China has one of the most promising wine markets in the world (Ambaye, 2015; Mariani et al., 2012). Wine industry in China has a considerable growth in recent decades (Li and Bardaji, 2016). China is one of the top ten wine markets in the world and the fifth largest wine consumer (Li, 2017). However, the production areas of wine are still small and the wine industry has been expanded to meet the consumers’ demand of Chinese’s people (Capitello et al., 2015).

More specifically, since 1980’s, wine industry, as an emerging industry in mainland China, plays an important role for local government helping regional economic development. According to the International Organization of Vine and Wine (OIV), the output of wine production in China reaches 1,351,000 ton until 2012, comparing to 700,000 ton of that in 1995. Also, the amount of consumption from 1995 to 2012 increased from 691,100 ton to 1,713,500 ton. This can be seen as a huge potential in the wine market in mainland China to be excavated.
The population of China is large in the world, with the remarkable expansion of middle class in China (Barton et al., 2013). Factors such as the growing middle and upper class, wine-culture and information spreading significantly related to the increase of individual consumption rate (Capitello et al., 2015; Li, 2017). This provides a good wine consumption market basis and is foreseeable that whole wine market would become bigger and bigger in the next decades (Crescimanno and Galati, 2014).

The wine market is a good example of monopolistic competition whereas the market has been evolved by various types, differentiated by cultivated regions and preferences of consumers such as price, favor, brand and taste which led to monopolistic and competitive markets (Rebelo et al., 2017). Like world wine producing countries such as New Zealand, Chile and Australia, China has a key feature of monopolistic competition (Boblik, 2014; He, 2014).

In mainland China, there are only six firms whose annual production exceeds million tons, these firms respectively are Zhangyu, Changcheng, Wangchao, Weilong, Zhongxingguoan, and Tonghua. Among these firms, Tonghua is the biggest and most well-known wine company which located in Tonghua city. In recent years, amur-grape cultivating bases were set up in the Qingshi (青石), Taiwang (太王), Maxian (麻线) cities, as well as counties in Yalu river area. The local farmers made production and sales contract with Tonghua wine company and Tongtian wine company, which are two leading companies in Tonghua area, and also other small-scale wine companies. Except for the two big wine firms and few small wine firms, there are also lots of small wineries which produce wine with home-grown grapes and do not make contract with local grape farmers, some even have their own wine store in the city.

In these circumstances, wineries were built and grew in the latest 20 years, most wineries develop as few big strong monopolistic companies rather than a bunch of small wineries. These big firms such as Changcheng, Zhangyu, own lots of small wineries and production bases in different area. These big firms located in the main production areas possess more than half of the consumer market. Hence, the following questions are the main subjects this paper talking about: how do these small wineries survive among those big giant companies? How can small wineries improve their competitiveness and chase up the pace of industrial upgrading? Is there any way for them to use their particular advantage to challenge those firms in the domestic market and seize their own share of cake? This study tries to find out the key factors to enhance the competitiveness of small wineries, taken Tonghua city as study region.

With those circumstances, the local government puts forward policies that build an economic region of wine in the Yalu river valley. The ‘Yalu River Valley’ strategy first came out in 2013 by the department of characteristic industrial development of Ji’an city (attach to Tonghua city), following the example of Napa Valley and other wine clusters aim to enhance the wine industry competitiveness in Tonghua area to promote local economic growth.

Many researches focused on Chinese wine market such as consumer preference and behavior for wine (Capitello et al., 2015; Higgins et al., 2014; Lockshin and Corsi, 2012; Tang et al., 2015). Some studies concentrated wine production and distribution channels in China, demonstrating regional structure of China’s wine market (He, 2014; Sun, 2007). To identify key determinants to succeed in the wine market, previous study had been carried out in the