PRESTIGE CHAMPAGNE

TOP OF THE POPS

As Karl Lagerfeld's gold-studded Dom Pérignon goes on sale in Harrods, *Giles Fallowfield* reviews the prestige cuvée market and discovers a growing demand for larger format bottles

IF CHAMPAGNE is about selling a dream, not a drink, then the prestige cuvée is clearly the ultimate dream. And the ultimate dream is apparently all the more desirable if it comes in a gold or jewel-encrusted large-format bottle and you need a few thousand pounds to buy one when you're out at some uber-cool club, entertaining people who claim to be your friends.

The growth in larger formats is observable in the Comité Interprofessionnel du Vin de Champagne (CIVC) statistics. Over 100,000 more magnums of unvintaged Champagne were exported in 2005 than in the previous year and exports of vintage Champagne in magnum rose by over 1,200 bottles. Exports of jeroboams also jumped by 6,960 bottles or 19.4% from 35,838 to 42,798 in 2005 compared with 2004. There were some 1,427 more mathusalems exported last year than in 2004, a 20.7% increase. There were even 567 more salmanazars than in 2004 and that is a rise of 25.8%.

Most of the customers for these outsized bottles of fizz aren't buying them because they've read and taken heed of the advice that the bigger the format, the better the taste. In truth, they probably don't care what the wine inside tastes like. They are buying them to show off, to demonstrate just how seriously loaded they are and that a few thousand quid spent on an evening's drinking with friends is really neither here or there.

It was none other than Moët & Chandon president and CEO Frédéric Cuménal who recently confirmed the move towards bigger bottles. "There is a discernible trend in parts of the world towards larger formats, not just magnums but jeroboams, even mathusalems," he says. "Why is there such a trend? It's not just about the high fliers, but more about sharing things, though it's certainly more a celebrity-driven thing than about weddings. It's for people that like to show off a little bit."

Willing and able to help fuel this trend, Moët has produced more larger formats of Dom Pérignon 1998, the currently available release, than ever before. But we aren't just talking about bigger bottles; for the ultimate in conspicuous consumption there will be Jeroboams of DP 1998 in a white-gold sheath that will set punters back around £8,000 a pop in the very few on-trade outlets – there are only 15 bottles for the UK – likely to be able to sell them.

In fashion

Slightly less exclusive, if that is the right word, will be the gold-studded Karl Lagerfeld designed bottles destined solely for Harrods this June where they are expected to sell for around £1,000. There are 1,998 of these for worldwide distribution and the UK will have fewer than 50, according to Mark Harvey, the UK brand manager for Dom Pérignon. They will feature as part of Harrods' "German by Design" exhibition that will highlight the work of fashion designers like Jill Sander.

It's tempting to think that Moët is trying to mimic Roederer's Cristal clear bottle (wrapped in golden cellophane). As *the drinks business* reported in March, 1,000 jeroboams of 1999 Cristal, 10% of which are destined for the UK market, are due to be released shortly. These bottles will be allocated to "the traditional independent merchants and top restaurants who are Louis Roederer customers", according to Maison Marques & Domaine managing director Charles King, and not to nightclubs.

Late last year Daniel Gaujac, global marketing director for Dom Pérignon, was quoted in *The Daily Telegraph's* business pages as saying, "In the last 10 to 15 years, the brand has been very focused on the wine universe. A decision was made to spread to more people than just the wine specialists." But a Moët spokesman denied this was all about going after the P Diddy hip-hop crowd who have been accounting for so much of Roederer's Cristal, the other icon status ▸

Prestige cuvée Champagne shipments as % of total exports 1998-2005 (bottles)

Year	Total exports	All prestige cuvées	% of total exports	Unvintaged prestige cuvées	Vintaged prestige cuvées
1998	113,597,530	6,123,445	5.4%	942,287	5,181,158
1999	136,589,287	17,093,154	12.5%	10,471,404	6,621,750
2000	103,583,131	5,982,915	5.8%	1,526,179	4,456,736
2001	98,172,497	3,776,085	3.8%	393,264	3,382,821
2002	112,743,584	4,504,155	4.0%	2,593,505	1,910,650
2003	119,274,922	5,055,982	4.2%	840,509	4,215,473
2004	123,037,307	5,769,678	4.7%	651,868	5,117,810
2005	129,391,158	6,130,988	4.7%	858,061	5,272,927

