

**IRI
Growth
Insights**

C-SUITE
CONVERSATIONS

Moët Hennessy

Keeping Spirits Bright

December 2020

IRI Growth Insights' [C-Suite Conversations](#) feature industry leaders who share their boots-on-the-ground experiences and best practices to ensure that our industry thrives. As critical as data and analytics are to the decisions we make every day, and as focused as we are on shopper behavior and changing demand for the products we make and sell, the insights we learn from executives navigating this COVID-19 environment are invaluable.

Available as a [videocast](#) and as a [podcast](#), here we feature an edited version of IRI's conversation with Seth Kaufman, president and CEO of Moët Hennessy, North America, maker of upscale wine and spirits brands, which in addition to Hennessy include Moët & Chandon, Veuve Clicquot, Dom Perignon, Krug, Glenmorangie, and many others.

Kaufman took the helm of Moët Hennessy, North America in January 2020, joining the company just ahead of the COVID-19 pandemic and just moments before drastic economic and behavioral changes swept across industries, including the luxury space. Kaufman brought with him 19 years of experience at PepsiCo and a focused, unique leadership approach to help Moët Hennessy succeed and make its mark in the changing world.

In this episode of IRI Growth Insights' C-Suite Conversations, Kaufman talks to IRI's KK Davey, president of strategic analytics and a member of IRI's leadership team, about pandemic transitions, servant leadership, supply chain, marketing and pricing strategies, the importance of data and analytics, and much more.



IRI: How has your personal in-home consumption changed since the outbreak?

Seth Kaufman: Like many of our target consumers, it's been great to actually be home and have different occasions and different ways to try and consume many of our products. I will also say that I've tried my hand at mastering cocktails during this pandemic. I certainly am not a professional mixologist, but at least I can make a handful of different, wonderful cocktails with our champagnes and with our spirits. And I'm getting better each day.

IRI: What new behavior set have you embraced during the pandemic that is likely to stick with you post-pandemic?

SK: From a personal standpoint, my whole family was already very big consumers of e-commerce. I would say that within the categories that I lead – wine and spirits – my personal behavior was generally to buy stuff at stores and bring it home. But that has shifted quite substantially to e-commerce in our categories as well. And I know, not just from the research we've done, but also looking at friends and family, their consumption habits are pivoting quite significantly there too. I know we're going to get into that shift, but even personally I've adopted having wine and spirits delivered right to the front door in a much more substantial way.

One other thing that I'll mention is a wonderful pivot – that is dinner with the family every night. I tell you it's been an incredible gift. I've so valued that time. Obviously, there's a lot of challenges with the pandemic – not being able to travel, not being able to see my team in person – but sitting around the dinner table every night with my family, with my kids and my wonderful wife, has been a really great gift.

IRI: How has transitioning to Moët Hennessy from PepsiCo and moving from overseeing nutrition to luxury spirit brands gone so far? And also given the pandemic, how has the whole transition gone?

SK: I'll start from the perspective of it's been wonderful. I started a little over a year ago and had the opportunity to spend four months traveling around the world, really learning our business and spending time with *maisons*. As a luxury company within the wine and spirits world with just incredible houses, *maisons*, across the world, really understanding and learning was critical. I was spending a week in Champagne, spending a week in Cognac, spending a week in Scotland learning our scotch business, spending time in Napa. Then traveling to different parts of the world to see our business, but also throughout the United States to meet our distributors, meet our retail partners, meet our on-premise partners, and meet the team was great. That gift of four months of onboarding before taking over the business January 1 was great and paid really significant dividends, especially given that we went into a crisis. It would have been really challenging to learn the business without having gone to our very special houses, which form the foundation of who we are.

I'll say that the two biggest pivots versus what I was used to were: One, luxury is different, and understanding that and learning that was important. I was a luxury consumer, but certainly I didn't operate in the luxury space from a business-leadership perspective. Then, the other is that I've been a fan of French culture. I'm a cyclist, so a huge fan of cycling and the Tour de France. I have been to France many times before and have ridden in the French Alps and in the French Pyrenees, but the opportunity – given that we are based in France – to really understand the French culture at a deeper level and see how that impacts our business was a really important part of the onboarding as well, and something that I very much valued. I've learned from it both business-wise and personally, and I try to think about that each and every day in my role.

