with experience throughout Asia added:

> 'Chinese guys don't drink at home. They're at home with their wives and family and single malt is not a category they consumer at home. Even off-trade sales aren't really being bought for the home. They're being bought for gifts or to house in an office for status. What you need to know is that at most bars in Asia [local or international bars] they [consumers] buy and keep a bottle of whisky for themselves at the bar. So, you buy a bottle of whisky, you go back to that destination with your buddies and drink from your bottle.'

Attempting to gain a deeper understanding of the off-trade sales segment of the market, a rare-cask dealer highlighted the following:

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[28] On-trade refers to the part of the alcohol market which is made up bars, restaurants, hotels, etc.

> 'What's interesting and what I'm seeing with my partners is that they aren't going for products that anybody else can just buy off the shelf. Most premium guys want to get their own full cask, bottle and label it themselves and gift them to guanxi[29], or to their friendships.'

When asked about the most significant industry trends he was observing in China, a second rare-cask broker provided a similar response indicating that:

> 'I'm surprised how keen a number of consumers are to come in and buy at a 25-year-old single malt. They wouldn't just go 12, 18, 20. We find a lot of clients coming us saying they want to buy the most expensive whisky we can find, [barrels of whisky] and get their own bottles done. They're buying large collections of whisky, sometimes spending over £1M. We're contacted ALL the time by people in China who just want to spend a ton of money on the rarest, oldest and best single malt Scotch whisky.'

Expanding on the Chinese tradition of gift giving and the role it plays in spirits sales, a Marketing Manager for two successful brands had the following to offer:

> 'In the past, high-end cognacs were gifted, and then high-end blended Scotch whiskies [things like Johnnie Walker Blue, Chivas Regal Royal Salute, etc]. I would imagine now, there is a degree of greater sophistication and a lot of the gift giving will be single malts now, which have the perception [in the market] of being better than deluxe blends.'

In summary, respondents stressed the importance of on-trade sales channels and the lack of at-home consumption. Furthermore, the small part of sales that occur off-trade are either focused on very high-end, rare, expensive private bottlings, gift-giving, or bottles to display in an office.

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[29] Guanxi is a Chinese term meaning business networks or connections that open doors for new business and facilitate deals

4.5   Product

When it comes to selling a product or service, it is imperative to have a clear awareness of what makes it distinct and appealing to a particular audience before you can successfully market it. This section will address the product-specific qualities that make single malt attractive to the Chinese audience and what overarching features drive its premium position in the spirits market.

a.   Product Features Driving Desirability

A number of product-specific features were identified as factors driving the desirability of the category, however those listed most often were the dark colour and age statements. Explaining the evolution of the category, a rare-cask Director of Business Development noted 'One thing they liked from cognac was the dark colour so single malt checked that box. The age statement plays a big role. Dark and old is what they like'. This 'colour' factor was repeated throughout the interviews. When asked what the established brands are doing right, an Asian Regional Sales Manager noted:

> 'Benromach is getting there because they're quite known for their sherry releases [they only use sherry casks which produce a darker colour whisky] and the Chinese like that!'

When asked what was driving the interest away from other spirits and into the single malt category, a Managing Director explained:

> 'Cognac and brandy don't have the depth of range as you get with single malt. Finishes, age statements, and complexity make single malt so much more interesting. This is what Chinese consumers love. They are 'geeky' like the Japanese. They are fanatical about the detail. Productional methods, nutrients within the water, specifics on the oak, manufacturing process. They want this knowledge to impress their peers with 'I know something you don't know.'

This description was consistent throughout other interviews where participants stressed the importance of product complexity. Explaining why age statement was so important to Chinese consumers, a Brand Manager explained:

'Many brand owners have marketed [in China] their products placing an emphasis on age statements. 18 is better than 12, 25 is better than 18, 30 is better than 25 and so on. They've tried to educate the consumer with that information.'

b.   Premiumisation Factors

Throughout the interviews, the industry-wide phenomenon of premiumisation was discussed to identify specific drivers being used to establish a premium position in the Chinese marketplace. As a whole, those drivers were similar in China as those being used in mature markets.

When asked what drivers their brand(s) were using to ensure a premium position, respondents declared: product heritage, history/provenance, craftsmanship, authenticity, transparency, scarcity and brand/product stories. One Managing Director summarised the premium position for Chinese consumers as the following:

'It's international, it tastes good/nuanced, there's a story behind it, it's got provenance. Asian consumers are quite interested in history, so age statement and brand provenance are important. It's imperative for brands to tell their story; whether age-wise or otherwise. Where's it from? Chinese consumers crave provenance. They love trust in a product.'

4.6   Price

Price was discussed in several areas throughout the interviews, which have been detailed in the appropriate subsections throughout these findings. The overarching summary on price is that it is considered a primary factor behind single malt's luxurious and exclusive status.

If respondents replied 'yes' (and all did) to the question if single malt Scotch whisky was considered a luxury product in China, they were asked a follow-up question on what factors gave it that luxury position. In every instance, price was listed as one of the primary factors. As one respondent explained 'Many

purchasers in the category are looking to signal their wealth outwardly. You need a certain level of wealth before you can afford single malt whiskies.'

As with all other products, single malt is subject to the laws of supply and demand and price increases were discussed by several interviewees. When asked about the greatest challenges in the single malt category in China, a rare-cask broker indicated 'Getting a competitive supply price is so difficult. Getting stock is getting more difficult. Rare Macallan has gone up by 200 per cent or more on their stock in the last two years.' While increased price was not identified as a barrier for end consumers, the fact the category has created an insatiable appetite for rare whiskies has made it difficult for whisky brokers to source stock.

4.7   Place

This section will address geographical and route-to-market related findings.

a.   Geography

Two geographical themes emerged from the interviews; first where brands can/should focus their efforts and second the opportunities/challenges presented by China's vast geography and population. As the founder of a craft whisky company noted, 'China has 850 cities bigger than Glasgow and 40 bigger than the whole of Scotland.' With that, participants identified a number of opportunities for selling product, but highlighted the difficulties of achieving momentum across such a vast space and diverse culture.

