# New horizons

**While the vast majority of their produce is still consumed by the domestic market, Champagne's cooperatives are looking to expand sales outside Europe, reports *Giles Fallowfield***

**IN 2007** the cooperatives in Champagne collectively had their best ever year shipping a total of 31.67 million bottles of Champagne to all destinations giving them their highest market share for over a decade – just – of 9.35%. The majority of this wine is, however, still consumed domestically in France, with some 17.44m bottles, or over 55%, going there. Of the remaining 14,228,446 bottles that were exported, 31.08% of them, or 9.85m, went elsewhere in Europe and just 13.84%, or 4.38m bottles were sent to markets outside Europe.

The UK is the largest market for the co-ops outside France, accounting for 67.8% of what the co-ops ship to Europe, or 6.68m bottles, and nearly half (46.9%) of what the co-ops export in total. Take France and the UK out of the equation and the co-ops between them sell 7,550,983 bottles to the rest of the world. However, as the domestic market for Champagne becomes more difficult and competitive – sales in French supermarkets fell by around 10% in the first half of 2008 and that is where the bulk of the cooperatives' sales take place – the co-ops are increasingly looking further afield for future business.

In this respect they may take some heart from the fact that in 2007 while their shipments to France rose by 5.3% and 5.2% to the rest of Europe they were up by an impressive 24% to countries outside the EU. The US and Japan are by far the two largest markets for Champagne outside Europe taking 51.92% or 30.89m of such shipments in 2007. The only other top-10 destination is Australia, which imported 3.31m bottles in 2007.

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But the US and Japan are particularly big-brand dominated markets where the top three marques – Moët, Veuve Clicquot and Perrier-Jouët in the case of the US; Moët, Veuve Clicquot and Pommery in the case of Japan – take a massive proportion of sales. These trios alone account for 62.4% of volume in the US and 59.41% in Japan. The cooperatives collectively only have 2.68% of the Japanese market by volume and take 4.25% of the US shipments. This compared with 9.3% of the large French market and 17.14% of the UK, where nearly half the co-op volume is in unbranded supermarket sales.

**Professional perspectives**

So if the cooperatives are targeting countries outside Europe, which ones are they? Russia, where shipments in the first half of 2008 rose 46.9%; Hong Kong, where they were up 23.05%; or China perhaps, which saw imports rise by a decent 16.4%, albeit from a much smaller base? I put this question to Jean-Marc Pottiez who is particularly well placed to field it. Having run Nicolas Feuillatte for several years he's now at the helm of Jacquart, which he hopes to lead on a similar export-led growth path.

"For Jacquart the target is to develop sales further where we have seen double-digit growth and to look at markets where there used to be just three significant brands but now there's a chance for other players.

"For us it makes sense to be very active in Asian markets, also in the US and Australia, and these are the places we are putting the emphasis on right now. They're competitive markets but that's where there is going to be long-term growth for the category. Where else? Over

**Champagne co-ops: share of UK and main export markets outside Europe (2007)**

Compiled by Giles Fallowfield using CIVC statistics

| Country (with export ranking) | Champagne imports (bottles) | Co-ops' share (bottles) | Co-ops' % share (with no. of exporting co-ops) | Average price (€) |
|---|---|---|---|---|
| UK (1) | 38,957,205 | 6,677,463 | 17.14 (18) | 13.89 |
| USA (2) | 21,722,220 | 923,728 | 4.25 (14) | 18.29 |
| Japan (6) | 9,170,371 | 246,053 | 2.68 (17) | 19.90 |
| Australia (10) | 3,308,978 | 55,038 | 1.66 (9) | 15.08 |
| Sweden (11) | 2,070,025 | 154,405 | 7.56 (13) | 15.19 |
| Canada (12) | 1,470,338 | 109,851 | 7.47 (8) | 22.65 |
| Singapore (13) | 1,127,499 | 11,790 | 1.05 (9) | 16.29 |
| Russia (16) | 1,033,477 | 15,452 | 1.5 (7) | 22.96 |
| United Arab Emirates (18) | 983,690 | 7,692 | 0.78 (1) | 20.01 |
| Hong Kong (19) | 910,928 | 14,608 | 1.6 (8) | 15.17 |
| Mexico (20) | 753,094 | 45,762 | 6.08 (3) | 15.40 |
| Norway (22)* | 694,880 | 78,682 | 11.32 (10) | 15.16 |
| China (23) | 656,208 | 11,146 | 1.7 (9) | 13.69 |
| Brazil (24) | 600,714 | 4,002 | 0.67 (3) | 14.52 |
| Finland (26) | 554,691 | 44,220 | 7.97 (6) | 15.83 |
| Greece (27) | 542,648 | 4,975 | 0.92 (4) | 19.49 |
| South Africa (28) | 484,110 | 9,603 | 1.98 (7) | 17.09 |
| New Zealand (29) | 401,708 | 3,191 | 0.79 (3) | 15.36 |
| South Korea (30 | 378,298 | 1,447 | 0.38 (4) | 17.50 |
| India (35) | 264,626 | 73 | 0.03 (1) | 15.3 |
| Ukraine (47) | 123,968 | 3,790 | 3.06 (2) | 20.92 |

the next five to 10 years all countries where there is economic development are potentially markets.

"The UK also remains one of our top priorities which is why we are pleased to have secured a new agreement with Paragon Vintners for on-trade distribution of the brand (Paragon previously distributed Canard-Duchêne). The on-trade is a key sector which, together with specialist liquor stores, accounts for between 60% and 65% of Jacquart's sales worldwide.