Source: Compiled by Giles Fallowfield using CIVC data

Top 10 export markets for prestige cuvées 1998–2005 (bottles)

	1998	1999	2000	2001	2002	2003	2004	2005
USA	2,159,418	4,317,243	2,132,660	860,157	1,180,974	1,397,972	1,636,202	1,801,818
Japan	697,966	920,376	641,961	709,360	879,582	1,156,297	1,279,618	1,269,046
UK	475,577	2,611,821	516,316	315,252	404,389	487,863	600,734	636,784
Italy	534,792	2,072,908	539,385	477,236	538,321	490,427	455,205	528,766
Germany	399,853	1,607,696	364,751	218,086	218,213	217,606	207,173	256,280
Switzerland	401,204	1,012,527	332,155	241,654	220,279	162,320	206,204	182,518
Spain	97,247	227,137	139,085	110,502	104,122	131,490	117,147	135,908
Australia	123,358	252,353	81,391	22,125	35,669	56,579	83,603	110,345
Belgium	73,220	1,225,208	119,249	42,811	49,984	48,494	50,759	56,677
Holland	32,617	277,652	41,444	38,886	34,905	42,612	49,596	43,057

Source: Compiled by Giles Fallowfield using CIVC data

prestige brand. There is, however, a bright green ice bucket specially commissioned by designer Marc Newson to make the sale of a DP magnum a more visible event in the handful of nightclubs stocking it.

Brand development

Cuménal describes the changes with Dom Pérignon as "a refinement and evolution of the brand position, not a completely new strategy". He sees it as part of Moët's wider Be Fabulous marketing activities and the new DP specific campaign developed with Karl Lagerfeld "brings Dom Pérignon back to its genuine roots with an atmosphere of the 18th century", he says.

A similar approach has been taken by Pol Roger for its prestige Sir Winston Churchill Cuvée, with a new marketing campaign that focuses on the history behind the brand. Managing director Bill Gunn explains that the cuvée has been "repackaged to refresh rather than radically change the look", drawing on design elements from its original launch. The aim is to appeal to afficionados who regularly drink prestige cuvées – a demand which is growing, according to Cuménal.

"The demand for prestige brands is just unbelievable," he says. "Demand for Dom Pérignon comes as a result of Moët being able to do three things: make a superior quality wine; identify and supply a very well known brand; and then there's a strong emotional element which involves the 'halo' effect that surrounds the brand. Once you have all this, then you have a winning formula on hand. We're very positive about growth in the future" he adds.

There is already gathering evidence to support Cuménal's predictions about future demand for prestige cuvées, particularly from relatively new markets. Traditionally, sales have been concentrated in four main markets: the US, Japan, the UK and Italy. Between them, they accounted for 69% – 4,236,414 out of 6,130,988 bottles – of total prestige cuvée exports in 2005. This quartet is still well ahead of the pack and, after Italy, which accounted for 528,766 bottles in 2005, the fifth largest market for special cuvées is Germany, which is less than half this size and where 256,280 bottles were shipped in 2005.

