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BATTLE OF THE BUBBLES

English fizz and Champagne are increasingly going to head-to-head in the on-trade. **James Lawrence** asks, who will win?

For decades, the very mention of the word Champagne conjured up almost mystical properties for UK consumers in the market for premium sparkling wine. A substantial investment, combined with a longstanding historical relationship, ensured that Champagne was the default choice for upmarket fizz.

But times change. The category's prospects – certainly in the on-trade – are looking increasingly less certain in 2017. According to the IRI, the UK now accounts for more than three-quarters of all Prosecco sales in Europe, worth €600 million, in comparison with Champagne's €333 million worth of sales.

"In December I was expecting more Champagne sales but our numbers did not actually increase by much. But we do sell an English sparkling wine by the glass from Steven Spurrier that does well," says Laure Patry, sommelier at Jason Atherton's Social Wine & Tapas.

There's more bad news from Mark Newton, an analyst at CGA Strategy. His data confirms the worst fears of the Champagneois – in the 12 months to November 5, 2016, overall Champagne sales (volume 9-litre cases) decreased by 12.9% in the UK on-trade, while in the same period sales decreased in value by more than 3%. The loss of volume was most acute in hotels, restaurants and managed pubs, with significant value losses across restaurants in Great Britain. Geographically, on-trade venues in East Anglia, Lancashire and the north east have taken the biggest hit, with Champagne sales conversely growing in Scotland.

But what is the underlying cause of Champagne's woes in the UK, other than the triumphant march of Prosecco? Post-Brexit uncertainty is frequently touted, particularly as sales of Champagne in the UK in October 2016 went through the floor, according to Nielsen.

However, some members of the trade balk at the idea that Champagne's loss of market share is merely a Brexit side effect. "Champagne sales were falling previously, so I don't think blaming that on the drop in sales is fair or accurate. This is a fall we have been observing since 2009," says Vagabond's Mark Flounders.

Brexit effect

In contrast, Ted Sandbach of the Oxford Wine Company believes that Brexit was a contributing factor: "Champagne sales have fallen over the past three months – not including Christmas – at Oxford Wine Co, to the direct benefit of English sparkling. Post-Brexit people seem to want to support our own industry."

Sandbach also underlines the point that, increasingly, British consumers no longer regard Champagne as the be-all and end-all of premium sparkling wine. "Any market share that Prosecco might be taking from Champagne is likely to be based primarily on price, but now Champagne is also fighting against other premium styles sold at similar price points," says Sandbach.

He continues: "UK consumers are starting to regard top English fizz as of equivalent quality to Champagne, especially with Champagne prices rising and a great deal of recent PR for the English wine industry. There has been a notable change in attitude in 2016."

Yet nations such as Australia and the US have nurtured successful domestic fizz industries for decades, a fact which has not diminished the thirst for Champagne in New York, Sydney and California.

So what is different about English bubbly? "English fizz is encroaching on Champagne's territory in a way that top cavas and New World wines never have. Unlike many other good sparkling wines around the world, English fizz seems to be viewed as special," says head of wine at Hakkasan Group Christine Parkinson.

Equal billing

Sommelier Laura Rhys MS agrees: "It is indicative of the quality and reputation of English sparkling wines that they are listed alongside Champagne in a growing number of restaurants. It is a decision made by sommeliers, with wine quality and style, customer demand and the development of an exciting wine list all playing a part in that decision making, rather than it being solely a price-based decision."

However, Rhys, like others, concedes that, while a growing number of consumers view the two categories as being of equal value, due to the restricted quantities available English sparkling wine will never rival Champagne in terms of quantities sold.

But that doesn't mean English sparkling can't take potentially more market share away from Champagne in the coming years, as volumes grow. Currently, less than 2,500ha is under vine, compared with more than 37,000ha in Champagne. Yet, in March 2016, UK environment secretary Elizabeth Truss announced to the press that the country's sparkling wine industry would endeavour to increase its export volumes from 250,000 to 2.5 million bottles by 2020.

> "Post Brexit people seem to want to support our own industry"
> Ted Sandbach

"Britain is currently Champagne's biggest export market, but I fully believe that English wine will have 50% of that market within 15 years," says Hambledon owner Ian Kellett.

The UK wine trade's response to Truss' rhetoric was decidedly mixed, with some commentators applauding the goal as completely obtainable, while others have maintained their scepticism. "I think the predictions are perfectly possible," observes Sandbach.

"With the likes of Rathfinny coming on board shortly with its huge volume potential, exporting that volume of wine may well happen, and if so the increased competition and economies of scale may well also help control prices."

"There are a lot factors that will make that target difficult," says Mark Flounders. "Climate and yields will be the main factor. Also, it's an easy thing to sell 250,000 bottles abroad when compared with 2.5 million."

In comparison, more than 350 million bottles of Champagne are exported, of which 33 million are consumed in the UK.

Nonetheless, Moët-Hennessy clearly understands the danger of complacency, and has planned a series of initiatives in 2017 to engage with the on-trade.

"Last year, Ruinart launched the Ruinart Challenge – an educational initiative, with no business ambitions, adapted from Ateliers Ruinart which began in the UK four years ago – which will run once again in 2017 in partnership with the Court of Master Sommeliers," said a spokesperson from Moët-Hennessy.

"It is led by cellarmaster Frédéric Panaïotis with Gerard Basset MW MS OBE and Ronan Sayburn MS joining him on the UK day panel."

The real stuff

Meanwhile, other Champagne brands remain bullish about their prospects in the UK. "Other sparkling wines have existed for centuries. There is nothing really new here," says Bruno Paillard.

"At Maison Bruno Paillard, given our high-end positioning and presence exclusively in the fine-dining scene and top independent merchants, we don't see English sparkling wines really changing the market. Our customers are prepared to try lesser-known brands, if they are reassured on their quality, but they still want 'the real stuff'."

But equally, the facts speak for themselves; sales of fizz (excluding Champagne) hit the £1 billion mark for the first time in 2015 and, according to Nielsen data, in 2016 English sparkling wine sales increased by over 20% in volume and 19% in value.

It is, as former vice-president Al Gore would say, an inconvenient truth: Champagne's once cherished monopoly on premium fizz sales in the UK on-trade is over.

Restaurant consumers aren't just trading down to Prosecco any more, they're trading across, paying Grande Marques NV prices for the privilege of drinking local.

And in 10 years' time, if English wine volumes reach predicted levels, then the French could have a real fight on their hands.

TOTAL CHAMPAGNE – GB

	VOLUME 9-LITRE CASES ('000s)			VALUE (£M)		
	MAT YA	MAT TY	MAT % CHG YA	MAT YA	MAT TY	MAT % CHG YA
Total Champagne	597.7	520.9	-12.9	430.9	415.8	-3.5

TOTAL CHAMPAGNE BY SEGMENT

	VOLUME 9-LITRE CASES ('000s)			VALUE (£M)		
	MAT YA	MAT TY	MAT % CHG YA	MAT YA	MAT TY	MAT % CHG YA
Hotels	273.6	240.2	-12.2	203.8	204.0	0.1
Independent pubs	30.1	36.3	20.5	20.9	25.5	22.3
Licensed clubs	16.0	15.5	-3.0	15.1	17.9	18.6
Managed pubs	119.0	89.4	-24.9	71.8	60.3	-16.0
Restaurants	147.5	124.9	-15.3	112.7	97.4	-13.6