"In the UK there has been a slowdown over the past six to nine months after a sustained period of economic growth. As a result there is now a hole in people's confidence, not a recession, but growth slows. But then the rate of growth in Champagne sales generally needed to slow and it doesn't mean you should change your strategy as a result. It doesn't make sense to base your plans on performance over a period of six months or a year, you have to think long term.

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"However, we have to be realistic, we won't have a fantastic year in 2008 and there is wider evidence of a slowdown but last year the only major export market that actually fell was the US (-6.21%). And outside Europe there was good progress in Japan (up 14.4%), and Scandinavian countries like Sweden (up 31.8%) and Norway (up 18.8%)."

And as we can see from the table above, showing the markets for co-ops outside Europe, Scandinavia is an area where they have built a decent market share.

At Nicolas Feuillatte, which is both the largest cooperative brand and the leading selling Champagne in France, the current split in sales between France and exports is 56/44, in terms of volume. But as Kattrin Thauer, deputy director, commercial, marketing & communication, says: "The target over the next three to five years is to move this to 60% exports and 40% sales in France." Currently, the top export markets for Nicolas Feuillatte are, in declining order of importance: UK, US, French West Indies (Martinique and Guadeloupe), Germany, and then Scandinavia as a whole or Japan if Scandinavia is broken down into separate countries.

**Pushing different styles**

Happily, exports grew faster than domestic sales last year and this trend continues. Efforts have also been concentrated on improving the sales mix by pushing blanc de blancs, vintage, *prestige cuvée* and other specialities, especially rosé, which has been a huge success for the brand recently. "Rosé sales increased 44% last year for Nicolas Feuillatte and it now represents 15% of our overall branded sales." At present, however, non-vintage still accounts for 80% of volume.

With all its large number of cuvées and different products for the on- and off-trade the Feuillatte range had become unwieldy and, Thauer says, "very complicated for our partners and consumers, so we have decided to reduce it." The excellent quality single cru range comprising three Pinot Noirs from the grand cru villages of Verzy, Verzenay and Aÿ, plus three Chardonnays from

Chouilly, Cramant and Avize is going to be relaunched as two wines, a blanc de blancs and blanc de noirs, each a three-way blend of those villages. "Most customers couldn't really see the difference [between the three Chardonnays and three Pinot Noirs] but this range has helped us to achieve an image of quality and know-how," says Thauer.

**Less is more**

This year, Feuillatte is concentrating on a few markets. "It's better to focus on a small number and do it well than rather than spread our effort over 90 markets. Clearly the UK and the US remain vital, although the latter has been very difficult with the dollar problem. Scandinavia and Belgium are important, Ireland too, and Italy and Spain. A huge opportunity exists in Russia, India and China where it is important to build a sound relationship with an importer because after a while all the serious players are occupied. But we do not invest huge amounts of marketing money there unlike the other giants. Build distribution first and then the consumer effort and marketing follow," says Thauer.

"Japan has become a focus for us with a dedicated sales person there as we have in the US but it's very clear we have to build our distribution network there." She doesn't think there is any stigma attached to being a brand produced by a cooperative. "The consumer buys a brand without being aware of what's behind the brand."

Pottiez takes a similar view. "We might be a rather young brand compared with some of our competitors but we are a Champagne house owned by growers rather than a family, shareholders or an investment fund. There is no specific difference today between these other than the priorities given by the owner."

Outside the two largest brands other cooperatives are also looking further afield for sales. At Union Champagne in Avize the focus remains on Europe for the moment. "Our export team is very small and the De Saint Gall brand is not currently established in important markets like Spain and Italy," says marketing manager Christine Theoff. "Unlike many other cooperative players we are not that prominent in France either and over the next three to four years we're developing sales here by building distribution in the right places at the right prices. We have made rapid progress in Scandinavian markets where we've been present just two to three years but we're not planning to develop sales in Japan or the US," says Theoff.

For H Blin & Co, based in Vincelles in the western Marne Valley, there has been a conscious decision to try to establish markets other than Britain, which accounts for 60-65% of all exports currently, says export manager Thomas Dewez. "Our clear strategy is to become less dependent on one market. When we looked at the opportunities two years ago we focused on three areas: Scandinavia, the US and Canada, plus all Asian markets including China and Japan.

Scandinavia, "where alcohol consumption was rising faster than anywhere else in Europe", has been the most successful of these to date with Norway, where they started, now their third most important market after the UK and Ireland, says Dewez. "In Japan they are not really after what we offer, our Anglo-Saxon image wasn't quite right. Hong Kong has worked much better and while it's a tough market, we've developed a nice market share, progressing 20-40% over the past two years. We see good prospects for further development over the next five years with Hong Kong becoming a major platform for all Asian markets, even Australia, thanks partly to tax changes there.

"In the US, as the market has become more difficult, the major brands have dropped their prices in an effort to retain share," so although Dewez has made several visits to major US cities over the past two years he expects things to take more time there. Brazil looks to be a potentially interesting market with wine savvy consumers but, "LVMH brands Moët, Ruinart and Krug represent nearly 95% of sales there with the other 20 houses fighting for less than 10% of the market, so it's quite tough to get interest and importers." Southern Europe, especially Italy, may be a better short-term prospect as well as the former Eastern European countries. "We started in Hungary last year and while it's not huge it's progressing correctly," says Dewez. **db**