It was revealed the large brands currently have a monopolising presence over Tier 1[30] cities. When asked what might explain the reasoning for this, an Asian Managing Director noted:

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[30] Tier 1 cities include: Beijing, Shanghai, Guangzhou and Shenzhen

'Diageo and Pernod [Ricard] have such a presence in Beijing and Shanghai because their Chief Executive and top management don't go anywhere other than those two places and it's important to look good in a corporation. They'll never get their Senior Management to go to Tier 2[31] cities so their careers depend on visibility in Tier 1 cites.'

In a follow-up question if new entrants should focus their efforts on Tier 1 cities where the category has a presence, he argued:

'Absolutely not! Some of the smartest brands are ignoring Tier 1 cities and going after Tier 2 cities where you still have massive populations but can establish a brand without the clutter of the Diageo's, the Pernod-Ricard's and the big boys.'

When a Regional Sales Manager was asked how smaller brands can overcome the issue of Chinese consumer's defaulting to the safe choice[32] [what the boss likes or what is popular], he advised:

'Ignore Tier 1 cities. Maybe even ignore Tier 2 cities. I've seen smaller brands [Glenfarclas and Benraich] do a fantastic job in Changsha which is a city nobody's ever heard of, but they still have 7 million people. If I were a smaller brand, I would pick one Tier 2 or 3[33] and just try to get after one or two key contacts and a few key bars and anchor yourself in that.'

Six participants listed China's geography as one of the greatest challenges of the market. Not only are there so many cities, there are tremendously different cultures across the country. As one participant observed 'China is not a country, it's a continent. Each province is a country with regional consumer behaviours.' Echoing similar concerns, another participant added:

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[31] Tier 2 cities include: Tianjin, Nanjing, Hangzhou, Suzhou, Wuhan, Xi'an, Shenyang, Chengdu and Chongqing
[32] Explained in detail in section 4.4.a
[33] Tier 3 cities include: Jinan, Hefei, Dalian, Harbin, Changsha, Zhengzhou, Shijiazhuang, Fuzhou, Taiyuan, Urumqi and Qingdao.

'China is practically a continent in itself. What's being drunk in Shanghai is different to Shenzhen to Beijing to Chengdu. Different languages, culture, cuisine. "Each province in china is like a different country in Europe.'

A rare-cask Director of Business Development added 'The drinking scenes are totally different across the country. The Shanghai scene loves bars and cocktails, which is so different to Beijing.' Many participants spoke of the need for a localised strategy within China, which creates the risk of spreading efforts thin.

b.   Route-to-Market

While route-to-market issues were discussed, the findings do not help address the research objective of positioning. On this topic, participants stressed the importance of partnering with the right distributor who can penetrate the on and off-trade channels in the particular region.

4.8   Promotion

Answering a question about what has contributed to the success of top-selling brands, a Brand Manager based in Shanghai offered the following history lesson:

'About 20 years ago, Diageo and Pernod-Ricard conducted mass marketing campaigns through mass communication for their blended whiskies [Chivas Regal and Johnnie Walker]. As more an FMCG type product, they had to budget to promote their whisky brands through these mass media channels.'

Each participant spoke of their budget's inability to run traditional marketing campaigns. Even the two top-sellers in the single malt category did not have the budget to engage in these types of activities. For this reason, brands have had to develop innovate promotional techniques. This section will detail the roles of key opinion leaders, social media and consumer education.

a.   Key Opinion Leaders

The importance of developing relationships with key opinion leaders (hereinafter KOLs) and influencers was discussed in detail in most interviews, especially with

those currently connected to the Chinese market. As an Asian Regional Sales Manager explained:

> 'KOLs are key. Whisky critics, bar owners, bartenders, WeChat writers. Very different from Western world. Whoever that KOL is, both in a business and social environment, what they say goes. Identifying those KOLs are key.'

Multiple participants believed that bartenders are an integral part of how the category is growing. They influence consumers at a point of purchase and through social media on WeChat. They will blog on topics and brands they like.

When asked how smaller brands [or those entering the market] can overcome the 'sheepish' behaviour presented in 4.4.a, a rare-whisky cask broker proposed

> 'You need to go to the influencers and KOLs, court them, have dinner with them, you get them to love the brand and you might even take them to Scotland to do it. You build loyalty there and then, monkey see, monkey do.'

Emphasising the importance of word-of-mouth marketing, another Brand Manager explained

> 'For the high-end stuff and the real aged stuff, word-of-mouth is the most important thing. It's about finding the right influencer and purch-aser who then gifts it to his connections [his guanxi]. Everything cascades from there.'

b.   Social Media

Every interview addressed the role of social media in China; specifically, the widespread use of WeChat. One respondent indicated, 'WeChat is everything in China', while another added 'WeChat is absolutely nuts!' Despite recognising the powerful and important role it plays in Chinese business, the degree to which participants, and their brands, were leveraging those opportunities varied.

It was revealed those currently using the platform were using it for different purposes. One rare-cask broker uses the app as his primary tool for new business

development stating 'We find all of our clients through WeChat. Sometimes deals are done with just a handshake Emoji.'

Others brands were using the programme as a marketing tool, as one Brand Manager noted, 'We leverage the power of WeChat to promote our brand as a digital tool to provide knowledge about whisky.' Many participants echoed this position, aware of the fact Chinese consumers are being heavily influenced by social media. Many of the KOLs and influencers discussed in 4.8.b use WeChat as their primary means of communications to consumers.

Four of the ten respondents indicated they were very interested in tapping into the power of WeChat but were still in the learning phase. Even those in this camp who weren't yet using it recognised that 'WeChat will be huge in everything related to single malt brands. Getting that activation component is absolutely vital for a brand.'

When asked what smaller brands can do to compete with the bigger brands in the marketplace, a participant with experience across several of China's highest selling brands recommended 'Brands need to understand the WeChat channel and exploit it!'

c.   Consumer Education

Every interviewee discussed the critical importance of consumer education as a marketing tool. Despite the torrent growth in China, the single malt category is very young and every participant stressed the importance of growing the category through education. As a Brand Manager indicated:

> 'We are not even really competing against other single malts at the moment, but trying to grow the category as a whole. We're competing against cognac and blended whiskies, not other single malt brands.'

While participants used the blanket term 'consumer education', they were using very different educational strategies and tools. Some mentioned the use of WeChat and digital platforms; however, the majority are running face-to-face education program. As one of China's most successful brands specified:

'We leverage face-to-face mentoring programs to educate local consumers on the [single malt] category as a whole and the unique selling points of our brand and why it's more premium than others. Every year we recruit over 18,000 consumers to our brand, who in turn promote it to their peer groups. These face-to-face events are in form of dinners, trade dinners, product launch events, etc.'

