



Inside the classic red and yellow stores is an Old World space, where New World wines are rarely seen.

## FRENCH MULTINATIONAL

Its red and yellow store fronts are a familiar sight, giving Nicolas's 400 outlets a deep emotional and cultural resonance in France, as they trade upon the idea of a local merchant who offers a personal service to regular customers, writes Jane Anson.

The image of France as a country where the local high street thrives is not as accurate as it once was. You will still find city centres with butchers, grocers, bakeries and florists, but national figures tell a different story – and nowhere as clearly as with wine consumption.

French drinkers are still not, by and large, consuming international brands such as Jacob's Creek or Blossom Hill, but even their own smaller scale brands, and the thousands of small producers, find their routes to market limited to a handful of major distributors. As with much of Europe, this means the major supermarkets such as Leclerc, Intermarché and Auchan.

According to 2007 figures from Viniflor, supermarkets now control just under 64% of the French still wine market (changed very little from 62% in 2002), and 50% of its sparkling

wine. This rises to over 75% when you take into account discount supermarkets such as Lidl, an increasingly important part of the market. Mail order, Internet and specialist shops account for around 14% of sales, with independent *cavistes* (independent wine stores) coming in at just under 7% of that figure, down one percent in the last five years.

All of this gives independent wine chains a tough ride financially, but an important psychological opportunity. Small shops – even chains with over 400 outlets – have an emotional and cultural resonance, as they trade upon the idea of a local merchant, responsive to a local band of regulars, championing a favourite bottle uncorked last night.

Nicolas leads this image in France, with its red and yellow store fronts being familiar sights throughout the country. "Studies show that consumers

respond emotionally to the Nicolas logo," marketing director Guillaume Fauqueur recently told French financial paper, *Les Echos*. "People are not intimidated by walking through the door. But its image is slightly old-fashioned and it perhaps gives an impression of snobbishness, which is at odds with reality."

### *France's oldest chain*

Both the positive and negative associations of Nicolas may come from the fact that it is the country's oldest wine store chain. In 1822, the Nicolas headquarters opened at 53, rue Saint Anne, along with the first three shops in Cloître St-Honoré, rue Montmartre and Place Saint André des Arts. Until then, wine had been drunk only in caberet houses or in bars. Few people would drink at home – rather they would buy individual measures straight from the

barrel. Nicolas was among the first in France to revolutionise the concept of selling wine by putting it directly into a bottle.

Today, Nicolas' image as a family-run, shop for the people has taken something of a battering. It is owned by the Castel Group, the largest wine business in France, and run by non-family member Jacques Duley, CEO. When it acquired Nicolas in 1988, Castel became the owners of France's largest chain of specialist wine distributors, selling over 1,200 wines, Champagnes and other alcoholic drinks through its 400 high street shops. And numbers are still growing; an average of 10 shops are opened each year, with its reach now extended in five countries, from Morocco and Belgium to Poland and Russia.

### *The Nicolas offer*

Turnover in 2007 was €250m in France and Belgium, with 60% of that in the Paris region, and the other 40% in the rest of the country. In terms of revenue, Champagne is the biggest value earner at 25% of the total, followed by Bordeaux wine, then Cotes de Rhone. The own-brand Nicolas wines make up between 5-10% of overall revenue, with the older Petite Recolte showing more success than the recently launched varietal range. While Petite Recolte has 15 references (or separate labels) of vins de pays, all priced at between €2-€3, the 2007 launch of Les Grains des Cepages, priced a little higher at €4-€5, has ten references. Both are very much aimed at the easy-drinking, aperitif market. Another 5% of revenue comes from the sales of international wines - a clear step above the national average in France of only 2%.

The Internet site has developed well since its relaunch two years ago at trade fair VinExpo 2007, where it won Best Wine Internet Site for the French market, but it is not a major axis of profit, as the group prefers instead to develop the physical shops. Despite that, the online store has over 1,000 references and wine gifts and turnover

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*Guillaume Fauqueur, marketing director of Nicolas*

is increasing year-on-year, although exact figures were withheld.

The key push for sales lies with niche products and being responsive to consumer habits. “Many of our sales are bought either as presents or as last-minute purchases for that evening’s drinking,” says Fauqueur. “We therefore ensure that refrigerated units in all of our stores make it easy for people to buy chilled bottles for immediate consumption.”

New innovations include the Tasting Kits, aimed at the young, ‘experimental but not experienced’ drinkers that are Nicolas’ stock-in-trade. These were launched in 2006 with a Champagne Tasting box and a Red Wines of France box; each comprises four sample-size bottles, together with a tasting glass and explanatory booklet, and a voucher to allow the future purchase of whichever of the four samples was most enjoyed. The success fostered the launch in 2007 of a Whiskey Tasting Box and a Vins de Cepage box, with other boxes planned.

Other ideas include a widening range of accessories (from suppliers) from carafes, corkscrews and aprons to foie gras at Christmas time and picnic packs in August.

“The gift category is one where the local independent retailer can stand out from supermarkets, in terms of presentation, packaging and the ability to upsell through well-trained staff,” says Fauqueur.

There have been some notable failures. The Nicolas Wine Bar concept, for example, has not achieved turnover expectations, and although five remain in France, there are no plans to open any more. The ultra-modern packaging of the varietal range, also, may have

been a step too far, as the ‘Sa’ for Sauvignon and ‘Pi’ for Pinot Noir was not always understood, and may have contributed to the initially rather lacklustre sales.

