

**CHAMPAGNE
ROSE**

ROSÉ EXPOSÉ

It seems the overnight success of pink Champagne has taken the Champenois somewhat by surprise – but they're not complaining, says *Giles Fallowfield*

THE GROWTH in the popularity of pink Champagne continues, the strong upward trend has barely slowed. The shortage of suitable red wine to blend in the production of rosé styles appears to be the only brake on future growth. The latest growth cycle runs all the way back to 1996. The climb in demand for rosé Champagne didn't even fall back immediately post-millennium, unlike all other segments of the market. As a percentage of total Champagne exports – which have themselves grown steadily since 2001 – rosé has moved from 2.73% of the volume or 2,595,116 bottles in 1996 to 7,276,331 bottles representing 5.62% of total Champagne exports to all countries in 2005, according to Comité Interprofessionnel du Vin de Champagne (CIVC) statistics.

The growth is expected to continue. While no one is certain how high it will get, the major producers are now gearing up to increase production, so they are certainly gambling on it being a long-term trend, not a short, fashion-led spurt. One of the reasons they have made the plunge and the necessary investments is that rosé appears to be an easy sell and, peculiarly, it isn't at all price-sensitive.

At a time when the Champenois are all too aware of the need to maximise the profit potential of the priciest grapes in France, it's especially interesting to have something in your range that retailers and consumers want, almost whatever the cost.

The mighty Moët

One of the catalysts for growth came back in 1998 with the entrance of Moët & Chandon into this sector of the market. While it's hard to believe the company made this move so recently; the power and marketing know-how of the major player in Champagne and the best-known brand worldwide has been significant. Moët was initially cautious about the growing popularity of pink fizz. When I interviewed him in early 2005, Moët & Chandon president and CEO, Frédéric Cuménal thought that rosé consumption would rise to between only 5 and 6% of sales and that, "The growth will plateau soon."

By this spring his predictions were a tad more optimistic. "I believe for the next couple of years we will be successful in growing the rosé market by a very significant amount. I'm talking about more than 20%, or even more

PINK FIZZ IS OUTPERFORMING THE WHITE CHAMPAGNE MARKET IN THE UK IN TERMS OF VOLUME AND VALUE

Cool customers: it is no longer assumed that pink will mean sweet, making it acceptable for real men to drink pink fizz

than 30%." His optimism has not been unfounded. In the UK market, which has already seen year-on-year growth in sales of rosé of over 22% for the past five years, Moët rosé has become the number-one pink Champagne, overtaking Laurent-Perrier in terms of volume and value with a rise of 74% in value in the year to mid-July (ACNielsen Scantrack MAT to 15/07/06).

This has taken Moët's value share of the pink fizz sector from 13.3% to 22.1%, while Laurent-Perrier's share has fallen 29.1% with its slice of the rosé sector down from 18.3%. In terms of volume, Moët's growth is even more significant as you can clearly judge by the fact that it typically retails for around £10 a bottle less than Laurent-Perrier's rosé (often the differential is higher), the price of which has soared as the company sought to dampen demand and eke out finite supplies. (The current price comparison in Waitrose, for

example, is £29.99 vs £39.00, while in Thresher it's £38.49 vs £49.99.)

It's not just Moët's rosé sales that are growing (although none of the other larger brands show anything like its speed of growth, even if Taittinger's pink sales were actually up 119% [MAT in the year to 15/7/2006 ACNielsen] with its market share rising from 1% to 2.1%). Pink fizz is outperforming the white Champagne market in the UK in terms of volume and value. While white Champagne sales are up 3% in volume and 1% in value (ACNielsen MAT to 15/7/06 UK off-trade) pink Champagne is up 3% by volume and 5% by value in the same 12 months.

