



Laroche sharpens up its branded approach

The IWSR Drinks Record editor Alexander Smith looks at how one French producer is updating its approach to international wine markets

The challenge from the New World has served as a wake-up call for France's more enlightened producers. A key challenge for the French industry is to respond to the need for greater branding while not abandoning historic strengths based around regions and châteaux.

Domaine Laroche is a good example of how this balance is successfully being met. Since the company's founding in 1850, it has been closely associated with Chablis, the most northern of all the Burgundian appellations. While that will remain the case, the group is sharpening its branded message and has introduced a master brand approach around the Laroche house name.

Laroche managing director Christophe Juarez explains: "We went through this process of redefining the offer. Four years ago, we were a multiple brand operation and we decided to reduce substantially our non-core businesses, which means those wines that were not wearing the Laroche house signature on the label. We redesigned the packaging, making the Laroche name more prominent and we are now 100% clear about our strategy. We want to establish the Laroche house brand as the best possible example of a wine that you can find, whether it is from Chablis or our other winery in the south of France."

Underneath that Michel Laroche brand umbrella sit three quality ranges. The Icon range includes the very best possible wines that Laroche produces from the various regions, such as the Premier Cru and Grand Cru Chablis wines. All those wines are sourced from grapes from Laroche's own vineyards. Then there is the mid-range Platinum line, mostly sourced from its own vineyards. This is a more affordable and broader approach, with larger production capacity, featuring emblematic wines from Chablis, southern Chile and South Africa. The wines are mainly focused on the more specific vari-



Left: Christophe Juarez, managing director, Domaine Laroche

etals of each region: Pinot Noir from Chile, Pinotage from South Africa, a Shiraz from the south of France, and a Chardonnay from Chablis. Below that is the Classics range, sourced from third-party growers.

The rebranding exercise is in response to what Laroche perceives to be the challenges facing the broader French industry, which has seen a loss of market share in export markets and long-term decline in the domestic market.



Vineyards in the south of France and (inset) Chile

"The main challenge facing the French wine industry is to make it easier, make it simpler. The type of products we [French producers] are offering are so complicated and difficult to understand, that it has proven a real barrier for future development," says Juarez. "The challenge will be to find the right balance between the pure varietal approach and the French wines that are blended creations. Blends need to be explained and clearly identified. And that is the challenge: how to explain that it is a creation, but give the consumer the same varietal assurance. It's quite tricky."

The over-regulated market in France hasn't helped, he observes. "Over-regulation has sometimes made it difficult to compete and react quickly to market trends. The authorities are trying to find solutions and relaxing regulations in some areas, but it's already a bit late."

Juarez believes that the regional and château approach is still valid, particularly for high-end wines. "There is room for the château approach, but not to the extent we've created in the past. There is much more room to grow for the branded and varietal approach. The château approach will still be important for high-end wines, but it is only 5% of the market. The rest have to adopt a simpler and more branded approach in line with what international consumers want."

Laroche is also gradually moving its offer upmarket. "We are aiming to promote what we call the premium segment, which is roughly above €7.50 (\$11.40) a bottle. This is quite challenging, particularly for wines from southern France, Chile or South Africa. But it is necessary if we are to adapt our strategy to the market trends, which is, generally speaking, in favour of drinking less, but better quality. We are also featuring the varietal element, which is a key signpost for consumers."

Juarez believes that the French industry is struggling at entry level because too many



Profile Laroche

French producers lack the requisite scale. "Many French producers are small. They don't have the marketing budgets to drive sales, so they rely on low pricing. If you look around the world, on retail shelves, very often French wines are the lowest prices on the shelves." But he notes that this is also due to historical reasons. Many French producers entered the market 25 to 30 years ago, whereas the Australians came in later and were able to set their price points slightly higher. These higher price points permitted them to promote more aggressively.

For Laroche, the new approach is working. In 2006/7, the company's turnover rose by 18% to €30.7m (\$46.6m), with volume sales of 650,000 nine-litre cases. In 2007/08, it expects a further 7-8% increase in sales.

Heavy export skew

More than 85% of the turnover is achieved from exports. The UK accounts for around 20%, the Nordics another 20% and Canada 10%. The company also has a substantial travel-retail business, which provides around 15% of group sales – far more than the industry average.

