

Market Snapshot: Champagne Now

Champagne exports have decreased, especially in comparison to the growth experienced in 2007, and can be attributed to the world economic crisis. Champagne is often associated with celebration and luxury, which suffer when times are tough as was the case during the last recession in the early nineties. The Champenois are facing several challenges that would increase in severity if the recession continues. They are currently faced with currency issues between the Sterling and the Euro, price increases for grapes, and competition from sparkling wine producers; but it is not all doom and gloom, the Champenois are generally positive and have weathered ups and downs before. The recession is seen as an opportunity to replenish reserve stocks, allow more ageing time on lees to develop complexities and a chance to reflect, strategize and increase development of new innovations, making them better positioned when the market recovers.

It should be no surprise that exports of champagne are down to the top two champagne importing countries the UK and the US because they have both been severely affected by the financial crisis. Champagne shipments in 2008 compared to 2007 have fallen by 7.86% to the UK and 20.8% to the US according to Champagne Information Bureau, while shipments this year to date has fallen by 39% to the UK. The majority of consumers in both countries are cutting down on spending especially on 'luxury' items such as champagne. Corporate businesses have either cut down or stopped hospitality where champagne is frequently used, not only to cut costs but also in avoidance of any media scandals that would ensue especially after redundancies have been made. Discounting is also occurring on the high street with retailers Majestic and Odd Bins upsetting some champagne producers struggling to maintain their image.

Alongside falling exports, margins are being squeezed due to currency differences between the Sterling and the Euro. Champagne houses that trade with UK importers in Sterling are making less profit. Importers trading with champagne houses in Euros are faced with the 20% drop in value of the Sterling making champagne even more expensive, and if deals with champagne houses can't be reached to help with pricing, the consumer sees an increase in price, which further exacerbates the situation. Pricing between négociants and growers is also an issue in Champagne. Grape prices have gone up by 5-6% making the cost of raw materials higher, and cuts into margin yet again. The houses and négociants are effectively squeezed on both sides. Fortunately the increased grape prices are for bottles that will probably not be released for another two years when the market should be in a better position.

So what should the Champenois do now? Continuing to target emerging markets is a good start to recover some of the lost sales. Export quantities are miniscule compared to the top markets but seeds planted now can reap good rewards later. China, Brazil and India have yet to reach 1 million bottles while exports to Russia topped 1 million bottles in 2007 and has grown by 22.1% since then. Other strategies we are seeing include offering new packaging without increasing price, offering good value is a must during recessionary times. Krug has introduced the Treasure Box for its Grand Cuvée, a sleek mirrored, padlocked box with two engraved flutes instead of the original cardboard box. Ruinart is also offering a new gift box for their Dom Ruinart Champagne designed by Dutch designer Martin Baas that also includes two engraved flutes. Although the box is pricier than a bottle of Dom Ruinart, this designer box may be valuable to collectors and investors. Other ways to communicate value to the consumer is through education on the differences between non vintage and vintage champagnes. Vintage and prestige cuvées consumers have switched to non vintage champagnes, but by emphasizing the better value for money in the purchase of vintage cuvees consumers just might switch back.

In the meantime, champagne houses can also use this downtime to replenish stocks that were diminished due to increased sales in the last few years when there was talk of a possible future shortage. Quality of champagne can also be improved, as more time spent ageing in the cellars will

contribute more complexity to the wines. Innovations such as the new Maestro crown cap closure made by Alcan Packaging Capsules can be tested on the market, with Duval-Leroy first to use them. The closure, which is essentially a crown cap with a lever, will still make the quintessential pop but also alleviate bottle losses due to TCA taint. Additional new developments that could attract niche customers included Drappier's Brut Nature Zero Dosage Sans Souffre, an unsulfured, bone-dry champagne. This adds a twist to the zero dosage champagne family, currently marketed as low calorie, and the Drappier family members who are allergic to sulphur can finally drink their own wines. Joining the green movement Pommery has introduced Pommery Earth with grapes grown sustainably packaged in a lighter weight bottle with recycled paper labels and labels printed with solvent free ink. Nicolas Feuillatte's Cuvée L'Essentiel is also made with grapes grown sustainably, recycled paper labels at reduced emissions because the grapes are grown nearby the winery.

Champagne is destined to suffer in recessionary times. The strength of its image as a celebratory luxurious tippie will never cause it to fare well during times when there isn't a lot to celebrate. On the flip side consumers are still buying champagne for those special occasions or to treat themselves. Champagne can never compete on price with other popular sparkling wines like prosecco and cava. Here creative marketing and consumer education would be useful to exalt the qualities of champagne to new and existing consumers worldwide. The key is to maintain the image that they worked so hard to achieve for when the market comes around again, which it will, as it always does.

987 Words

I would also like to take this opportunity to thank Moët & Chandon for their hospitality and generosity. I had a lovely time visiting the vineyards and had some truly memorable champagnes and meals. Thank you very much for the wonderful trip and opportunity.