

Vienna 2019 Abstract Submission

Title

Leveraging Independent Champagne Brands Through Association

I want to submit an abstract for:

Conference Presentation

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Keywords

association, branding, Champagne, demand curve, exports, scaling

Research Question

How can independent champagne producers shift their demand curve upward in export markets?

Methods

comparative case study

Results

By forming an association of high-quality independent champagne producers sell more bottles can be sold (if excess capacity) or raise the price on average for what they do sell.

Abstract

Over the past decade consolidation in the champagne industry has resulted in an increase in the number of Maisons and a decrease in the number of Vignerons. Domestic French consumption and aggregate European Union consumption of champagne is stagnant or declining. In 2017, exports accounted for 49.9% by volume and 57% by turnover of champagne sales. These two markets are historically the key markets for Vignerons and therefore are disproportionately impacted by stagnation or contraction in demand. To shift the Vigneron -demand curve up they must enter or expand their existing presence in the export markets beyond their historical stronghold of Europe.

Maisons have been successful in expanding their brand presence since taking international beachheads in the 1850s. Exports drive the growth of the Maisons and for champagne categorically. To compensate for the shrinking of the Vigneron base market and to grow their business, the strategic importance of exports beyond Europe is evident. The question of how an independent Vigneron champagne producer may shift their demand curve upward, to export to new or expand their presence in ex-European markets - is the topic of this paper.

Regulations define the geographical borders of the wine region, including the footprint of vineyards, yield limits of grapes, production processes including tasks that must be done manually or may be done mechanically, minimum aging requirements, labeling requirements and limitations. This is to say the supply grapes is finite - as is the relative quality of each grade of grapes harvested within the region.

Assumptions for the Maison model for shifting the demand curve up include:

The ownership of a Maison is diverse. That is to say that there are multiple unrelated owners who together have excess financial capacity to expand operations. Maisons produce at least three (3) tiers or grade levels of wine. Flagship, top of the line, blended from the best grapes the Maison has access to and is highest priced wine sold. Mid-range wine that is blended from the middle quality grapes that the Maison has access to, and is priced in between Flagship and Entry. Entry - is made from the lowest quality grapes that the Maison has access to and is also the least expensive wine sold.

By expanding production of the Maison Flagship bottle the demand curve shifts upwards.

The ways to increase the quantity of flagship bottles produced include buying additional vineyards, entering into new long-term grape contracts, and buying grapes on the spot markets. Maisons have access to greater and more varied sources of capital due to their size.

The objective of the individual Vigneron is to shift the demand to curve upward.

This means:

1. Sell more bottles (if they have the capacity)
2. Raise the price on average for what they do sell

How can this be done? With less access to capital and unwillingness to take on partners to raise new capital prospects for expanding operations are limited. By coming together and joining with other high-quality Vignerons a group could create a fellowship that would enable the Vignerons to scale operations and shift the demand curve upward by increasing the supply of top-quality wine. The fellowship consists of high-quality Vigneron that only admit other Vignerons of the same caliber into it. Meaning it self-reinforces the high standard of the wine that is created by the incentive of the group. The objective is to expand the number of high-quality flagship bottles to shift the demand curve up.

The shift in the demand curve cannot occur by simply raising the price. Doing so runs the risk of alienating customers who will not be satisfied with the product either seeing it as inferior or they will be upset because they were forced to pay more for it. Therefore, forming a union would allow the multiple Vignerons members to sell high quality wine by using fellowship bottles in unique packaging. These bottles consist of Flagship wine from each of the owners. By identifying all of the fellowship bottles with the same packaging they increase the scale - the amount of demand because there is more access and familiarity with the packaging.

Not every bottle of Fellowship wine will be produced the same Vigneron, but the quality is of the same magnitude across the breadth of Vignerons. By having each of the individual Vignerons use the same packaging they are implicitly associating themselves together and with one another. Vignerons maintain their familial brand name on the label of their wines, and maintains full ownership of their reputation and their customer's trust. If a high-quality Vigneron puts their reputation on the line and vouches to their customers that another Vigneron - is also an excellent winemaker, but produces a different type of wine - then trust is being communicated to the customer to try the suggested wine. The wine quality - categorically - may be fundamentally different, but the quality [in an evaluative - relative to other wines in their category] will be high.

The unity of such a fellowship allows Vignerons the opportunity to demonstrate that together they have the capacity to generate the scaling necessary to be considered for importation into new markets. As a result, this shifts the demand curve up - because there is sufficient quantity available so that larger distribution systems would be interested in carrying it. Consumers then have more opportunity in choice and chance to sample the diverse offering of the Champagne region.

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