The “very special, old and pale” (VSOP) Cognac originally brought back to the King of England by his agents was from the region just north of Bordeaux, France. Cognac has been a beloved spirit, favored by Napoleon Bonaparte, nobles in smoking rooms across the Continent, and of course, kings. But the spirit has fallen on hard times as Europe’s nobles faded away, leaving the category as a niche product long forgotten by most consumers. But new minds are at work, and Cognac may be a turnaround play in the years ahead.

A Shifting Category
Although the overall brandy category is barely keeping up with the rate of inflation in the U.S., Cognac sales are edging slightly higher. According to the Adams Liquor Handbook 2005, the category grew 5% to 3.6 million cases, yet this is a niche product compared to whiskey and vodka, each of which sold more than 45 million cases. The top four Cognac brands are:

- **HENNESSY** (Moët Hennessy USA)
- **REMY MARTIN** (Remy Cointreau USA)
- **COURVOISIER** (Future Brands)
- **MARTELL** (Pernod Ricard)

Hennessy is the category king—both the leading Cognac, as well as the largest growing brand. But senior brand manager Dexter King joked, “Being the biggest Cognac brand is like being the tallest midget.” Hennessy is growing by positioning itself differently. “We look at Grey Goose, Patrón, and other luxury brands as our main competition—not other Cognac brands.” The strategy is paying off: Hennessy was ranked 83rd on BusinessWeek’s top global brand list in 2006.

Although ranked second in the overall category, Rémy Martin focuses on its higher grade VSOP, which was the fastest-growing premium Cognac in 2005. “We’ve historically been known as a trade-up Cognac,” category director Steve Hissam said with pride.

The Changing Consumer
The African-American community has favored and supported the growth of the Cognac category for five decades. Since the early 1950’s, many prominent musicians and rappers have come of age with the spirit. Abegail Domond, brand manager for Martell, notes that the typical consumer is male, African-American, and 35 to 54 years old. Yet importers are now trying to make it more inclusive and seeking a broader range of consumers. Some note that Cognac is experiencing growth in Hispanic and Asian communities as well.
Aliçé was introduced in the U.S. over twenty years ago as hip-hop entered mainstream culture, and helped to make Aliçé popular. Brand director Michelle Murray said, “It’s just a matter of reinvigorating the brand with new messaging and reminding people that we’re still here.” Aliçé is winning new customers by targeting women, and emphasizing Cognac’s mixability.

Like Aliçé, Hine Cognac appeals to the female consumer. According to R. John Pellaton, president, Hine USA, “Hine is considered more floral and feminine than the major brands and it has always been said to be one of the only Cognacs that women like to drink.”

And Cognac makers are positioning Cognac as a trade-up product. “Trading up is what consumers are doing across the board – in fashion, in vodka, in tequila, and in Cognac,” said Hissam of Rémy Martin. “The biggest change is that Cognac is now part of contemporary cocktail culture and appeals to younger drinkers. Similarly, the occasions have expanded beyond the traditional sip-and-savor moments to ‘guys night out’ on the town.”

Hine Cognac has recently introduced H by Hine, a “VSOP in a Bordeaux bottle that is more like a contemporary spirit brand than a revered aged Cognac,” Pellaton says. “We use the analogy that H by Hine is ‘Hine with Attitude’ - a bit like the new generation who express their contemporary values but stay within the family that have given them their heritage.”

Landy Cognac is a new brand working hard to reach younger consumers “by bringing Cognac back into the cocktail and grow it as a category,” according to Jean-Francois Bonnéte, national director of Cognac Ferrand USA. “For the younger consumer, the number one buying stimulus is price. We need to be fresh, hip, cool, exciting, and also affordable.”

Alberto Beraha, VP, BerNiko LLC agrees with Bonnéte regarding price being an attractive lure for the younger, more inexperienced Cognac consumer. He says, “Ibîs XO is trying to give the consumer a true brandy experience.” Since Ibîs XO is produced in Cognac, France by true Cognac producers, he adds: “This quality product along with a great price will attract a younger consumer, who might not have the palate yet to begin with Cognac. With Ibîs XO, they are able to try brandy first and then grow their taste buds for Cognac.”

**Marketing Cognac**

Many Cognac producers are demonstrating a significant shift in how they are marketing their products. Category leader Hennessy is marketed as an aspirational brand, and its lead over the other producers has widened. “We’re positioning ourselves as a lifestyle brand,” King explained. “To sell it only as a category,” according to Jean-Francois Bonnéte of Rémy Martin. “To sell it only as a category is a mistake. We have to compete against non-Cognac products like Patron Tequila.”

