

MARKET WATCH

WINE BRAND OF THE YEAR

CHATEAU STE. MICHELLE

Washington State's Most Famous Wine Is On A Stellar Growth Ride

Chateau Ste. Michelle has always been a highly respected label. Made at Washington state's oldest winery, which dates back more than 70 years, it's regarded by most as the flagship brand of the Evergreen State's wine business. But like Washington wine overall, it's always been somewhat overshadowed by competition from California and Oregon. In recent years, however, that situation has been changing rapidly, as Chateau Ste. Michelle's wines have been flying off the shelves.

At the start of this decade, Chateau Ste. Michelle's volume sat at 775,000 cases. Last year, it reached 1.76 million cases. Its 2007 growth rate of 19 percent earned it an Impact "Hot Brand" award, and growth has continued apace this year. As a result, Chateau Ste. Michelle has become one of America's top 35 wine brands. If the label continues its double-digit advance, it will soon surpass 2 million cases. That will make Chateau Ste. Michelle one of only roughly 30 wine brands in the United States to sell 2 million cases or more a year.

A number of factors are contributing to this trend, but paramount among them is the newfound popularity of Riesling. Chateau Ste. Michelle has been a major Riesling



Chateau Ste. Michelle has grown steadily over the last decade, led by varietals like Riesling, Chardonnay and Cabernet Sauvignon.

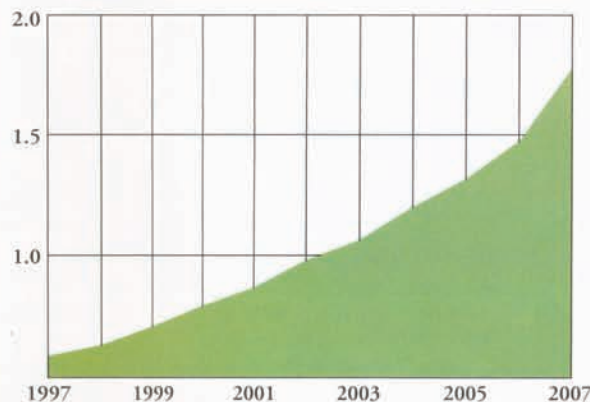
producer for more than 40 years, and it was among the first to plant Riesling in Washington. Two decades ago, vineyard owners on the West Coast began ripping out Riesling vines to replace them with Chardonnay, tapping into America's growing (and ongoing) love affair with that varietal. However, Chateau Ste. Michelle didn't waver in its commitment to Riesling, and its faith has paid off. America is in the midst of a major Riesling renaissance, with Chateau Ste. Michelle at the forefront.

According to ACNielsen data, overall sales of Riesling have risen by 54 percent over the past three years. Nielsen also ranked Riesling as the nation's fastest growing white varietal during the 12-month period ending May 3rd, 2008—and the second fastest growing varietal overall, topped only by Pinot Noir. Today the Ste. Michelle brand is the top-selling Riesling in the United States, and the winemaker also claims to be the world's leading Riesling producer. Chateau Ste. Michelle offers six

varieties of Riesling, all expressing the regional differences within Washington's Columbia Valley, the nation's top region for Riesling plantings. In the summer of 2007, Chateau Ste. Michelle began hosting "Riesling Rendezvous" at its winery in Woodinville, Washington. As one of the country's biggest Riesling events, the festival brings together experts and producers from around the world.

But Riesling is by no means the only varietal in Chateau Ste. Michelle's repertoire. Infoscand data for the year ending January 6th, 2008, breaks down the brand's sales by varietal. Chardonnay remains the label's leading grape type by retail sales, though just barely. It finished in a dead heat with Riesling, with Chardonnay taking 28.3 percent of the brand's dollar sales and Riesling capturing 27.3 percent. Cabernet Sauvignon wasn't too far behind at 17 percent, followed by Merlot at 11.6 percent. The rest of the Chateau Ste. Michelle varietal sales by share were all in the low single digits. But Chateau Ste. Michelle's wines show plenty of diversity overall, coming in many creative expressions across a variety of tiers. That creativity, along with a relentless focus, has created a winner.

CHATEAU STE. MICHELLE—1997-2007
(Millions of nine-liter case depletions)



Source: IMPACT DATABANK © 2008

mw