



R E S E A R C H P A P E R

**Why and how Champagne producers should react to the development of
English Sparkling Wine sales in the U.K off-trade market?**

**This Research Paper (RP), which is the third part of the MW examination
process, is an edited version of the RP submitted to the Institute of Masters
of Wine in December 2018 by Edouard Baijot MW.**

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1. Summary

This paper analyses the decline of Champagne sales in the UK off-trade and assesses whether the development of English Sparkling Wine (ESW) represents a threat or an opportunity for Champagne producers in the future.

The research questions are:

1. What are the main reasons for the decline in Champagne sales in the UK off-trade?
2. Does cannibalisation between ESW and Champagne exist, and if so, to what extent?
3. Does ESW represent a threat or an opportunity for Champagne producers?

Quantitative analyses from multiple sources of data were carried out to answer these questions and interviews with national off-trade buyers, Champagne producers and ESW producers bring perspectives for the future and complete the analysis.

The study highlights that the rapid decrease in UK off-trade Champagne sales is mainly attributable to sharply increasing retail sales prices but the emergence of other sparkling wines has also redefined the sparkling offer. Cannibalisation with ESW does exist but it poses a limited threat to Champagne. On the other hand, ESW represents an opportunity for Champagne producers to redefine their offer in the UK off-trade, with a focus above £25.00, as well as to invest in production of ESW.

2. Introduction

The UK has a long history with Champagne and has been a key trade partner for the region since the 18th century. In 1778, England was already the third largest export market for Champagne after Germany and Flanders, and by 1899, it was the largest, with 10,669,300 bottles shipped (Bonal,1984). Even during the first World War, Sir Winston Churchill used Champagne to motivate British forces with the claim *“Remember, gentlemen, it's not just France we are fighting for, it's Champagne!”* (Brandreth, 2013).

Over the last ten years, sparkling wine consumption in the UK has increased by 70% (IWSR, 2017) but at the same time Champagne's market share of total sparkling sales has fallen from 38.2% in 2007 to 15.3% in 2017 (IWSR, 2017). The last two years have been particularly difficult for Champagne and for the first time since 2002, shipments to the UK did not reach 30 million bottles in 2017 (Comité Champagne, 2018). A combination of economic factors, emergence of new regions and change in consumer behaviour have redefined the offer, making sparkling consumption less formal (Wine Intelligence, 2017). The strongest growing category is Prosecco which has both driven and benefited from the changing market conditions. In ten years, Prosecco sales in the UK have grown by more than 600% and market share has increased from 14.8% in 2007 to 60.9% in 2017 (IWSR, 2017). Other sub-categories have also shown growth, English Sparkling Wine (ESW) among them.

ESW offers a credible local alternative to Champagne, using predominantly the same grape varieties and production methods with a similar organoleptic profile and price point.

In 2017, the UK wine industry produced 5.9 million bottles with sparkling wine accounting for 68% of the production (WineGB, 2018) but according to the trade body the production is expected to increase to 10 million bottles by 2020, with sparkling accounting for 66% of this volume; 75% of the production destined to be sold on the domestic market.

As predicted by Wine Intelligence in their Vinitrac® Report 2017, further growth is anticipated for sparkling wine (The UK Wine Market, 2017, p8) but it is difficult to know how the market will absorb this additional production of ESW notably in the off-trade which represents 84% (Nielsen and CGA Strategy, 2018) of sparkling wines sales in the UK. Will ESW bring new consumers to the sparkling category or will this development negatively impact sales of other sparkling wines, particularly Champagne?

The purpose of this paper is to analyse the decline of Champagne sales since 2015 and to assess whether the development of ESW represents a threat or an opportunity for Champagne producers in the UK off-trade.

The research will focus on the following questions:

1. What are the main reasons for the decline in Champagne sales in the UK off-trade?
2. Does cannibalisation¹ between ESW and Champagne exist, and if so, to what extent?
3. Does ESW represent a threat or an opportunity for Champagne producers in the future?

¹ Cannibalisation refers to the loss of a product's sales due to the release of a newly created product.

3. Review of Research Context

The UK is an established wine market² ranked as the seventh most attractive in the world³ despite the uncertain trading environment for wine including rising costs, consolidation of operators and economic uncertainty with Brexit (Wine Intelligence, 2017). In 2017, overall wine consumption declined by 2% in volume but consumers have traded up in quality resulting in a 1% increase in revenue sales (WSTA, 2018). Within this context, the sparkling wine category is growing both in volume (+8%) and in value (+14%) (WSTA, 2018) with further growth anticipated (Wine Intelligence, 2017, p8). With annual per capita consumption of 2.5l of sparkling wine, the UK is still far behind world-leading sparkling markets such Germany (6.2l), Italy (6.6l) or France (5l) but is already the sixth largest sparkling market by volume in the world (IWSR, 2017).

In five years Prosecco has increased from 2.7m 9l cases to a market leading 8.3m 9l cases in 2016, and is perceived as *“a fashionable drink that offers good value and which is perfectly suited for both casual and formal occasions”* (Wine Intelligence, 2017, p4). Prosecco has changed consumer behaviour, making sparkling consumption less formal but is also *“increasingly accepted as a replacement for Champagne at receptions”* (Vinexpo and IWSR, 2017, p28).

In the next five years, *“The popularity of Prosecco will continue to have a positive impact on other sparkling sub-categories because consumers are now exploring what the wider category has to offer”* (WSTA, 2018, p32).

² Wine Intelligence market classification. An Established market is a market with a strong historical growth which is tailing off.

³ Wine intelligence ranking in attractiveness. Wine intelligence collects data from 50 global markets that they have identified as the most attractive, profitable and full of potential. Ranking is established using a formula that takes into consideration both general economic measures and wine market measures. Source: Wine Intelligence Compass 2017-18 report.

ESW is considered as the category to watch with prominent market research companies and distributors making statements such as “*Locally produced sparkling wines are set to be one of the category’s bright spots*” (Vinexpo, IWSR, 2017, p28), “*ESW has an electrifying effect on the UK wine trade*” (Wine Intelligence, 2017, p5) and “*ESW is a rising star*” (Bibendum, 2017).

Despite the growth of the sparkling wine category, Champagne shipments in the UK have declined from 34.1m to 27.7m bottles over the last two years (Comité Champagne, 2018). “*The impact of Brexit is becoming a reality for the British. Its consequences on prices and purchasing power probably changed consumer behaviour and distributor strategy*” (Comité Champagne, 2018, p21). However, it is not yet clear if this may be a conjunctural trend or whether Champagne has simply attained a more mature stage in its product life cycle in the UK.

The off-trade represents 70% of UK Champagne sales (Nielsen/ CGA Strategy, 2018) and the end of the year is crucial for the annual performance of the region because 45.6% of the sales in the off-trade occurs between November and December (Comité Champagne, 2017). In 2017, the large quantity of retailer own-label Champagne sold on discounts for Christmas diminished because these promotions were considered no longer as profitable for supermarkets (The Drinks Business, 2018).

This trend started in 2016 but was limited to entry-level Champagne⁴ with a decrease of 10.6% in volume and 18.8% in value explained by fewer promotions (-17 points)⁵ and loss of numeric distribution (-3%)⁶ (Comité Champagne, 2017). In 2017, “*The overall Champagne offer has declined in volume, at all price levels and for all occupational categories*” (Comité Champagne, 2018, p21).

Nevertheless, the threat of losing market share due to more consumers buying competing products was known but it seems that Champagne producers may not have adapted their positioning. Two years previous, *The One and Only?* (Schmitt, 2016) mentioned that the rise of ESW could awaken Champagne producers to focus on appellation’s quality attributes, noting that ESW has been repeatedly and successfully pitted against Champagne.

The idea that the future of UK wine production will be about high-quality sparkling wine production “*Maintaining the quality of the product and keeping the message in front of both the wine buying public and the wine trade alike, ESW is as good as Champagne*” (Skelton, 2014, p13) is now well established. The fact that notable Champagne producers have recently invested in England supports the idea spread by British media that ESW could be a local alternative to Champagne. A Google search for “English Sparkling Wine”⁷ has been conducted with all articles (excluding merchant and producers’ websites) on Google pages 1-10 studied.

⁴ Comité Champagne divides off-trade sales into four categories, National brands, Private Labels, Prestige Cuvées and other brands. Ségolène Camuset from the economic department at Comité Champagne (pers.comm, 2018) explains that “other brands” represent entry-level Champagne with a retail selling price including VAT and Excise Duty below £15.00.

⁵ Percentage of total turnover of a product that is sold on promotion. The difference year on year is measured in gain or loss in points of promotion.

⁶ Numeric distribution: = % of Stores selling a product. Source: Nielsen.

⁷ Results of Google search on “English sparkling wine” are presented in Appendix 2.

Of 21 articles, 20 of them referred to Champagne and develop the idea that ESW offers a good, local, cheaper alternative and could become a genuine competitor to Champagne. Frazer Thompson, C.E.O of Chapel Down believes that *“75% of the volume growth for English fizz in the UK will come at the expense in generic Champagne priced at £25.00 RSP⁸ or below”* (The Drinks Business, 2018).

However, if the volume threat on Champagne by cannibalisation from ESW is implied, no hard data is ever quoted to support this idea. ESW development could therefore also represent an opportunity for Champagne producers to redefine their offer in their biggest export market by volume.

In summary, although it is known that the sparkling wine category will continue to grow and evolve, that Champagne sales are suffering, and that ESW is a category to watch, research to quantify the potential impact ESW could have on Champagne sales in the UK off-trade does not yet exist, indicating there is an opportunity to increase industry knowledge in this area.

⁸ RSP: Retail Selling Price including VAT and Excise Duty.

4. Methodology

This paper focuses on the UK off-trade and combines both quantitative and qualitative data from different sources.

Off-trade was chosen for the following reasons:

- The off-trade dominates the UK wine market and, according to Nielsen and CGA strategies⁹, this channel represents 84% of volume sales for sparkling wines and 70% for Champagne.
- The accuracy of EPOS (Electronic Point of Sales) data coming from scanned item barcodes has limited room for subjective interpretation.
- The ability to understand consumer behaviour through data collected from loyalty cards.

Quantitative data was used to analyse the sparkling market and to highlight key trends and consumer behaviour.

4.1 Nielsen Data

Data used in this paper comes from Nielsen “GB Total Coverage” from 2015-2016-2017 and excludes Hard Discounters.

⁹ DMSO (Drinks Market Strategic Overview) – On-trade OPM Data to 30.12.17- Off-trade Scantrack Data to 27.01.18
The report mentions Total Champagne sales in the UK of 14m litres (18.6m bottles) with 10m litres sold in the off-trade and 4m litres sold in the on-trade.
The difference between the 18.6m bottles published in this report and the 27.7m bottles published by Comité Champagne is explained by the following reasons:

- Volume published by Comité Champagne represents shipments from the region to the UK and not sales in the UK.
- Nielsen data of 10m litres (13.3m bottles) does not include Northern Ireland and Hard-Discounters. According to Ségolène Camuzet from the economic department at Comité Champagne (pers.comm, 2018) we can add an additional 1.5m bottles to Nielsen data for the off-trade market. So, with the 5.3m bottles sold in the on-trade we can estimate Total Champagne sales in the UK at 20.2m bottles.
- Difference between sales and shipments is not easy to track according to Ségolène Camuzet but it is mainly explained by importers, distributors and retailers' inventories and volume shipments from the UK to other international markets.