When asked what the best-selling brands are doing in the marketplace, a participant [who does not work for Macallan] responded:

'Macallan is very active in the market. They do a lot of tasting events and product launches. The tastings they do are done in a very elegant, luxurious, stylish way. I don't see Macallan trading on hills, heather, tartan and bogs. They're much more about Armani, photography, beauty, aesthetics, high-value, beautiful glassware, great venues, etc, etc.'

When asked the same question, another respondent with decades of industry experience stated:

'They're [Diageo] doing a lot of work in the regions to educate consumers to turn them onto single malt. That's a big investment from a big company. Pernod [Ricard] I believe are doing the same with Glenlivet and Chivas Regal. The whole market is benefitting from the big guys coming in and running educational programs.'

When prompted with a follow-up question of what those educational programs look like, he noted 'These are local ambassadors from Scotland and within China sharing knowledge on Scotch whisky. Where it comes from, how it's made, the regions, etc.'

Regardless of programme-specifics, the importance of consumer education was stressed by all.

4.9 Threats and Challenges

Understanding threats and challenges are essential for entering or succeeding in any market. During the interviews, two recurring threats/challenges were identified, namely market forecasting and stock management/allocation.

a. Market Forecasting

Participants identified forecasting demand as a primary threat to the single malt category in China. As a respondent with many years of experience as the Managing Director of several Asian markets summarised:

> 'Because China can come in and out of product categories so quickly, it might be embracing single malt right now, but that doesn't mean in 10 years' time they're not going to start embracing something else. They adopt and embrace things incredibly quickly so what happens if they get turned off of whisky and onto something else? The distillers are having to make whisky today that they can put into the barrel for the next 10, 12, 15, 18 years and hope China still wants it sometime in the future.'

This fear was shared by several participants, however when asked more directly about their views on the long-term market outlook, most had a positive view. As one Brand Manager summarised, 'Is whisky just a fad and they'll just go onto the next thing? My gut tells me it's here to stay because China is a spirits market.' Another participant shared the belief that 'I really don't think the consumers are going to reject Scotch whisky [blended or single malt]. I think they'll take to single malt even more.'

One respondent involved in the rare-cask business shared a less optimistic outlook indicating 'I don't know how long it will last. I give it five years. The prices are going up too fast. Everything is like Bitcoin; it's going mad!'

b. Stock Management and Allocation

All participants addressed the more immediate concern of stock management and allocation. Whisky is one of the few products which requires significant aging before it can be sent to market. As one participant reminded me with concern,

'The pipeline is 20+ years long!' Many interviewees are concerned about meeting demand if it continues to grow at the current rate. Brands are having to make major capital investment decisions today based on China's forecasted demand decades down the road.

Beyond availability, a Brand Manager spoke of the limited annual stock allocation to the Chinese market. Each year head office distributes limited stock to key markets around the world and the brand cannot simply ignore other strategic markets to fuel China's growing demand, which he said limits the pace of growth.

This stock concern is further complicated by the fact that brands have used age statements as a sign of quality in their current marketing strategies. As the founder of a cask-brokering business explained:

> 'Brands have used age statements to educate consumers and they've boxed themselves into a corner. When China's takes off and starts drinking all the 18 and 25 year-old stuff, they won't have a lot left to supply whatever growth there is in the market.'

Companies and brands are recognising these challenges and starting to develop strategies to combat them. For example, you are starting to see a few Non-Aged Statement, beautifully packaged products with a story to sell being launched in Asia at the moment. Others have developed more extreme solutions. Acting the role of a consultant, one participant shared information on a deal he was currently involved with;

> 'I'm working on a deal at the moment with [Chinese] partners and investors to purchase a distillery who think they [the Chinese market] have the capacity to take it all [the annual stock] who are right now serving 15 markets.'

4.10   Chapter Summary

This chapter presented findings from the ten interviews conducted as the primary research for this study. Information was categorised and presented thematically to assist with analysis, discussion and recommendations in the next chapter.

One of the biggest challenges in this chapter was the constant questioning of how a particular source of information could, and would, relate back to the research objectives. While not wanting to waste space, or the readers time, it was equally important not to dismiss critical data. To overcome this, I developed a systematic approach that broke down the concept of positioning into the elements of the marketing mix and asked myself 'What is essential to understand about Chinese whisky consumers to provide a base for sound analysis?'

The next chapter will synthesise and discuss the results in light of the research question, literature review and conceptual framework.

5   Analysis and Discussion

The purpose of this chapter is to synthesise and discuss the results in light of the study's research question, literature review, and conceptual framework. It will thoroughly reflect on the study's findings from Chapter 4 and assess the practical and theoretical implications thereof. The findings outline a series of fundamental differences in consumer behaviour between Chinese single malt consumers and their Western counterparts. These behaviours affect purchase intentions and it is critical for marketers to understand their complexities to effectively market a product or service for commercial gain. This section will identify emergent patterns and analyse whether they correspond with the literature in any confirmatory or contradictory manner.

The following subsections will analyse emergent patterns among the findings, synthesise results with academic literature, address findings that were not anticipated, and examine the issues of trustworthiness, limitations and transferability of findings.

5.1   The Power of Influence

Throughout the findings, the subject of influence emerged in several areas. Almost every participant explicitly discussed this overarching topic in one way or another. The findings revealed that Chinese single malt consumers look to the people around them to influence decision-making. They look to what the influential or authoritative individuals are drinking and mimic that selection. Some of this imitative behaviour is rooted in making the 'safe' choice in front of important figures to avoid getting something wrong.

This parroting concept was hinted at on a macro-level, where one participant listed the fact that Chinese consumers 'come in-and-out of a product category so quickly' as a major threat to single malt's future. This potentially universal finding might help explain the distinct Chinese customer journey, where consumers are short-circuiting the traditional single malt journey and simply 'jumping in' at the high-end. Rather than building an interest organically, consumers are acknowledging the emergence of the category and simply driving into the segment of the category where the influencers direct them.

a.   Practitioner Implications of Imitative Behaviour

Acting on this pattern of mimicry can prove challenging for practitioners. The traditional whisky journey [in Western markets] offers marketers a predictable and strategic approach to recruit consumers and position their offerings for a specific target audience. The diverse and spontaneous category entry points in China forces marketers to develop innovative strategies.