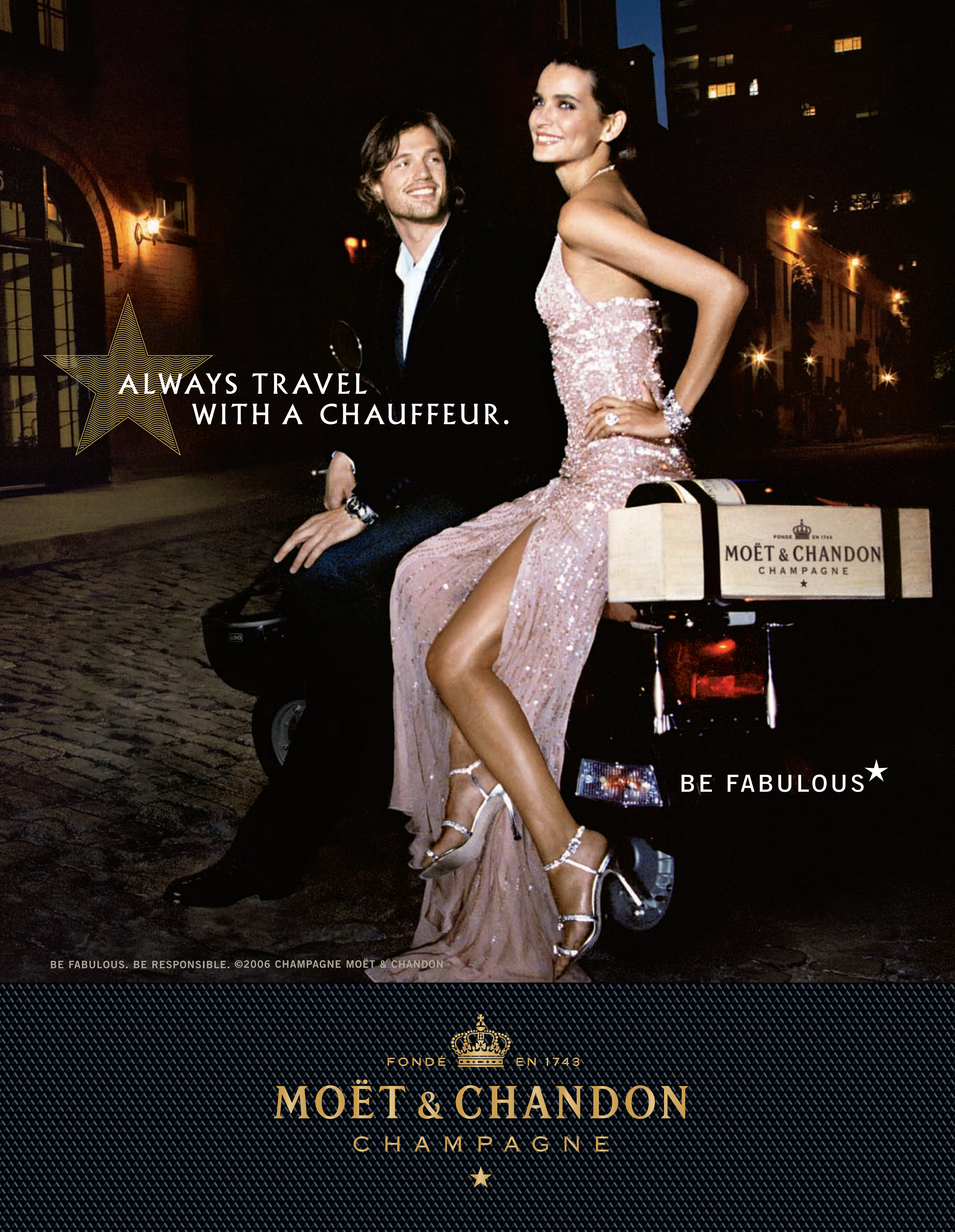
New markets

However, a number of new markets outside Europe have recently emerged and while their ▸

Top 20 export markets for prestige cuvées in 2005 (bottles)

Country	Total shipments	Special cuvées	% of total shipments
USA	20,685,683	1,801,818	8.7%
Japan	5,942,283	1,269,046	21.4%
UK	36,376,944	636,784	1.8%
Italy	8,832,572	528,766	6.0%
Germany	11,969,634	256,280	2.1%
Switzerland	5,106,479	182,518	3.6%
Spain	2,829,278	135,908	4.8%
Singapore	771,114	112,354	14.6%
Australia	2,292,115	110,345	4.8%
Canada	1,220,778	93,357	7.6%
UAE	676,167	69,161	10.2%
Hong Kong	653,041	67,811	10.4%
Belgium	9,382,805	56,677	0.6%
Holland	3,175,591	43,057	1.4%
South Korea	216,935	40,670	18.7%
Russia	531,267	36,674	6.9%
Denmark	845,272	35,566	4.2%
Taiwan	169,931	35,080	20.6%
Austria	848,277	31,580	3.72%
Malaysia	187,286	30,901	16.5%