IRI: How has the pandemic changed what you were planning to do in January when you took over?

SK: Obviously, it's changed a lot. We had started by doing some strategic work as far as where we wanted to take the business over the next decade. We continued that work in the beginning of the pandemic because we wanted to make sure that we had the blueprint for where we were going. I am pleasantly surprised with how effectively we, as a team, have been able to operate in this pandemic. I was doing roundtables in person – it was important for me to meet each and every one of my employees. I took that from my mentor, [former PepsiCo NA CEO] Al Carey, the importance of servant leadership. I actually continued those roundtables at home via Zoom. And you could say, "Hey, that's not very personal," but I will say it allowed deeper engagement, and I think it allowed us to be a little bit more personal.

As a leadership team, for many months we had daily crisis calls via Zoom. We got to know each other as a leadership team in a significant way, which helped us operate the business. It probably allowed me to learn the business much faster than in a non-crisis setting. And then the other thing that we did from an employee-based perspective is strong communication. We've done a lot of company Zoom calls, after the horrific murder of George Floyd and the very serious movement around social injustice in this country. We did a lot of forums around that, and that allowed our employees to engage with one another. So even before I get to how the business has changed, it's important for me to start from how to lead and how we, as a team, have operated. We've done it in a way that is as personal as it can be while being totally disconnected in physical settings. Doing it through technology has been a great enabler.



IRI: You mentioned servant leadership. Would you mind elaborating on that and giving us a flavor of what that means?

SK: Servant leadership starts from the perspective that the leader's job is obviously to connect the dots and understand the business enough to set the vision and strategy for the business. But then after deploying that strategy and vision throughout the organization,

the most important thing that I can do as a leader each and every day is **BREAK DOWN THE BARRIERS AND OBSTACLES** that get in the way of my team achieving that vision, that strategy.

And the easiest way to accomplish that is by literally flipping the organization upside down so that the most important person in the organization, the person at the top of the org chart, if you will, is the person closest to the consumer. And there's no scenario where the CEO of a business will know more about what's going on than that person on the front line, than that person closest to transactions.

So having the humility to understand that that front line, the people engaging with customers, the people seeing our consumers every day, know the most and need to be empowered to make decisions in real time to drive the business, is a really important realization and then a way to operate in support of the business. It obviously takes coaching and development to build the right team. It takes having the right people in the right seats, in the right roles and operating the way that they will, but then empowering the teams, pushing decision-making deep, deep, deep down in the organization. And then, as a leader and as a leadership team, we operate consistently with: What are the obstacles getting in the way of success? How do we break down those obstacles for our employees? And that ultimately helps achieve the vision and strategy of the business. So that's the core of what servant leadership is, at least as far as the "Al Carey School of Servant Leadership" that I went to.



VIRTUAL EXPERIENCES

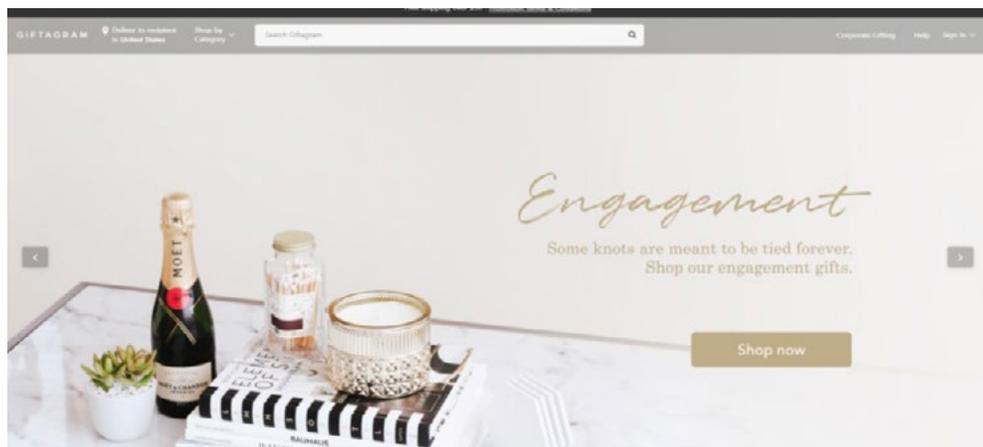
IRI: Many of your well-known brands are often consumed on-premise, and on-premise is now devastated. With restrictions for on-premise, how is the business managing itself and what are you doing to shepherd the business?