The challenge is compounded by consumers' imitative brand selection once inside the category. While some participants stated these parroting principals extended beyond the single malt category as part of a wider Chinese consumer behaviour, additional research would be required to validate that hypothesis.

While most respondents were optimistic about the category's long-term outlook in China, mimicking behaviour could present significant challenges at the brand level. Just because a brand is popular today doesn't necessarily mean it will be tomorrow. Well-established brands like Macallan would likely take a lot to disrupt[34], but for new entrants or smaller brands, this faddish behaviour could be seen as a risk.

The findings presented an exception from this imitation pattern with the high-end sales of rare aged whiskies. These were high-net worth individuals purchasing entire casks for private bottling and gifting. The findings suggest these purchases were not being directly affected by influencers.

As a rare-cask broker explained, 'We get calls all the time by people who just want to spend a ton of money and ask us to find the rarest, oldest and best single malt.' This raises an interesting consideration; at this level of wealth and status, these purchasers could be the maverick individuals influencing other consumers. Perhaps these are the people creating the 'safe choices.' Future research could analyse this purchase group to study their role in the category to shed additional light on this hypothesis.

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[34] As the market leader in the single malt category (by far), it stands to reason that Macallan's footprint extends far beyond the principals of imitation.

b.   Broader Implications of Influencers

In addition to the practical implications, this topic has theoretic implications and raises a series of questions. For example, it raises the issue of how much of the Chinese single malt purchasing behaviours are rooted in the fundamentals of luxury theory and how much is attributed to imitation. Additionally, it raises the query of how far outside those fundamentals influencers can push consumers. For example, if Jack Ma started drinking bottom-shelf single malt, it would be interesting to study how followers reacted. These are all questions requiring additional research to address, however subsections below will analyse the fundamentals of luxury theory in light of this study's results.

The findings also pose the wider underpinning question of how and why Chinese consumers select particular individuals as worthy sources of influence. The act of choosing what the boss drinks is logical, as there are potential consequences to the wrong choice; however, why do bartenders and bloggers (both identified as KOLs) have so much influence over purchasing decisions? The answer to this question could be rooted in the wide-spread use of WeChat, where these influencers communicate their opinions and evaluations.

Based on the widespread use of WeChat, it could be considered the modern equivalent of mass-media communication. For the most part, conversations between influencers and followers are not happening on a one-to-one basis, but on a mass-media platform [WeChat] in the public domain. Again, specific answers to these questions would require additional research, but they certainly present practical and theoretical implications for this study.

I started recognising the pattern of emulation while writing the findings chapter and started to question if my literature review contained a significant gap. I kept asking myself, 'Should I have sought and read academic works addressing Chinese consumer behaviour as a wider construct?' This display of mimicry was not anticipated when the study was first developed and as result, was not extensively researched. While there is not much that can be done at this point of the study, it has taught me to expect the unexpected in a study and widen the research scope. It also provides excellent suggestions for future research.

5.2 Single Malt as a Status Symbol

As detailed in section 1.1, China is experiencing a socio-demographic shift with millions of households joining the new middle, upper-middle, and affluent classes. With newfound wealth comes new levels of disposable income and consumption is rapidly changing. Growth in luxury is being driven primarily from the newly rich who are enthusiastic to enter the world of consumption seeking to catch up with their Western counterparts (Kapferer, 2017).

Another pattern which emerged from the findings is that Chinese consumers are using single malt whiskies to signal their wealth and status outwardly. The status-wielding authority of single malt was addressed throughout the findings in overt and inadvertent manners. From category entry-points, to consumption patterns, to price-points, the pattern of status was intertwined throughout.

a. Status Signalling Through Age Statements and Knowledge

Through educational programs, brands and companies have reinforced the luxury positioning of single malt using age statements as a signal of quality. The basic educational message tends to be; the older, the better. Consumers seem to accept that principle; supported by the fact they are short-circuiting the traditional journey, diving straight into the category purchasing 25-year-old or older whiskies. From the consumer viewpoint, the thought process could be summarised as; 'Single malt is luxurious. Older is more luxurious. Luxury signals wealth and status. I will go straight to the oldest.'

Not only is there a correlation between a product's age and perceived quality, but also a direct link between age and price. That age statement then acts as an outward signal to a corresponding level of wealth. Again, this might help explain the category entry point brands are recognising.

While the category has created a profitable condition by effectively positioning aged as 'more luxurious', they appear to have done themselves a disservice in the process. Based on the findings, the demand for high-aged whisky has invited the question of how companies plan to market and sell their younger[35], 'less

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[35] The term younger is relative to the Chinese market. Young is defined as sub 25-years-old

luxurious' whiskies when older stocks/allocations run out? Stock availability and allocations were listed as one of the greatest challenges for the category if growth continues at the current pace.

The findings described another distinctive [36] consumer behaviour in China; individuals buy a bottle of high-end whisky from modern-on-trade establishments, house that bottle on-site and call on it as desired to drink with peers. This custom adds another level of status to the category as a whole.

This display of status extended beyond the price tag and product consumption; consumers sought a deeper knowledge of single malt, which they could exploit for social position. As one respondent summarised, Chinese consumers can be fanatical about the detail of a product to gain knowledge and impress their peers with 'I know something you don't know'.

b.   Motivations and Factors for Category Entry

The young demographic participation raises a series of questions pertaining to motivations for category entry. As one participant pointed out when discussing his young [sub-30s] target audience, 'In China, you can accumulate wealth incredibly quickly'. Are these individuals entering single malt for love of the product or are they simply looking to signal their new wealth and status? While outside the scope of this study, future research could analyse these young category consumers to determine their motivations for entry as very little academic literature exists on these sub-30's Chinese luxury consumers.

Rare-cask brokers are being asked [by consumers] to 'Find me the rarest, oldest and best barrel of single malt you can source'. These types of blind orders call into questions the fundamentals of premiumisation and intensify the questions of motivation. These purchasers appear to be motivated by product features that signal wealth [rarity and age] rather than by those driving its premium position [heritage, craftsmanship, provenance, authenticity, etc.]. Future research could study these consumers to better understand.

