SPENDING power

Premium Champagne is booming globally, and with the super-wealthy in the likes of Asia and Brazil paying top dollar for it, there will surely be less available to established markets. By Giles Fallowfield

AT A time of austerity, certainly in Europe where most Champagne is still sold, it might appear rather odd to find that the top end of the Champagne market is flourishing. But then as Michel Letter, managing director of GH Mumm and Perrier-Jouët, says: "People who readily spend over £100 on a bottle of Champagne (considerably more than that in the on-trade and in some countries where high duty inflates the price) are just not affected by the economic crisis, such is their spending power."

And if we look at Asia, Japan might not be the place where you'd expect the luxury cuvées to have done well last year, given its own particular annus horribilus. In fact sales of prestige lines flourished in Japan and for Perrier-Jouët's prestige line Belle Époque it became the number one market in 2011 taking over from the US, which as Letter says "has amazed us given the circumstances there". It seems that while the overall Champagne market in Japan crashed in 2009, falling nearly 40% in volume with prestige shipments plunging by 632,000 bottles to 376,142, the substantial recovery begun in 2010, when prestige lines rose by 126.5%. This has been continued in 2011 and the peak of 1.75 million bottles of luxury cuvées shipped in 2007 may not be that far off.

We know that Japan has become Krug's number one export market, underlined by the high level of unvintaged prestige cuvées shipped in 2010 (apart from Krug's Grande Cuvée, Laurent-Perrier with Grand Siècle is the only house with a "multi vintage" prestige line of any significant volume). Dom Pérignon sales there are huge too, though clearly not on the same scale as previously.

However, despite this impressive recovery in Japan and it seems the US, reliance on the four markets that have dominated this sector over the past decade or so – the US, Japan, Italy and the UK in descending order of value – no longer looks sensible or necessary for the Champenois. It is worth noting that the UK for its part is a much smaller player here than in the rosé Champagne sector and likely to be overtaken and pushed into fifth place, or lower, fairly soon.

Table 1: Prestige cuvée Champagne volume shipments 1998-2011 (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC data

Year	Total exports (75cl bottles)	All prestige cuvée Champagne	% of total exports	NV prestige cuvées	Vintage prestige cuvées
1998	113,453,974	6,123,445	5.40%	942,287	5,181,158
1999	136,590,337	17,093,154	12.51%	10,471,404	6,621,750
2000	103,582,951	5,982,915	5.78%	1,526,179	4,456,736
2001	98,172,497	3,776,085	3.85%	393,264	3,382,821
2002	112,706,991	4,504,155	4.00%	2,593,505*	1,910,650*
2003	119,273,418	5,055,982	4.24%	840,509	4,215,473
2004	123,056,470	5,769,678	4.69%	651,868	5,117,810
2005	129,304,859	6,130,988	4.74%	858,061	5,272,927
2006	140,660,188	6,735,732	4.79%	857,886	5,877,846
2007	150,845,967	7,014,908	4.65%	1,137,765	5,877,143
2008	141,249,644	6,023,164	4.26%	924,763	5,098,401
2009	112,560,485	3,015,715	2.68%	470,118	2,545,597
2010	134,514,530	4,328,644	3.22%	807,317	3,521,327

Table 2: Top 10 export markets for prestige cuvées in 2010 by volume (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC statistics

Country	Total shipments	Special cuvées	% of total shipments
US	16,934,242	868,477	5.13%
Japan	7,464,935	852,000	11.41%
UK	35,488,401	582,657	1.64%
Italy	7,183,113	381,564	5.31%
Germany	13,076,153	211,999	1.62%
Switzerland	5,442,295	160,198	2.94%
Hong Kong*	1,248,959	111,213	8.90%
Spain	3,689,307	102,579	2.78%
UAE*	1,173,061	97,692	8.33%
Australia	3,687,140	67,031	1.82%

*new top 10 players

GROWTH MARKETS

There are no shortage of other markets where wealthy individuals want to experience Champagne's ultimate luxury wines and as the major producers gear up to satisfy this demand, there's a danger, even a likelihood, that markets where it is hard to easily command the highest prices will be given fewer bottles to sell. It is said, but unconfirmed by Moët Hennessy, that this is already happening with Dom Pérignon. It makes sense: why run the risk of seeing your

Feature findings:

- Despite its domestic problems, Japan out-performed expectations for prestige Champagne sales in 2011.
- The Champenois are becoming less reliant on countries which have traditionally dominated prestige sales, turning instead to less price-sensitive markets.
- All revenue growth across LVMH's wine and spirits portfolio in 2011 was generated by markets outside Europe and the US.