SK: Moët Hennessy is all about crafting experiences for our consumers. We are luxury brands that have incredible *savoir faire* and hundreds-year histories. When the crisis began, the team, thinking about how to continue to craft experiences, but in a new context, has been the biggest unlock to what has been a record year of performance. Yes, our consumers are no longer going into bars, restaurants, hotels, nightclubs, in some geographies not at all and other geographies much less than they were before. But the team's agility in pivoting and creating the opportunity for consumers to experience our brands in different ways at home has been a massive unlock for the business.

I'll take one category as an example. You would think champagne, as a category, would have a really challenging year, given it's not necessarily a year of celebrating. We had a difficult April and May. In March we started to see what was going on, started to see the slowdown, and April and May were challenging, at least the first part of May. But the team really thought long and hard about how to

create experiences at home and still **CELEBRATE IN THE CONTEXT OF WONDERFUL THINGS.** For example, a program around missed milestones,

where it was all about a year where people can't go out and celebrate their anniversaries, celebrate their birthdays, have affairs like weddings. So we were creating the tools, the scenarios, and the virtual settings to be able to create similar moments of celebration at home. And that has been a massive tailwind for the champagne business in a year that champagne is outperforming any of our expectations from the beginning of the year. I think it has more tailwind than it's had in quite some time. That's one, which is literally the agility for the team to create different kinds of experiences, but still stay grounded in who our *maisons* are, what the special sauce that they can bring to different occasions is.



And then it goes without saying that e-commerce has become super critical. Our *maisons* tell incredible stories, and digital platforms are a phenomenal way to tell those stories. We put a lot of resources into e-commerce. We started with great momentum, but we had lost a little bit of share in the beginning because so many companies were pouring resources into e-commerce. But we kept at it, continued to resource it, and not only have we captured

back the share that we lost in the very beginning, but now we are in a much better share position in e-commerce than we were before the crisis. And I'm quite confident that that will pay dividends for years and years to come.

It's been devastating for a lot of our on-premise customers, and I can't overstate that enough because we are together, with our partners, trying to help them rebuild. But the business itself has been incredibly resilient. Hennessy; Glenmorangie; Dom Perignon; Moët & Chandon; Krug; Ruinart; Volcan, our new tequila; Woodinville, our incredible bourbon and rye from Washington – they've all outperformed expectations. I think it's a huge statement on

the **POWER OF AGILITY OF A TEAM, CREATIVITY OF A TEAM, AND DEDICATION** to think about new moments of consumption in this very different time.

IRI: How has your marketing spend evolved? In particular, when you're over-indexed on sports and sports-related events, how have you shifted that plan?

SK: Yes, on sports, but I'd say more prominently on in-person activations well beyond sports. Obviously, it's a very challenging time for that, but you know a big piece of the pivot has been creating virtual experiences that still engage consumers in a very material way. Doing tastings for our prestige brands is a really important part of our business. We've had our ambassadors host tons of virtual tastings where our consumers are incredibly engaged. We've had our winemakers and our master distillers do virtual experiences in partnership with some of our retail partners that have really had a material impact on a business.





