The Liv-ex Power 100 identifies the world’s strongest wine brands, using an exhaustive cross-section of measurements to come to its conclusions. The Far East has an unsurprisingly large impact – and interestingly it transpires that a wine’s literal Chinese translation may play a determining role in its success.
**Liv-ex Power 100: Top 10**

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**Unfolding Over** the following pages is the Liv-ex Power 100, the only survey that rates and ranks fine wine labels according to the strength of their brand. Crucially, it’s not dependent entirely on price – as was the basis for Bordeaux’s infamous 1855 classification. Neither is it a result devised according to production alone, or even just the volume traded on the secondary market. It’s also not an assessment using nothing more than commentators’ scores. No, this unique study is an examination of all these factors – price, trade, score, and production – aggregated and averaged, before acknowledging price appreciation over the last 12 months, to determine the “power” of any particular fine wine. Yes, this may be a subjective concept, but it is measured using tangible and traceable factors.

So, while DRC may be the most expensive wine traded on this list, it’s not the fine wine trade’s most powerful brand. Why? Its 6,500 case production is not enough to rock the market. Then there’s Taylor’s Port: yes it has the highest average Parker score, but not the price appreciation to entice, for instance, the fine wine fund manager. As for one-year price performance, Carruades de Lafite can’t be beaten, but it lacks the scores or long-term average prices to trouble the first growths – that is, yet.

In other words, it is only when one looks at a range of criteria that one can get an accurate sense of the true strength of any one of these impressive products. And that’s what this list achieves.

Further, this survey does not just contain a current snapshot of brand power. With historic data stretching back over four years, recovered, but that demand in Asia, above all China, has strengthened, pulling the fine wine market out of recession.

**Asian Persuasion**

Crucially, the number of Chinese fine wine consumers has increased along with this country’s GDP and Lafite is Asia’s most desired fine wine brand. In fact, if one looks at the penultimate column, the top five wines ranked by “one-year performance”, all are labels loved in the Far East: Carruades de Lafite, Duhart Milon, Lafite, Beychevelle and Clerc Milon. Why these brands? Speculation surrounds the adoption of certain wines over others, but, as James Miles, Liv-ex director, suggests, “These are all traditional clarets: they are all left bank wines that are made in decent volumes.”

Lafite in particular benefits from its pronunciation in Chinese: lafay, “which rolls off the tongue nicely”, points out Miles. It also outscores the other first growths; the châteaux has now bought a vineyard in China, and has, like other top clarets, a website in Chinese. Still, no one is quite sure why it has such a following. What is clear is that its leading position is being continually enhanced, because “if you are a merchant you are going to promote the wine that you’ll make the most money on and Lafite will pay a lot of the bills”, Miles says, adding that this one brand has accounted for 23% of the business through Liv-ex this year alone.

The chart also highlights the improved performance of Mouton-Rothschild. It has progressively moved up the list, from fifth, to fourth and second place this year. One reason for this may be improved scores,
connected to the appointment of new winemaker Phillippe Dhalluin in 2000 and his use of Bordeaux’s legendary consultant Jacques Boissenot. “Mouton had run of not producing wines one would expect from a first growth but it has reversed that,” says Miles. There’s also a sense that “Mouton will not producing wines one would expect from be thenextwine to run”, he adds, referring to broadening Asian tastes as Lafite thelikelybeneficiaryofbroadening interest – it has the rightprofileto be a Lafitesubstitute. “W hych? Itdoesn’tappear to have the touch. “W hy? Itdoesn’tappear to have the following in the Far East. Miles wonders if it’s not connected to its name. “Latour when translated into Chinese characters means ‘to collapse’, which is not so good for toasting a deal and a lot of the drinking that is going on is corporate – cementing relationships and making contacts.”

He also suggests it might be due to Latour’s approach to the market. “Latour is controlling, it holds back stock, while Lafite is more resilience, the somewhatfaddishnature of prestige cuvéeChampaigne.” It’sinescapable flatfizz then there’sChampagne. The results this year prove, aside from Krug Vintage’s resilience, the somewhat faddish nature of prestige cuvéeChampagne. “It’sinescapable that itiscyclical,” says Miles, “and it’snever going to be a great recession play.” Also, he reminds, “The extension of the production area doesn’t help psychologically.”

