

CHAMARRÉ GOES PUBLIC

Chamarré was conceived in 2005 as an umbrella brand to market French wines. Last fall its president, Pascal Renaudat, took the company public. Joel B. Payne asks if the money raised will allow Renaudat to build a mass market French brand.

The idea was *genial*, as the French say: a soft consolidation of diverse entities that unite strengths in marketing and sales with the control of production, without losing the authenticity so important for French wines.

Founded in 2005, Chamarré succeeded in bringing together ten of France's largest cooperatives to secure production without investing in property or equipment. These wineries, which unite 13,000 growers with 50,000 hectares of vine, are shareholders in the new venture, giving the company theoretical access to 6.5% of French output. With a potential of 400m bottles, it has the largest capacity of any French brand.

Bringing together cooperatives is not a novelty. Blason de Bourgogne had done it three years earlier, but Chamarré broke new ground in launching Appellation Controlée, Vin de Pays and the new inter-regional blends under one roof. The latter were conceived as large volume wines that could compete with the New World, but were hampered on release by regulations that decreed they could not mention a vintage or variety on the label.

The model was based on an aggressive sales and marketing offensive to invest massively in the United Kingdom and in the United States with the ambition to impose itself as a leading brand on those two key markets by 2010. Chamarré is now referenced in several supermarkets in the United Kingdom (£4.99 to £7.49), where it claims to have achieved 6% name recognition in one year, but fewer major chains have signed on as originally expected, partly because buyers were resistant to list wines without vintage and variety.

Surprisingly, with its mid-range wines positioned at €2.50 to €7.95 (\$3.63-\$11.50) per bottle in Europe, the French domestic market, which was

never envisioned as a target client in the original strategy, now absorbs a third of total production through supermarket multiples such as Leclerc, Monoprix and Match.

Asda was one of the first major British supermarket chains to add a burst of colour to its shelves in stocking the vivid butterfly logo and unashamedly clear-cut labelling. The wines were already on the shelves of Threshers, Co-Op, Somerfield and Morrisons. Vincent Norguet, export manager for the United Kingdom, explains the positive results by the fact that "the brand was created to be easily marketable and attractive to the consumer. We're trying to make the French offer more dynamic to seduce new consumers."

Sales in the first 12 months of 2006 were so strong there was speculation that the brand might top four million bottles by the end of 2007. As it turned out, sales were little more than half that figure. Still, 2.1m bottles in some twenty markets in only its second year of full operation is an unmitigated success, but it is clear that Chamarré is not yet poised to worry the owners of Jacobs Creek, Blossom Hill or Yellow Tail. Nonetheless, the company remains upbeat, believing that continued improvements in flavour profile, the new packaging with vintage and varietal and the prizes won by the Jurancon will enable them to move forward in their target markets.

The Swiss, for example, have taken quickly to Chamarré. Cross promotions have been effective, according to Michael Bittel, wine business manager for importer Dettling & Marmot: "In the first eight months of operations we sold 70,000 bot-

les of wine and have just opened the first Chamarré restaurant in Bern."

Stock market financing

Last fall, Chamarré was introduced onto the Paris stock exchange following a capital increase totalling €7.2m (\$10.3m). It was the first time in French history that a cooperative wine industry associated with the stock market to raise money. The float amounted to 42% of the capital after the increase, bringing Chamarré's market cap to €17.2m.

Despite difficult market conditions, Chamarré has convinced several prominent institutional investors that its expansion project is sound. The money will enable Chamarré to accelerate marketing and commercial investments both in and outside of France. Its founding president, Pascal Renaudat, has already taken the majority control of its subsidiary in Miami, and has promised that a good part of the capital will be invested in the brand's development.

Meininger's: What did you do before founding Chamarré?

Renaudat: For 25 years I was president of the leading wine importer in France. We were doing €80m worth of turnover when I left.

Meininger's: How did you come up with the idea for Chamarré?

Renaudat: As an importer, I saw that what France had to offer didn't match international demand. You need good wines, a viable brand and an international sales force. We now have 20 salespeople on the road... and my goal is to reach 50 as soon as possible.

Meininger's: How did you start?

Renaudat: I wrote the project in 2004. That was easy, but trying to



bring 15,000 Frenchmen into a partnership was more complicated. All that I wanted was to use their production structures and allow them to profit from our sales and marketing platform.

Meininger's: Where is the name from?