Even something like Veuve Clicquot, which is one of our most special *maisons*, has had something called the Polo Classic in both New York and California for about a decade. It's a huge in-person event; tons of celebrities go, with great moments to experience Veuve Clicquot in a setting outdoors, but it's obviously not a year that we could do that. So the team did a virtual Polo Classic. Just last week, I was taken through the results of that and both from a consumer-engagement perspective, as well as an impression perspective, it exceeded all of our expectations. And then if you just look at the health of Veuve Clicquot's business this year, it gives us the confidence that it's not just that we're deploying these resources in a different way and that it's working from an impressions and engagement perspective, but it's actually driving the business in a really material way. We've had to be creative with the marketing spend. I'm super proud of the team and how they've done it, and the results have proven that it works. I think what it will do for us is in a post-COVID world, it'll give us a lot more ideas around different ways that we can engage our consumers. And it'll probably be a model of going back to some of what we used to do, in addition to doing some of this new stuff, even in a post-COVID world.

IRI: How is your supply chain coping with this demand?

SK: Coming from an industry where as long as you have the raw ingredients and the supply, you could make it, to an industry where it's about aging in a material way, it's a huge pivot. But our *maisons* have done a wonderful job of supplying the demand. Have we had some challenges? Yes. Have we had some hiccups? Yes. Have we overcome all of that in creative ways throughout the entire supply chain? Yes. I'm really happy with how we've been able to keep up the momentum of the business and not have too much disruption within the supply chain. Even in scenarios where some of our *maisons* had to be closed down for some period of time and could not produce, they made up for it. So we're in the midst of fourth quarter with a very tight supply situation across champagne, across cognac, certainly across our single malts, but the team has been creative in how they're deploying the products, and I'm very happy at how we're creating value even in a challenging supply environment. It is certainly different than making soft drinks, making bottled water, making potato chips, or making tortilla chips.

IRI: How do you maintain your brand and price position?

SK: We try to be as data informed as possible, and we're building capability with respect to data and analytics. We are luxury products, and there's a willingness to pay for our products that is certainly well above products that are not luxury.

We would be crazy to not think about optimizing promo spend, to not think about some of that this year. At the same time,
WE DON'T WANT TO TAKE ADVANTAGE OF OUR CONSUMERS.

Let's take a brand like Hennessy. Many of Hennessy's core consumers have been impacted negatively during the pandemic, more than other consumers. For us to take price up during that time is actually working against the consumers that have helped us build this incredible business in the U.S. We've used data analytics to inform our pricing. Again, we'd be crazy not to figure out how to try to optimize it, but we've been very, very careful. Very careful not to move too much, too aggressively, against our consumers who have been loyal, who still love our brand. And our *maisons* and our brands very much also love our consumers, so it's a balance. It's an absolute balance.

IRI: As people are moving out of cities, where most of your marketing focus has been with affluent consumers, how are you changing your direction to go after consumers in a more diverse way?

SK: Yes, we are very strong in cities, but we're also strong in suburbs and in many rural areas. That said, there's opportunity as this movement happens to capitalize on that movement and resource in a different way. One of the things that we did was we built a 10-year strategy for the business. One of the strategic imperatives in that is to really think about growth geographies and how we should resource in those growth geographies. A few months ago, we went through a reorganization in support of the 10-year strategy. And in that we put more human resources into the geographies where consumers are moving to versus where they're moving away from. We also have deployed more absolute capital to those geographies.



I feel really good about how the team is using the data around the shifts as far as where people are living and where people are shopping. And I think it's been part of the success this year. I really believe that because of how we're activating, not just in city centers, but in suburbs and in rural areas. There was also a point in the pandemic, less so now, but a point in the pandemic where consumers were going to their escape geographies, whatever that was. And we made sure to over-resource escape geographies as well to make sure we were fully capitalizing on that opportunity.



CONSUMER CENTRIC

IRI: What are some of the tools you continue to turn to in terms of data and analytics to help you navigate different elements of your business, such as categories, consumer behavior, consumption patterns, forecasting, etc.?