Bonnéte echoes this sentiment saying, “The marketing action of Landy Cognac is digital and viral. Our goal is to make Cognac a strong alternative to imported vodkas, tequilas and rums in the U.S.” By working with renowned mixologists, he says, “We have tailored some fresh and sophisticated cocktails which are already starting and will more and more be featured in some accounts across America.”

Hennessy is looking beyond the traditional Cognac market to continue its growth. It sponsors a polo team in the Hamptons, and promoted a major concert in New York in October with Kanye West and the Strokes to stress Hennessy’s mixability with music. Hennessy is also hosting local market events, such as mini tours in major markets by invitation-only. “We’re pushing the entire range of Hennessy, through VS is the juggernaut,” King said. And it has sponsored an ad campaign featuring actor John Leguizamo.

In 2005, Fortune Brands acquired Courvoisier when they split Allied Domecq with Pernod Ricard. The brand manager, Allen Spence, noted Fortune’s emphasis in making Courvoisier more inviting to consumers. “Fortune Brands is moving the needle for us,” he explained, noting how tastings and training are key to their strategy. Courvoisier brought over a brand ambassador from France. They’ve found that every person they connect with is not only a new consumer, but will also spread word of the product. Tastings stress Courvoisier’s mixability, and women are responding positively.

**“Hennessy is looking beyond the traditional Cognac market to continue its growth. We look at Grey Goose, Patrón, and other luxury brands as our main competition – not other Cognac brands.”**

–Dexter King, senior brand manager, Moët Hennessy USA
Tarantino at the 5th Annual Rémy Martin XO Honors for their contributions to the Asian community. The event was watched by 15 million households.

Hpnotiq has aggressively positioned itself as highly mixable through trade and bartender education. Justin Ames, senior brand manager, Hpnotiq and Christian Brothers Brandy says “that its most visible demonstration is with the consumer media, which features cocktails and recipes.” He also adds that “it’s a highly-mixable product, enjoyed in a club or style lounge. It’s Hpnotiq,” is really a lifestyle message, where consumers are seeking out the Hpnotiq Martini, The Breeze or The Hulk.

The “Rise Above” campaign was Martell’s signature program that focused on “enhancing brand image to be more upscale, modern, approachable and relevant,” said Domond. Martell XO debuted new packaging, and also launched Martell Noblige – “a stylish alternative that is a step above VSOP.” To enhance Noblige’s upscale image, they held the Noblige Best Dressed Man contest.

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2,000-case Maison Surrenne shakes his head in dismay at the category’s status. “Restaurants are far more likely to know what Scotches and Bourbons they carry, but have no idea what kind of Cognac is on the shelf.” It has a long way to go before it reaches widespread appeal, and this will take years of highly targeted promotions to reach a new audience.

Those that are having particular success – the Hennessy’s of the world – are successful because they are positioning their products against other categories, rather than other Cognacs. Or they are finding new ways of using the product, such as in mixed drinks. The Cognac liqueur Grand Marnier has teamed up with Jose Cuervo Tequila to market the Grand Margarita, noted brand director J.C. Iglesias.

Todd Voigt, marketing manager, spirits, Barton Brands Inc., says that Meukow has recently demonstrated high quality innovation with the first Vanilla Cognac and other flavored products. “The new generation of Cognac drinkers brings their own style and desire for unique high quality products that express individuality.” The key to growing the category, he believes, “is in understanding that our drinkers are savvy consumers who need variety. Cognac will continue to grow as we provide different occasions and options for enjoying our fine products.”

Martell’s Domond is optimistic about the future. “Cognac is a clear example of how targeted efforts can transform a product steeped in history and heritage into a contemporary product that appeals to a range of consumers across all demographics while not sacrificing its traditional consumer base.”

–Abegail Domond, brand manager, Martell

Alizé is heading up a marketing campaign called “Go On! Alizé”, and engaged radio personality Wendy Williams as their exclusive national spokesperson. “Wendy will be making appearances throughout our markets to promote the brand and help bring Alizé to life in contexts that are relevant to our consumers,” explained brand director Michelle Murray.

Optimistic About the Future

Cognac is a niche category, one that most Americans simply ignore. Ansley Coale of