It includes sales in “Grocery Multiples”¹⁰ and “Total Impulse”¹¹. Total Nielsen coverage is detailed in Appendix 3. Nielsen data¹² for Champagne and sparkling wines has been combined to produce a report and analysis of volume and revenue trends, market share and price evolution for each sparkling category. Three years of data limits bias and allows for the identification of significant trends. The data is presented in litres for volume and £ for revenue.

4.2 Loyalty card data (unavailable section)

4.3 Interviews

Semi-structured interviews were conducted to complement quantitative data and collect qualitative data from national off-trade buyers and Champagne producers about current trends and their vision for the future. This data was not used to draw any conclusions, but to support quantitative results.

Ten interviews were conducted with UK off-trade buyers who were selected to represent each off-trade channel; with multiple grocer, wine specialist chain, on-line retailer and wine club. The list of the interviewees and the interview framework are detailed in Appendices 4 and 5.

¹⁰ “Grocery Multiples” represents the major retailers such as Tesco, Sainsbury’s, Asda and on-line retailers like Ocado.

¹¹ “Total impulse” represents “Multiple Forecourts” (BP, Shell, etc.), “Convenience Multiples” (Majestic, Bargain Booze, Laithwaites, etc.), “Symbol Groups” (Spar, Best-One, etc.) and “Independents”.

¹² The data used was based on a MAT (Moving Annual Total) ending on the last day of December, meaning sales captured compare full years, 2017 vs. 2016 vs. 2015.

The interviewees from the Champagne industry¹³ were selected if they fulfilled one of the following criteria:

- Significant share in the UK off-trade (Lanson and Nicolas Feuillatte).
- Houses that have already invested in ESW industry (Taittinger and Pommery).
- Houses with previous sparkling production experience outside of Champagne (Roederer and Moët & Chandon).

All interviewees were actively involved in the UK wine market. Appendices 6 and 7 contain the list and framework for Champagne producers.

ESW producers were contacted to have a better understanding of the industry with a focus on the following criteria:

- Viticulture and yields (Harrow & Hope, Hush Heath and Nyetimber)
- UK off-trade business and exports (Chapel Down and Nyetimber)
- Potential development (Hambledon and Maxon Investments)

Communications with Wine Intelligence Ltd, Nielsen, IWSR, Real Estate agent, industry consultants and Champagne trade body contribute to a better understanding of the topic and to support some results.

¹³ The focus had been made on Houses and Cooperatives because they represent 98.5% of the volume shipped to the UK market (Comité Champagne, 2018).

4.4 Methodology limitation

4.4.1 Hard Discount

This paper has not taken the Hard Discount channel into consideration, despite its significant share of the UK retail market, with Aldi commanding an 8.6% market share and Lidl 5.2%¹⁴. This is because neither of them has ESW permanently listed. Ana Godoy, Senior Client Analyst at Nielsen (pers.comm, 2018), confirms that no ESW was sold in the Hard Discounters in 2017 but Richard Bampffield MW, consultant for Lidl UK (pers.comm, 2018) believes ESW could become an opportunity for the future: *“Lidl has no English Sparkling Wine in the core wine selection. However, they are aware of the growing demand and are considering bringing one in either for a seasonal promotion or for the Wine Tour. Also, ESW does have a certain price positioning and prestige so could have a positive benefit for the perception of the wine range in general”*.

4.4.2 Loyalty cards

Loyalty card data presents the following limitations:

- Data is limited to loyalty card members who use their cards when performing transactions.
- A card can be used by multiple shoppers (families, cohabiters, friends) and identifying consumer typologies can therefore be difficult.

¹⁴ Source: Drinks Market Strategic Overview (February 2018), Nielsen in conjunction with CGA strategy, On-trade OPM Data to 30.12.17- Off-trade Scantrack Data to 27.01.18.

4.4.3 On-trade

On-trade sales for Champagne are also under pressure with a decline of 9.3% in revenue and 11.7% in volume at the end of 2017 (Nielsen /CGA Strategy, 2018), and the threat from ESW also exists.

Groups such as J D Wetherspoon (800 pubs) are no longer selling Champagne having replaced it with ESW (Decanter, 2018). However, the fact that data is limited and often biased¹⁵ means this paper does not take on-trade sales into consideration.

Nevertheless, this study may encourage supplementary research into trends in the on-trade to see how ESW may affect the overall sparkling market in the UK.

¹⁵ In the on-trade the price of a product can vary significantly according to the restaurant location. The sommelier can also strongly influence the final choice of the customer which could bias the analysis.

5. Results and Analysis

5.1 Overall off-trade (Nielsen - Total Coverage - MAT 30-12-2017)

Table 1 summarizes the main overall trends in the UK off-trade for sparkling wines over the last three years. Under the impetus of Champagne, the total sparkling market declined in volume by 1.9% in 2017 but remained flat in revenue.

Despite a downturn in 2017, the sparkling market, not including Champagne, grew by 0.6% in volume and 4.4% in revenue, driven by Italy, France and England. Over the past two years, the category, not including Champagne, has increased by 23.2% in volume and 26.0% in revenue. Italy, driven by Prosecco, is the biggest contributor to this growth with more than 72% of total volume share, a 38.8% increase since 2015. With more than £613m revenue in 2017, Prosecco represents almost 64% of total sparkling volume and 54% of category value.

NIELSEN Total Coverage MAT											
	VOLUME (L)				REVENUE (£)				PRICE PER 75cl		
	2017	TREND vs LY	TREND vs 2YA	VOL SHARE	2017	TREND vs LY	TREND vs 2YA	REV SHARE	2017	TREND vs LY	TREND vs 2YA
TOTAL	101,428,174	-1.9%	16.8%	100.0%	£1,144,188,858	0.1%	13.8%	100.0%	£8.46	2.0%	-2.5%
CHAMPAGNE	9,991,084	-20.4%	-20.7%	9.9%	£292,827,705	-10.6%	-11.1%	25.6%	£21.98	12.3%	12.1%
SPARKLING	91,437,090	0.6%	23.2%	91.1%	£851,361,153	4.4%	26.0%	74.4%	£6.98	3.7%	2.2%
TOP 10 SPARKLING COUNTRIES OUTSIDE OF CHAMPAGNE											
ITALY	73,150,424	2.5%	38.8%	72.1%	£682,492,347	5.9%	39.4%	59.6%	£7.00	3.4%	0.4%
SPAIN	15,161,802	-6.3%	-13.9%	10.9%	£127,116,269	-2.8%	-9.5%	26.6%	£6.29	3.8%	5.1%
FRANCE	1,079,838	24.7%	100.8%	14.9%	£11,758,777	34.1%	105.3%	11.1%	£8.17	7.5%	2.3%
ENGLAND	417,529	35.1%	56.6%	0.4%	£11,608,628	31.0%	73.2%	1.0%	£20.85	-3.1%	10.6%
AUSTRALIA	727,788	-28.1%	-52.6%	0.7%	£7,756,859	-26.3%	-51.7%	0.7%	£7.99	2.4%	2.1%
SOUTH AFRICA	250,984	-31.8%	-49.8%	0.2%	£3,076,275	-9.9%	-21.3%	0.3%	£9.19	32.1%	56.9%
NEW ZEALAND	201,625	-21.7%	-48.1%	0.2%	£3,014,827	-24.9%	-50.0%	0.3%	£11.21	-4.2%	-3.6%
USA	240,793	6.8%	1.3%	0.2%	£2,316,306	9.2%	-4.4%	0.2%	£7.21	2.2%	-5.6%
OTHER	125,291	2.2%	17.9%	0.1%	£1,135,441	-6.3%	4.9%	0.1%	£6.80	-8.4%	-11.0%
CHILE	50,331	-29.7%	-67.1%	0.0%	£558,954	-23.0%	-61.8%	0.0%	£8.33	9.4%	15.9%

Table 1: Sales trends of Champagne and sparkling wines in the UK off-trade market from 2015 to 2017

While Spain is still an important source, it continues to decline year on year, despite the lowest average price per bottle (£6.29 RSP).

Outside of Champagne, France is performing well, with 100.8% growth over the past two years.

	NIELSEN Total Coverage MAT								
	VOLUME (L)			REVENUE (£)			PRICE PER 75cL		
	2017	TREND vs LY	TREND vs 2YA	2017	TREND vs LY	TREND vs 2YA	2017	TREND vs LY	TREND vs 2YA
FRANCE (Sparkling without Champagne)	1,079,838	24.7%	100.8%	£11,758,777	34.1%	105.3%	£8.17	7.5%	2.3%
OWN LABEL	279,157	117.2%	700.1%	£3,213,804	119.7%	684%	£8.63	1.1%	-2.0%
BOUVET LADUBAY	163,033	15.6%	43.7%	£2,181,817	26.2%	57%	£10.04	9.2%	9.3%
CRUSET	160,640	-24.3%	49.1%	£1,436,907	-14.9%	65%	£6.71	12.4%	10.8%
CUVEE ROYALE CREMANT DE LIMOUX	93,901	33.4%	64.7%	£1,183,546	32.6%	62%	£9.45	-0.6%	-1.4%
LANGLOIS	61,736	37.4%	24.7%	£876,674	51.2%	35%	£10.65	10.0%	8.1%
J P CHENET	52,626	-30.5%	-33.8%	£511,507	-23.0%	-27%	£7.29	10.8%	10.5%
CREMANT DE BOURGOGNE	27,761	14.2%	11.8%	£420,616	14.9%	11%	£11.36	0.6%	-0.3%

Table 2: Sales trends of French sparkling wines outside of Champagne in the UK off-trade market from 2015 to 2017

The growth is driven by Crémant (Table 2), with an organoleptic profile that is close to ESW and Champagne but prices which compete with Prosecco and Cava.

Charles Craven, Senior Buying Manager BWS at Asda notifies this trend “*Under the influence of sommeliers in the on-trade, Crémant permits to re-educate consumers to traditional method sparkling wine at an affordable price*”. Crémant benefits from possessing a more craft image than Prosecco (IWSR, 2017) and could be a threat to Champagne sales in the short term. However, it could also increase consumer interest in traditional method sparkling wine, which should be an opportunity for both Champagne and ESW producers.

England started from a low volume base but is already the fourth largest country by value, just behind France without Champagne, with more than £11.6m in revenue.

Table 3 shows the evolution of ESW with details on key brands and highlights that the category has the second highest average price per bottle at £20.85 RSP, with double-digit growth in 2017 both in volume (35.1%) and revenue (31.0%).

