



Sleek and stylish store interiors



LAVINIA'S NICHE

Most retail concepts have a national focus. Very few wine shops, much less chains, have tried to expand beyond their borders, and fewer still have been successful. Although it's still too early to judge, Victor de la Serna thinks that Lavinia may have done it.

Lavinia, which claims to be the world's only significant international wine retailer, has announced plans to open new franchises in eastern Europe and, possibly, Mexico. It will lend its knowledge and ability to source fine wine worldwide, while relying on local partners for capital.

The privately held Spanish/French conglomerate, which has outlets in Spain, France, Switzerland and the Ukraine, does not publish detailed financial reports, but it has divulged 2006 sales of €35 million – an 18% increase over the previous year. Last year was supposed to be the break-even year in Lavinia's business plan. More than 80% of its income derives from in-shop sales, with the rest coming from new activities, including Internet sales, tastings and wine courses as well as restaurants that operate within Madrid. Its Paris shops offer the customer the ability to pick any bottle in the shop and drink it at the table for the sticker price, with no corkage fee. Lavinia also has a growing business designing and stocking wine lists for restaurants.

Two French businessmen who were long-term residents of Spain, Thierry Servant and Pascal Chevrot, launched the company in 1998. Servant, the erstwhile chairman of L'Oréal

Spain, had just sold his shares in that company back to the French-based group, reportedly for close to €400m. This gave the fledgling business a very comfortable amount of start-up capital. Today, Servant still controls more than 50% of the Lavinia capital, through his CPC holding.

Lavinia in numbers	
Turnover 2006:	€35m
Share of online business:	5-10%
Number of club members:	12,000
Number of retail customers:	200,000
Average in-store purchase:	€60-90
Newsletters generated:	60
Number of newsletters sent:	1,200,000
Annual shipments:	10,000

Servant and Chevrot, longtime wine buffs, aimed to create more than a wine shop. They devised a modern, sleek design that could be transposed to a number of different markets throughout the world, offering a vast range of international wines. "From €3 to €36,000," as general manager Andrés Ardid said, referring to the price of the cheapest wine in their Spanish shops, and also to the most expensive bottle they've sold to date, a Romanée-Conti in Paris.

Servant said the company's philosophy was "the creation of a specialised distribution network for wine, as there are in many other areas, books or beauty for instance." He added, "their main characteristics are a large shop area, an assisted self-service system, top downtown locations, respect for the products and a wide panoply of wines from all over the world allowing customers to make their choices freely or to request advice from sales persons who are sommeliers."

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»» The creation of a specialised distribution network for wine... ««

Thierry Servant, major shareholder of Lavinia

Servant, who controls more than 50% of the Lavinia capital, sees the store as being a halfway point between mass market retailing and the more intimidating world of specialist shops. His inspiration is partly drawn from beauty and book retailing.



To sum up Lavinia, Servant repeated a phrase he uses often: "our concept is the best way between the supermarket and the specialist wine shop that intimidates the general public".

The first Lavinia opened in 1999 on the glamorous Ortega y Gasset street in Madrid. Its neighbours sport names like Calvin Klein, Chanel, Dior, Versace and Armani. The shop has a floor space of 1,000 square meters, with excellent air conditioning (an average temperature of 19°C) and some 4,500 wines, about one third of which are international, an unusual number for Spain. The somewhat smaller Barcelona shop opened in 2001. Then it was on to the place de la Madeleine in Paris in 2002, where 180,000 bottles are offered inside the 1,500 square metre space. Lavinia advertises this outlet as the largest single wine shop in the world.

Yannick Branchereau, the manager of this flagship store of the Lavinia empire is, predictably, an enthusiastic supporter of the Servant concept. "One of the difficulties in wine distribution is that of very narrow profit margins," he said. "In addition, wine consumption is going down in France. We could make headway if the retailers brought some value to the activity. But large-scale distributors like supermarkets are not filling that role and traditional wine shops only represent 6% of the sector in France."

In 2005 Lavinia acquired Geneva's largest (400m2) wine shop, La Cité des Vins. It has kept its old name and also offers a large international range, including wines from less well-known regions.

Interestingly, Lavinia offers a large number of 'bio', or non-sulphured wines. It acquires them through Marc Sibard, the bio guru at Paris' funky, idiosyncratic Caves Augé, with whom it has created a joint venture. The shops employ a number of sommeliers and oenologists, including famed French wine taster Marie-Louise Banyols, who heads Lavinia's international buying force.

In its effort to expand the core business, Lavinia is developing its franchising and Internet subsidiaries. Last March, the first franchisee, Lavinia Kiev, opened in the Ukrainian capital with a 450m2 shop modelled on the sleek high-tech design of all its other outlets. "We only seek partners who are related to the wine world," said Ardid, citing the need for

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»» To date we have avoided 'penny pinching' markets like Great Britain. ««

Pascal Chevrot, co-founder of Lavinia

A wine-loving friend of Thierry Savant, Pascal Chevrot earned his fortune as an insurance business executive in Brazil.

Their Paris opening attracted wide media coverage, not just for the scale of the store, but also because it offered international wines to the French.



know-how in the importing and distributing fields. Lavinia's partner in Kiev is the third largest Ukrainian importer of wines and spirits.

Negotiations are now underway for a similar franchising agreement in Moscow by the end of the year. Lavinia finds itself with a powerful argument in its extensive Spanish portfolio: according to figures released in June, Spain has now become the number one wine exporter to Russia.

Value-adding is also important to Lavinia, which explains its lack of interest in what its owners consider 'penny-pinching' markets, such as Britain or Germany. Asia and such eastern European markets as Poland are much more attractive to them, they admit. And as Ardid pointed out, the luxury market is growing strongly now in the United States and Mexico.

Simultaneously, Lavinia is pushing to grow its previously modest Internet sales in Spain and France, banking on its ability to sell wine even by the single bottle, with an optional 24-hour delivery nationwide. It has just reached an agreement to sell through the web site of Spain's national daily El Mundo, which has the largest audience of any Spanish news-based website in the world. It also sells through its own website.

Lavinia's rise has not been completely smooth. Personnel turnover has been high and the quality of professional help in the Madrid and Barcelona shops has declined. The sometimes incoherent pricing policy has been met with grumbles in the Spanish and the French press. The firm's laudable ambition of making the Spanish and French public buy international wines and not just their domestic favourites seems to have had rather modest results. And the question of just how profitable a company with very significant overheads can be remains unanswered. Using franchising to drive international development may ultimately help in balancing costs and income.

Most observers who know Lavinia believe that the ultimate success of its concept will be positive to the international trade in quality wine. The final answer may lie in Kiev, Moscow and Warsaw as much as in Madrid, Paris and Geneva. ■