Table 3a: Prestige cuvée Champagne volume shipments to the UK 1998-2010 (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC statistics

Year	Total imports	All prestige cuvée Champagne	% of UK imports	NV prestige cuvées	Vintage prestige cuvées
1998	24,247,123	475,577	1.96%	168,396	307,181
1999	32,261,232	2,611,821	8.1%	2,070,515	541,306
2000	20,433,640	516,316	2.53%	319,274	197,042
2001	25,076,435	315,252	1.26%	60,140	255,112
2002	31,689,580	404,389	1.27%	224,910	179,479
2003	34,465,159	487,863	1.41%	162,236	325,627
2004	34,952,691	590,734	1.69%	105,065	495,669
2005	36,376,944	636,784	1.8%	117,846	518,938
2006	36,789,527	610,281	1.7%	100,889	509,392
2007	38,957,205	739,779	1.9%	119,777	620,002
2008	35,997,252	737,152	2.05%	132,764	604,388
2009	30,517,461	494,525	1.62%	54,341	440,184
2010	35,488,401	582,657	1.64%	154,477	428,180

Table 3b: Prestige cuvée Champagne volume shipments to the US 1998-2010 (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC statistics

Year	Total imports	All prestige cuvée Champagne	% of US imports	NV prestige cuvées	Vintage prestige cuvées
1998	16.949,417	2,159,418	12.74%	131,843	2,027,575
1999	23,700,839	4,317,243	18.22%	1,579,058	2,738,185
2000	19,268,837	2,132,660	11.07%	268,014	1,864,646
2001	13,701,967	860,157	6.28%	20,280	839,877
2002	18,227,280	1,180,974	6.48%	597,515	583,459
2003	18,957,031	1,397,972	7.37%	130,563	1,267,409
2004	20,257,824	1,636,202	8.07%	101,306	1,534,896
2005	20,685,683	1,801,818	8.7%	169,725	1,632,093
2006	23,159,336	1,719,425	7.4%	187,509	1,531,916
2007	21,722,220	1,521,975	7%	179,908	1,342,067
2008	17,187,409	1,338,995	7.79%	108,398	1,230,597
2009	12,552,074	532,499	4.24%	13,761	518,738
2010	16,934,242	868,477	5.13%	64,741	803,736

Table 3c: Prestige cuvée Champagne volume shipments to Japan 1998-2010 (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC statistics

Year	Total imports	All prestige cuvée Champagne	% of Japanese imports	NV prestige cuvées	Vintage prestige cuvées
1998	2,975,680	697,966	23.5%	28,803	669,163
1999	3,946,155	920,376	23.3%	193,278	727,098
2000	3,174,914	641,961	20.2%	166,769	475,192
2001	3,560,029	709,360	19.9%	67,389	641,971
2002	4,006,523	879,582	21.9%	616,790	262,792
2003	5,013,705	1,156,297	23.1%	128,091	1,028,206
2004	5,922,497	1,279,618	21.6%	135,419	1,144,199
2005	5,942,283	1,269,046	21.4%	176,981	1,092,065
2006	8,013,676	1,756,400	21.9%	192,929	1,563,471
2007	9,170,371	1,719,973	18.8%	299,012*	1,420,961
2008	8,332,244	1,008,519	12.10%	177,362	831,157
2009	5,133,805	376,142	7.33%	44,991	331,151
2010	7,464,935	852,000	11.41%	125,248	726,752

premium brand sold in a UK supermarket at £50 a bottle when you can sell it for more than five times that amount in a bar in Asia or Brazil?

I mention Asia and Brazil advisedly because in a fascinating presentation he gave at the recent International Sparkling Wine Symposium, Mumm and Perrier Jouët's global sales director Pierre-Aymeric du Cray showed that in Asia Pacific there are now more very wealthy individuals – 3.3 million in fact – than anywhere else outside North America (and that includes Europe). He defines these wealthy people, HNWIs (high net worth individuals), as those having assets of more than US$1m, excluding real estate. The rate of growth in the number of HNWIs in Asia Pacific is faster than anywhere else, while within this wider region China specifically has the quickest rate of growth in luxury goods at +25% compared with +15%, the second fastest growth rate, for Asia Pacific excluding China.

