

Vienna 2019 Abstract Submission

Title

'Good champagne must inevitably rise in value': the pricing of champagne in Britain, 1860-1914

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Conference Presentation

Corresponding Author

Graham Harding

E-Mail

grahamharding169@gmail.com

Affiliation

University of Oxford

Keywords

Champagne
Pricing
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Research Question

Why was champagne able to raise prices consistently between 1860 and 1914 - an era of wine price deflation?

Methods

Analysis of wine merchant price lists, newspaper advertisements and other primary British sources - backed up by work in French champagne house archives

Results

Confirms survey data analysis showing that price correlates positively with perception of quality

Abstract

'Good champagne must inevitably rise in value': the pricing of champagne in Britain, 1860-1914

Graham Harding - University of Oxford

There is a substantial body of academic work on the power of extrinsic cues to signify quality. Generally speaking, the data suggest that a high price relative to competitors signals a higher quality of wine in the bottle. However, most of these studies rely on survey rather than behavioural data. This paper will draw on the evidence of the British champagne trade in the second half of the nineteenth century to explore the consumer behaviour that, from the 1870s to the early 1900s, enabled the leading champagne brands consistently to raise prices.

In the period 1875-1905 when the prices of all other wines (as recorded in advertisements in the press and retail price lists) were falling steadily, the price of the leading champagne brands rose on average by over 20%. Ridley's Wine and Spirit Circular (the leading trade journal) repeatedly warned of the dangers of such price rises and, in 1890, claimed that 'if the trade is ever to die, it will not be killed [by phylloxera] rather it will commit suicide'. Nevertheless in 1911, the journal was forced to concede that 'it is very curious that each increase of price was followed by a corresponding increase in the consumption'.

Why were consumers so apparently willing to pay the high prices demanded? And why was Adolphe Hubinet, the agent for Pommery & Greno, so determined that his brand should be the most expensive in the London market? In

September 1890, he wrote exultantly to his principals in Reims that the Pommery brand was quoted on restaurant lists at two shillings per bottle more than that of its competitors: 'je me suis toujours efforcé d'en arriver là, c'est très important' ('I have always striven to reach that point; it's so important').

Part of the appeal of champagne may have been its apparent investment value. Moët & Chandon advertisements in 1905 first cited the rise in value of the 1892 vintage from 84s per dozen in 1896 to around 150s at the time of advertising and then went on to claim that unlike equities, 'good champagne must inevitably rise in value.

However, Ridley's, speaking for the trade, was dubious; pointing out that champagne prices do fall and that shares do not run the risk of faulty corks or evaporating contents. Speculators did operate in the champagne market but this was never raised as a concern in the consumer press. Of more concern to the daily press was the possibility of a 'champagne ring', Sparked by a letter in *The Times* from 'In Vino Veritas' which claimed that 'no sooner does a champagne brand become known in England than it rises immediately out of all proportion to its value', a number of letters of response and rebuttal were published in both *The Times* and a number of provincial papers. The central tenor of these responses was that 'the undue reputation of certain brands' led to prices far higher than those that 'less fashionable names' could charge, thus capturing the central concerns of those involved in the trade.

Contemporaries ascribed the willingness of the consumer to absorb repeated price rises to two powerful factors: the development of branding in the champagne trade and the power of 'fashion'. In the 1860s, a group of powerful brands began to emerge which commanded a 20-30% price premium over the rest of the market. Ridley's view (which was also propounded by *The Times*) was that the 'system of brands gave the consumer assurance that the liquid in the bottle was a guarantee to the public, who are content to pay a higher figure for a branded article, rather than incur the risk of not obtaining it genuine if they dispense with the guarantee'. In an age of product adulteration and consumer mistrust, brands provided the credence required to justify paying a higher price.

Secondly, contemporaries invoked the power of fashion. In 1882, *The Times* suggested that whilst 'less fashionable names' might be disadvantaged by their exclusion from a 'certain limited set' but that consumers' behaviour was far from irrational. Ridley's took a less forgiving line, arguing that champagne consumers' willingness to accept higher prices was evidence of the 'marvellous influence which fashion exercises over the consumption of all descriptions of luxuries'. Champagne - available at prices ranging from around 2-6s per bottle - was clearly regarded by contemporaries as a luxury and was referred to as such in debates in the House of Commons by the Chancellor of the Exchequer when justifying extra duty on sparkling wine in 1888.

The precise definition of the term 'luxury' has been much debated. For Sombart (1938) luxuries were 'any expenditure in excess of the necessary'; for Christopher Berry (1994) they were 'identified negatively by their not being goods that are deemed socially necessary; nor utilitarian instruments', whilst Tynan (2010) noted that luxury was hard to define, since there was a 'continuum' from ordinary to luxury. However, Kapferer and Bastien (2009) attacked the concept of a mass to luxury spectrum and argued that luxury converts 'the raw material that is money into a culturally sophisticated product that is social stratification'.

Kapferer and Bastien's definition is of more value for this study since it recognises - as most studies do not - the importance of 'consumable luxuries' such as food and wine. I will argue that champagne had a powerful role in social stratification since it was almost the only wine which was served on the table in the bottle rather than decanted. The 1877 launch of 'Pommery 1874', the first vintage-dated wine to be marketed as such, increased the power of branded wines since the brand and the vintage date on the bottle enabled the guest accurately to judge the generosity (or otherwise) of their host. According to Ridley's, the prices of different vintages of leading brands were well-known to consumers and, on the dinner table, became a key marker of financial and cultural resources of the host.

All these factors contributed to the willingness of consumers to pay the premium demanded for the top 'celebrated brands'. Thus the champagne houses and their London agents were able to transform a mass-produced product in an item of consumable luxury by exploiting what Kapferer has called 'the illusion of scarcity' created by vintage-dated wines and the power of premium pricing. The evidence from contemporaries suggested that very few consumers could discriminate between 'good and very good' champagne. Intrinsic (or sensory) cues are thus largely valueless and thus this paper both confirms and explains the power and importance of extrinsic cues such as price and brand reputation in a specific marketplace.

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