

HARPERS

Champagne Focus Strong sales in the short term but there could still be trouble ahead



World wine prices to rise in UK

But will they give the industry a boost for 2008?

13%

price rise hoped for

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CHAMPAGNE

High grape prices to push up UK cost of Champagne

U-turn by Moët on grape-buying set to drive shift across the market

BY GILES FALLOWFIELD

Moët & Chandon is paying 5.5% more for its grapes this year, in what the producer admits is a major strategic U-turn.

“There has been a big change in policy in 2007 compared with 2006,” said Jean-Marie Barillère, director of resources at Moët Hennessy. “We have been much more proactive in looking for grapes, behaving more like the leader in the market should.”

Barillère added: “We have also needed to close the gap between what we and some of our competitors pay. If a grower selling to Moët, the market leader, is paid less than his neighbour for his grapes this is a problem.”

This more aggressive approach from Moët-Hennessy, the largest purchaser of grapes in Champagne, will influence the whole market.

Barillère admitted that the negociants previous policy of trying to hold down annual increases in grape prices had failed.

It has resulted in Moët being unable to buy all the grapes it wanted



Champagne houses have now relented on grape prices after years of standing firm

for its brands. This, in turn, has led to producers later paying inflated prices for vins clairs in an attempt to make up the grape shortfall.

The policy change will lead to UK price rises for all Champagnes. Moët & Chandon is said to be informing its customers of a 7% increase early next year, although Ian Fitchew, sales director key

accounts at Moët Hennessy UK, would not confirm this because he has “yet to speak to many of our larger customers”.

Simon Leschallas at Bollinger’s UK agents Mentzendorff is predicting price increases of at least this level from all the major brands.

► **Have your say on Champagne prices at www.harpers.co.uk**

CHAMPAGNE

Moët UK “not aware” of Asda deal

Asda has discounted Dom Pérignon Champagne by 70% in the run-up to Christmas.

The premium Champagne will be sold in around 60 Asda stores for £30 a bottle.

Exactly the same bottle and vintage sells for £240 at Annabels, £230 at The Ritz, £210 at Claridges and £190 at The Dorchester.

Asda claims it retails in Harrods, Waitrose, Tesco’s and Sainsbury’s for £89.99.

Philippa Carr, Asda’s Master of Wine said: “We’re confident that no other retailer will be selling Dom Pérignon at a better price.”

A spokeswoman for the Wal-Mart-owned supermarket told *Harpers* that the Champagne will be “rolled out to around 60 stores”.



Asda has Dom Pérignon at £30 a bottle

But Graham Boyes, managing director of Moët Hennessy UK, disputed the claim. “Asda does not currently buy Dom Pérignon from us and therefore we were not aware of this offer until it went live.”

“Our information from Asda is that this offer is only available in a limited number of stores and that

volumes are very restricted,” he said.

In examples of other heavy discounting pre-Christmas, the Threshers Group is also offering 40% off wine and Champagne until December 9, while Morrisons is advertising on TV four cases of beer for £20.

The heavy discounts again show that industry calls to stop retailers offering major alcohol discounts over the Christmas period have fallen on deaf ears.

Harpers reported last week that one of the leading pro-alcohol lobbyists had confirmed that a reduction in supermarkets advertising discounted alcohol in the run-up to Christmas “would certainly help the drinks industry’s” cause.

JUST A MINUTE WITH



JANE FERRARI
Wine maker and communicator, Yalumba

Yalumba has become such a well-known name in the wine world. Why has it done so well?

We’re an overnight success that’s been 150 years in the making. The harder you work, the luckier you get. In Australia it’s not cool to say you have faith in your boss, but I think that’s the reason we’re doing so well.

What are your biggest problems?

Water, but we have to cope. We need to make sure everything we do uses less of it, from water reclaiming, our continuing environmental programme, and managing our canopies better.

So what are the company’s plans?

You’ll hear us talking about the age of vines and irrigation regimes. We’re also going back to the future with clones and sorting out what we’ve got. Our Pewsey Vale Riesling clone is from Geisenheim and we’ve got three different Viognier clones taken from Condrieu.

Are there too many ‘critter’ brands in Oz?

If the likes of Yellowtail brings people through the Australian wine door, then come on through. But we need to drag people into the upper levels because we’re not just the cheap and cheerful brigade.

Do you get sick of the travelling?

No, I get to sit on a magic carpet and float around some of the best places in the world. I sometimes lose my focus telling someone something I’ve said 20 times, but then I remember for them it’s something they’re hearing for the first time.

So what do you drink other than your own wines?

I’ve got a sweet tooth so Rutherglen Muscat or sparkling reds. I was also introduced to Tennessee bourbon and real agave Tequila in America.

Seasonal discounts are once again driving big volume sales for Champagne. But, argues *Giles Fallowfield*, a major shift in the balance of power between growers and producers means the sector is likely to be in for a rude awakening in the new year

WAITING FOR THE BUBBLES TO BURST

Calm before the storm? The Champagne market is currently enjoying strong growth, but expected steep price rises could impact sales next year

Christmas is coming and it's the start of the annual Champagne discount frenzy. The first move, as in recent years, is the announcement of several reasonable sounding deals, some on major brands, offering a discount of up to £6 from a relatively high single-bottle price on non-vintage – or perhaps a tenner off vintage Champagne.