In international markets the company operates through third-party agencies, such as Bibendum in the UK. "They are the ones that know their markets best. They can focus 100% on what is going on in the field and we can focus on our skills – producing, marketing and promoting our brand."

The company has also been building its distribution infrastructure in Asia, a region where French wines maintain a very high image. China is obviously the great prize, one that shouldn't necessarily favour a Chablis producer, given the Chinese consumers' preference for red wine. But against conventional wisdom, Juarez believes that there is large opportunity for white wine. "For historical reasons, the Chinese are more red wine-driven, but white wine actually matches Chinese cuisine better. More and more, the Chinese are moving towards white wines. We are doing quite substantial business to start with. The Chinese are looking for very exclusive and very expensive wines. On the other hand, other groups are trying to find easy-drinking wines at affordable prices."

To date, Japan has been the main consumer market in Asia. In the late 1990s, it was widely billed as the next great wine market, but never quite lived up to expectations. "We believe that the trend is again in favour of wines in Japan, although we are suffering from the strong Euro. We are opti-



L'Avenir Pinotage, one of Laroche's South African wines

mistic about the future of wine in Japan and have introduced our New World ranges there," says Juarez.

Branching out

Laroche has been gradually expanding beyond its Chablis base. The company's first major move was into southern France's Languedoc region, acquiring Domaine La Chevalière, just outside Béziers, in 1995. At that point, the Languedoc was known mostly for mass-market red wines, made by vast cooperatives more interested in quantity than quality.

Laroche joined an influx of winemakers, attracted by both the cheaper land prices and the possibility of producing better-quality wine. This included groups such as the Rothschilds, Skalli, the Mondavis, Beringer and BRL Hardy. Since then, Laroche has invested in a state-of-the-art winery, with stainless steel vats, oak barrels and temperature controls. While third-party growers provide most of the grapes for its wines from local co-operatives, Laroche offered long-term contracts, laden with incentives, to reduce yields and raise quality.

Laroche also bought 125 acres of its own vineyards. "We have implemented strong programmes to build our red wine production in the south of France. This has helped balance our overall portfolio, which had

been largely centred around white wines." He adds: "We have a marketing challenge to convey the improved quality and interesting wines coming out of the south of France. We have to get that across to journalists, sommeliers, on-premise outlets and other opinion-makers. There is a market niche for non-mainstream quality wines. We have to convince these opinion-makers that it is not only about Burgundy or Bordeaux."

In September 2006, Laroche acquired a winery in one of Chile's most prestigious winemaking regions, the Casablanca Valley. In addition to a 27-hectare sloping, newly planted vineyard, this new acquisition includes 23 hectares of Sauvignon Blanc, Chardonnay and Pinot Noir. The acquisition allows Laroche to regroup its Chilean activities in a single site, Vina Punto Alto, which is situated between its existing vineyards in the Casablanca Valley, the business centre of Santiago and the shipping port of Valparaiso. Laroche now owns 50 hectares of prime vineyards, as well as working with selected partners in the Colchagua, Maipo and Rapel valleys to produce its Vina Punto Alto and Punto Nino ranges. It is relatively small production. The company has set a sales target of 50,000 cases annually within five years.

Prior to that, in September 2005, the group acquired the Stellenbosch-based winery, L'Avenir Laroche. Set in the heart of South Africa's winelands, the 70-hectare L'Avenir estate is planted with several noble varietals. While the cool Antarctic current influence provides an excellent growing climate for Sauvignon, Chardonnay, Merlot, Cabernet Sauvignon and Cabernet Franc, Laroche decided to stay close to South Africa's winemaking heritage and produce flagship wines from the typically South African Chenin and Pinotage.

"We are taking a different approach with our South African operation from the one we took with Chile, which was a creation from nothing. L'Avenir was already very well-known for Pinotage varietals. Almost every year it wins some award for being one of the best Pinotages in South Africa. We are going to maintain the distinctive L'Avenir Pinotage character, while making the branding consistent with the three-tier system that the group now operates."

He adds: "We have added a legend to the Laroche portfolio," says Juarez. "It very much fits in with our quality message. That is the way the consumer is moving and that is where we have always been." ■