SK: There are a lot of different tools and we are building our capability in order to integrate those tools with one another, in order to make faster decisions. So, obviously thinking about everything from primary consumer research to syndicated, to looking at our customer data, to looking at shipment data, to understanding our distributors' data, to breaking down some of the data that we're getting from some of the e-commerce partners, is all critically important. Though the one thing that we try hard to guard against is the cliché: analysis paralysis. And this goes back to servant leadership that I talked about before. I will say that some of our most important "data" comes from our employees who are closest to the consumer. It's their stories and it's what they're seeing.

The team has done a really nice job of **INTEGRATING THE HARD DATA WITH THE SOFT DATA** that we get from our colleagues on the front line in order to make quick decisions,

and hopefully the right decisions, in support of the business. I'm really satisfied with the data and analytics capability we are building, but we're not doing that alone. It has to be also about the nuanced understanding of what's going on in the marketplace, and the best sources of that many times are our employees on the front line.

IRI: Please elaborate on how you're going to enhance the hard data with the soft data.

SK: Like many other companies, we're using artificial intelligence (AI) and other streams of data. That is not separate from consumer centricity. In fact, consumer centricity is at the very core of that, but it's much more than that, and sometimes the most powerful insights are qualitative in nature. As long as we're not asking questions to get an answer that we want, if we're asking questions to get the real answer, those qualitative insights can be combined with very hard-core number-crunching and can be combined with projective algorithms, to get to an outcome that you wouldn't have been able to do without bringing that qualitative aspect into it in the first place.

But consumer centricity is at the heart of whether it's the hard data, the soft data, whether it's someone anecdotally telling a story about an observation of a consumer or something that we're talking about in headquarters, we are every single day, super consumer centric. And as a part of that, one of the things that we've been really focused on is wine and spirits as a repertoire category, and how the same consumer consumes different things in different contexts. A lot of times, that is at the core of how we deploy different programming in different settings to be able to have strong velocity and strong engagement with our products.

IRI: Is this industry less advanced in terms of how they use consumer data?

SK: What I would say is there's a few things that I really wanted to bring from a "traditional" CPG environment. And then there's many things that are quite different, because not only are we wine and spirits, but we're luxury. The two biggest things that were absolutely

critical for me from CPG to apply in this business were **CONSUMER CENTRICITY WITH A BEST-IN-CLASS DATA AND ANALYTICS CAPABILITY WRAPPED AROUND THAT**, and then really buttoned-up commercial planning

with clear priorities in each time window. Those are things that have added massive value to our wine and spirits luxury business.

But then, in a luxury business, there's many things that are quite different from CPG. I can tell you I have incredibly talented folks around me on my own team, but then I also have the opportunity across LVMH to learn from my colleagues at our other *maison* in luxury, and then take some of those learnings and try to apply them in our wine and spirits portfolio.

IRI: What are your perspectives on the hard-seltzer trend that is going on in the beer, wine, and spirits parts of your industry?

SK: Consumers are clearly voting with their wallets and their engagement right now. There was an unmet need in the marketplace for some bit of convenience combined with the occasions that consumers consume these different spirit-seltzer categories. I've been talking to a lot of partners about this, including our retail partners over the past couple of months, to understand what they're seeing, and where the jury is out is as the category gets more and more crowded, is it really driving incrementality, or is there just share moving from one supplier to another? We've seen this happen with many other categories. If we were ever going to deploy something in this space, it would have clear benefits around unmet needs that exist in the marketplace right now.

Thinking about the emotional and functional needs of consumers, thinking about whether **ONE OF OUR INCREDIBLE MAISONS MAY BE ABLE TO DELIVER A PRODUCT THAT CAN MEET THOSE UNMET NEEDS**, is a huge filter for us.

Stay tuned for what you might see down the road there, but it's certainly a category or a set of categories with a lot of energy. As a luxury wine and spirits company, the team has thought a lot about how to create value for ourselves, but also for our partners, if we were to deploy something in this space. But it's clearly meeting an unmet need, and that's why so many consumers are voting with their dollars in this space.





UNFINISHED BUSINESS

IRI: We're all wrestling with many social issues, including diversity, equality, and inclusion. What does this look like in your world, and how are you addressing it?