Why sell your premium brand in a UK supermarket at £50 when you could sell it for more than five times that amount in Asia or Brazil?

In Latin America where the overall population of HNWIs is still relatively small at under half a million there is actually a greater number of ultra-HNWIs, defined as having assets over US$30m. The growth in the luxury goods market is expected to be faster in Brazil specifically, over the next few years, than it is in the Middle East, Russia or India, although Russia and the Middle East are both currently larger luxury goods markets.

The opportunities that such emerging markets represent for the Champenois have of course been noticed by other major players. Pernod Ricard with GH

Table 4: Champagne volume shipments in 2010 showing % of prestige sales in top emerging markets (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC statistics

Country	Total shipments	% growth	Prestige cuvées	% of total shipments
Qatar	121,917	+55.3%	25,185	20.66%
South Korea	367,119	+35.9%	41,134	11.20%
Hong Kong	1,248,959	+45.6%	111,213	8.90%
Thailand	135,801	+22.6%	11,863	8.74%
UAE	1,173,061	+39.1%	97,692	8.33%
Ukraine	107,319	+34.7%	7,831	7.30%
India	182,955	-8.9%	10,886	5.95%
Malaysia	184,266	+17.4%	9,779	5.31%
Czech Rep	246,236	+26.6%	12,338	5.01%
Romania	133,332	+116.6%	6,485	4.86%
Russia	1,078,214	+87.6%	50,786	4.71%
China	1,103,763	+89.9%	26,635	2.41%
Brazil	979,611	+63.2%	35,778	3.65%

Table 5: Prestige cuvées as a percentage of all Champagne exports 1991-2010 (75cl bottles)

Source: Compiled by Giles Fallowfield using CIVC statistics

Year	Total export	Prestige cuvées	% export
2001	98,172,497	3,776,085	3.8%
2002	112,743,584	4,504,155	4.0%
2003	119,274,922	5,055,982	4.2%
2004	123,037,307	5,769,678	4.7%
2005	129,304,859	6,130,988	4.7%
2006	140,660,188	6,735,732	4.79%
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Mumm and Perrier-Jouët is a close competitor for LVMH's Moët and Veuve Clicquot brands in China, thanks to its significant 800-strong sales force there and the power of the Martell Cognac brand. LVMH currently accounts for around two-thirds of Brazil's Champagne imports, just shy of one million bottles in 2010.

Brazil is a top five market for more than 300 luxury brands worldwide

CLOSING THE GAP

In 2010 in China while Moët took a 26.1% market share compared with GH Mumm's 21.5% slice (Perrier-Jouët was ahead of Veuve Clicquot with 7.2% vs 6.7% respective shares), according to IWSR figures, the 53% value growth Mumm achieved in the second half of 2011 may go some way to closing the gap. In Brazil with only 4% of the market between them, Mumm and Perrier-Jouët have further ground to make up, but the potential for growth there is clear.

As du Cray's presentation showed, Brazil is a top five market for more than 300 luxury brands worldwide. Cartier has seen an annual growth rate there of 54%, Emporio Armani 40%, Montblanc 32% and Ferrari 12.5%, selling 18 of its cars there in a year. And like Russia and China, who boasted respective growth rates in their Champagne imports of 87.6% and 89.9% in 2010, Brazil's own 63.2% growth was not what you would call shabby. Brazil is also named as one of three new markets – along with Argentina and Australia – where Veuve Clicquot experienced "impressive growth" in 2011, according to the LVMH annual report. The same document shows that Asia, excluding Japan, plus "other markets", those outside Europe and the US, created all the revenue growth for the entire LVMH wine and spirits group in 2011.

One of the most exciting things from the Champenois' perspective is that this super wealthy audience in emerging markets like Brazil, Russia and China is young. "There is a new category of young rich people in these markets and it is growing very fast," says Letter. As a seasoned visitor to China – he was based in the Far East for many years before moving back to France – he has seen the pace of change increase. He was in a nightclub there before Christmas and saw for the first time three tables out of 50 where they were drinking Champagne "and not cheap stuff, Cristal and Dom Pérignon. They are opting for the top end brands".

Are these "emerging markets" going to take an increase share of the limited production of top prestige cuvées leaving less for traditional mature markets in Europe and the US? Of course they are, it is already starting to happen. db