	VOLUME (L)				REVENUE (£)				PRICE PER 75cl		
	2017	TREND vs LY	TREND vs 2YA	VOL SHARE	2017	TREND vs LY	TREND vs 2YA	REV SHARE	2017	TREND vs LY	TREND vs 2YA
ENGLAND	417,529	35.1%	56.6%	100.0%	£11,608,628	31.0%	73.2%	100.0%	£20.85	-3.1%	10.6%
TOP 10 ENGLISH SPARKLING WINE											
NYETIMBER	117,070	0.5%	32.2%	28.0%	£4,203,543	4.5%	41.2%	36.2%	£26.93	4.0%	6.8%
CHAPEL DOWN	143,304	41.2%	13.4%	34.3%	£3,542,710	51.1%	54.4%	30.5%	£18.54	7.0%	36.2%
OWN LABEL	88,741	111.8%	434.8%	21.3%	£1,842,534	75.3%	311.2%	15.9%	£15.57	-17.2%	-23.1%
RIDGEVIEW	26,925	88.0%	128.3%	6.4%	£770,322	78.8%	125.5%	6.6%	£21.46	-4.9%	-1.2%
CAMEL VALLEY	11,854	40.0%	202.9%	2.8%	£407,449	42.1%	193.6%	3.5%	£25.78	1.5%	-3.1%
BALFOUR	12,361	25.8%	101.5%	3.0%	£330,232	23.1%	95.6%	2.8%	£20.04	-2.1%	-2.9%
DENBIES	3,994	-10.9%	35.4%	1.0%	£92,191	-7.5%	30.0%	0.8%	£17.31	3.8%	-4.0%
BREAKY BOTTOM	1,192	-1.5%	-14.7%	0.3%	£39,827	4.0%	-8.9%	0.3%	£25.06	5.6%	6.9%
HATTINGLEY VALLEY	1,078	64.5%	417.9%	0.3%	£39,688	56.9%	370.7%	0.3%	£27.62	-4.6%	-9.1%
FURLEIGH ESTATE	1,225	79.1%	527.0%	0.3%	£34,913	80.9%	495.5%	0.3%	£21.38	1.0%	-5.0%

Table 3: Sales trends of ESW s in the UK off-trade market from 2015 to 2017

The ESW market is concentrated on two brands: Nyetimber and Chapel Down, which represent 62.3% of total ESW volume and 66.7% of the category's revenue.

Chapel Down is the biggest contributor to this growth with 41.2% volume increase and offers one of the most competitive average prices of the category at £18.54 RSP.

Over £15.00 RSP per 750ml, the sparkling market is limited to Champagne and ESW, (Table 4). The two together represent more than 99.5% of volume and revenue sales.

	VOLUME (L)			REVENUE (£)		
	2017	TREND vs LY	VOL SHARE	2017	TREND vs LY	VAL SHARE
TOTAL	7,869,275	-13.1%	100.0%	£256,263,296	-6.4%	100.0%
CHAMPAGNE	7,445,699	-14.5%	94.6%	£244,010,567	-7.6%	95.2%
SPARKLING	423,576	22.7%	5.4%	£12,252,729	25.8%	4.8%
SPARKLING WINE ORIGIN > £15.00 RSP						
FRANCE	7,450,730	-14.5%	94.7%	£244,181,912	-7.6%	95.3%
ENGLAND	381,271	24.4%	4.8%	£11,112,378	26.4%	4.3%
NEW ZEALAND	26,414	-6.6%	0.3%	£666,006	-3.7%	0.3%
ITALY	9,994	74.5%	0.1%	£278,039	97.0%	0.1%
AUSTRALIA	580	5762.6%	0.0%	£17,294	5875.7%	0.0%
SPAIN	256	-63.5%	0.0%	£7,060	-66.2%	0.0%
USA	29	-90.0%	0.0%	£608	-92.5%	0.0%
SOUTH AFRICA	1	-94.8%	0.0%	£0	-100.0%	0.0%

Table 4: Sales trends of sparkling wines (750ml) above £15.00 RSP in the UK off-trade market between from 2016 to 2017

Champagne represents 94.6% of volume sold above £15.00 RSP but ESW is the first non-Champagne sparkling wine to establish itself in this category.

So, if double-digit growth persists in the future, Champagne could be facing a genuine competitor within this price bracket in the UK off-trade.

5.2 Analysis of Champagne decline in the off-trade

The 2017 performance of Champagne in the off-trade was particularly poor, with a 20.4% reduction in volume (Table 1), corresponding to 2.5m litre loss in a single year.

5.2.1 Correlation between price and volume

For the first time, in 2017, the average price per bottle for Champagne in the UK off-trade exceeded £20.00 RSP at £21.98 RSP, with a 12.3% increase between 2016 and 2017. Figure 1 illustrates the correlation between price and volume and shows that 50.6% of total volume lost in 2017 came from the £10.00-£15.00 RSP category.

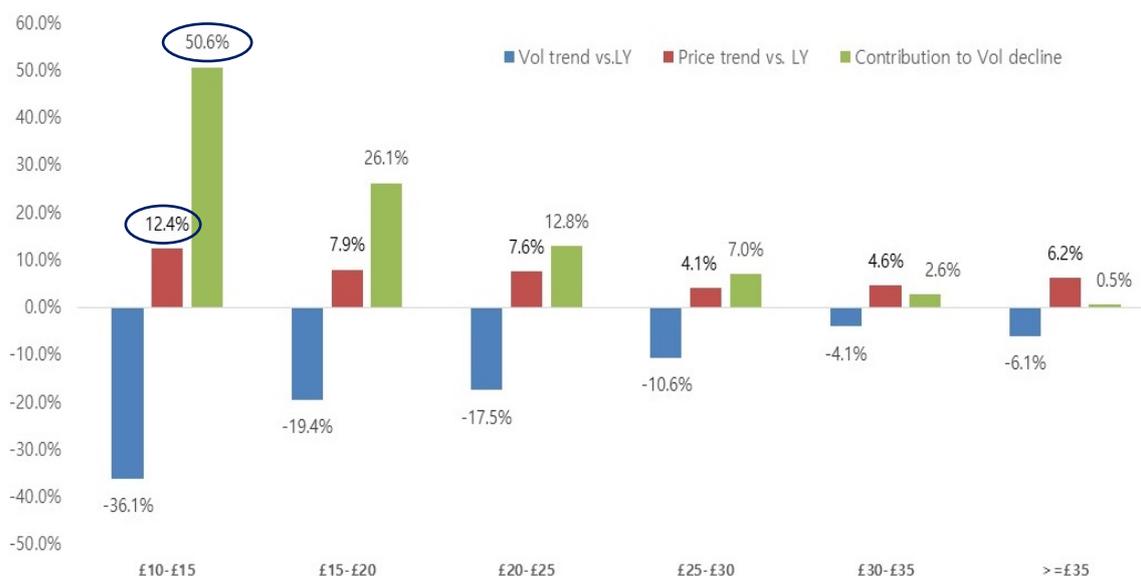


Figure 1: Volume and price trends of Champagne between 2017 & 2016 in the UK off-trade market

This segment registered the highest average price increase (+12.4%) moving from an average RSP of £11.12 in 2016 to £12.50 in 2017. Entry-level Champagne has seen the greatest price increase because the category is more impacted by currency fluctuation and the rising cost of grapes but also because the low margins for UK retailers in this price segment are increasingly unsustainable (cf. section 5.2.3).

The strong price sensitivity in all market segments also suggests that Champagne has reached a more mature stage of its development with a greater number of other sparkling wines available for consumers. Jean Marie Barillère, president of Union des Maisons de Champagne (pers.comm, 2018) provides the following explanation *“In the past, the UK was a reverse pyramid with a small base of sparkling consumers and a large customer base for Champagne as the only alternative above £10.00 RSP. Today, with the dynamic growth of the sparkling category driven by Prosecco, the pyramid seems more balanced, with a larger customer base and a higher diversity of styles”*.

5.2.2 Price elasticity of demand and product maturity

The price elasticity of demand (PED) calculation¹⁶ presented in Table 5 measures the influence of price changes on product demand and confirms the high elasticity of Champagne in the off-trade, particularly below £20.00 RSP.

¹⁶ The price elasticity of demand is calculated using the following formula: $n = ((Q1-Q0)/(Q1+Q0)) / ((P1-P0)/(P1+P0))$. In the formula, P0 and Q0 represent the starting price/quantity combination, and P1 and Q1 represent the ending price/quantity combination (Graham, 2013).

PED is often linked to the life cycle of a product. In a growth phase, the product appears inelastic, because demand is high and there is an aspirational status attached to the purchase. Scarcity or lack of a substitute also contributes to price inelasticity in relation to product demand.

When a product matures, elasticity increases with broader competition and a higher number of substitutes. No more pipelines need to be filled and price competition is intense (Levitt,1965). A PED below -1 indicates that demand is strongly linked to a change in price, while a figure closer to zero indicates that demand is not very responsive to such a change.

Table 5 shows that elasticity in Champagne is high (-1.96), particularly at entry level, with a PED of -3.79 for products sold below £15.00 RSP and confirms that the category has reached the maturity stage of its development.

	NIELSEN Total Coverage MAT											
	VOLUME (L)				REVENUE (£)				PRICE PER 75cl			PED
	2017	TREND vs LY	TREND vs 2YA	VOL Share	2017	TREND vs LY	TREND vs 2YA	VAL Share	2017	TREND vs LY	TREND vs 2YA	17 vs. 16
CHAMPAGNE	9,991,084	-20.4%	-20.7%	100.0%	£292,827,705	-10.6%	-11.1%	100.0%	£21.98	12.3%	12.1%	-1.96
£10-£15	2,295,641	-36.1%	-35.9%	23.0%	£38,274,654	-28.2%	-32%	13.1%	£12.50	12.4%	6.3%	-3.79
£15-£20	2,783,794	-19.4%	-25.5%	27.9%	£66,275,695	-13.1%	-21%	22.6%	£17.86	7.9%	6.7%	-2.83
£20-£25	1,552,114	-17.5%	-7.6%	15.5%	£46,603,455	-11.3%	-1%	15.9%	£22.52	7.6%	6.7%	-2.62
£25-£30	1,515,276	-10.6%	-9.8%	15.2%	£55,059,854	-7.0%	-6%	18.8%	£27.25	4.1%	3.8%	-2.82
£30-£35	1,592,551	-4.1%	0.3%	15.9%	£70,627,758	0.3%	4%	24.1%	£33.26	4.6%	3.8%	-0.93
>=£35	200,273	-6.1%	-4.1%	2.0%	£14,314,884	-0.2%	5%	4.9%	£53.61	6.2%	10.0%	-1.03

Table 5: Sales trends and PED of Champagne per price category in the UK off-trade market over the last 2 years

At this stage of life cycle, it is key for Champagne to differentiate itself with attributes other than price where the region cannot be competitive. A more premium offer could be the answer even though this transition will continue to impact volume sales.