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[36] Unique from Western markets. This practice was observed in other Asian markets.

This emergent pattern of single malt Scotch whisky being used for status signalling had me questioning how much of the market's growth was attributed to this cause. I anticipated to find that luxury positioning played a role, but I did not anticipate questioning if the majority of category growth was being fuelled by consumers' desire to outwardly signal wealth and status. At the same time, I am cognisant of the fact the category as a whole is considered premium and as result, requires a certain level of income to enter at any price-point.

The socio-demographic shift in China could explain that millions of new consumers now possess the disposable income to purchase single malt for the first time, with status playing no role. They could be purchasing purely for product quality. Again, this would be an interesting area for future research to delineate the motivations.

5.3   Single Malt as a Luxury Product

The findings designate that single malt belongs to the luxury category in China, however that assertion can be further tested by applying models presented in the literature review. The research of Vigneron and Johnson (2004) identified the following five dimensions to luxury: conspicuousness, uniqueness, quality, hedonic and extended self. In order for a brand to create a lasting luxury position, it must establish and monitor all five dimensions (Vigneron and Johnson, 2004).

Their proposed framework of brand luxury index shown in Figure 2-2 categorised each of the five dimensions as a personal or non-personal perception. The figure is repeated below for convenience. Though my original study did not investigate one particular brand, Vigneron and Johnson's model can be applied to test the single malt category as a whole. The following bullet-points address each of the five dimensions to analyse if single malt satisfies each criterion based on the findings.
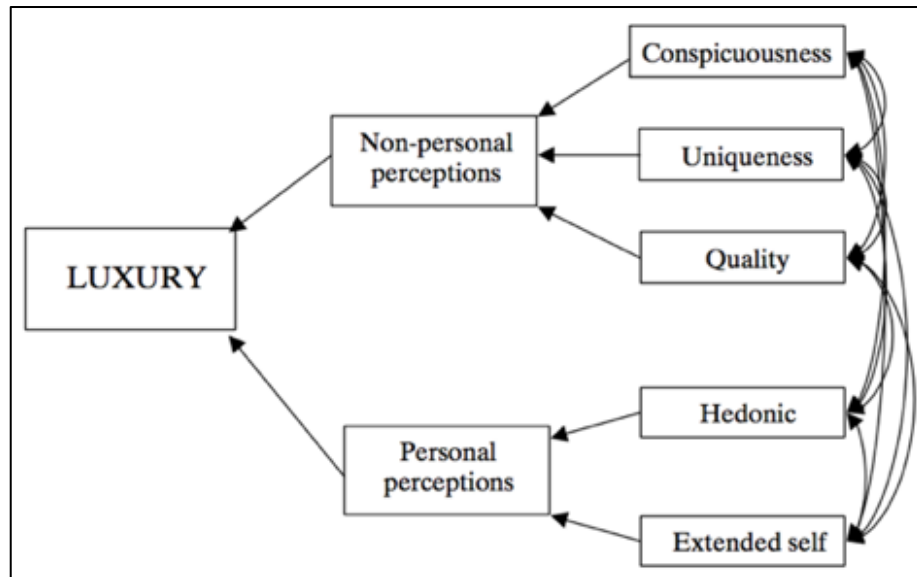
Figure 5-1 (repeated): Proposed Framework of Brand Luxury Index
(Vigneron and Johnson, 2004, p.488)

- **Perceived Conspicuousness**: The dimension of conspicuousness is characterised by the importance of social status being associated with a particular product consumption (Vigneron and Johnson, 2004). Based on the analysis in section 5.1.b outlining single malt's consumption for status purposes, it is strongly supported that single malt satisfies this criterion. The results reveal a strong a level of social status and outward signalling of wealth associated with the purchase and consumption of single malt.

- **Perceived Uniqueness**: 'The uniqueness dimension is based on the assumptions that perceptions of exclusivity and rarity enhance the desire for a brand, and that this desirability is increased when the brand is also perceived as expensive' (Vigneron and Johnson, 2004, p.490). The findings designate the most sought-after single malt products in China are those which are rare, aged and expensive. As noted in the previous section, companies have educated consumers to associate higher age with higher quality, where stock is scarce and prices are high. In China, single malt fully satisfies the criterion of exclusive, rare and expensive.

- **Perceived Quality**: As Vigneron and Johnson (2004) summarised, it is expected that luxury brands offer superior product qualities. Quality is signalled and communicated by a number of product features and characteristics, which vary by product. For example, speed and acceleration are

features of luxury cars. While the spirits category does not have a luxury characteristics checklist, the findings suggest single malts have the product features to occupy a premium position. Malt is dark in colour, has provenance, a rich heritage and is made with craftsmanship; all of which are described as quality markers in the eyes of Chinese consumers.

- **Perceived Hedonism**: This dimension is a personal perception where consumers are seeking personal rewards and fulfillment through the purchase and consumption of a particular product (Vigneron and Johnson, 2004, p.491). This dimension is more difficult to measure as there is a certain level of subjectivity and interpretation regarding the source of that pleasure. For example, in the most literal sense of consumption, it is questionable if consumers derive sensory gratification and pleasure from the physical drinking of single malt itself. In the wider context, based on the findings it could be argued that consumers derive a significant amount of pleasure from signalling their wealth, receiving admiration and acceptance from peers and taking part in the 'good life' as one interviewee coined. These consequential rewards would certainly satisfy the criterion of this dimension.

- **Perceived Extended Self**: "The concept of 'extended self' suggests that people regard their possessions as part of identity. Thus 'luxury imitators' may use the perceived extended-self dimension transferred from luxury brands to enhance their self-concept and replicate stereotypes of afflu-ence by consuming similar luxury items" (Vigneron and Johnson, 2004, p.490). Sections 5.1.a and 5.1.b detail the patterns of imitative consumer behaviour and outward signalling associated with single malt consumption. It could be strongly argued based on those findings that single malt meets the perceived extended-self criteria.

Despite the overlapping and somewhat ambiguous characterisations of several dimensions, single malt meets the operational definition for luxury through these five dimensions. The subjectivity in evaluating each dimension calls the test's validity into question. In their study, Vigneron and Johnson (2004) applied quantitative research tools to test a series of luxury brands against each

dimension. Single malt research would benefit from similar quantitative modelling to shed additional light on each dimension. While Vigneron and Johnson's (2004) study was not designed to test products in the spirits category, examining these five dimensions through the lens of single malt deepens interpretations of their research.