Spring-loaded

Back in 2004 (MAT to 17/7/2004) pink-hued fizz accounted for 6.1% of Champagne sales (by colour) now (MAT to 15/7/2006) it's up to 9.3%. In the past two springs (Feb/March) it's briefly risen to nearly one-fifth of the UK market by value (19% and 17.2% respectively), though this clearly has plenty to do with Valentine's Day promotions.

Asked to explain the pink phenomenon and the year-on-year rises in sales, the marketing team at Moët Hennessy UK appears to be stumped. They say, "A strong performance, particularly within the grocery multiples and the on-trade sector, plus a strong press angle, these have all contributed to Moët rosé's success." Seemingly the unsung press and events team get much of the credit, along with London Fashion Week, where pink Mini Moët gets such coverage that sales doubled.

Moët rosé is growing faster than its white counterpart and gradually accounting for more of the brand's profit. Even so, MH doesn't expect to run out of stock even if demand ▶

The top-10 markets for rosé Champagne in 2005

Country	2004 rosé shipments	2005 rosé shipments	% change 05 vs 04	Rosé shipments in 1996	% change 96 vs 2005
UK	1,945,368	2,387,431	+22	592,227	+303
US	938,804	1,313,582	+39	240,772	+448
Japan	593,674	606,119	+2	105,952	+471
Germany	423,389	455,852	+8	225,079	+102
Belgium	309,070	370,803	+20	204,278	+81
Italy	268,720	296,230	+10	61,778	+385
Holland	256,499	286,911	+12	76,856	+276
Switzerland	315,385	280,159	-11	643,745	-56
Spain	105,648	158,683	+50	14,149	+1,104
Australia	50,454	89,152	+78	7,114	+1,155

Source: Compiled by Giles Fallowfield using CIVC statistics

CHAMPAGNE ROSE

continues to rise. Clearly, it geared up for this large volume increase a few years ago at HQ in Epernay. Over at sister brand Veuve Clicquot stock, or rather lack of it, seems to be what is holding things back at this early stage; the brand was launched in the UK only in March. Stock is being "managed" and distribution is "selective", and there may not be enough for the year. There are no plans to introduce a mini pink Clicquot for at least 12 months.

Japanese priority

Reading between the lines, even though the UK is by some way the leading market for rosé styles, the Japanese market where profitability is higher remains the priority while stocks are being built up.

To be fair, it's not just the marketing team at MHUK that is puzzled by rosé's sudden success. Over in Champagne even the head honchos at Moët, Veuve Clicquot and Laurent-Perrier find it hard to explain rosé's recent startling growth. This is partly why they have been cautious in the expensive and lengthy process of expanding pink supplies. The Champenois are a deeply conservative bunch and they don't like betting on a trend they can't fully understand.

Moët's Cuménal disarmingly admits to being mystified. His best guess is, "It's something new and it's a different colour, also perhaps an easier, softer, fruitier style." He does suggest, "There's more consistent quality in rosé styles than there was before, so that is helping us." Importantly for him, from the Moët perspective, "Rosé is bringing younger people, 30-year-olds, younger than the traditional consumer, into both the Moët brand and the Champagne category."

CEO and president of Veuve Clicquot, Cécile Bonnet, like Cuménal, also believes it's partly down to general improvements in the standard and consistency of rosé Champagne. "First people are looking for quality and it's true that rosé has made strides there. But there's also a big mixing thing going on and rosé Champagne is effectively a pre-mixed drink." She also sees it as a drink no longer specifically targeted at women and something men are now happy to buy. "It's now cool to be seen drinking it, people no longer expect it to be a sweet style and consumers are ready to pay a higher price for what they perceive as something special."