According to Jean Marie Barillère (pers.comm, 2018), future growth will be in value and not in volume. *“It will be more beneficial for Champagne to ship 20 million bottles sold above £25.00 RSP to UK consumers rather than shipping 33 million bottles with one third of it sold below £20.00 RSP”*. This is particularly true considering the limited potential for volume growth. Champagne’s restricted area of appellation and increasing demand for premium products from other markets can potentially reduce supply of entry-level products. Comparatively, in 2017, the average ex-cellar price per bottle shipped to the USA was €23.40 whilst it was only €14.90 for the UK market (Comité Champagne, April 2018).

It is interesting to note, in Table 5, that Champagne between £30.00 and £35.00 RSP performs better, even showing slight growth since 2015 (+0.3% in Volume and +4% in revenue). Pierpaolo Petrassi MW, Head of Category for Beers, Wines and Spirits at Waitrose explains that despite Waitrose’s average RSP on Champagne being around £30.00 (£8.00 above average market price at £21.98), the category is experiencing growth. The demographic of Waitrose¹⁷ consumers is one explanation, but Petrassi also notes that *“education with a selective range of products is key and it is difficult to convince consumers that Champagne is something unique when you can find a bottle at £10.00 RSP”*.

¹⁷ Waitrose has 100 stores inside the M25 and Pierpaolo Petrassi MW (Interview, 2018) mentions that the population of this area has a higher purchasing power and is less sensitive to price than in other part of the UK.

5.2.3 Impact of entry level Champagne on total decline

Figure 1 (page 17) indicates that in 2017, 76.7% of the off-trade volume decline came from Champagne below £20.00 RSP, with the biggest decrease (-36.1%) coming from Champagne below £15.00 RSP. There are several reasons for this decline:

Patrick Spanti, Export Director for Europe and Travel Retail at Champagne Jacquart explains, *“Consumers who purchase entry-level Champagne are not loyal to the category and they buy only when the price is highly competitive”*.

The combination of the pound’s devaluation against euro, increased Excise Duty, and rising costs in Champagne, has had a significant impact on entry-level Champagne and has pushed consumers towards cheaper alternatives. For Asda’s Charles Craven, *“Prosecco offers an affordable alternative for occasional sparkling drinkers notably those who purchase once a year for special events. British consumers are not afraid to showcase Prosecco for a wedding or a celebration when in the past it was with Champagne, often from the entry-level”*.

Furthermore, it is less profitable for retailers to sell entry-level Champagne because the margins are decreasing. As illustrated in Table 6, a bottle of £15.00 RSP Champagne bought at €10.00 ex cellar in May 2016 offered 22.5% gross margin to UK retailers. The same bottle today offers only 9.6%.

	May-16 £1 = €1.31	May-18 £1 = €1.14
RSP per bottle (£)	£15.00	£15.00
VAT	£2.50	£2.50
Excise Duty	£2.67	£2.77
Per bottle net list	£9.83	£9.73
Ex-Cellar price €10	£7.61	£8.80
Retail gross margin	22.5%	9.6%

Table 6: Impact of exchange rate and Excise Duty on gross margin for Champagne at £15.00 RSP
Source : <https://fr.exchange-rates.org> - <https://www.gov.uk/>

According to Dominique Lahure, UK Export Manager at Champagne Nicolas Feuillatte, UK retailers have used Champagne to drive traffic and attract consumers with deep promotions, particularly before Christmas. Lahure states: *“Offers with bottles below £10.00 RSP generated volume but investment was high for retailers because they lost money on each bottle”*. With recent price increases these practices have disappeared or request a high investment from retailers. Charles Craven confirms *“Usually we do a Christmas offer on Champagne at £10.00 RSP and in 2017 we even did a three-day deal at £8.00 RSP on Pierre Darcys Brut to drive footfall in our stores. However, this is not sustainable growth because it is not possible to make money on Champagne below £12.00 RSP and it generates frustration for the consumers because the volume is sold very quickly. We will not run it again”*.

As detailed in sections 5.1 and 5.2, the drop in Champagne sales in the UK off-trade can be explained by the following:

- High price elasticity due to the maturity of the category.
- Decline in promotions because of decreasing margins for retailers and producers.
- Emergence of attractive and cheaper alternatives for British consumers.

5.3 Loyalty card members data analysis (unavailable section)

5.4 Does ESW growth represent a threat for Champagne producers in the UK off-trade?

5.4.1 What is the growth potential of ESW in the UK off-trade for the next five years?

There is little doubt that ESW will continue its expansion in the UK off-trade, but the question remains as to the level it will reach and if cannibalisation will increase over the next five years.

The points mentioned below support the idea that the market could absorb more volume of ESW:

- Double-digit growth with limited price elasticity highlights a category at the beginning of its growth cycle.
- Repeat purchasing, which is increasing week upon week, proves that ESW is building up a loyal customer base.
- Distribution in the off-trade is still limited, as is the number of available SKUs on shelves.
- Most national buyers interviewed mention high demand, with an opportunity for growth in the future. Emma Dawson MW, Buyer at M&S says: *"We see it as having a very bright future. The increased plantings are starting to come into play and the awareness of the quality of the category is growing with consumers each year along with it"*.

Rob Dixon at Tesco comments: *"We launched our first ESW in November 2016 and demand has been so strong that we now have four lines"*.

Sarah Knowles MW states: *"The category still has good growth potential if supply can keep up and continue to supply NV styles under £30 RSP"*.

Ana Sapungiu MW for Oddbins also confirms an increasing demand: *“The offer was doubled 18 months ago and new producers will be listed soon. In 2017, the category increased by 35% by value”*.

- Interest for local consumption will expand the customer base.

However, all these points do not quantify volume and it is important to have a look at production forecasts to measure any potential threats to Champagne sales.

Production forecasts released in January by WineGB indicate production of 10 million bottles by 2020, with sparkling accounting for 66% of this and exports rising from 5% today to 25%. However, increasing exports from 250,000 bottles in 2017 to 2.5m in 2022-2023 would be a major challenge. According to Frazer Thompson, CEO of Chapel Down: *“Exports on this level require huge marketing investment to be sustainable and not lots of small well-meaning fulfilment of “Curiosity” small orders to bizarre markets. The US is by far the biggest opportunity. There are only two brands that could do it! And we don’t think we will export 250,000 bottles by 2022/3 and we are the best-known brand with the biggest distributor in the US”*.

Provided these forecasts are accurate and there is no climatic impact on yields, this means that a minimum of five million bottles of ESW will be released into the UK market by 2022¹⁸ and the off-trade will be important to absorb this volume.

¹⁸ The first bottles produced from 2020 vintage will not be released on the market before 2022. At Chapel Down the Classic Non-Vintage Brut ages on average 18 months on lees while at Gusbourne the Brut Reserve has a minimum less ageing of 36 months.

5.4.2 What is real threat of ESW to Champagne sales?

Previous data presented in this paper shows that the development of ESW comes from recruitment of new sparkling wine consumers, expansion of spend from existing sparkling shoppers and cannibalisation. As Champagne is the most cannibalised category, there is, in theory, a threat to Champagne producers of losing sales in the off-trade if revenue and volume gained by ESW grow in the manner previously illustrated in Figures 3.1 and 3.2 (unavailable).

In reality; the threat is low, for two reasons:

1. Champagne volume will decline without competition from ESW.
2. There is a lack of visibility on how the market will absorb these additional bottles of ESW, particularly in the off-trade.

The first factor indicating the threat is low, is the probable ongoing decline of Champagne sales in the UK market unrelated to ESW development.

Table 9 presents IWSR sales forecasts for Champagne in the UK over the next five years and confirms current trends with continued regression within the entry level segment.

VOLUME (000's of 9-litre cases)						
	For 2017	For 2018	For 2019	For 2020	For 2021	5 years Trend
CHAMPAGNE TOTAL	2,271	2,216	2,160	2,105	2,049	-9.8%
Ultra Premium > £75	48	48	48	47	47	-1.1%
Super Premium £25-£74.99	1,090	1,088	1,086	1,084	1,081	-0.8%
Premium £15-£24.99	571	544	516	489	461	-19.3%
Standard < £14.99	563	537	511	486	460	-18.2%

Table 9: IWSR 5 years forecasts of Champagne sales per price category in the UK

Champagne below £25.00 RSP could lose almost two million litres (2.5m bottles) over the next five years. Graziella Jeffery, Business Development Director at IWSR (pers.comm, 2018), outlined the reasons why Champagne below £25.00 RSP will continue to decline:

1. Impact of the rising cost of grape¹⁹ and currency volatility is lower on *Grandes Marques* than on entry-level products. The increase of grape prices will continue, so the volume previously retailed in the UK below £25.00 will fall away for economic reasons.
2. Entry-level consumers who only purchased Champagne on promotion are transferring to cheaper alternatives (notably Prosecco). These shoppers stopped buying Champagne and will not come back to the category because prices are now too high for them.

Table 10 shows how challenging it is in 2018 for producers to make money on Champagne sold at £20.00 RSP, considering Excise Duty, VAT and current exchange rate. On the assumption that retailers take a 30% margin the price back to producers in 2018 must be £9.73 ex cellar per bottle.

	May-16 £1 = €1.31	May-18 £1 = €1.14	May-18 £1 = €1.14
Retail Selling Price per bottle (£)	£20.00	£20.00	£25.00
VAT	£3.33	£3.33	£4.17
Excise Duty	£2.67	£2.77	£2.77
Per bottle net list price	£14.00	£13.90	£18.06
Retailer buying price ex Duty ex VAT (30% margin)	£9.80	£9.73	£12.64
Cost Price per 750ml: €10.73	£8.19	£9.41	£9.41
Wine cost: €7.35	£5.61	£6.45	£6.45
<i>Cost of grape: €7.07 (€5.89*1.2kg)</i>			
<i>Winemaking :€0.28 (€0.37/hl)</i>			
Sparkling production: €1.75	£1.34	£1.54	£1.54
<i>2nd fermentation-Riddling-Disgorgement-Dosage</i>			
Dry Goods and Conditioning : €1.30	£0.99	£1.14	£1.14
<i>Bottle €520 /1,000</i>			
<i>Bidule, cork ,crown cap and wire cage €295/1,000</i>			
<i>Labels (front, back and neck-band) €200/1,000</i>			
<i>Cardboard wine box for 6 bottles €0.60 (€0.1 per bble)</i>			
<i>Tirage and dosage €190/1,000</i>			
Ageing (18 months): €0.33	£0.25	£0.29	£0.29
<i>3%/year on wine cost (3%*7.35*1.5)</i>			
Producer Gross Margin in %	16.4%	3.2%	25.6%

Table 10: Profit and Loss Statement (P&L) for Champagne producers in the UK market

Source : *Référentiel économique du vigneron* © 2015 / 2019 – CDER – Institut Œnologique de Champagne – Comité Champagne - <https://fr.exchange-rates.org> - <https://www.gov.uk/>

¹⁹ Average Champagne grape prices increased by 11% between 2007 and 2017 (Comité Champagne, 2018).