5.4   Chinese Perceptions of Luxury

In section 5.2, it was confirmed through Vigneron and Johnson's (2004) five-dimension test for luxury that single malt belonged to the luxury category. That test did not evaluate how cultural perceptions effect luxury, which this section aims to address.

In their study analysing consumer perceptions of luxury from six countries, Godey et al. (2016) identified prestigious, extravagant, expensive and conspicuous as the top four adjectives describing luxury through the eyes of Chinese consumers. These adjectives are consistent with those described in Vigneron and Johnon's five dimensions. In Godey et al.'s study, China ranked last [by a great deal] among the six countries in using the term 'exclusivity' to define luxury. Throughout the literature, exclusivity is consistently listed as a primary attribute of luxury products and China is at odds. The results of this study shed light on that ranking and provide source for explanation.

Section 5.1.a discussed the emergent pattern of influence and mimicry among Chinese malt consumers. As summarised in 5.1.a, Chinese consumers look to influential and authoritative individuals to guide purchase and consumption behaviour. In this regard, single malt brands gain their luxury position not because they are restricted to the few, but because they are accepted and consumed by the influential.

Consumers look to influencer selections to connect themselves with a certain peer group. This attribute contradicts much of the literature which ascertains that products earn their luxury status through exclusivity. While high product costs award a level of exclusivity to the category as a whole, brand selections once inside the category appear to be driven by influencers.

In 5.1.a, it was recommended that further study was required to evaluate if this imitative consumer behaviour transcended other categories or industries. Based on the findings of Godey et al. (2016), it could be suggested these behaviors extend beyond the single malt category as their study was not product or industry-specific.

In completing this subsection, I had conflicting views on key terminology, which challenged my ability to analyse and synthesise the data objectively. My primary divergence revolved around the subjectivity of the term 'exclusivity'. On one hand, I argued the category as a whole derived part of its luxury status from exclusivity, but I questioned if that was actually the case. I asked myself, 'Is it actually exclusivity pushing it into the category or is it because the right influencers view it as luxurious?'

This section taught me a great deal about the importance of clear definitions and context, which Godey et al. (2016) did not provide in their study. It also provided a valuable lesson on how a researcher's interpretations can influence outcomes.

5.5   Luxury Pathways in China

In the literature review, Kapferer and Valette-Florence's (2016) study revealing pathways to building luxury desire was presented. The model in Figure 2-3 from their study revealed two structural paths to building luxury desire: selection and seduction. The figure is repeated below for convenience.

Kapferer and Valette-Florence's study was designed to address how luxury brands can grow, yet remain desirable. It was designed for brands with the ability to substantially increase production to fuel growth, such as luxury handbag, makeup, car or clothing producers.

As the results of this study summarised, single malt offerings [particularly those which are highly aged] do not have the ability to increase production to meet growing demand. Despite the legitimate scarcity of single malts, Kapferer and Valette-Florence's perceptual pathways have relevance, which will be briefly addressed in this section.
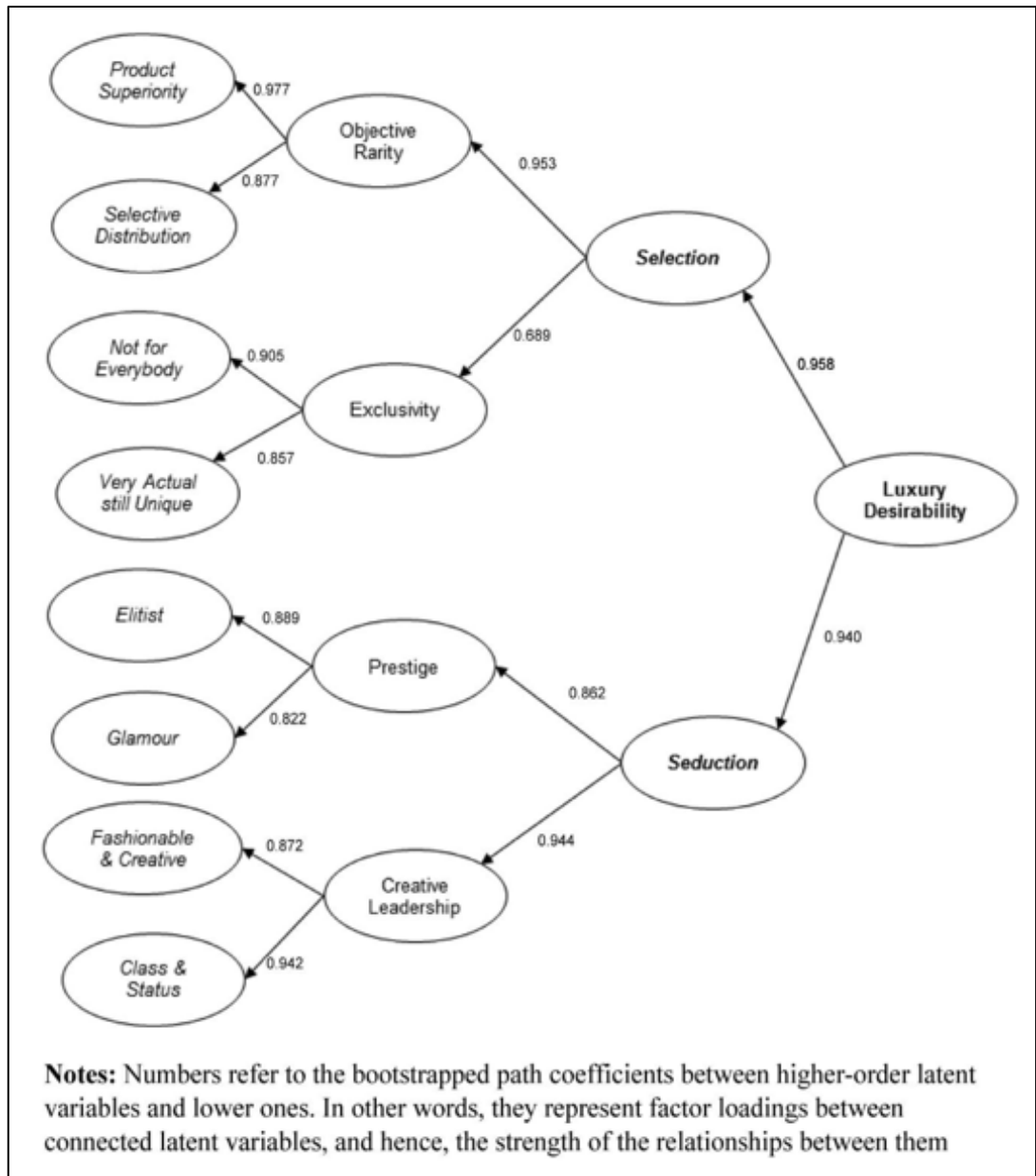
Figure 5-2 (repeated): PLS Hierarchical Confirmatory Factor Analysis of Luxury Desirability
(Kapferer and Valette-Florence, 2016, p.127)