At Majestic, where nominal single-bottle prices are quite a bit more inflated, the price of two or three bottles is reduced by as much as 50%. By October 30, Majestic were already running six such deals on sales of two bottles of premium fizz – vintage, rosé and prestige cuvée – five of which were priced over £30.

The next development came in the first two weeks of November, when several unknown Champagnes appeared on the shelves of the major supermarket players, optimistically priced between £20 and £24 a bottle. It's a game of cat and mouse. The likes of Tesco, Sainsbury's, ASDA and Morrisons are getting their "half price"

Champagne deals ready, waiting to see who moves first and who goes furthest.

Early on in the month Sainsbury's started things rolling with its own half price deal on Champagne Offenbach (£23.99 down to £11.99, November 7-20) supplied by the high-quality Reims co-operative. Tesco introduced two favoured half-price vehicles in the shape of André Carpentier and Charles de Cazenove (each with a planned 50% reduction in price to £9.99 and £12.49 respectively) to add to deals like the £5 off Nicolas Feuillatte and Taittinger (down to £16.98 and £21.99).

Game on

But Tesco has already upped the ante, with a further 25% reduction on all purchases of six bottles or more in store, an offer that covers both table wine and fizz. With this additional discount, Tesco's cheapest Champagne is, at just £7.49, the closest anyone has come to the recent Woolworth price, while Taittinger's not a bad deal at £16.49 a bottle. →





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The others multiples have followed suit, or are about to do so. Waitrose, for example, is offering 25% off its entire range, which already includes four of the best inexpensive Champagnes in the market. It looks like great news for the consumer. But is it?

In the long term, no. Like the dubious Champagne inside some of the half-priced bottles, the discount frenzy is not going to last. And top-quality producers like P&C Heidsieck and Duval Leroy could be pushed out of the market by bigger stronger players.

Moreover, next year, prices are going to have to go up quite considerably if the Champenois are to pay for the large increase in grape prices from the 2007 harvest. Indeed, early 2008 standard bottle prices are very likely to jump to such a level that some consumers may feel it's time to start looking elsewhere for their fizz.

If this is sounding a familiar lament, that's because it is – in part, at least. Prices have previously been slashed at Christmas when the retailers already knew they were going up in the new year. But that was more to do with competition between the grocers than anything related to the prices they pay for Champagne.

This time, however, it really is different. The price of grapes in Champagne has risen much more steeply than in the recent past because the negociants have decided that, realistically, they have to pay more to secure the volume that they want.

Losing the argument

For years the negociants argued that the per kilo price of grapes should not be allowed to rise too much because there would be a risk of destabilising the market, which might lead to a plunge in sales like that seen in the early nineties. But now they have relented.

Over the last decade the negociants have complained that they are not getting enough grapes, and have accused the co-ops and growers of holding back supplies beyond their replacement-stock needs. As a policy it has got them nowhere.

Indeed, it has merely meant that some houses, short of material for their brands, have had to delve into the murky waters of the vins-sur-lattes market – that is, finished but unlabelled Champagne which is not yet disgorged – to secure supplies at a higher price later in the process.

Moët & Chandon, whose president and ceo Frédéric Cuménil launched a strongly worded attack on those suppliers holding back stocks earlier in the year, has led the way. It has apparently abandoned its policy of cau-

Producers are concerned the pressure on grape prices could result in further consolidation and domination by a handful of big players



CLOS DES GOISSES: A NEW VIEW

Champagne has traditionally sold on the basis of branding, with large houses making much of their financial muscle to advertise a well-known name. This has been a boon for supermarkets, but has largely put sommeliers off purchasing the wines. However, now there's an emerging fashion for Champagne from smaller, named vineyards and Champagne Philipponnat is the latest to enter the UK market with one of these. Clos des Goisses is,

according to owner Charles Philipponnat, "really well known in France, even used as a 'guess the picture' in sommelier competitions!" It's less renowned in the UK, but that should change with the vertiginous, south-facing 5.5 hectares a boon for grapes. Les Caves de Pyrène is bringing the wine in an owner Eric Narioo expects Clos des Goisses "to fit in just under prestige labels", that is, around £130 in most restaurants.





tious buying in order to secure larger volumes of grapes for those brands which it wants to grow. And, in practice, the rest of the market has to follow.

Size matters

It is reported that prices for grands crus blancs and grands crus noirs have risen to between €5.6 and €6 per kilo. More worryingly, these prices are being paid. One co-operative producer, which supplies significant volumes of wine to Moët & Chandon is talking about an 8% increase in its production costs. For many houses, that would be a very large price increase to expect their consumers to swallow easily.