Cost prices²⁰ detailed in Table 10 show that with the current exchange rate, a producer selling at £20.00 RSP makes 3.2% gross margin (GM) per bottle before overheads, equipment depreciation, advertising and promotion, financial and distribution costs. This GM was 16.4% in May 2016. At £25.00 RSP, GM rises to 25.6% which is closer to producer expectations. Lanson BCC, an active player in the UK off-trade in this price category, had a 35.8% GM in 2017 (2017 Financial Report).

As previously detailed, a £20.00 RSP Champagne is, first, too expensive to attract sparkling shoppers interested in a good deal, and secondly, it does not offer a sustainable margin for producers. With regard to Brexit and unknown trading conditions between the UK and EU, there is no reason to expect a significant improvement in the exchange rate²¹ in 2019. It therefore seems that even without the competition of ESW, the Champagne offer would have been forced to trade up above £25.00 RSP for financial reasons.

Furthermore, it is too early to know how the off-trade will absorb additional supply of ESW, and most notably its price policy.

²⁰ The cost price has been calculated with the following assumptions:

- Champagne sold at £20.00 RSP does not age more than 18 months on lees.
- Champagne sold in May 2016 has been made predominantly with grapes from 2014 harvest.
- Champagne sold in May 2018 has been made predominantly with grapes from 2016 harvest.
- Average grape prices between 2014 and 2016 have not changed. According to Comité Champagne (2017) average grape prices were €5.89 /kg in 2014 and €5.90 / kg in 2016.
- 1.2kg of grapes is required to produce one bottle of Champagne. In Champagne 160kg of grapes gives 1.02hl of juice meaning that 156,86kg of grapes gives 1hl of must which gives 98.5l of wine (loss of 1.5l of lees) which finally give 98l of Champagne (loss of 0.5l of dead yeast).
- Winemaking costs €0.37/hl for still wine production (Référentiel économique du Vigneron® 2015/2019, 2015). For a 750ml bottle, it represents €0.28 per unit.
- Second fermentation in bottle, riddling, disgorgement costs represent €1.75 per bottle (Référentiel économique du Vigneron® 2015/2019, 2015).
- Financial cost of ageing is calculated by taking 3% per year on the still wine costs (cost of grapes + first fermentation costs) (Référentiel économique du Vigneron® 2015/2019, 2015).

²¹ The Pound-to-Euro exchange rate is forecast by UBS to trade at 0.88 in 2019 in the event of a hard 'no deal' Brexit. In the case of a 'soft Brexit' Brexit, the Pound-to-Euro exchange rate is forecast to trade at 1.05 in 2019.

Source : <https://www.poundsterlinglive.com/eur/9955-pound-to-euro-outlook-no-deal-scenario>

For Julien Lonneux, International Development Director at Vranken Pommery Monopole, the next five years will be crucial in terms of financial perspectives for ESW development. He states: *“Below £20.00 RSP today we don’t make any money on ESW, but there is a short-term risk to see the category moving in the £15.00-£20.00 RSP segment if production grows faster than the demand, particularly in a hard economy.”*

Charlie Holland, Chief Executive of Gusbourne PLC also identifies increasing competition as a risk for price *“With the anticipated continuing growth in vineyard plantings in the South of England, the supply of ESW is likely to continue to increase and provide increased competition from other suppliers. This may adversely affect retail prices of ESW”* (Gusbourne PLC Report and Financial Statements 2017, p16).

The smallest producers could struggle to finance production and stock, and short term financial cash flow could push them to sell at a cheaper price. Despite restricted availability, promotions up to 25% already exist on ESW, as illustrated in Pictures 1, 2 and 3, so it is reasonable to assume that an increase in number of products available could accentuate these mechanisms.



Picture 1: Promotion on Chapel Down Reserve NV Brut at Sainsbury's
source: author



Picture 2: Promotion on Nyetimber Classic Cuvée NV at Waitrose
source: author



Picture 3: Promotion on Denbies Greenfields at Waitrose
source: author

According to Béatrice Leung, Insight Manager at Moët Hennessy UK: *“The growth of ESW is mainly driven by word of mouth. There is no, or limited, brand territory outside of the local alternative to Champagne and it’s not enough to build long term success”*. Ana Sapungiu MW, Head Wine Buyer at Oddbins confirms *“It’s a long-term approach to establish a market with bottles above £20.00 RSP. ESW needs to stand alone rather than referring to Champagne”*. For James Reed, Sparkling Wine Buyer at Majestic, *“If a larger volume would be available tomorrow, the risk of seeing deeper promotions could happen because the ESW brands are not strong enough for the moment. There is a lack of identity and producers need to rebrand their offer because the focus on regionality or local alternatives to Champagne is not the right strategy to drive volume”*.

Today it seems only a few players have a long-term vision and the financial potential to invest in brand development. Table 3 (p16) shows that the growth in the off-trade is driven by brands below £25.00 RSP and the biggest one, Chapel Down, is sold with an average price of £18.54 RSP. According to Frazer Thomson, the sweet spot for ESW in the off-trade is between £18.00 and £25.00 RSP for a non-vintage, and as making money is crucial to all, positioning will lead to industry consolidation in the future. For Frazer, it’s vital for the industry to develop off-trade sales which are today under-represented. *“Getting all that PR and not being able to sell where most people still buy their wine is daft”*.

Large numbers of small players with a lack of brand territory could be a threat for the local industry, particularly in maintaining current price and securing industry margins. The next five years will be crucial for the ESW industry, particularly in establishing a sustainable business model and injecting brand investment to build long-term growth.

These two points highlight the fact that the development of ESW currently represents a limited threat to Champagne producers, but conversely, the macro-economic situation offers them an opportunity to establish themselves in the £18.00-£25.00 RSP segment, in a market where, previously, Champagne was the only option.

The 2-3m additional bottles that Champagne producers will eliminate from the UK market will enable it to absorb additional production of local sparkling wine and establish a larger offer of ESW below £25.00 RSP.

Paul E Beavis confirms *“Inflationist trends in Champagne will continue and ESW could take a significant share of the entry-level price for Champagne because it becomes more and more difficult for Champagne to be competitive below £25.00 RSP.”*

For Beavis, *“This additional loss of two to three million bottles of Champagne could be an opportunity for ESW producers if they capitalise on this period to clarify their brand message”*.

5.5 Does ESW growth represent an opportunity for Champagne producers in the UK off-trade

Rather than a threat, it appears that ESW could represent an opportunity for Champagne producers, particularly those who have decided to invest locally. The growth of the sparkling category is also an opportunity to recruit new consumers and educate them for better positioning and a focus on quality.

5.5.1 Local investment opportunity

Two notable Champagne houses (Taittinger and Pommery) have recently purchased land and planted vineyards to produce ESW, and others are assessing the opportunity England could present for sparkling production.

The contrast between Taittinger's Domaine Evremond and Louis Pommery's approach to England is stark, because the former does not make any reference to Champagne in its name, while the second one capitalises on a historical Champagne name to produce traditional method sparkling wines outside of its native region. Also, Taittinger will not release any bottles before 2023 while Pommery has already started to sell through a local partnership with Hattingley Valley for grape sourcing and production facilities. For both houses, quality was a prerequisite, and the fact that England now produces high quality sparkling wines justified the local investment.

Pierre-Emmanuel Taittinger, CEO of Champagne Taittinger outlines the main factors that pushed them to invest in England:

- A human partnership driven by loyalty and a long friendship with their historical importer in the UK, Hatch Mansfield, who were keen to invest in a local vineyard. Taittinger already explored this model with the Kopf family at Domaine Carneros, with the idea of capitalising on an emerging market with low competition and strong growth potential.
- The combination of global warming, chalky soils, improved winegrowing and the cost of land convinced Taittinger that, even with high risks on yields, the investment could be profitable.

For Julien Lonneux and Vranken Pommery Monopole it's also an intuitive investment and qualitative experimentation driven by a one-man vision, "*Paul Francois Vranken likes the idea of enlarging sparkling opportunities. Champagne is our core business but in England we experiment, with, at the end, a limited risk in terms of investment*".

There is little philanthropy in the wine industry, and it seems that investment in England provides a quicker return than in Champagne where vineyards' transactions are limited and expensive.

Given the assumptions below, it is possible to compare the gross rate of return²² /ha with the investment in land for sparkling production in Champagne and England.

- Average vineyard price in Champagne is €1,526,750/ha (AgriFrance, 2018 Rural Report).
- Average vineyard price in England is £70,000/ha²³.
- Products have a £25.00 RSP in the off-trade.
- Champagne and ESW producers sell direct to retailers which take 30% margin.
- Champagne and England have the same extraction rate with 1.2kg of grapes producing one bottle of sparkling wine (750ml)²⁴.
- Average yield in Champagne is 10,400kg/ha (Comité Champagne, 2018).
- Average yield in England is 6,500kg/ha²⁵.

²² Gross rate of return: total rate of return on an investment before the deduction of any fees or expenses.

²³ According to Nick Watson, Senior Director Land Management at Strutt & Parker (pers.comm, 2018), there is no accepted figure for average vineyard price in the UK because transactions are limited and most of the deals are made off-market. However, he estimates a bracket of £60,000 to £80,000/ha between the cost of suitable arable land for vineyard establishment (from £30K to £50K per hectare) and the costs to establish the vineyard (another £30K per hectare for soil preparation, drainage, wind break, plantation, and trellising system), so an average of £70,000 seems realistic.

²⁴ In Champagne 160kg of grapes gives 1.02hl of juice meaning that 156,86kg of grapes gives 1hl of must which gives 98.5l of wine (loss of 1.5l of lees) which finally give 98l of Champagne (loss of 0.5l of dead yeast).

²⁵ This number is well above the 10-year average of 20.35hl/ha (around 3,100kg/ha) published by WineGB but seems more realistic for well-established, mature vineyards. Ben Kantsler, viticulturist at Nyetimber (pers.comm, 2018) mentions an average yield of 6,500kg/ha with variations from 3,000kg/ha in young vineyards to 10,000kg/ha in mature one.

The low average yield from official data is explained by the impact of 2012 vintage, the low yields from vineyards recently planted but also from vineyards established in poor sites in the past.

By dividing gross revenue per hectare by the capital invested in the purchase of this hectare, and without any consideration for growing, picking, investment in facilities and production costs, Table 11 shows that investing in a vineyard in the UK offers a gross rate of return/ha almost 12 times higher than in Champagne.

	Champagne £1 = €1.14	ESW
Retail Selling Price per bottle (£)	£25.00	£25.00
VAT	£4.17	£4.17
Excise Duty	£2.77	£2.77
Per bottle net list price	£18.06	£18.06
Retailer buying price ex Duty ex VAT (30% margin)	£12.64	£12.64
Average hectare costs	£1,339,254	£70,000
Yield (kg/ha)	10,400	6,500
Bottles produced per hectare	8,667	5,417
Revenue per hectare	£109,547	£68,490
Ratio	0.08	0.98

Table 11: Gross rate of return per hectare in Champagne and England on a £25.00 RSP bottle

Nevertheless, UK vineyards are more vulnerable to weather variations than Champagne, even though growing season average temperatures (GST) are close.