Source: Compiled by Giles Fallowfield using CIVC statistics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OVER 100,000 MORE MAGNUMS OF UNVINTAGED CHAMPAGNE WERE EXPORTED IN 2005 THAN IN THE PREVIOUS YEAR

total sales in terms of numbers of bottles are not yet that significant, as a percentage of their overall Champagne consumption, fancy bottles with a high price tag represent between 10.2% and 20.6%. Mature markets in Europe like Belgium and Holland, respectively the ninth and tenth most important destinations for Champagne's most expensive products in 2004 with 56,677 and 43,057 bottles imported, have been overtaken by new markets in 2005.

Singapore, where exclusive fizz represented 14.6% of the total imports and much more than that by value, has jumped into ninth place with 112,354 bottles shipped in 2005. And Canada, with 93,357 bottles, representing 7.6% of sales, still well above the export market average of 4.7%, rises into tenth place.

Far Eastern promise

Arguably more significant in the long term, the United Arab Emirates and Hong Kong where prestige brands take a 10.2% and 10.4% share of shipments respectively, have also passed Dutch and Belgian volumes. But in terms of share in the mix of shipments these two relative newcomers are also outperformed by South Korea, Taiwan and Malaysia where prestige brands account for 18.7%, 20.6% and 16.5% of total imports respectively.

Along with Australia and Spain, Hong Kong was identified by outgoing boss of Krug, Mark Cornell, as a key strategic market to add to the top four.

PROTECTING THE FUTURE MARKETS

The growth in sales of Champagne in Far Eastern markets is an exciting medium-term trend for the Champenois, partly because this brand-led expansion focuses so strongly on the higher echelons of the category. While special cuvée shipments to Japan, currently the largest market in this region, dropped by around 10,000 bottles overall, there were significant improvements elsewhere. It was only vintaged prestige cuvées that declined and this is likely to be a blip that has more to do with Perrier-Jouët Belle Époque's change of ownership and distribution in 2005 than any long-term trend. Meanwhile, Singapore, Hong Kong, South Korea, Taiwan and Malaysia all look set to become important markets.

Looking still further ahead, the huge potential of sales in China may be even more significant, although in 2005 only 2,846 of the total 335,962 bottles shipped to the country were prestige brands. However, there are worries about competition from other sparkling wines in China which has led to the CIVC establishing a new office in Beijing, where the brief is as much about protecting the Champagne appellation name as promoting the product. This will be left to the major brands and the largest players – notably the drinks conglomerates LVMH, Pernod Ricard, and Remy Cointreau.

Although there has been progress under the USA/EU wine accord, which was finally signed on March 10, 2006, the Champenois are sceptical about major producers of sparkling wine in California who label their products as "Champagne", but claim that they don't export such wines. This scepticism has been fuelled by repeatedly finding so-called "Californian Champagne" on the shelves of retailers in cities such as Beijing.

While the CIVC, with the help of EU funds, is supporting a campaign in the US to stop three major wine producers there using the term "Champagne" in the domestic market on sparkling wines made from Californian-grown fruit, it may be that the real aim is to stop companies like Korbel, Constellation and Gallo exporting sparkling wine to China, unless they are prepared to remove the word "Champagne" from their labels.

Prestige cuvée Champagne shipments to the USA 1998–2005 (bottles)

Year	Total exports	Prestige cuvées	% of total exports	Unvintaged prestige cuvées	Vintaged 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

Source: Compiled by Giles Fallowfield using CIVC data

While these emerging markets want to get their hands on the triumvirate of brands – Krug, Cristal and DP – which still dominate the sector in terms of sales and image, they do represent an opportunity for other producers of prestige cuvées. They want the best that Champagne has to offer and there is evidence to suggest they are more interested in prestige cuvées than mainstream non-vintage Champagne.