### *Nicolas international*

As Nicolas has extended its reach abroad, it has also been subject to criticism. In the UK, especially, Nicolas has been accused of co-opting the best locations of its sister company (and one of the UK’s best loved retail chains) Oddbins, also owned by Castel. This despite the fact that Nicolas has consistently been profitable in the UK, with an average spend of around £23.50, where Oddbins has not.

Nicolas UK managing director Eudes Morgan has said that unprofitable Oddbins shops were converted to Nicolas rather than just being closed down. “Without giving figures, Nicolas is generally working with better margins than Oddbins,” he told a UK trade magazine in 2007. He is backed up by accounts filed to Companies House, which show that Oddbins reported a pre-tax loss of £8.6m (\$16.8m/€10.8m) in the year to 31 December 2006.

“We had the choice - either we dispose of the store or we try to continue as a wine merchant. In some stores it was difficult - usually the sales decreased a little bit because there were no cigarettes and no more vodka, but the competition is less aggressive for Nicolas, because there is no New World wine,” said Morgan.

Today in the UK, 83 branches of ‘high street Nicolas’ are headed by former sales manager Philippe Scodelaro. The stock is 95% French in France and about 90% French in the UK, with the remainder (about 100 wines from the

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1,000 stocked) being mainly Spanish and Italian. All French wines continue to be bought by Paris-based buyer and oenologist Alain Favereau.

### *The Castel connection*

The major complaint aimed at Nicolas in the UK is that because of its purchasing strategy, it contains too many middle-of-the-road Castel brands (namely Baron de Lestac and Malesan), forced upon it by its parent company.

Franck Crouzet, communications director at Castel, is quick to explain the link between the two companies. "Nicolas is entirely autonomous and independent. The only link is a financial one, in that we have aligned our accounting systems," he says. "Castel thinks of Nicolas as a client, we are a supplier. They carry brands and chateaux of Castel, certainly, but only 10 Castel products out of their 1,000-plus range. We also develop the Nicolas own brand wines together, with the technicians of the two companies working hand in hand to develop the taste profile, source the grapes and so on - but it's Nicolas who ultimately makes all final decisions."

Fouquer pointed out that the centralised purchasing decisions are also a matter of practicality. "Logistically, Belgium is closer to our headquarters in northern France than most of our stores on the Cote d'Azur, and as there are only eight stores, it would be uneconomic to have a separate buying department." This was also true, he suggested, for the two stores in Morocco, in Rabat and Casablanca, and the one in Poland and the two in Russia. "The growth in the UK," he added, "has been so recent that we are still considering the best approach for our buying strategy. It may well be that this could change in the future, but for now decisions remain with our Paris office."

### *The future for the UK*

This question is bound to become more important, as future development of the chain concentrates largely on the UK market.

### TIMELINE

**1822 First Nicolas store opens its doors in Paris**

**1900 42 branches in and around Paris**

**1922 180 branches**

**1966 Etienne Nicolas dies, leaving a company with an annual turnover of FF278,668,192, employing 2,044 staff**

**1966 Pierre Nicolas, Etienne's son, takes over**

**1973 Pierre sells one third of his equity to financial group Primistères, affiliate of the group Félix-Potin, ceding part of the company away from the Nicolas family for the first time**

**1981 Nicolas moves its company headquarters and bottling plant out of central Paris to the suburbs, where it remains today**

**1988 Castel acquires Nicolas**

**1989 Nicolas opens in the UK, the first overseas branch for the company**

**2003 Nicolas opens in Morocco**

**2008 522 branches in France, 83 in England, 8 in Belgium, 1 in Poland, 2 in Russia, 1 in Morocco.**

"It is certainly a key part of our strategy," confirms Fouqueur. "We have gone from 20 Nicolas UK stores in 2007 to 83 in 2008, and we hope to continue that growth, albeit at a slower rate." They do not, however, plan to convert any more Oddbins stores to Nicolas stores.

A staff member of rival wine store Threshers commented, "Nicolas has the potential to succeed in the UK market through its specialisation in non-New World wines. But right now it needs to shed its unpopular image of being a slayer of Oddbins."

The company faces constraints in France due to ever fiercer competition. There are three main competitors on the high street; firstly Le Repaire de Bacchus in Paris, owned by Chateaux Online, with 35 fairly upmarket stores in central Paris. In the suburbs and provinces of France, the two competitors are Caves à Vin and Intercave, both of which have around 100 stores, mainly run as franchises.

"Nicolas has no franchises at all,"



Since its acquisition by the Castel Group, Nicolas has been run by the non-family member Jacques Duley.

### KEY STAFF AND DATA

**Jacques Duley, managing director**

**Eudes Morgan, managing director UK**

**Guillaume Fouqueur, marketing**

**Alain Favereau, buying director**

**Turnover in France 2007: €250m**

**Turnover in France 2006: €230m**

says Fauqueur. "I see our real competition as the small, urban supermarkets such as Monoprix or Franprix." To bolster its points of difference with these small-scale supermarkets, Nicolas concentrates on modern images for its packaging and is not above stooping to some of the discounting so loved by supermarkets, but in a less obvious way. "We don't concentrate on discounts," says Fauqueur, "but there is certainly a place for them in our overall strategy." This usually translates into '2 for 1' or '3 for 2' offers rather than straight reductions - keeping those to the annual Foire aux Vins with average discounts of 20%.

"In an ever-more competitive marketplace, independent retailers need to distinguish themselves through the depth of their offer, and the quality of their customer service," suggests Jonathan Evans of Summit Promotions in the UK. Whether Nicolas can do this depends on its ability to be seen as a corner-store wine shop and not an international chain. ■