As I read the article during the literature review, I could foresee single malt brands using the top pathway [selection] to build luxury desire, as the four factors[37] relate to the classical mode of luxury brand building. The four elements of this top pathway have been detailed and confirmed in previous subsections in light of other academic theories. Some questions remain on the prevalence of exclusivity in the Chinese market. As discussed in the previous subsection, a study by Godey et al. (2004) revealed that China ranked last in using the word *exclusive*

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[37] Product superiority, Selective distribution, Not for everybody, Very actual still unique

to define luxury. Despite this query, it could be argued the top pathway of the model has applicability in the Chinese single malt category. From a practitioner standpoint, the model can be used as a compass to manage, sustain and monitor a brand's desirability.

The bottom pathway [seduction] is characterised by fame where 'the glamour factor is constructed by the celebrities believed or known to be buying the brand' (Kapferer and Valette-Florence, 2016, p.128). Based on this definition, I did not initially anticipate this bottom pathway having any valid applicability in the Chinese single malt category, however I am questioning that postulation in light of the results.

The premise of the seduction pathway is to build your luxury position by focusing on highly visible individuals [in the study, these were celebrities] using a particular product. Because single malt brands do not have the budget to sponsor major celebrities, I dismissed the pathway's applicability, however the results detail the critical role influencers play in the brand selection process. Taking a broader view of the term 'celebrity' to reflect high influential individuals, this model could have applicability. Chinese single malt consumers have been described as a highly imitative group who look to others in product selection. If brands can identify those individuals and publicise their usage, they could employ this model along the bottom pathway as well.

5.6   Chapter Summary

This chapter synthesised and discussed the findings and emergent patterns in light of the academic research presented in the literature review. More specifically, it addressed how key findings correspond with, contradict, or deepen the literature. Throughout the chapter, the issues of trustworthiness, limitations and transferability to broader settings were all discussed.

Completing this chapter was the most difficult task in writing this dissertation. With limited space, it was a challenge determining what information was key for the reader. As the researcher, I have a deep understanding of the results and as such, an innate knowledge of how seemingly unconnected data points connect to one another. Communicating those critical points to the reader in limited space

was a skill I had to refine in the process. I started with more than twice the analysis presented in this final dissertation. That information was refined down to what I deemed as critical analysis for the reader to gain a holistic understanding of the data in light of the research objectives and literature review.

The next, and final, chapter will present a series of concluding statements and recommendations.

6   Conclusions and Recommendations

The findings of this study present a challenge for brands and marketers as they seek to penetrate or grow in the Chinese market. Chinese single malt drinkers are a complex consumer group who differ from their Western counterparts in fundamental ways. While the factors driving premium positioning are similar[38], elements of the marketing mix are quite different in China. As result, brands need a localised strategic approach tailored to the nuances of the Chinese market.

Despite limited existing academic support, this study hypothesised that single malt Scotch whisky belonged to the luxury category in the opinion of Chinese consumers. That assertion was confirmed through the primary research. As result, brands should position their products using the fundamentals of luxury brand building. Although current luxury branding models have been studied and presented in academia, companies cannot ignore the complexities and differences of Chinese consumers. As this study suggested, the Chinese single malt consumer group departs from the Western-market fundamentals in a variety of ways.

This dissertation addressed the dynamics and complexities of the single malt Scotch whisky market and consumer types. It presented key findings for practitioners and researchers alike. The following subsections will highlight those key findings and offer recommendations for practitioners and academics.

6.1   Recommendations for Practitioners

Based on the findings of this study, the following paragraphs provide a suggested outline for brands to penetrate the Chinese market. While these recommendations would require additional testing to validate, they provide a holistic summary of the study's findings and draw conclusions from the research. For brands currently serving the Chinese market [in whatever capacity], this information can be a source for idea generation to fuel growth.

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[38] These factors are discussed in detail in section 4.5.b

When it comes to a selecting a product offering to introduce to the Chinese market, the attributes of dark in colour and highly aged resonated throughout the study. Unlike Western consumers who typically enter the category at the lower price-point[39], Chinese consumers are short-circuiting that journey and jumping in at the high-end. The category has educated consumers that older is better and shifting that position could prove challenging for brands.

Large brands and organisations appear to have a strong foothold on the Tier 1 cities, which creates a challenge for smaller brands and new entrants. To combat this, brands can turn to Tier 2 or Tier 3 cities. Cities in these lower tiers have large populations and smaller brands have proven the ability to succeed in one of these markets where large competitors have minimal presence. Due to the distribution channels heavily favouring on-trade sales, it is critical for brands to partner with the right modern-on-trade establishments [night-clubs, whisky bars, etc.] and gain on-premise visibility.

The findings of this research stressed the importance of influencers. From bartenders, to whisky bloggers, to authoritative figures, consumers seek validation from others in their whisky selections. These influencers can be a tremendous source of power for brands seeking to penetrate a certain customer group. That success relies on identifying and recruiting those influencers, a job brands should not take lightly.

From a promotional standpoint, it was revealed that most brands do not have the budget to engage in mass-media communications to promote their products. Thankfully China has the widely-used platform of WeChat to communicate with consumers. Again, much of that communication with end consumers occurs via influencers, reinforcing the importance of effectively developing relationships. Secondly, brands should engage in some form of consumer education, whether that be through ambassadors, seminars, hosted events or otherwise. The category is still very young and consumers need, and crave, knowledge on the category of single malt.