The top-10 export markets and total exports of rosé Champagne in 2005 (with % share for rosé of shipments and NV/vintage split)

Country	Total shipments in 2005	Rosé shipments in 2005	% of total shipments	NV Rosé in 2005	Vintage rosé in 2005
UK	36,376,944	2,387,431	6.56%	2,346,039	41,392
US	20,685,683	1,313,582	6.35%	1,170,020	143,562
Japan	5,942,283	606,119	10.20%	554,624	51,495
Germany	11,969,634	455,852	3.81%	426,464	29,388
Belgium	9,382,805	370,803	3.95%	357,579	13,224
Italy	8,832,572	296,230	3.35%	261,527	34,703
Holland	3,175,591	286,911	9.03%	280,254	6,657
Switzerland	5,106,479	280,159	5.49%	262,417	17,742
Spain	2,829,278	158,683	5.61%	145,612	13,071
Australia	2,292,115	89,152	3.89%	76,922	12,230
All exports	129,391,158	7,276,331	5.62%	6,821,447	454,884

Source: Compiled by Giles Fallowfield using CIVC statistics

THE CHAMPENOIS
ARE A DEEPLY
CONSERVATIVE BUNCH
AND THEY DON'T LIKE
BETTING ON A TREND
THEY CAN'T FULLY
UNDERSTAND

Yves Dumont, chairman of the management board at Laurent-Perrier, suggests the UK growth could be down to "the British taste for fresh red fruits and things like raspberries and cream". Laurent-Perrier rosé was also picked out as favourite brand by "the City's golden boys in the late '90s who liked to be seen drinking something that set them apart", he says.

As the house that has dominated the pink market since it launched the first significant volume NV rosé style back in 1968, Laurent-Perrier could have most to gain. But retaining its share of sales in an expanding rosé market doesn't seem to be its priority. "We don't see these launches by Moët and Clicquot as competition. We are still very different from the others in terms of price, our special bottle and, most importantly for the consumer, our aroma and taste profile," says Dumont. "We're not trying to keep our 20% share of the market, we

just want to hold on to our position as the reference point for the sector."

Pressure on stocks

This relaxed attitude is partly explained by the fact that Laurent-Perrier isn't able to supply more pink Champagne to the market at present, as Dumont admits. He expects the company's supplies of rosé, "to still be under pressure for another two to three years, but then we might be able to step up production".

It would, however, be a major surprise if the majority of the suitable Château Malakoff production (the company they bought in February 2004) wasn't immediately switched to boost output of branded Laurent-Perrier rosé.

But even if this was done with effect from the abundant 2004 harvest, if this wine is given four years to age, as is the company's policy for its pink non-vintage fizz, it wouldn't put more rosé Champagne on the market before the second half of 2008.

Although Laurent-Perrier is a key player in the UK, Belgium and Switzerland – respectively the first, fifth and eighth export markets for rosé styles – Dumont says, "It's not the number-three brand everywhere," adding that the company is specifically targeting the US, Japan and Italy.

It's no coincidence that these are not only the second, third and sixth markets for rosé styles, they are also the three markets that boast the highest average price per bottle for shipments, with Italy leading the way in 2005.

While Laurent-Perrier waits for its increased stock to mature, Moët's parent company LVMH has clearly already decided the growth in sales ▶

CHAMPAGNE ROSE

of rosé fizz is no short-term phenomenon. As Cuménil reveals, the company has made a major investment in a new production facility dedicated to rosé in Epernay. Within the LVMH group there are now quite a range of pink-hued fizzes from the good-value Mercier, through the cleverly positioned Ruinart, right up to the stratospherically expensive Krug, Veuve Clicquot La Grande Dame and, of course, Dom Pérignon.

Pink prestige fizz, is a tiny but very profitable sector of the Champagne market. For Krug it represents less than 5% of production but, at around £160 a bottle in the few off-trade outlets that stock it, it's still nice business. It has

FOR KRUG, PINK CHAMPAGNE REPRESENTS LESS THAN 5% OF PRODUCTION BUT, AT AROUND £160 A BOTTLE, IT'S STILL NICE BUSINESS

just launched half-bottles of Krug rosé but you are unlikely to find them down at your local offy.