In fact, it's only the big players, who can already charge premium prices, that can afford to absorb such price hikes and still make money. The fear is that the Champagne market might become like Cognac, with only three or four big players involved, and that the prices paid to growers for grapes will drop dramatically once competition for the main raw material

Champagne might become like Cognac, with only three or four big players

has dwindled significantly.

If this sounds like a depressing picture of a market heading towards crisis, there is certainly little sign of it yet in current sales. Export shipments to the UK were up 1.62% in the year to the end of July 2007, compared with worldwide exports up 8.67%.

The MAT figure for Champagne exports to the end of September 2007 shows shipments continue to grow and have now passed the 330 million bottle mark. In the UK off-trade as a whole, volume is up 2% (MAT AC Nielsen to October 6, 2007) while value is ahead 9%. "In the year to date it's up 3%, so it looks like it's a continuing trend," says Ian Fitchew, sales director key accounts at Moët Hennessy UK. "Among our brands, total Moët volume is up 3% while value has increased 7%, which partly shows the effect of increased interest in vintage and rosé."

Interestingly, the average retail price of NV Champagne has risen by 6% to £16.88 a bottle. "There's growth in the plus-£25 category across all retailers, with evidence of certain consumers trading up to vintage and rosé styles, although own-label is growing too," he says.

"People pile in for the artificial half-price deals. Growth still depends on promotional activity. Mumm and Piper Heidsieck have both increased their involvement and you can see the effect on sales. Mumm is up 29% in volume and 24% in value, Piper up 34% in volume and 41% in value (MAT to 6/10/2007). The latter's £8 reduction in price at Sainsbury's is one of the best deals at present," Fitchew explains.

But its not just price promotions on non-vintage Champagne that are driving the sector. Vintage Champagnes are thriving. "Moët vintage has performed really well in the off trade since it was re-packaged and the 2000 vintage released," says Fitchew. "The new packaging seems to have made a significant difference in customers like Tesco and because people have liked the packaging its gained distribution."

This is borne out by Nielsen figures, which give non-vintage white Champagne a volume share of 85.5% compared to value share of 80.9% (up 1% and 7% respectively) while vintage has risen to 5.8% by volume and 7.9% by value (up 6% and 15% respectively). The average price paid for a bottle of vintage Champagne has risen 9% to £24.52.

Think pink

Nevertheless, rosé Champagne remains the star performer in the UK market, although it is increasingly →

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hard to believe that it will continue to maintain its growth rate of over 20% for what would be the seventh year on the trot. Rosé volumes in the UK off-trade are ahead 21% and value is up 28%, which means that pink Champagne now accounts for 8.8% of the UK off-trade business by volume and 11.2% by value. The average selling price of non-vintage rosé has risen 6% to an impressive

Moët is keen to muscle in on what was strictly Laurent Perrier territory

£22.81 a bottle. No wonder that Moët, and to a lesser extent Veuve Clicquot, have been so keen to muscle in on what was strictly Laurent Perrier territory in the UK not so long ago.

Laurent Perrier would no doubt prefer to not have a brand with the image strength of Clicquot competing with it in the on-trade, which ac-

counts for 60% of Laurent Perrier's business in the UK, according to MD David Hesketh. But Hesketh is upbeat. He reports "encouraging growth for all styles across the Laurent-Perrier portfolio worldwide and a steady year in the UK (up 7% by volume and 13% by value, MAT to 6/10/2007)".

The emphasis here still appears to be on building the volume of Ultra Brut and Grande Siècle, its prestige cuvée. And now that Laurent-Perrier UK has given up all its agency business to concentrate solely on Champagne, it will have more resources to do so, since its sales force remains the same size. "It wasn't a cost-cutting exercise," says Hesketh.

Moving in

But Laurent-Perrier's inability to satisfy the huge growth in interest in all styles of pink Champagne has made it easier for other players get involved in this profitable sector too.

Diageo-owned Percy Fox distributes the Vranken portfolio of Champagnes, which in the UK is principally the Pommery and Heidsieck Monopole brands. It has gained listings for Heidsieck's rosé styles in ASDA and Sainsbury's to add to those in place already in Morrisons and Tesco.

Sainsbury's has added pink Pommery Pop in 20cl bottles at the premium price of £8.99 to the white version is already sells. Tesco has also expanded its distribution of the bright yellow Heidsieck little blue-top bottle to over 500 stores since August, up from just 30. Colin Campbell, marketing manager at Percy Fox, believes that it "has been very successful, thanks to the bright stand-out bottle".

At Pernod Ricard, meanwhile, head of Champagne Chris Seale says: "The forward ordering on niche styles is already very encouraging: with vintage, rosé and prestige cuvée champagnes the key benefactors. Our restaurant, bar and hotel customers will be running more by-the-glass champagne activity than last year, and this will also encourage consumers to trial and trade up." Searle also feels that in the off-trade, gifting will be a major element again.

For now, then, it's business as usual. But the problems for the UK agents will come next year when they will need all their ingenuity and innovation if steep price rises are not to knock back sales.

The medieval ramparts of the historic Tour César in the walled city of Provins in the Champagne region of France, a UNESCO World Heritage Site.