It further suffers from the fact the majority of these top Champagnes are consumed in bars and restaurants and potential consumers don’t want to be seen to be drinking ostentatious wines during tough times. Particular proof of changing circumstance is one-time rich playboys’
surprise for us was Ornellaia up at number 22, "admits Miles. "This could partly be down to a notable development this year – the rising role of Burgundy. "We have done twice as much trade on Burgundy compared to last year," he says, noting in particular the massive increase in Leflaive, as well as performance of DRC, Rousseau, Raveneau and Comte Lafon.

"We have seen a lot of interest in Burgundy," says Geraint Carter, investment analyst at Bordeaux Index, supporting Miles' experience at Liv-ex. "And we have sold more bespoke wines such as Rousseau to Asia. There are some sophisticated customers there too." Similarly, Oliver Hartley, sales director at Corney & Barrow, recalls, "We've seen much bigger demand for fine Burgundy from Asia – and it's not just DRC but also Leroux, De Voge, Dujac and other great smaller producers."

The Rhône to nowhere

Wines from the Rhône on the other hand have, in general, failed to attract enough trade to force prices upwards, despite making "consistently great wines", according to Jack Hibberd, research manager at Liv-ex. "There is an exhaustion in the market at the amount of great vintages (from 1998 onwards only 2002 and 2008 have been poor) and all the supply that brings meant it has suffered relative to other regions." Interestingly, Liv-ex analysis shows that of 139 perfect Parker scores ever earned by French wines, 70 have been for the Rhône and 55 for Bordeaux, while in the last 10 years alone, the Rhône has had 46 100-point wines compared to 17 from Bordeaux.
However, holding back the price performance and secondary market trading for the Rhône may also be the limited production of the very top wines, which are often released in the form of special cuvées. As Hibberd says, “These can undervalue the what’s left behind?” Also, Rhône buyers are concentrated in the still underperforming US fine wine market.

Overall, the fine wine market is starting to show a return to pre-credit-crunch trends. “There’s a return to normality,” says Hibberd, recalling last year’s crash and the first half of 2009, “when the market struggled to find direction”. Individual brand movement has not been driven by average prices and scores – which have altered little – but by changes in trade on Liv-ex and one-year price performance. In effect, the survey tests the resilience of fine wine brands and therefore highlights the strength of the first growths. “They are the first to fall and the first to recover,” says Miles.

As for China, the effect of demand from the East is accentuated in this year’s results because of the declining sales in the US and UK. In other words, last year the Asian impact was diluted by demand from elsewhere. “For our customers, 40 to 60% of their business is in Hong Kong and China but last year it was one third of their total,” records Miles. “European and US business has felt very narrow,” referring to China has compensated for that.”

As a result, Miles does record that “the world’s imbalance is being corrected: Asia is starting to consume and the US is starting to save.”

As for the style of fine wines being made today, Miles wonders whether the new centre of fine wine demand might start to affect the flavours. “If Bordeaux redesigned its wines for Robert Parker’s palate will it start making wines to appeal to the Asian consumer?”

On a larger scale and from an economic standpoint, Miles makes a further and final observation. “There was a concern about the imbalance of the global economy – the US consuming and borrowing too much and Asia exporting too much. But it’s interesting to see the likes of Diageo’s Chateaux and Estates forego its allocation of Bordeaux and attempt to liquidate US$28 million (£16.8m) worth of stock while at the same time there’s a booming Hong Kong/Chinese market. The world’s imbalance is being corrected: Asia is starting to consume and the US is starting to save.”
FINE WINE POWER LIST

WHAT DOES CHINA LIKE AND WHY?

The demand from Hong Kong and mainland China is, as this list proves, highly influential in the price appreciation of fine wine. This demand is also forecast to increase in line with the economic expansion – the International Monetary Fund is predicting GDP growth in China of 9-10% per annum to 2014.