"In some of these new markets customers are first asking, 'what do you have which is unaffordable and in limited quantity'," says Jacquart's export director Patrick Spanti who has had 20 years in the Champagne business. "If we start the conversation with Brut Mosaique [Jacquart's mainstream non-vintage cuvée], that is the way to be excluded. They want Dom Pérignon and Cristal more than Krug and Perrier-Jouët's flower bottle. It's more about the bottle than the wine. Spending that much money is


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EXPORTS OF VINTAGE CHAMPAGNE IN MAGNUM ROSE BY OVER 1,200 BOTTLES IN 2005

LUXURY RETAIL REPORT: HARRODS

At Harrods there's an even more expensive Champagne product than the Karl Lagerfeld gold-studded bottles of Dom Pérignon. The Krug Trunk can be yours for £29,000. Only 30 of these trunks were made in conjunction with luxury luggage designer Pinel & Pinel. Each trunk contains all the items a Krug enthusiast could possibly want – from an ice bucket designed by François Bauchet, to tulip glasses, a WMF truffle grater and mother-of-pearl caviar spoons, as well as three bottles of Krug Grande Cuvée.

Although Harrods stocks a good range of magnums and has larger bottle sizes from Moët in particular, buyer Alistair Viner isn't selling a noticeably higher volume of larger formats. He says: "Dom Pérignon and Cristal are our top selling Champagnes in value and volume terms, with Cristal leading the way. In value terms Krug Grande Cuvée would normally be third (although the Lagerfeld presentation has recently become third). Dom Pérignon Oenothèque is fourth.

Normally at Harrods the top-selling brands are Veuve Clicquot Yellow Label, Bollinger Special Cuvée, Dom Pérignon and Cristal, with Ruinart Blanc de Blancs and Moët Brut Imperial third and fourth respectively in volume terms. "As a whole, Champagne accounts for 20% of our wine sales," says Viner. Ruinart is another prestige cuvée that features prominently. Even with wines like Pol Roger's Sir Winston Churchill Cuvée or the top Billecart-Salmon wines, he believes customers are buying "Champagne icon brands as opposed to wine. Although the Champagne houses like to promote the food and Champagne idea, the public have not really caught on to this and they tend to be drunk with canapés before or after a meal."

The growth in sales of rosé Champagne is another discernible trend in the prestige sector, and although Viner believes it's getting harder and harder to find, "the supply is exceeded by demand". Vintage sales continue to be squeezed between non-vintage and deluxe brands, but this, says Viner, "has always been the case. Prestige Cuvée encourages people to trade up from vintage, it is better marketed and is sold as the best that the house has. Vintage sits between the two but doesn't get the same push, the message is less clear. Bollinger Grande Année is still doing well although the price has now moved into prestige cuvée category."

about having success. It doesn't mean the wine isn't good, however.

"There are many billionaires in China and, while they don't know Champagne yet, if you are that rich, whether it's £100, £200 or £300 a bottle, what's the difference? I'm not so sure they know what the wine is, however, and it's pioneer work to explain. The risk is they buy it to collect, not necessarily to drink. It's Bordeaux first or Cognac. Eastern Europe is perhaps a better prospect in the shorter term because they do drink wine."

Spanti continues, "For us it's about Allegra and Katarina, [Jacquart's two latest *cuvées de prestige* launched internationally at Vinexpo in 2005 and joining Brut de Nominée to give the brand three different prestige styles]. The difference between £20 and £100 a bottle is nothing for the consumers who want these Champagnes," he adds. "In markets like the US, Champagne is not seen as a wine but as a status symbol. It's the same in some parts of Eastern Europe, but also Switzerland and Italy. Our agent in Brazil buys more of the prestige cuvées and vintage than he does of the non-vintage."

The Ritz hotel in London has bought 5,000 bottles of Katarina – a non-vintage cuvée that's a blend of 60% Pinot Noir, 35% Chardonnay and 5% Pinot Meunier, cellared for six years before it is released and kept for the on-trade – to celebrate their centenary with their own special label. "It will sell for £25 a glass," says Spanti. "The Ritz doesn't want to offer its customers any old house Champagne."

High fliers

While deluxe hotels, top department stores, Michelin-starred restaurants and nightclubs, particularly the latter it seems, account for much of this sector, we should not underestimate the airlines. "Allegra is on Swiss airlines first class and Brut de Nominée on Air France first class and business for three months, June to August; it will take 50,000 bottles just for that. Qatar Airways is looking for 25,000 bottles of a prestige ▸

Shipments to top four prestige cuvée export markets in 2004

Country	No. of bottles	Change over 2003	Value in euros	Average price in euros
UK	34,952,691	+1.41%	434,638,396	€12.44
USA	20,257,824	+6.86%	351,491,945	€17.35
Italy	8,201,588	-3.58%	154,756,675	€18.87
Japan	5,922,497	+18.13%	114,100,956	€19.27

Source: Compiled by Giles Fallowfield using CIVC statistics

Shipments to top four prestige cuvée export markets in 2005

Country	No. of bottles	Change over 2004	Value in euros	Average price in euros
UK	36,376,944	+4.07%	471,235,386	€12.95
USA	20,685,683	+2.11	361,343,044	€17.47
Italy	8,832,572	+7.69%	178,731,677	€20.24
Japan	5,942,283	+0.33%	109,819,479	€18.48

Source: Compiled by Giles Fallowfield using CIVC statistics


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Prestige cuvée Champagne as % of Champagne exports 1989–2005 (bottles)

Total	Export	Prestige cuvées	% export
1989	94,315,560	5,360,614	5.7%
1990	84,787,098	4,949,834	5.8%
1991	75,609,796	4,402,988	5.8%
1992	73,438,289	3,915,758	5.3%
1993	76,420,634	3,885,063	5.1%
1994	89,839,159	4,396,679	5.2%
1995	91,386,052	4,803,056	5.5%
1996	95,194,229	5,320,533	5.6%
1997	103,884,652	5,791,204	5.6%
1998	113,453,974	6,123,445	5.4%
1999	136,589,287	17,093,154	12.5%
2000	103,583,131	5,982,915	5.8%
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	129,391,158	6,130,988	4.7%

THERE IS A DISCERNIBLE TREND IN PARTS OF THE WORLD TOWARDS LARGER FORMATS, NOT JUST MAGNUMS BUT JEROBOAMS, EVEN MATHUSALEMS

cuvée at the moment; the volumes on the airlines can be enormous," says Spanti.

Duty-free is also very important for Vranken's prestige lines, says Paul Bamberger, directeur général at Pommery. "Not so much the shops, but the airlines and we are very close to the French embassies where the right target audience goes and can be reached by direct sales." Within the Vranken Pommery group prestige cuvée Louise has become a much higher priority than it ever was at former owner LVMH. But building the brand has been a gradual process. "Our priority for Louise has been the French domestic market," says Bamberger. "Louise is quite a young prestige cuvée compared to Dom Pérignon, but it's the prestige brand that people widely admire after their own wine. It's a delicate and different style.

Domestic sales

"We came to the market 30 years later than Dom Pérignon, so we have to catch up, but our volume has already reached a third of theirs in France," says Bamberger. He estimates that French domestic sales of prestige cuvée styles total around two million bottles, if you restrict them to wines that no one would dispute belong in this category. "If you include everything that claims to be special it's somewhere between 10m and 12m, however," says Bamberger.

"Our positioning is quite simple; it's a wine for connoisseurs who know what they like drinking and want to share it with their friends. It's not the same show-off brand as DP and Cristal. France is our first market, then duty free and direct sales. After the four main export markets [USA, Italy, the UK and Japan], the third target is the various small countries that sell low volumes but a high proportion of special cuvées. Here it tends to be through the top restaurants and hotels, places where the right people go."