SK: It's such a great question for us, because it's so near and dear to our hearts. Maybe what I'll do is, I'll use one of our brands to talk a little bit about this. So COVID-19 has disproportionately impacted minority communities. Fact. The recovery, the stimulus package, also disproportionately did not go to minority communities. Hennessy, given our role in many of these communities, saw this as a huge problem. We saw the systemic racism in this country as a huge problem and felt that we had an obligation, given what was going on.

We created a program called Unfinished Business, with the goal being to **PROVIDE CAPITAL, AS WELL AS MENTORSHIP, ADVICE, ETC., TO SMALL BUSINESSES** that were Black owned, Latinx owned, or Asian-American owned.

We worked with three partners in order to pick the small businesses that would receive the support. The partners are 100 Black Men, the Hispanic Federation, and the Asian American Business Development Center. We put this program out in the world, and we got 17,000 applications. We are getting close to having supported 2,000 small businesses with capital and tons of additional businesses with mentorship and other support that they needed, because not all of the applicants needed capital. We are now about to deploy a second round of funding for that. We have many of our external partners also engaged in it and putting their money into this pot. I feel really good about the impact that we're having for many of these small businesses that were the staples of their community and were at massive risk for never being around again because of the disproportionate impact in their communities, and then the inability to get access to capital and support that they needed.

Then the other thing that I would say is we spent a lot of time, not just as a leadership team but as a company overall, working on our I-D-E agenda. The E is critical

– INCLUSION, DIVERSITY, AND EQUITY. And if you don't have all three, you cannot make the right progress.

We're working a lot on how we change our own processes, how we change the makeup of a leadership team, what we could do internally, what we could do in partnership with our distributors to really drive this agenda forward. I'm so inspired, not only by the energy of the leadership team on this, but I'm inspired by the transparency and the candor of my entire organization in telling me and telling us what we need to fix.

And we're fixing it with dollars. We're fixing with processes. We're fixing it with external programs. We're fixing it with internal programs. It's going to be a long journey, though. It's one that we are committed to as an organization. And one that I'll be super proud, at some point in the future, to be able to look back and say we made these choices at a really important moment in time. And as a result, we had a material impact not only on our own business, not only on our own

talent, but on the United States in a much more significant way.

IRI: The grants that you're giving are not just limited to hospitality, CPG, or retail, but the program spans broader economies. Please tell us more.

SK: Yes, there was no specific industry as part of the call for applications. Picture any small business that is a staple of the community, from craft shops to barbershops, to whatever it is. It really was open to any industry. And then the reason we picked these three great partners was because we knew that they would know better than us where the need is most needed, most necessary, and whether that's financial need, mentorship need, or something else. We have great faith in these three organizations, and it's why we're now putting another round of funding into this and excited to see the impact that that second round of funding will have.

IRI: What is one accomplishment that you're most proud of? What is one word of advice you would have for somebody who is starting their career in CPG or retail or in luxury?

SK: Without question, the accomplishment that I'm most proud of is seeing the people that I've had the opportunity to work with throughout my career getting promoted, moving on to bigger and better roles, and then having material impacts in their own right on companies, sectors, whatever it is. No question, that is the accomplishment or set of accomplishments that I'm most proud of.

The advice that I would give to anyone starting their career is simply to operate with both humility and empathy at all times. Operating with those two things allows you to learn more than you'd ever learn. It allows you to impact teams and people more than you'll ever have impacted them without it. And importantly, with that, the business results always follow. And don't be humble, don't be empathetic because you want the business results. Do it because it's the right thing to do for your team, and I promise you that business results will follow. Because at the end of the day, no business is successful without a super-strong underlying health of a team that makes that business successful. 

Let's continue the conversation. We invite C-Suite leaders to share their perspectives on the changing CPG retail demand curve in an upcoming episode of Growth Insights. Please contact your IRI representative or [email us](#).

About IRI

IRI is a leading provider of big data, predictive analytics and forward-looking insights that help CPG, OTC health care, retailers and media companies to grow. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI guides over 5,000 clients globally in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver growth. IRIworldwide.com

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