According to Frédéric Rouzaud, President of Louis Roederer Champagne, who investigated the UK's potential for viticulture 10 years ago, *“Risks on yield were too high because of the frequency of wind and precipitation at key phenological stages”*.

Bruno Paillard, C.E.O of the eponymous Champagne, also noted a growing interest in ESW but for him humidity is clearly an issue in developing sustainable viticulture. *“With global warming, rainfall does not decrease in oceanic climates, so the combination of higher temperatures and humidity offers perfect conditions for botrytis and mildew, which results in intensive use of pesticides.”*

Climate and Weather Impacts on UK Viticulture (Nesbitt, Kemp, Steele, Lovett, Dorling, 2016) confirms these statements “*Viticulture in the UK is vulnerable to weather variability resulting from the UK’s geographical positioning. For those investing in the UK, viticulture climatic risks may be ameliorated through management strategies, market forces and their ability to cope with lower yielding years*” (Australian Journal of Grape and Wine Research, 2016, p334).

However, these risks exist in all cool climate winegrowing regions and can be managed by better site selection, drainage, or wind breaks. Hush Heath Winery records an average yield of 9,000kg/ha (Ash, 2018, pers.comm); on mature vineyards at Nyetimber it is up to 10,000kg/ha (Kanstler, 2018, pers.comm).

Investing in England requires capital to establish vineyards in a good site, to cover the instability of yields and support stock from extended lees ageing but ultimately it is a business model close to Champagne.

That ESW producers are recruiting winemakers with previous experience in Champagne, and head-hunters are contacting sales and marketing managers from major Champagne houses to offer them opportunities to join the ESW industry (Calonne, 2018, pers.comm), highlights the importance of winemaking knowledge and distribution network. Champagne houses have both, giving them a strong competitive advantage over local producers.

A high-quality ESW made by an established Champagne producer in a dynamic market is not a guarantee of success but it clearly provides an advantage for building a strong relationship with local trade. In 2017, the launch of Domaine Evremond was widely reported by the media²⁶, and even though it is difficult to measure the impact of press coverage on sales, Table 12 shows that Taittinger was the only national brand²⁷ which grew in volume (+6.8%) in 2017 in the top ten off-trade brands.

	NIELSEN Total Coverage MAT								
	VOLUME (L)			REVENUE (£)			PRICE PER 75cl		
	2017	TREND vs LY	TREND vs 2YA	2017	TREND vs LY	TREND vs 2YA	2017	TREND vs LY	TREND vs 2YA
MOET & CHANDON	1,103,327	-3.8%	-3%	£43,604,588	-1.1%	0%	£29.64	2.8%	3.0%
PRIVATE LABEL	1,188,851	-20.1%	-37%	£30,462,725	-13.9%	-31%	£19.22	7.8%	9.8%
VEUVE CLICQUOT	675,041	-4.0%	0%	£30,220,906	1.0%	5%	£33.58	5.2%	5.4%
LANSON	908,793	-23.0%	-11%	£29,761,207	-16.8%	-6%	£24.56	7.9%	5.9%
BOLLINGER	375,981	-7.6%	1%	£17,537,363	-2.6%	5%	£34.98	5.4%	3.9%
LAURENT PERRIER	317,677	-8.9%	-3%	£14,547,816	-5.3%	3%	£34.35	4.0%	5.8%
TAITTINGER	352,814	6.8%	13%	£13,341,597	10.0%	12%	£28.36	3.0%	-0.5%
LOUIS DELAUNAY	632,011	-32.7%	-31%	£9,685,605	-24.1%	-25%	£11.49	12.9%	8.6%
LOUIS VERTAY	420,739	20.4%	0%	£9,330,659	28.2%	0%	£16.63	6.5%	
NICOLAS FEUILLATTE	371,822	-21.1%	-48%	£9,181,276	-13.4%	-42%	£18.52	9.7%	11.3%

Table 12: Sales trend of top ten Champagne brands in the UK off-trade market from 2015 to 2017

5.5.2 Sparkling wine market development

Recent data published by Comité Champagne shows that the most dynamic markets for the region in 2017 were also markets with a dynamic domestic production of sparkling, and with a growing demand for sparkling wine. According to Jean Marie Barillère (pers.comm, 2018) *“The bigger the market is, the better it is, and many export markets are growing because local production is strong and permits us to enlarge the sparkling drinkers’ category”*.

²⁶ The launch of Domaine Evremond was both reported by trade media such Decanter, The Drinks Business, Harpers or WSTA but also by national media including The Guardian, The independent, The Daily mail, BBC News or The Telegraph.

²⁷ Champagne Louis Vertay is a private label for Marks and Spencer.

This is the case today in the United States, Italy and in Spain, where entry-level consumption is made up of domestic products and consumers reserve Champagne for special occasions. In these three markets, where both local production and consumption of sparkling are growing, the share of entry-level Champagne is close to nil (Table 13).

	ITALY		SPAIN		USA		UK	
	5Y Trend	Vol Share						
CHAMPAGNE	11.7%	100%	33.1%	100%	23.0%	100%	-7.7%	100%
<i>Ultra Premium > £75</i>	37.5%	3.2%	56.3%	1.9%	7.1%	6.4%	0.0%	2.1%
<i>Super Premium £25-£74.99</i>	13.6%	68.1%	30.0%	79.6%	22.8%	78.9%	7.1%	48.0%
<i>Premium £15-£24.99</i>	2.0%	27.7%	45.6%	18.5%	32.4%	14.7%	-23.0%	25.1%
<i>Standard < £14.99</i>		0.9%					-13.9%	24.8%
DOMESTIC SPARKLING	18.5%	100%	10.4%	100%	29.4%	100%	39.1%	100%
OTHER IMPORTED	-14.0%	100%	9.1%	100%	30.2%	100%	30.2%	100%

Table 13: IWSR 5-year trends for Champagne and sparkling wines in Italy, Spain, USA and UK

The UK is the only market where almost a quarter of the Champagne total volume is sold below £14.99 RSP. Half of the volume is sold below £25.00 RSP, while in the USA it's only 14.7% and 18.5% in Spain. In 2017, the USA was the number one Champagne market in terms of value (Comité Champagne, 2018) with an average ex-cellar price per bottle almost €10.00 more than in the UK (p20).

Table 13 also shows that during the past five years the growth of Super Premium Champagne has been dynamic with double-digit increases in all markets except for the UK. According to Jean Marie Barillère (pers.comm, 2018), "*Volume lost in the UK market is compensated by the demand from emerging markets with a better valorisation of the products*".

The increase of sparkling consumption combined with the development of a premium local offering in the form of ESW is clearly an opportunity for Champagne producers to redefine their offer and focus their strategy on products sold above £25.00 RSP in the off-trade. Barillère states: “*Each time a local market produces high-quality sparkling wines it benefits Champagne sales in value with a development of premium cuvées*”.

5.5.3 Reinforcing Champagne’s core strength

Wine Intelligence’s Vinitrac® report *Sparkling wine in the UK market (2017)* provides information on consumer perceptions about different categories of sparkling and shows that, for British consumers, the perception of Champagne is different from that of other sparkling wines²⁸.

	CHAMPAGNE	CAVA	PROSECCO
I don't know	3%	3%	2%
Low quality (0-2)	1%	1%	0%
Mid quality (3-7)	17%	53%	39%
High quality (8-10)	80%	43%	58%
Score	8.5	7.1	7.7

Table 14: Sparkling wine quality perception
 Base = Those who drink Champagne (n=941), Cava (n=860), Prosecco (n=947)
 Source: Wine Intelligence, Vinitrac® UK, March 2017, UK sparkling wine drinkers (n=1000)

Table 14 shows that 80% of Champagne drinkers consider it as a high-quality product with a score of 8.5 for quality perception compared to 7.1 for Cava and 7.7 for Prosecco.

²⁸ Data for ESW have not been presented in Tables 14 and 15 because it appears that people surveyed confused ESW with other sparkling wines because their answers on price did not match with the reality of the category. 83% of people who claimed they drink ESW spent less than £14.99 RSP on a bottle, with an average spend of £12.10 RSP per bottle which is well below the average RSP of £20.85 reports by Nielsen for the UK off-trade market. For Richard Halstead (pers.comm, 2018) the relative novelty of the category explains consumer confusion.

With regard to image perception (Table 15), the large number of scores above 40% shows that Champagne's territory seems clear to British consumers as being a combination of a sign of social status, quality and a celebratory drink. In terms of quality, tradition and sophistication, Champagne achieved a score that was twice as high as that of Prosecco and more than three times higher than that of Cava, and confirms Champagne's positioning must focus on these areas.

	CHAMPAGNE	CAVA	PROSECCO
Good value for money	12%	36%	43%
A refreshing drink	25%	31%	41%
Makes a good impression on others	44%	11%	22%
A sophisticated drink	54%	14%	23%
High quality	59%	21%	31%
A good drink for informal social situations	15%	33%	45%
A good drink for celebrations	59%	31%	46%
Popular with my friends	18%	20%	47%
Traditionally made	44%	20%	19%
I really like the taste	36%	27%	42%
Fashionable	28%	14%	48%
None of these	5%	17%	6%

Table 15: Image perception of different sparkling wine types
 Base=All drinkers of sparkling wine in the UK (n=1,000)
 Source: Wine Intelligence, Vinitrac® UK, March 2017, UK sparkling wine drinkers (n=1000)

Until now and despite aggressive pricing, Champagne has managed to maintain a very positive image with UK consumers. However, with challenges on costs, there is a risk of encountering quality issues in the future if some producers maintain low prices. For Pierre Emmanuel Taittinger *“The threat from entry-level Champagne is by far higher than from high quality ESW because it deteriorates the reputation of brand Champagne”*.

This should encourage Champagne producers to focus their investment and their communication on quality in the UK off-trade, to reinforce the positive perception British sparkling drinkers already have of the category.

By clarifying the offer with better price homogeneity, Champagne producers will capitalise on the positive attributes built by more than 250 years of selective positioning in the mind of the consumer.

6. Conclusion

The increase of Champagne Retail Selling Price in the UK off-trade as a direct result of currency fluctuations, rise of Excise Duty and increasing costs in the production region has had a significant negative impact on sales, particularly for entry-level Champagne. The rapid expansion of Prosecco has also changed consumer behaviour and has redefined the sparkling offer in the UK market. Consumers are more willing to explore a market where Champagne is no longer the only premium option. Recently, the emergence of ESW has established a new offer to British consumers in a price bracket and a territory which used to be exclusive to Champagne.