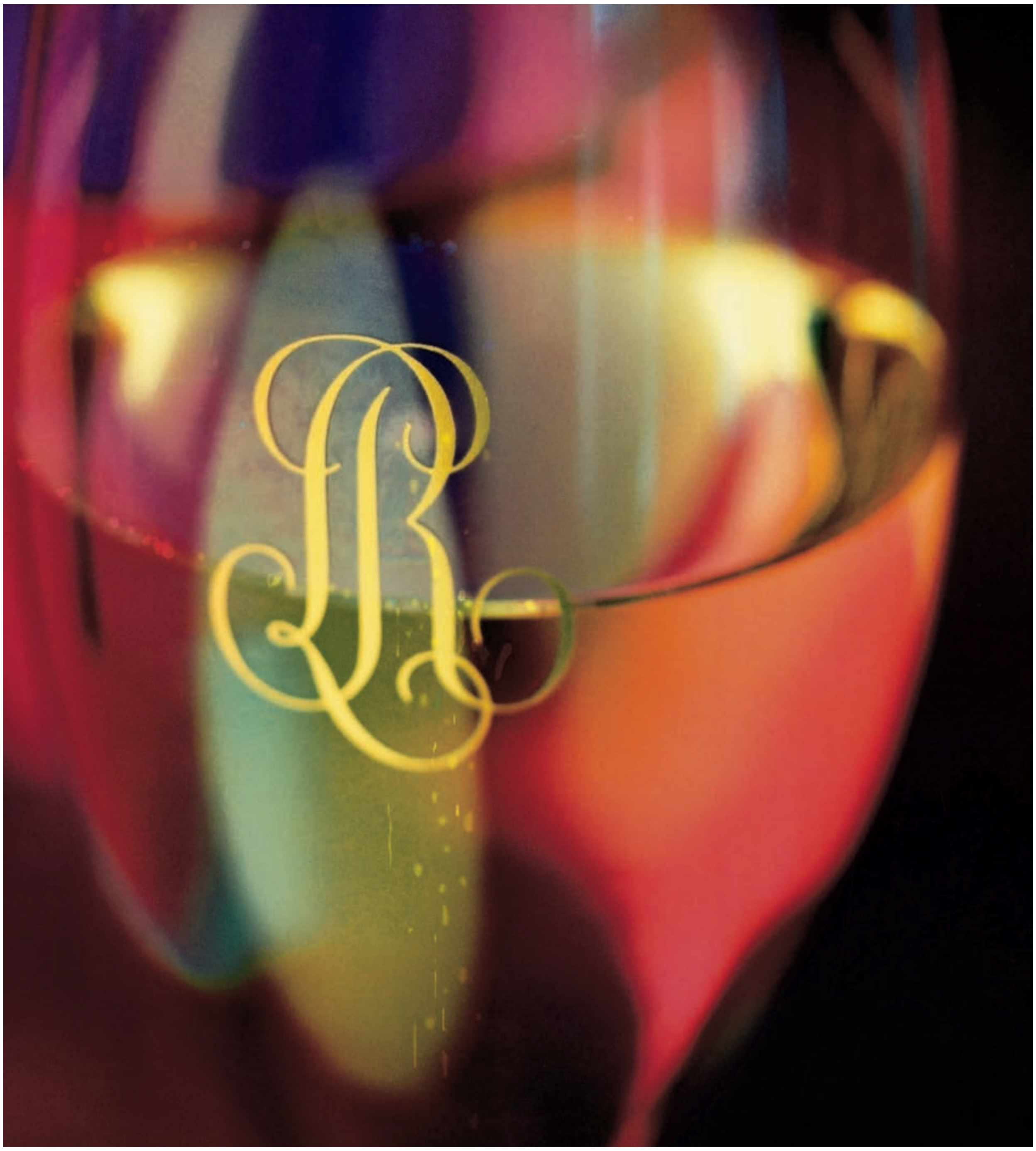
Cuvée Louise has helped profitability at Vranken by growing 16% in 2005, but it isn't the group's only prestige line. Celebrating his 30th anniversary in Champagne this summer, Paul-Francois Vranken has moved the Diamant range of prestige fizz to the Vranken label and away from Heidsieck-Monopole.

Switching this range – there's also a rosé style as well as Diamant Blanc and Bleu, as Vranken doesn't like to miss out on a growth trend – was a logical step as Heidsieck-Monopole is more an off-trade price fighter and didn't really need a prestige cuvée style.

"Everyone said Diamant Blanc and Bleu was great wine, but they didn't buy it," says Sara Hicks, who looks after the whole Vranken portfolio, which is distributed in the UK by Percy Fox. "In the off-trade few retailers stock more than a dozen brands, you very rarely get all the range listed," she adds. Diamant Blanc and Bleu had 30% growth in 2005, albeit from a small base.

For some of the smaller houses in

LES OUVRIERS DU PARADIS / UNITED



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IT IS CRITICAL TO BUILD SLOWLY IN THE FAR EAST RATHER THAN RUSHING FOR GROWTH WHICH WILL ONLY UNDERMINE THE LUXURY IMAGE OF CHAMPAGNE

Champagne there is often a blurring of lines between the prestige cuvée and vintaged wines. At Bollinger, Grande Année, arguably this famous house's most distinguished, if not most expensive wine, was repackaged as the former. For other distinguished near neighbours in Aÿ, Mareuil-sur-Aÿ and Dizy – Billecart-Salmon, Jacquesson, Deutz, Gosset and Philipponnat – you could say most of the range produced by this quintet also fit into the prestige category, but again, and to their credit, more for their wine quality than their glitzy packaging.

Rising US demand

Like most of the others, Gosset's prestige line, Celebris, which comes in pink and white versions, is under allocation. "In the US demand is rising, especially at the upper end," says Patrick Ligeron, European export manager. "In Canada, vintages represent a large proportion of sales, while in the UK, the antique-shaped bottles like Grande Reserve, Grande Rosé and Grande Millésime are our best sellers with two-thirds of sales. Celebris is very successful in independent retailers and top restaurants. In Italy, where Gosset is imported by Angelo Gaja, the demand for prestige cuvées is such that it represents around 65% of what we sell," says Ligeron. He believes that in Japan, where Gosset is the seventh brand, most prestige cuvées are bought solely as gifts.

"The Far East is an attractive proposition with its huge population and the growing demand for Champagne," says Jean Noel Girard, Devaux's export director. "It is, however, critical to build slowly rather than rushing for growth which will only undermine the luxury image of Champagne." He sees education of the consumer as the key to underpinning this image and wants to move the consumer away from buying labels to buying the product for its own innate qualities. "It's a very interesting market for prestige Champagnes and with our prestige D de Devaux range we are making headway in the on-trade – the top hotels – where the real action is."

In the important UK market, Devaux is seeing an increase in sales of its D de Devaux range thanks to Liberty Wines' great penetration of the on-trade where this type of Champagne can flourish given a "hand-selling" environment, says Girard.

The growth of Perrier-Jouët Belle Epoque in the important US and Japanese markets has been set back temporarily by the takeover of the brand, along with Mumm, by Pernod Ricard following the break-up of Allied Domecq. The relaunch of Mumm's prestige line has been further delayed.

Michel Lettre, who has been in operational charge at Mumm and Perrier-Jouët since the start of 2006, ran Pernod Ricard's distribution operation for China based in Hong Kong, which should stand him in good stead as PJ tries to rebuild its profitable business in the fast-growing Far Eastern markets.

Chinese whispers

"Developing the high-quality end of our product range is the best route to profitability and that's the only way to get investment behind our brands," says Lettre. He believes it will take about 10 years for the market in China to be developed but you have to build gradually. "We had 400 visitors from China to Reims last summer and we have the largest sales team in China. It took 10 years for Cognac to be established and Champagne could be the next product. When I was there they didn't really appreciate wines, but there's an opportunity for Champagne."

Preserving the quality image of the prestige cuvée, while increasing the highly profitable sales such styles generate – thus making better use of Champagne's finite grape supplies – is central to Champagne's continuing success. It's a balancing act Dom Pérignon has managed skillfully in the past, but all producers need to be aware that exclusivity and volume don't sit happily together. **db**