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[39] According to a respondent detailing the traditional whisky journey, 'That single malt would likely being one of the most accessible whiskies in terms of brands and styles such as a Glenfiddich, Glenlivet, Glenmorangie. Something very pure floral, delicate, type of spirit that's not too overpowering'.

One of the primary objectives for brands, regardless of size, should be developing a deeper level of consumer insights. While exclusive distributors, such as the rare-cask dealers interviewed, have a firm understanding of their consumers, the findings suggest the category as a whole could benefit from greater consumer insights.

6.2   Recommendations for Future Research

This research addressed the question of how single malt Scotch whisky brands can enter and grow share of the Chinese market by targeting the rapidly growing middle class; however, it initiated a series of additional questions along the way. Due to the fact so little research has been conducted on this unique category, there are a number of opportunities to conduct additional research. From an overarching perspective, very little has been written on the Scotch whisky industry, regardless of market. Academia has produced some information on luxury products in China, however the relevance to the whisky industry is questionable.

The study revealed the important role influencers play in the Chinese single malt category. Despite the critical role these individuals play in the market, they remain poorly understood from an academic standpoint. This presents an opportunity to study these influential individuals/groups on a deeper level to understand how they gain their influential status and what guides their decision-making.

A second emergent pattern was the purchasing of single malt for status purposes. This raises the question of what is driving consumers into the category? How much of the category growth is motivated by individuals looking to signal their wealth outwardly? This presents another opportunity for future study where researchers could examine consumers entering the category to develop a deeper understanding of their motivations and consumer behaviours.

6.3   Final Reflection

Completing this dissertation has been a stimulating learning opportunity. As someone rooted in practice for the last eight years, it was challenging addressing this very practical topic through an academic lens.

Besides remaining focused on the academic underpinnings of the dissertation, one of the greatest challenges was synthesising data into a manageable and sensical final written work. As the researcher, I was incredibly close to the data and I had mentally connected the dots. Communicating those connections outwardly for an academic audience proved testing. To combat that challenge, I made check-lists for each section of what needed to be addressed in order to effectively communicate information and context.

Thankfully, I was able to study a topic I am incredibly passionate about. This passion fuelled and motivated me throughout the dissertation process. I had a genuine interest in the subject matter and was sincerely curious about the answer to the research question. The lessons learned, and new skills developed, through this process will be used throughout the rest of my professional and academic careers.

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Appendix A: Ethical Approval Forms

University of Glasgow | College of Social Sciences

Ethics Committee for Non Clinical Research Involving Human Subjects

NOTIFICATION OF ETHICS APPLICATION OUTCOME – UG and PGT Applications

Application Type: New
(select as appropriate)
       Application Number: CSS_BS_PG_2017-18_002

Applicant's Name: Tyler James Callaghan   **Project Title:** How is the Single Malt Scotch Whisky Industry Utilising Premiumisation in Emerging Markets to Drive Category Growth?

Date Application Reviewed: 5/06/2018

APPLICATION OUTCOME

(A) **Approved Subject to Amendments (criteria below)** ☒
     (select from drop down as appropriate)

Start Date of Approval: 5/06/2018 End Date of Approval: 30/11/2018

Adam Smith Business School Students to be recruited Select Option

If the applicant has been given approval subject to amendments this means they can proceed with their data collection with effect from the date of approval, however they should note the following applies to their application:

Approved Subject to Amendments without the need to submit amendments to the Supervisor	☐
Approved Subject to Amendments made to the satisfaction of the applicant's Supervisor	☒
Approved Subject to Amendments made to the satisfaction of the School Ethics Forum (SEF)	☐

The College Ethics Committee expects the applicant to act responsibly in addressing the recommended amendments.

(B) **Application is Not Approved at this Time** ☐

Select Option
(select from drop down as appropriate)

Please note the comments in the section below and provide further information where requested.

If you have been asked to resubmit your application in full then please send this to your local School Ethics Forum admin support staff.

Some resubmissions only need to be submitted to an applicant's supervisor. This will apply to essential items that an applicant must address prior to ethical approval being granted, however as the associated research ethics risks are considered to be low, consequently the applicant's response need only be reviewed and cleared by the applicant's supervisor before the research can properly begin. If any application is processed under this outcome the Supervisor will need to inform the School ethics admin support staff that the application has been re-submitted (and include the final outcome).

The following section is only for completion for applications that required amendments to go to SEF

(C) **Select Option** ☐
    (select as appropriate)
This section only applies to applicants whose original application was approved but required amendments.

APPLICATION COMMENTS

1

Major Recommendations:

It did seem that the general line of questioning touched on what might be regarded as commercially sensitive topics relating to strategic marketing decisions relating to 'premiumisation' (ghastly word!) and care may be required to avoid delicate issues. Will potential participant have prior knowledge of the questions?

Minor Recommendations:

8.1 Given that only a small sample (10-14) will be involved, preserving confidentality/ anonymity might be problematic hence a caveat should be included by ticking the relevant box on the application form and including a statement on the PLS.
Do ensure appropriate permissions are obtained and submitted as per section18.1.

Please retain this notification for future reference. If you have any queries please do not hesitate to contact your School Ethics forum admin support staff.

2

Appendix B: Interview Questions

1. How would you describe target customers of single malt Scotch whisky in China?

2. What are your most important customer segmentation bases?

3. What type of consumers is your brand trying to recruit to your brand? Are you looking to trade-up from other brown spirits? Baijiu drinkers?

4. What role does the custom of business gifting play in your marketing strategy?

5. What is driving the desirability of Scotch whisky in your product-price point in China?

6. Is Scotch whisky (particularly single malt) considered a luxury product in the eyes of Chinese consumers?

   a. If yes, what gives it that luxury status?

7. Can you describe your product's route-to-market in China?

8. What are some of the challenges (if any) in getting the product to market?

9. What are the key cities/regions of focus in China where you concentrate marketing efforts?

10. How would you best describe or summarise the market position your brand is looking to occupy?

11. What are some of the most significant industry trends you've observed in the Chinese spirits market today in 2018?

12. What key drivers is your brand using to ensure a premium position?

13. In your opinion, what are the top selling brands doing (in marketing terms) that others are not?

14. What are some of the biggest challenges or threats facing the Scotch whisky industry in China?

15. What role does social media play in the marketing of Scotch whisky in China?

16. Is there anything I did not ask that you would consider critical information to answer my research question?