As Krug's UK brand director, Fred Scarlett, explains, it will mostly be in leading department stores and the very top end of the on-trade. Claridge's will be offering it to its guests and longer-term residents like Mick Jagger in the mini bars of their suites with a price tag of £150. Perfect for a late night, post-nightclub gargle. **db**

Brand leaders in rosé in the French supermarket / hypermarket sector

Brand	Number of bottles
Nicolas Feuillatte	185,000
Alfred Rothschild	158,000
Piper Heidsieck	61,000
Mumm	54,000
Jacquart	35,000

Source: trade estimates

Shipments of rosé Champagne to the UK with % change over previous year 1996-2005

Year	No. of bottles	% change over previous year
1996	592,227	+8.1%
1997	613,262	+3.55%
1998	837,626	+36.6%
1999	1,015,036	+21.2%
2000	788,833	-22.3%
2001	1,013,425	+28.47%
2002	1,264,763	+24.8%
2003	1,573,417	+24.4%
2004	1,945,368	+23.64%
2005	2,387,431	+22.72%

Source: Compiled by Giles Fallowfield using CIVC statistics

ROSÉ'S GROWING SHARE

Sales of rosé Champagne in France are below the average for all export markets, which stands at 5.62% of the mix in 2005, but they too are growing. The latest ACNielsen figures for the 12 months to the end of June 2006 show that rosé accounted for 1.6 million bottles out of the 43.244m sold in French hypermarkets and supermarkets, giving pink-hued fizz a 3.85% share of sales in this sector. Vintage rosé Champagne is a tiny category in this part of the French off-trade, with Mumm apparently the only significant player and sales for the same period (MAT to June 2006) at just 242,000 bottles.

Grande Distribution (hypermarkets and supermarkets) is generally understood to account for about a third of the total French market and it is clear that producers prefer to put their vintage rosé styles into the on-trade and specialist shops not monitored by ACNielsen, where it is reasonable to assume rosé's share of sales is more than 4%.

But even in the French on-trade, where they like to see their wines available, shortages of rosé stock among the top houses are giving opportunities to other producers. "For Jacquart we have seen a big growth in demand for rosé in the French on-trade," says sales and marketing director Christophe Lagrange. "A lot of this growth is because brands like Laurent-Perrier, Billecart-Salmon and even Moët can't meet the demand and we have doubled our business in this sector. This is a very dynamic part of the market, in growth for the past five or six years. Although we can't really explain it, rosé has a really

good image with the consumers, one that's been helped by a general increase in quality over recent years. We expect to double exports of Jacquart's rosé styles (vintage and non-vintage) this year," says Lagrange.

The signs are that pink Champagne exports have made another leap forward in 2006 with shipments to the top five markets after the UK – the US, Japan, Germany, Belgium and Italy in descending order of volume – all ahead in the first quarter compared to the same period in 2005. Rosé's percentage share in these markets is also increasing.

In the US, pink Champagne shipments in the first three months of 2006 were 336,133 bottles, up from 225,511 in the comparable period in 2005, with rosé's share of US shipments rising from 6.2% to 8.6%. (6.3% is the average for 2005). Rosé shipments to Japan jumped from 68,048 to 168,262 bottles (Jan-Mar 2005 vs Jan-Mar 2006) with the percentage of pink fizz in the export mix rising from 12.9% to 14.7%.

Shipments of rosé Champagne to Germany went up from 77,444 to 132,894 bottles, which represented 8.2% of the export mix compared with just under 5% for the first quarter of 2005 and 3.8% as the 2005 calendar average. In Belgium, rosé's share of shipments moved up from 4% to 5.9% against the 2005 figure of 3.9%. Finally Italy, which has seen a large increase in overall shipments of Champagne of all styles in the first quarter of 45.2% to 1,674,924 bottles, saw the percentage of rosé rise from 4.9% to 7.6% (first quarter of 2005 vs first quarter of 2006) against the 2005 average of 3.3%.