So what do these new consumers look for in a fine wine? Essentially it seems the Chinese want the best of any product, and have deemed Lafite as the finest of fine wines – a reasonable conclusion as it is the highest scoring first growth in the survey. But it’s also about the brand image and packaging, even pronunciation in Chinese. Looking at the leading wines according to “one-year performance” – which is essentially recording the ramped up consumption in Asia – it is, in order, Carruades de Lafite, Duhart Milon, Lafite, Beychevelle and Clerc Milon. From the fact these are all left bank Bordeaux that is available in commercial volumes, Miles suggests the look of the label is vital. “A distinctive etched label seems to be important,” he says, “evident in Lafite, Carruades and Duhart Milon.” As for Beychevelle, “that has the boat”, he reminds, while Clerc Milon certainly has a memorable image. “It’s the label that’s working,” says Miles. “Carruades and Duhart look like Lafite – which they see around and in magazines.”

As for pronunciation, “Lafite is easy to say in Chinese,” explains Miles, reminding of a British following for easy-to-say fine wines too. “Look at names that are successful in the UK – they are ones we find easy to say such as Talbot, Léoville Barton, not Malescot St Exupery…”

Finally, Simon Staples at Berry Bros. & Rudd recalls a hotel outside Beijing actually called after the most powerful fine wine in this survey. Château Maison-Laffitte was built by Chinese real estate mogul Zhang Yuchen and replicates the original in extraordinary detail, from the sculptures to the gardens. It operates as a luxury hotel, spa and wine museum in one.

another and the market no longer seems to simply follow the commentators’ consensus. Packaging, pronounceability, commerciality and ultimately the brand’s image in Asia appear to be dictating a fine wine’s power.

FURTHER PERFORMANCES OF NOTE

Vega Sicilia, up 11 places and Pingus, up 35: “These are the Spanish first growths,” says Miles.

“Vega is our 50th most traded wine – it is an enduring brand, it scores very well but it was held back by the fact we never saw any of it but it is now traded more.” Miles also wonders if the price appreciation has been exaggerated by the strong euro, a suggestion confirmed by Staples at Berry Bros & Rudd. “We are the agent for Vega and it always sells out, but we have struggled a bit with the euro – prices are up 40%.” As for demand, “It’s a European market – there’s not demand from Asia.”

Similar, Hartley at Corney & Barrow, agents for Pingus, explains how exchange rates are affecting this Spanish wine. “We are seeing price increases over 40% this year on the last and much of this is driven by the weakness of the pound.” He also adds that Flor de Pingus is performing exceptionally well. “We sold our entire UK allocation of Flor de Pingus in 17 minutes when we released it over one month ago.”

Carruades de Lafite, up six. “Carruades is up but it has nothing to do with the score – it is not even considered an investment-grade wine but on one-year performance, it ranks the highest,” says Miles. “This is because its label looks like Lafite – and a lot of Chinese drinkers don’t read English so it’s not easy to tell the difference. Looking at its past performance he adds, “In 2007 it was 23, in 2008 it was 19, and now it is 13. It is only really being held up by score otherwise would be right up there – Carruades accounts for about 5% of our business.”

Similarly, Carter at Bordeaux Index points out, “Carruades gets 88/89 from Parker yet trades at Haut-Brion prices. The key message here is that there is a tendency to pick up the best in a brand and cheapest in a brand – that is the character of demand at moment.”

Angelus, up five: “It is considered the trade and critics favourite in right bank Bordeaux and gets very good press. Production is not massive but bigger than Pétrus, Lafleur, Le Pin and Ausone,” says Miles

Pavie, up three: “This is making steady progress as Parker’s view – he scores it fantastically – is getting more traction from everyone, even Jancis Robinson,” says Miles.

Henschke, a new entry: “It has always been considered a wine with potential,” says Hibberd. “It is high scoring, has a decent price, and we’ve actually traded some this year – once the door opened it traded well. It also gets massive scores year on year.”

Haut-Brion, up nine: “It did very badly last year and now has gone back to where it should be – all the first growths should be in the top 10,” says Hibberd.