Data presented in this paper shows that, despite some cannibalisation and cross-purchasing between the two categories, over the next five years, the threat is limited for Champagne. Today, ESW is marginally contributing to Champagne's decline but is not a determining factor of it. However, action needs to be taken now to prevent damage from the growth of ESW in the future, for the following reasons:

- Champagne and ESW are not in the same product life cycle. The former has reached maturity while the latter is at the beginning of its growth. Champagne loses consumers week after week with no more distribution pipelines to fill in the off-trade. Price elasticity of demand is high with intense competition between numerous producers. On the other hand, ESW is expanding rapidly and enlarging its customer base every week, with a distribution gap to be filled and opportunities for an extension of the range.

The dynamism of ESW combined with wider availability in stores in the off-trade could redefine shelf planograms, with a larger section for the local offer at the expense of Champagne.

- Given that Champagne and ESW have similar territories, and given that both producers and the media present ESW as a local, cheaper and good quality alternative to Champagne, such communications may end up being detrimental to Champagne. Today, ESW is still niche but if Champagne producers let this message burgeon in the mind of the sparkling drinkers there could be a bigger challenge to face in the future.
- The current economic situation does not play in favour of Champagne, with the weakness of the British pound and the high level of uncertainty around Brexit terms. More than 50% of Champagne sold in the UK has an average retail price under £20.00, where margins are not sustainable for producers and begin to be tight for retailers. In this respect, ESW has a significant competitive advantage and offers higher margins to the trade.
- The dynamism of ESW attracts investors and even if the production forecasts for the next five years do not worry Champagne producers, the recent trade survey conducted by Wine Intelligence for WineGB predicts an industry at 40m bottles by 2040 (vs. 5.9m in 2017), with the assumption that exports will represent 25% of sales and sparkling 70% of the production. This means that 21m bottles of ESW could be released into the domestic market within 20 years. This scenario must be anticipated now by Champagne producers.

The points detailed above set out the reasons why Champagne producers should react to ESW development in the UK off-trade but rather than considering the rise of ESW as a threat, they should seize the market opportunities it offers and capitalise on them.

The image perception of Champagne is positive for UK sparkling consumers and most of them associate it with quality, tradition and sophistication and continue to associate it with being a celebratory drink. Champagne producers must redefine their offer and their territory, with a focus above £25.00 RSP in the off-trade, rather than squeezing margins below £20.00 RSP.

The dynamism of worldwide Champagne exports allows for a smooth transition to a much more premium offer with limited harm to producers. This strategy could be beneficial for reaching out to new sparkling consumers brought to the category by local production but also to avoid price competition with ESW in the £15.00-£25.00 RSP price segment.

Furthermore, ESW development offers a great opportunity for Champagne producers to transfer and apply their expertise to sparkling production and diversify their assets by investing locally. It is likely that the cost of land or grapes will remain lower than in Champagne with a better and quicker return. Local investment looks attractive, due to the prospect of ESW's dynamic growth over the coming years coupled with the fact that distribution costs may be limited by using an existing network both for the domestic market and for export.

Sir Winston Churchill said, "*Champagne is the wine of civilisation and the oil of government*". Some 53 years after his death, he would probably not have thought that an ESW would be granted a Royal Warrant, becoming a supplier of the Royal Household. With his patriotism, his diplomacy and his love for sparkling wines he would possibly now say that "*Both Champagne and English sparkling wine are the wines of civilisation and the oil of government*".

This paper concludes that although there is some threat of competition in the UK off-trade it is more evident that both Champagne and ESW producers can co-exist successfully and seek to gain from each other.

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8. Appendices

Appendix 1 – Google search results for “English Sparkling Wine”

Methodology: Analysis of all articles from the first ten pages (outside of merchants and producers’ websites) displayed by Google on ESW to see if reference to Champagne was made.

Date: 20th February 2018

Results: Of 21 articles, 20 of them referred to Champagne and develop the idea that ESW offer a good, local and cheaper alternative to the world famous French sparkling.

1. **The Independent:** 14 best English sparkling wines- Kate Hilpern Thursday 16 November 2017

From West Sussex to Kent, here is the best of the fizz from England's growing number of estates

<http://www.independent.co.uk/extras/indybest/food-drink/champagne-prosecco-sparkling-wine/best-english-sparkling-wines-2017-uk-top-2015-2014-2013-name-producers-kent-tesco-waitrose-a7765421.html>

“No longer do fizz fans automatically head **for the champers** as their chosen festive tittle, with fast-growing numbers looking closer to home. And as well as England’s homegrown sparkling wines **beating French rivals in blind tastings** time and time again, they are also securing huge numbers of awards – 108 at the International Wine Challenge this year alone. Bubbles from Hampshire, Sussex, Kent, Surrey and Dorset all soared to success.

Even the French want a slice of the action - **Tattinger** became the first French label to invest in English sparkling wines. But with so much fancy fizz to choose from, how do you know which one to buy? Here are our top picks for Christmas bubbles.”

2. **Decanter** on English wine:

<http://www.decanter.com/tag/english-wine/>

“English sparkling wine specifically has been highly praised for its quality, **beating Champagne** in some competitions, and collecting a total of 130 medals and trophies in the 2015 Decanter World Wine Awards. However, **compared to Champagne, English sparkling is ‘undervalued’**, according to an industry expert”

3. **Decanter**: *English sparkling wines for Christmas* - Decanter Staff December 18, 2017

<http://www.decanter.com/seasonal/english-sparkling-wines-for-christmas-2-283927/>

“For the taste of something closer to home this Christmas, try choosing one of these English sparkling wines as **an alternative to Champagne**.

About two-thirds of everything England produces is sparkling, and the wines are generally made from **the same grapes as Champagne**; Chardonnay and Pinot Noir are the two most widely planted varieties in England and, together with Pinot Meunier, they account for approximately half of all plantings.

The climate and soil conditions – particularly in the south of England – are also **very similar to the Champagne region**, as well as the production method (using the ‘traditional method’), so you still get the toasty, brioche flavours.”

4. **Make it British**. *Top 10 English Sparkling Wines*

<https://makeitbritish.co.uk/top-ten/english-sparkling-wines/>

“English sparkling wine is fantastic – if you haven’t tried it you really should. **It easily matches the quality of that produced in Champagne**. In fact, in the last 16 years English sparkling wines have won more awards than any other countries!”

5. **Short list- 5 Best English Sparkling Wines** - courtesy of Berry Bros & Rudd.

<https://www.shortlist.com/food-drink/5-best-english-sparkling-wines/64999>

“A more than worthy match for all **but the very best Champagnes**”

6. **The Guardian** - *Weak pound boosts English sparkling wine sales before Christmas*

-Rebecca Smithers Consumer affairs correspondent- Mon 18 Dec 2017

<https://www.theguardian.com/lifeandstyle/2017/dec/18/weak-pound-english-sparkling-wine-sales-christmas>

“English sparkling wine is **set to oust French champagne in many restaurants**, pubs and Christmas dinner tables following sterling’s decline, which has made it the same price as or cheaper than continental rivals....

Waitrose says it is now selling **one bottle of English sparkling wine for every 10 of champagne.**”

7. **The Guardian** - *English champagne anyone? British wine goes from sad to sparkling-* Alison Coleman Wed 24 May 2017

<https://www.theguardian.com/small-business-network/2017/may/24/english-champagne-anyone-british-wine-goes-from-sad-to-sparkling>

“The fact that the **prestigious French champagne brand Taittinger** has planted a vineyard in Kent with the aim of producing a top quality English sparkling wine is the clearest signal yet that the climate – both economic and meteorological – is right for English wines.”

8. **Good house Keeping** - *Why we're getting in a fizz about English sparkling wine* -

Written by The Good Housekeeping Institute Team | 28 November 201

<https://www.goodhousekeeping.co.uk/institute/food-reviews/english-sparkling-wine>

“Thought Champagne was the only drink for you? Think again! English Sparkling Wines have come on in leaps and bounds, so we've tested the offerings available from supermarkets and popular wine shops to find our pick...”

9. **The Drinks business** - *Weak pound fuels English sparkling wine boom* - 18th December 2017 by Lucy Shaw

<https://www.thedrinksbusiness.com/2017/12/weak-pound-fuels-english-sparkling-wine-boom/>

“The Guardian reports that the fall in the price of the pound has made English sparkling wine the same price as or cheaper than its continental rivals. The pound’s 13% dip against the euro since the EU referendum has evened out the price differences between English wines and Champagne.”

10. **The Drinks business** - *M&S reports 15% rise in English sparkling wine sales last year*- 14th February 2018 by Phoebe French

<https://www.thedrinksbusiness.com/2018/02/ms-reports-15-rise-in-english-sparkling-wine-sales-last-year/>

“Brewer and pub group owner Fuller’s, who replaced its house Champagne with a homegrown fizz at its 500 UK sites, reported a 50% rise in sales last year.

Meanwhile UK retailer Tesco also reported an increase in demand for English sparkling, with around a third of its regular Champagne customers switching to English fizz over in 2017.”

11. **The Times** - *Growing thirst for English sparkling wine* by Andrew Ellson, Consumer Affairs Correspondent- December 18, 2017, 12:01am,

<https://www.thetimes.co.uk/article/growing-thirst-for-english-sparkling-wine-dmb9tgxnc>

“The increase is partly attributed to demand for cheaper alternatives to champagne, experts say, with prosecco driving growth. It is also thanks to the popularity of English sparkling wines, several of which have gained international acclaim, including Chapel Down, Gusbourne and Nyetimber.”

12. **City AM** - *Demand for sparkling wine fizzes up as popularity of English brands booms* - Alys Key- Monday 9 October 2017

<http://www.cityam.com/273446/demand-sparkling-wine-fizzes-up-popularity-english-brands>

“The volume of sparkling wine on sale in the UK has increased 76 per cent in the last five years, as demand soars for alternatives to champagne including English wine.”

13. **Bibendum** - *Is English sparkling wine the next Champagne?* 16th October 2017

<http://www.bibendum-wine.co.uk/content/article/view/doc/english-sparkling-wine-next-champagne/>

“Once considered extreme, climate change, has nudged England to become a prime location for sparkling wine growers from all over the world – most notably Champagne. Tamas explains, “It has been proven that the weather conditions in Champagne are not great: temperatures are rising and this is not good. As a result, we can see more and more Champagne Houses buying land in the UK as the climate is better for great quality sparkling wine production.”

Colder and more stable, the grapes ripen to perfection to produce one of the best sparkling wines in the world. In addition to England's increasingly suitable climate, the soils are ideally chalky – in fact, there's little difference between the chalk soil found in Champagne and that of England's Downs. Unsurprisingly, traditional-method bottle-fermented sparkling wines – the best of which are based on traditional Champagne grapes – remain England's strongest suit....

...Considered an oddity not that long ago, the quality of English sparkling wine keeps improving. Producers are regularly winning prestigious awards and gaining international acclaim, even standing up to Champagne in blind tastings.

In April 2016, a team from Britain's WSTA travelled across the Channel to challenge some of France's most influential figures in the food and wine industry to a blind tasting. The panel concluded that the English sparkling wine was better in two out of three categories, drawing equal with Champagne in a third."

14. **World Travel Guide-** *Top 10 English sparkling wines*- Posted on May 24, 2017

<https://worldoffoodanddrink.worldtravelguide.net/drink/english-sparkling-wine/>

"English fizz has beaten Grand Marque Champagne in several notable blind tastings in the past year or two, both at home and abroad, and many of the top English wineries".

15. **Design my night** – *English sparkling wines in London*

<https://www.designmynight.com/london/bars/english-sparkling-wines-in-london>

"Camel Valley, Nyetimber, Ridgeview, Chapel Down and Bolney are the main English sparkling wine brands that are starting to give Champagne a run for their money."

16. **BBC News** - *English wine: Is sparkling wine better in England than France?* By Tom de Castella- 11 July 2013

<http://www.bbc.co.uk/news/magazine-23008300>

“The Duchess of Cornwall has called for a new name for English sparkling wine to match the grandeur of champagne...

... There is logic to England focusing on fizz. Kent and West Sussex, where the best English sparkling wine originates, are only about 90 miles north of Champagne. The chalky soils around the North and South Downs are **very similar to the earth where famous names such as Bollinger and Dom Perignon plant their grapes.**”

17. **Tesco PLC** – *England’s fantastic festive fizz* - 18 Dec 2017

<https://www.tescopl.com/news/news-releases/2017/english-sparkling-wine-sales-soar-at-tesco/>

“In the last year the supermarket **has seen Champagne customers switching allegiance and now buying English sparkling wine.** Sales data reveals that **nearly a third of the retailer’s English sparkling wine customers previously bought Champagne.**”

18. **Honest Grapes** - *A Sparkling Comparison: Champagne VS English Sparkling Wine*- Honest Grapes Uncategorized Published on: August 18, 2017

<https://www.honestgrapes.co.uk/news-events/a-sparkling-comparison-champagne-vs-english-sparkling-wine/>

« All this hype did raise the question: **how similar are Champagne and English sparkling wine?**”

19. **The buyer** - *All this hype did raise the question: how similar are Champagne and English sparkling wine?* By Rupert Lovie- October 31, 2017

<http://www.the-buyer.net/insight/rupert-lovie-and-the-challenges-facing-the-english-wine-industry/>

20. **Evening Standard** - *7 of the best English wines-* BIANCA BARRATT & NURIA STYLIANOU -Monday 11 September 2017 11:50

<https://www.standard.co.uk/shopping/esbest/food-drink/wine-spirits/7-of-the-best-english-wines-for-summer-a3251471.html>

“If you fancy joining the movement and shunning Champagne for a sparkling wine from the valleys, we've rounded up seven of the best to get you going.”

21. **Coast-** *6 best English sparkling wines*

<https://www.coastmagazine.co.uk/content/6-best-english-sparkling-wines>

No reference to Champagne

22. **Scotsman Food Drink** - *8 of the best English sparkling wines-* Rose Murray Brown
May 23, 2015

<https://foodanddrink.scotsman.com/drink/8-of-the-best-english-sparkling-wines/>

“The turning point came with the establishment of Nyetimber estate in West Chiltington, West Sussex. Established by an American couple in 1988, Sandy and Stuart Moss blindly set about copying champagne using the exactly the same method and grapes (chardonnay, pinot noir and pinot meunier) – and importantly, with consultants directly from Champagne itself, convinced they could produce something as good”

Appendix 2 – Nielsen Total coverage

Scantrack - Trade Channel Universe Information - June 2017

TOTAL COVERAGE									
GROCERY MULTIPLES		TOTAL IMPULSE							
GROCERY MULTIPLES		MULTIPLE IMPULSE						INDEPENDENTS	
Grocery Multiples		Multiple Forecourts		Convenience Multiples		Symbol Groups		Independents	
Asda	Census KAD	Applegreen (formerly Petrogas)	Universe	Aleef News	Universe	Best-One	Sample		
EH Booth	Census	AY&Y Patel Dewsbury	Universe	Bargain Booze	Census KAD	Booker Premier	Sample		
Iceland	Census KAD	BP	Census KAD	G101 Off Sales	Universe	Budgets	Census KAD		
M&S	Census	Certas Energy	Universe	Jones Convenience Stores	Universe	Costcutter Supermarkets Group	Sample		
Ocado	Census KAD	Corwall Garage Group	Universe	Mulbenys	Universe	Fishhill Keystores	Sample		
Sainsburys	Census KAD	DK Forecourts	Universe	JCR (Rippleglen)	Universe	Landmark Lifestyle/Hothouse	Sample		
Tesco	Census KAD	Euro Garages	Universe	JCR (Select Convenience)	Universe	Londis	Sample		
Waitrose	Census KAD	Falcon Shama Group	Universe	T&S/One Stop	Census KAD	Nisa	Sample		
WM Morrison	Census KAD	Golden Cross Group	Universe	McColls Retail Group	Census KAD	Select & Save	Universe		
Allendale Co-op	Universe	Highway Stops Retail	Universe	Whistlestop	Universe	Simply Fresh	Universe		
Central England Co-op	Universe	Hills	Universe	WHS High Street	Census KAD	Spar	Sample		
Chelmsford Co-op	Universe	HKS Retail (including Brobot)	Universe	WHS Travel	Census KAD	Today's	Universe		
Clydebank Co-op	Universe	Kitco Seyon Group	Universe	Adnams Cellar & Kitchen Sto	Universe				
Coniston Co-op	Universe	Majid & Sons Service Station	Universe	Hartleys / The Office	Universe				
The Co-operative Group	Census KAD	Manor Service Stations	Universe	Kelly's Wines	Universe				
East of England Co-op	Universe	Motor Fuel Group	Census	Laitwhites Wine	Universe				
Heart of England Co-op	Universe	MPK Garages	Universe	Majestic Wine	Census				
Langdale Co-op	Universe	MRH	Census	Nicolas	Universe				
Lincolnshire Co-op	Universe	Park Garage Group	Universe	Oddbins	Universe				
Midcounties Co-op	Universe	Penny Petroleum	Universe	Spirited Wines	Universe				
Penrith Co-op	Universe	Platinum Retail Ltd	Universe	The Whisky Shop	Universe				
Radstock Co-op	Universe	Pricewatch T/A Local Fuels	Universe	Wine Cellar (Whittalls)	Universe				
Scottish Midland Co-op	Universe	Refuel & Go	Universe						
Seaton Valley Co-op	Universe	Rontec	Universe						
Southern Co-op	Universe	Sai Station Group	Universe						
Tamworth Co-op	Universe	Sewell Retail	Universe						
Wooddale Co-op	Universe	Shell	Census KAD						
		SK Fuel	Universe						
		Snax 24	Census						
		Spring Petroleum Group	Universe						
		State Oil Group	Universe						
		The Brookfield Group	Universe						
		The Carsley Group	Universe						
		The Kay Group	Universe						
		Valli Forecourts	Universe						

Explanation of terms:

Census = We receive data from all stores for these retailers.

Sample = We receive data from a sample of stores for these retailers, and these are used to represent other stores in the universe. Note that in most cases, the sample is not designed to represent the specific retailer that the stores are from.

Universe = We do not receive any data from these retailers. Data from the retailers we do receive is expanded to represent these retailers as a group within each trade channel.

Appendix 3 - List of Interviewees: UK off-trade Buyers

- Pierre Levron - Buyer - Costco - 9th of February 2018
- Rob Dixon - Sparkling and Champagne Buyer - Tesco -16th of February 2018
- Emma Dawson MW - Wine Buyer - Mark & Spencer - 28th of February 2018
- Ana Sapungiu MW - Head Wine Buyer - Oddbins - 2nd of March 2018
- James Reed - Sparkling Byer - Majestic - 8th of March 2018
- Sarah Knowles MW - Wine buyer - The Wine Society -15th of March 2018
- Julian Twaites - Wine buyer - Ocado - 19th of March 2018
- Charles Craven - Senior Buying Manager BWS -Asda - 5th of October 2018
- Vanessa Robinson - Wine Buyer - Sainsbury's Supermarkets Ltd – 10th of October 2018
- Pierpaolo Petrassi MW - Partner & Head of Category for Beers, Wines, Spirits, Tobacco & Soft Drinks - Waitrose & Partners – 19th of October 2018

Appendix 4 – Interview Framework for off-trade buyers

1. How many Champagnes do you have in your range?
2. What are the sales trends for Champagne in your business?
3. How do you explain these trends?
4. What is the volume sold under promotion for Champagne?
5. How many ESW do you have in your range?
6. When did you introduce your first ESW to the range?
7. When you did it, did you increase the sparkling offer, or did you replace another product?
8. Do you think ESW sales are incremental to the sparkling volume or do you think there is a cannibalisation with Champagne /other sparkling?
9. How do you see ESW development in the coming years?
10. What are the main strengths of ESW in the UK off-trade market?
11. What is for you the maximum RSP consumers are ready to pay for ESW in the off-trade?
12. As a British chain, are you particularly supportive of the ESW category or do you treat it the same as other sparkling?
13. Have you already put an ESW on a promotion instead of a Champagne recently? If yes, what was the result?

Appendix 5 - List of Interviewees: Champagne producers

- Frédéric Rouzaud – President of Louis Roederer Champagne - 24th of October 2017
- Bruno Paillard - CEO of Champagne Bruno Paillard - CEO Lanson International - President of Commission Communication & Appellation Champagne at Comité Champagne - 24th of October 2017
- Paul E Beavis – Managing Director UK and Export – Lanson International - 14th of February 2018
- Patrick Spanti - Export director for Europe & Travel Retail- Champagne Jacquart 14th of February 2018
- Pierre Emmanuel Taittinger (CEO) & Damien Le Sueur (Managing Director) - Champagne Taittinger - 22nd of February 2018
- Dominique Lahure - Area Manager UK - Champagne Nicolas Feuillatte - 28th of February 2018
- Julie Nollet - Marketing and Communication Director and Béatrice Leung - Insight Manager- Moët Hennesy UK - 1st of March 2018
- Julien Lonneux - International Development Director and Nicholas Hyde - Chairman - Vranken Pommery - 6th of March 2018
- Julien Duval-Leroy - Director- Champagne Duval-Leroy – 3rd of May 2018

Appendix 6 – Interview Framework for Champagne producers

1. What is the share of the UK market in your total sales?
2. What is the share of the off-trade market in your UK sales?
3. How do you explain ESW growth in the UK market?
4. Do you think the UK market has the potential to absorb in the coming years 5m bottles of ESW above £20?
5. Do you think ESW could represent a threat for Champagne?
6. Do you think ESW could represent an opportunity to enlarge the premium sparkling wine category?
7. Do you already consider ESW as a competitor for Champagne?
8. Do you think British trade buyers encourage the development of ESW?
9. Have you already worked on strategies to compete against their development?
10. Do you think Champagne houses should invest locally? Why?

For those who have already announced local investment:

11. For which reasons did you decide to invest in England?
12. What are your expectations for yields?
13. What would be the route to market?