Renaudat: It was difficult to find a name that sounded French, but was easy to pronounce. The 'Cha', like château, is simple for foreigners - and both the 'rr' and 'é' are very French. That it also designates a panel of colours and is the name for a species of butterfly led to our logo.

Meininger's: You currently have ten partners. Is there room for more?

Renaudat: There is theoretically space for Alsace and Provence, but we must first teach the horse to pull the cart. Champagne? Yes, that too, but...

Meininger's: How did the public offering go last October?

Renaudat: Extremely well. We raised capital at a very difficult time because the investors believe in wine... and our ability to form a federation of producers

Meininger's: Do the cooperatives enjoy some kind of exclusivity as shareholders?

Renaudat: Not really. I made it clear that they had to maintain quality and price or we were free to purchase our wines elsewhere. That said, to date they have all been very good in working to the specifications of Renaud Rosari, our winemaker.

Meininger's: Some believe you were able to unlock government monies from the cooperatives. Has that worked?

Renaudat: Not directly. We've had loans, but no subsidies, and been well-received by both the French and European governments, but only because they believe that there is a core logic in what we are doing.

Meininger's: 2.1m bottles and a turnover of €4.6m works out to only €2.3 per bottle - and you provide marketing support. Can you make a profit at that price?

Renaudat: We are not making much money now, but investing in the future. The supermarket multiples all want low prices and high listing fees, but that is the price of doing business there. We sold 360,000 to the States at price last year to jump start sales.

Meininger's: Is that sustainable?

Renaudat: Our prices will be higher in 2008 and the mix more profitable.



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Pascal Renaudat is the founding president of Chamarré

Meininger's: Where do all the marketing budgets come from?

Renaudat: Our business model is based on the future. Like Formula One, if we're successful, the numbers will work.

Meininger's: You have 17 wines with a Chamarré label? Isn't that too many?

Renaudat: Yes and no. It would be easier with only two or three, but we wouldn't have the flexibility. We're selling Chamarré as an umbrella brand, as in the New World.

Meininger's: Who is your competition?

Renaudat: We're still small. JP Chenet with 83m bottles has proven that there is a market for a French brand.

Meininger's: Why have the cooperatives not been able to market themselves?

Renaudat: Politically, France has always spent money to support production, not sales and marketing. Our banks don't know how to evaluate what a brand is worth. All they know is land and tractors.

Meininger's: What are your long term plans in terms of volume?

Renaudat: I would like to move 30m bottles in ten years, but we do not exist in a vacuum. Until 1985 it was easy to sell French wine. Now the market is different, but not all French have learned that lesson.

Meininger's: Were you surprised that domestic sales have worked so well?

Renaudat: A bit, but the French distributors are beginning to understand that they need brands. We're seen as a coun-

try of wine culture, but even the French don't know their own wines. Worse, the youth is hardly interested in wine. We need to exploit the message of fun, not terroir. Our kids accept brands for clothes, cars and perfume. Even for milk, beer and spirits. Why not wine?

Meininger's: What about Europe?

Renaudat: We are making inroads, but the Netherlands and Germany have been difficult. In Scandinavia, we've been received with open arms.

Meininger's: Russia? China? India?

Renaudat: The further you are from France, the more the consumers are looking for a simple message with French flair. That is what we have to offer.

Meininger's: What impact will the recent rulings from Brussels have?

Renaudat: I'd like to have merely a Vins de Pays de France. I don't want a region. That only makes things difficult. Our Chardonnay is a blend of Burgundy, Languedoc and Corse that guarantees stability in quality and price.

Meininger's: Won't the end of crisis distillation and the liberalisation of planting rights impact on your shareholders?

Renaudat: I have done all that I could to ensure that we invest in sales and marketing. Supporting us, supports producers.

Meininger's: Why are none of the major multinationals investing in France?

Renaudat: I think Pernod Ricard and Constellation will return to France. Large companies need growth. If they want to grow, they will need to be European.

Meininger's: What are your major concerns for 2008?

Renaudat: The strong euro and the short 2007 crop are going to make growth more difficult, but we remain upbeat. ■

Chamarré in numbers

Vineyard potential:	50,000 hectares
Number of growers:	13,000
Potential production:	400m bottles
Total sales 2007:	2.1m bottles
Sales split:	Domestic 35%
	Export 65%
Continental Europe:	25%
UK and Ireland:	20%
USA:	16%
Asia and rest:	3%