Pontet Canet, up 21: “It has shot up because it scores so well, it is consistently good,” says Miles. “When Liv-ex surveys its members after en primeur it always gets a top-value vote. For a Bordeaux lover it’s a brilliant wine to buy.”

Lascombes, up 32: “We have done some big parcels and its trade is up from 45 to 27 and it’s up 15% in price,” explains Miles.

Montrose, down 28: “It has been one of most disappointing at en primeur according to our survey, and while it was boosted by an excellent 2003, this vintage has fallen off the sample – which tracks the last five vintages,” explains Miles. dB
FINE WINE POWER LIST

INSIDER OPINION

Simon Staples

“The market has recovered really since June and we had the best August we’ve ever had – and that was because of sales of the very top wines – we sold thousands of cases of Lafite from different vintages in August.

A few years ago these wines were pinging about from one investor to another over here [in the UK] but now they are predominantly going to Hong Kong and China where they are being consumed.

Eighty per cent of the wine we sold en primeur with a price over €50 went to Hong Kong and while we sold a few first growths over here on a speculative basis, most fine wines aren’t really being consumed anywhere outside Asia – the States is in the doldrums.

However, the Chinese market is miniscule at the moment – it’s not being generated by many people, maybe only a couple of hundred. But it doesn’t take very much for prices to move.

Mouton is now the new story and we sold 500 cases of Mouton 2008 in 10 days.

Maybe it’s because they can’t find Lafite and I hear from friends that Mouton is appearing on the tables now in Hong Kong.”

Geraint Carter

“This time last year was unprecedented for fine wine and most asset markets so anything in comparison looks fine, but the recovery has been much stronger than most of us had anticipated. At the beginning of Q2 this year the strength of the market showed itself. We waited for a hesitation but it did not come. Our summer, August, showed astonishing strength.

THE FADS ARE BEING DRIVEN BY CHINA AND THE FAR EAST MARKET BUT I HAVE A HORRIBLE FEELING THIS IS NOT GOING TO BE THAT LONG LIVED. A LOT OF PRICE RISES ARE DUE TO DEMAND FROM HONG KONG BUT THERE IS A POINT AT WHICH THEY WILL HAVE GOT ENOUGH

Dominant brands Lafite, and Mouton to a lesser extent, are dictated by who is buying the wine and that is the Asian. The uncertainty beyond that is what’s happening to the wine but there too we’re increasingly confident. Traders are buying and putting the wine into restaurants and private individuals’ cellars. We characterise it more as consumption than investment market.”

Oliver Hartly – C&B

“We generated a list of all trades on the Liv-ex Fine Wine Exchange from the last year (November-November) and from that list identified a basket of 163 brands. These were then ranked in order of how much monetary value total trade had occurred on the exchange in the last year (Ranking 1).

Where the brand is a grower we then identified a basket of their most famous wines, which we used for all subsequent calculations. We also identified the five most recent vintages for each wine available in the marketplace. For Bordeaux the vintages used were 2004-2008, for Burgundy ‘03-’07 and for Rhone ‘02-’06. For other regions this was done on an individual basis. For Ports and Champagnes the last five declared vintages were used.

We then calculated the average score from Robert Parker for each brand for the last five vintages available in the marketplace and ranked them from highest to lowest (Ranking 2). Where no Parker score was available we used scores from Wine Spectator. For Burgundy wines Allen Meadow’s (Burghound) scores were used.

We calculated the current average best price based on merchants’ price lists for each brand for the last five vintages (Ranking 3).

To measure performance, we calculate the average case price for each wine a year ago and compare it to its current price. We also modify the vintages used to ensure we are comparing like with like. The bigger the price increase, the higher the ranking.

We then calculated a provisional score by totalling up the rank number of each brand for the four components. With the top 100 brands (the 100 lowest scores) from the provisional rankings we multiplied the current average price with an average production figure to get a production weighted average price and ranked the brands according to this (Ranking 5).

Finally, we totallled up the rank number of each brand for all five components to get a score, the lower the score the higher ranked the wine. Where wines have the same score, the wine that scores better in the most categories is ranked higher.

METHODOLOGY: