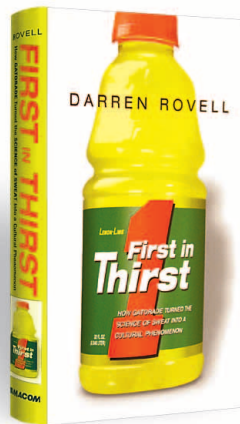


SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Darren Rovell

How Gatorade Turned the Science of Sweat Into a Cultural Phenomenon

FIRST IN THIRST

THE SUMMARY IN BRIEF

When was the last time you watched or took part in a sporting event where there were no sports drinks? And although there are other sports drinks out there, how often do you see a brand other than Gatorade?

Gatorade invented the sports drink 40 years ago, and it has been first in the marketplace — by a long shot — ever since. But Gatorade is more than just a thirst quencher and a dominant brand. It has become an icon of popular culture — witness the globally televised “Gatorade baths” administered to victorious football coaches — and a must-have symbol of “hip” well beyond the athlete’s realm.

Published to coincide with the 40th anniversary of Gatorade’s invention, First in Thirst chronicles the rise of the sports-drink industry and the near-monopoly that Gatorade has built and maintained through savvy marketing and branding strategies. In this summary, business journalist Darren Rovell offers an inside look at the negotiations, battles, lawsuits, mergers and acquisitions, product strategies, lucky breaks, and even the missteps that have attended Gatorade’s reign as the 800-pound gorilla of the sports-drink scene.

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What You’ll Learn In This Summary

- ✓ **Discover Gatorade’s history.** See how it spans the nutrition and fitness fads as well as the rise of celebrity endorsers and designer advertising.
- ✓ **Meet the people who invented Gatorade.** Learn which top executives and sports figures helped the inventors make it a success.
- ✓ **Learn how Gatorade was invented.** Get an inside look at the evolution of a global phenomenon.
- ✓ **Discover the nine “Gatorade Rules.”** Learn which business principles helped to make Gatorade one of the most dominant brands ever.
- ✓ **Learn the details behind the product.** See how Gatorade’s marketing process not only created and perfected a great product, but built the need and the market that would ensure that product’s dominance year after year.

FIRST IN THIRST

by Darren Rovell

— THE COMPLETE SUMMARY

Sweat in a Bottle

In the basement of the pharmacy wing of the J. Hillis Miller Health Center, in a room with unfinished floors and protruding pipes, surrounded by piles and piles of canned foods saved for a possible atomic attack, an eccentric nephrologist and his colleagues were working at a feverish pace.

Dr. Robert Cade, a 37-year-old associate professor of medicine who specialized in kidney disease, and his research fellows at the University of Florida were carrying out yet another experiment. They knew that the next day their magic potion would face what was sure to be its largest test yet. There was no time to spare.

It had been a month since Dewayne Douglas, a former University of Florida player who was an assistant coach of the university's freshman football squad, had sat down to lunch with Dana Shires, one of Cade's colleagues. Douglas told Shires that the freshman team was in bad shape. Over the weekend, 25 players had been admitted to the hospital's infirmary because of heat exhaustion and dehydration.

Heat-Related Diseases

In the 1960s, as many as 25 football players across the country died each year from heat-related diseases. In Florida, some players were losing more than 15 pounds during each game. Douglas pleaded with Shires to come up with something to negate the strain that the brutal summer heat had inflicted upon his players.

Players who drank too much water would get stomach cramps, while players who put too much salt in their bodies would often experience leg cramps. Making the perfect drink for football players wasn't exactly a priority for Cade. But given his history of mixing drinks at his liver-kidney symposiums, there was no chance he would pass up the idea of making a concoction in the best interest of science.

It wasn't so much that Cade thought that some day one of his ideas would make him millions. It was more about using science to solve problems. It didn't hurt that Cade was also a big sports fan. He was beginning to fall in love with the Gators. He and others knew that replacing athletes' fluids during games would be a true advantage for the team. Luckily Cade — himself a former high school track athlete — had a group of eager young

medical school colleagues who were willing to follow him. Cade and Shires were aware that a decent amount of information about the physiology of body temperature was available. So they did research about sweat.

A New Solution

They also had a paper from Dr. Sidney Malawer, a medical resident, concluding that a beverage containing salt and glucose would move into the body much more quickly than water. This was helpful to Cade and Shires, who wanted to invent a drink that would benefit athletes as they played. Now, they needed to approach the University of Florida's varsity head football coach, Ray Graves, to tell him that they would need to use the players to determine the proper amounts of ingredients for their solution.

At the time, most coaches didn't allow players even water, believing that dehydration would toughen up players. Some coaches allowed players to practice "sip-and-spit," and others provided players with salt pills, but these could raise the sodium in the body to harmful levels.

The doctors told Graves that if they could devise a solution that would replenish what the players lost through sweat, it would prevent dehydration and could help strengthen them at the end of games. Graves agreed to cooperate, but only gave permission for the freshman players. His concern was understandable. He thought the solution was safe, but no one knew how it would affect performance, and his best recruits were upperclassmen.

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The author: Darren Rovell is the sports business reporter for ESPN.com. In 2004, he was named to NewsBios' "30 under 30," a list of the top 30 national business reporters under the age of 30. He appears on numerous ESPN radio and TV news programs, and is the co-author of *On the Ball: What You Can Learn About Business from America's Sports Leaders*.

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Sweat in a Bottle

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The Guinea Pigs and Testing

Graves allowed the scientists to attend freshman practice. With the players' consent, they were permitted to test two freshmen at a time. The doctors collected preworkout blood and urine samples, and the players put on special rubber gloves to collect their sweat. The players were injected with blue dye to measure the blood volume.

During the two-hour practice, the players dumped the sweat collected in their gloves into a bucket. The doctors analyzed the samples back at the lab. On one very hot day, the players lost 25 percent of their total body sodium, which could have been lethally dangerous.

One test subject, 6-foot-2, 242-pound tackle George Dean, later said, "We did it in part because we thought what they were doing could change the sport."

With their research in hand, it was now time for the doctors to make the drink.

Making the Drink

The simple idea of the sports drink was to replace fluids lost through perspiration. Water and various salts (or electrolytes) — sodium, potassium and magnesium — are essential to the electrical and chemical balance of the body. Since the body is about 65 percent water, fluids lost need to be replaced. Dehydration can cause headaches, dizziness, muscle cramps and, most extremely, heat-stroke. The doctors had to concoct a solution — water enhanced with sodium and potassium — that would move through the body quickly to maintain fluid and salt balance during workouts. The doctors then added a mildly sweet simple sugar (glucose) to raise the players' blood sugar and provide them with an extra energy boost.

Since concocting the drink wasn't part of their daily business, they worked on it in the late afternoons. Mixing it began immediately. The original solution was colorless and didn't taste good. Cade vomited it out. The doctors weren't thinking about it reaching stores, only that it tasted so bad that players would never drink enough of it to make a difference. Shires thought it tasted like toilet bowl cleaner. They added lemons to mask the taste.

The First Test

The drink's first real test came on Oct. 1, 1965, with the freshmen playing four games against the varsity B team. Freshmen were drinking Gatorade; varsity B players had water. The youngsters easily edged the veterans. One freshman said the Gatorade gave him a lift. After that, the team's head trainer Jim Cunningham secretly ordered a batch of Gatorade for the varsity team. This was a big break for the doctors — their drink had survived its first test, and would live for another day.

The LSU Game

The very next day, the Gators were set to take on the LSU Tigers. The doctors now had to make Gatorade for the entire varsity team: a 100-liter batch. The temperature at game time was 100 degrees. The doctors were set up behind a table with hundreds of Dixie cups on it, and told the players what they were drinking — a sugar and electrolyte mixture that would make them feel better in the third and fourth quarters. The Gators won. If they had lost, that would have been the end of Gatorade. Hearing that the solution had been on the sidelines, Graves ordered it for the rest of the season for his varsity team. The Gators won their next two games against Ole Miss and North Carolina State.

The name of the drink came from the Florida Gators football team. It was the lemonade that the Gators drank, so it was dubbed "Gatorade." A sign was hung on the doctors' lab door, reading: "Dr. Cade's Lab. Home of GATORADE. Handmade by Licensed Physicians." ■

For additional information on how doctors developed Gatorade, go to: <http://my.summary.com>

The Mystique Is Born

The Gators finished the 1965 season a respectable 7–4, but Gatorade wasn't getting any national attention. The following year, Cade became interested in making money from it. He told Graves it would cost \$5 a gallon, but the coach thought the price was too high. But after 24 players were hospitalized for dehydration, Graves called back, and Cade sold it to him for \$10 a gallon.

Cade was suddenly both a scientist and a businessman, but he took it one step further. He went to the director of sponsored research at the university and asked if the university wanted to buy Gatorade, or at least give him \$10,000 to keep it afloat. He offered to split his profits with the institution, but was turned down. So Cade decided to make it himself.

In 1966, the Florida Gators were led by quarterback Steve Orr Spurrier, who went on to win the Heisman Trophy that year. Whether it was the talent of the team or the help of Gatorade, no one will ever know. But the drink was soon credited with helping the Gators' cause. Players felt that the drink gave the team a psychological advantage, with Spurrier making "things happen."

Thanks to Spurrier's arm, and perhaps Gatorade, the Gators won their first seven games. By this point, most opponents had heard about the new drink the Gators were ingesting during games. In 1965, they could see huge vats of Gatorade on the sideline. In 1966, it was handed out in milk cartons. Gatorade was now a staple for the Gators, but Cade wanted to test how much it meant to the team.

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The Mystique Is Born

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Gatorade Snatchers

During the second half of the season, the Gators played the winning Georgia Bulldogs, but lost. They also didn't have their Gatorade. A truck carrying the drink to the game was forced off the road, and the drink was dumped on the ground, allegedly by Georgia fans. This event turned into a big break for the drink's inventors. The story seemed like a perfect marketing coup, and also too good to be true. Over the years, many stories were invented about what happened to the Gatorade that day. Whatever really happened, the Gators didn't have the drink, and they lost the game. During their next game against Tulane, with Gatorade back on their sideline, the Gators were back in the winning column.

Press Catches On

So far, there were no news stories about the magic new drink. But after a Miami game, a reporter for the *Miami Herald* noticed milk cartons scattered on the Gators' sideline. He asked if the players were being given milk. Graves told him about the drink, and suggested he call Cade. He then told his editors that he had an unusual story. "A liquid solution that tastes like a mint and works like a miracle may be one of the factors behind the success of the University of Florida football team this year," Neil Amdur began his *Miami Herald* piece. The story was picked up by other news outlets, but it wasn't clear that the drink could be effectively marketed. Reviews of the drink weren't flattering. Investors and beverage companies were not calling.

Gatorade Wins the Orange Bowl

The Gators ended up playing in the Orange Bowl that year against Georgia Tech. Florida won, and the Georgia Tech coach credited the Gators' win to Gatorade. But now the drink had competition. Cramer, an athletics products company from Kansas, was selling Take 5, a citrus-flavored "Instant Salt Dextrose Drink" to help replace salt and fluids lost by sweating. A lawyer for the doctors began taking steps to register the initial patent for Gatorade, and trademarking its unusual name. And Florida coaches began using the drink as a recruiting tool.

The doctors began selling it to other schools, but did not get paid much. Cade feared that his idea would die in the lab. But Alfred Stokely, chairman of the board of Stokely-Van Camp, the canned food company, found out about the "secret" new drink at the company's Christmas party in 1966. He and the company's executives wanted to take a look at it. They were spurred on by the fact that the 1966–67 University of Florida basketball team, whose players consumed Gatorade, was having the greatest year in its history. ■

From Field to Shelves

In March 1967, University of Florida scientist Dana Shires and Indiana University medical school scientist Kent Bradley walked into the Stokely-Van Camp headquarters in downtown Indianapolis. Their goal was a meeting with Hank Warren, the company's vice president of sales and marketing. They wanted to talk to him about their product, Gatorade. They ended up meeting with him; Bob Rice, the company's national sales manager; and George Lewis, the company's lead lawyer. The scientists told Warren and the others how their product had worked in Florida. "I couldn't believe what they had," was Warren's reaction.

The company's leaders tasted it, and Rice said, "It was really awful." But that didn't stop them from signing a letter of intent to examine the product.

By the time Shires and Bradley arrived at Stokely headquarters, the company was a national power in food, fruit and vegetable processing. Gatorade was not really a natural fit for the company's portfolio, but the company was already equipped to sterilize its products, a process step that Gatorade would need. Articles of incorporation had already been filed for Gatorade Inc., and the name had been trademarked. The doctors finally realized that they could make money from Gatorade, so they decided to try to get a \$1 million flat fee for their product. But it wouldn't be easy. Warren wasn't sure Stokely management wanted to take it on. They finally decided to, but only on a royalty basis, where the doctors would earn a percentage of sales.

In Gatorade They Trust

That decision turned out to be a boon for the doctors. Instead of collecting a couple of hundred thousand dollars each, they were to earn more than \$30 million each over the next 40 years. Stokely got exclusive world rights to make, market, sell and distribute Gatorade. To make more money, the company had several important things to do. The first was to make the product more palatable. June Davis, one of its chemists, began working on that, adding 2 percent more sugar and making it in a number of flavors. Next, Stokely decided to keep the Gatorade name and the association with the University of Florida teams. In four months, Stokely's stock price doubled.

The product was first sold in cans, but the salts in Gatorade caused it to leak and destroy whatever the cans were sitting on. Stokely decided to shift the product to 32-ounce glass bottles. Sports teams didn't like glass, so the product was shifted to pouches of powdered concentrate. Teams buying Gatorade now included Notre Dame, Purdue and Army. It soon became apparent that early Gatorade was on a roll. Helping this was Stokely's foresight to sign a deal making it the offi-

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Those Famous Green Cups

The green waxed-paper cups that have been so closely connected with Gatorade were the brainchild of a young marketing intern named Jay Funderberg, who ordered the cups as a “throw-in.” The cups cost the company thousands of dollars. Funderberg almost got fired because of the cost, but he survived, and luckily, so did the idea.

From Field to Shelves

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cial sports drink of the NFL. The general public became aware of what the football players were drinking.

Early advertising dollars for Gatorade were spent in publications like the *Athletic Journal*, which went to teams and trainers. At the same time, competitors to Gatorade were being developed, such as Take 5, Sportade, Half-Time Punch, and Gookinaid (made by Bill Gookin, who was training for the 1968 U.S. Olympic Trials). Then, Gatorade was rolled out in supermarkets. An article that year about Gatorade in *Sports Illustrated* that told how it helped the athletic success of the Florida Gators boosted sales everywhere.

‘The First Performance Enhancer’

“Gatorade hit at a particular time in our cultural history where people started to realize that the use of nutritional supplements was crucial to performance,” said sports sociologist Jay Coakley. “At the very least this was the first performance enhancer that was marketed openly, and it was at a time when people were primed to connect science with performance.”

Cade gloated about the product’s success. While millions of dollars eventually flowed in, Cade gave much of his earnings from the product to charities and scholarships.

By 1969, Gatorade’s national rollout was in full force. It had become the pride and joy of the Stokely brand. Stokely had rolled out Gatorade in 32 cities, including New York, and was on the cusp of beginning a \$4 million advertising campaign — the most Stokely had ever spent on a single campaign for one of its brands.

An advertisement appeared in *Playboy*, and a rave review appeared in *Newsweek*. Even Elvis Presley promoted the product during his live performances. Nothing could stop Gatorade. Or so it was thought.

Cyclamate Disaster

When the University of Florida doctors were formulating the drink, they needed an artificial sweetener. A faculty member suggested calcium cyclamate. It had been used as a food additive, and so became the sweetener in Gatorade. But as early as 1950, a Food and Drug Administration (FDA) doctor noticed that studies of cyclamate in rats revealed frequent lung tumors. Eighteen years later, when it was injected into chicken eggs, a study showed an unusually high rate of birth deformities in the embryos. Although the level of cyclamate used in one test was equivalent to a person drinking 350 cans of diet soda per day, the FDA pulled cyclamate off the list of substances generally recognized as safe for use in foods.

So the doctors helped reformulate Gatorade without cyclamate. It was ready in a month, and in no time captured the number one market share. But with millions of dollars on the line, the University of Florida and the U.S. government weren’t going to let the scientists, who’d been working under grants, have the invention and payouts to themselves. ■

Wrestling Over Gatorade

Gatorade had turned into a blue-chip brand, but by this time all was not well between Cade and the University of Florida. He was forced to declare that Gatorade was invented under a National Institutes of Health (NIH) grant that he had been given in order to study sodium levels in the kidneys of rats. Over a five-year period, the NIH had given Cade more than \$80,000 to perform his research. A month later, the U.S. government informed Cade that since his work had been done under its grant, Gatorade might not be his to patent.

Cade and the others went ahead and incorporated Gatorade anyway. They then formed the Gatorade Trust and agreed to sell their product to Stokely-Van Camp. At a media event, Cade criticized the University of Florida for passing on his offer of the product. Reporters wanted to know how the university had committed such a blunder. Newspaper headlines appeared, such as *The Tampa Tribune*’s, “Public Funds Helped Develop Gatorade, But Taxpayers Lose Out,” and *The Tallahassee Democrat*’s, “Nationwide Scandal Brews on Gatorade Drink.”

The University Loses Out

Cade truly believed that the university had missed its chance. The university fought Cade even harder than the government, because as profits rose, it had more of a claim. After all, the university gave the doctors the chance to put their product on a national stage. If the football team hadn’t done well while using Gatorade, it would never have made it out of the laboratory. And Stokely-Van Camp was capitalizing on the drink’s association with the school.

Cade offered to give the school his entire share in the Gatorade Trust, but officials rejected the offer. Instead, the university sued him. The doctors decided to settle with the government by publishing their findings about Gatorade. The university received a 20 percent share of Gatorade’s royalties, which by the end of 2004 totaled nearly \$100 million. And Stokely kept the trademark. ■

The ‘Tipping’ Point

On a warm August night in 2003, Wagener-Salley High School’s football team finally won a game after 12 straight losses, and in celebration, dumped a Gatorade cooler on coach Steve DeRiggs. This dunking has happened thousands of times over the past 20 years, in other sports as well, and gives the Gatorade brand thousands of free media mentions and impressions. It goes back to New York Giants nose guard Jim Burt dumping the drink on his coach Bill Parcells after a victory against the archrival Washington Redskins. It was a sign of affection that became a tradition for the Giants.

Parcells didn’t mind the showers at all. Burt’s teammate Harry Carson also got in on the act. After many more dunkings, Gatorade marketing director Bill Schmidt sent Parcells and Carson each a \$1,000 Brooks Brothers gift certificate.

The grand stage for the “Gatorade bath” came at the end of Super Bowl XXI in Pasadena, Calif. There was much reaction to the Gatorade baths. Corporations wanted to get a hold of coolers for their annual meetings to dunk their CEOs. On his 76th birthday, President Ronald Reagan was given a cartoon showing an aide pouring a Gatorade bucket on him.

Product Placement

The Gatorade bath was now invading all walks of sports and life. The cooler had started out as a way to allow trainers to mix a large volume of liquid without having to transfer it. But now it was seen as one of the world’s first forays into product placement. There was competition coming from Diet Coke, which was the official beverage of the Super Bowl. But Schmidt told the NFL that Gatorade also had to be on the sidelines. The NFL decided to put water in the Coke cups and Gatorade in the Gatorade cups. Water was put in the Gatorade cups as well, so the drink got even more branding. In 1998, Gatorade paid \$130 million for six years of sideline rights. In 2004, Gatorade committed more than \$500 million to the NFL.

There is no doubt that no other drink has ever gotten

The Deadly Dunk

Out of the thousands of Gatorade-bucket baths, only one has turned deadly. George Allen, after retiring from the Los Angeles Rams and the Washington Redskins, was coaching for the Long Beach State 49ers, and got dunked after a victory over the University of Nevada Las Vegas Running Rebels. Six weeks later, he died from heart failure. But in an interview shortly before his death, he said that he hadn’t been healthy ever since he got the bath.

Allen said, “They dumped a bucket of Gatorade on me, only it wasn’t Gatorade, because we can’t afford Gatorade. It was ice water.”

as much publicity from a dunk.

Eventually, Gatorade officials devised a prearranged package that went out to football, basketball and baseball teams at the start of every training season. The teams got coolers, towels and a holder with a logo, allowing assistants to carry squeeze bottles to the players. Gatorade became so good at this that other companies, such as Wendy’s and Charles Schwab, tried to replace Gatorade’s logo with theirs. These efforts failed. ■

‘Be Like Mike’

By the fall of 1990, Quaker Oats had bought out Stokely-Van Camp, and now owned Gatorade. But the beverage was marketed differently in the United States and Europe. In the United States, ad spending focused more on the message than on athletes. In Europe, athletes were paid endorsers of the product. American ads showed people in what Quaker executives referred to as “Gatorade moments,” drinking Gatorade during a break or after their recreational league basketball or soccer game. Then there was a slogan: “Gatorade is thirst aid.” By the end of 1990, sales were \$900 million annually.

Another company had challenged Quaker’s use of the term “thirst aid,” so the company moved in line with new sports marketing trends. The company decided to follow the European “athlete endorsement” model. It wanted Michael Jordan, since Quaker was based in Chicago, and Jordan was the city’s biggest star. He also lost as much as 5 pounds in water weight per game. And he loved Gatorade. The famous picture of him doing a slam dunk shows “Gatorade Thirst Quencher” on the scoreboard. By now, the product could afford Jordan.

Jordan Signs \$13.5 Million Deal

In 1991, Gatorade signed Jordan to a 10-year deal worth \$13.5 million. Bernie Pitzel, Gatorade’s advertising chief, created the “Be Like Mike” ad for the Jordan campaign. The ad featured kids who wanted to be like Jordan. In Gatorade’s 26-year history, this was its shining moment. The song was made available to the public, with profits going to the Michael Jordan Foundation. For Gatorade, it meant endless free commercials.

The alliance between Jordan and Gatorade prospered until Oct. 4, 1993. Jordan announced his retirement from basketball, a new Gatorade ad showing him playing in his Bulls uniform had to be pulled, and he switched to baseball, where he played terribly in the minor leagues. Gatorade wasn’t hurt badly because it didn’t count on him to carry the entire brand.

But in March 1995, Jordan announced his return to pro-

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For additional information on how the song ‘Be Like Mike’ was written, go to: <http://my.summary.com>

‘Be Like Mike’

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fessional basketball. Gatorade got a few more years of basketball from him, and Jordan helped Gatorade gain space in Wal-Mart stores. Gatorade also seemed to help Jordan recover from the flu to lift the Bulls to victory over the Utah Jazz in the 1997 NBA Finals. The next year was his last with the Bulls, and when he retired again, Gatorade was more prepared. Women’s soccer star Mia Hamm, Indiana Colts quarterback Peyton Manning, Houston Rockets center Yao Ming, and New York Yankees shortstop Derek Jeter became spokespeople for the brand. Then Gatorade did an ad featuring Hamm versus Jordan. It worked. Gatorade re-signed Jordan through 2007. ■

‘We’re Going to War’

In January 1992, Quaker and Coca-Cola were discussing a joint venture. Gatorade needed to get into Coke’s worldwide system. Instead, a Coca-Cola sports drink, POWERade, was unveiled, and Quaker’s potential partner became its chief competitor. Then Pepsi got in on the act with a sports drink called Mountain Dew Sport. At the time, Gatorade had 83 percent of the sports-drink market.

Coke and Pepsi Attack

Coke and Pepsi told consumers that their drinks tasted better. Gatorade said POWERade would cause cramping. The two giants then started a price war, but they ended up being hurt by it, creating the impression that their products were generic. Storage of POWERade and Mountain Dew Sport with the companies’ other soft drinks, instead of with Gatorade, also hurt them. And Mountain Dew Sport, which was later renamed All Sport, was not really designed to be consumed during sports events. With commercials shown in test markets, Gatorade crushed the Pepsi drink. It also kept its place as a “sideline” beverage, in a real “unpaid-for” setting on national television.

Gatorade made sure to pay for its key properties: the NFL and the NBA. It was launched in Australia, where the ultimate thirst quencher had been beer. Back in the United States, Gatorade executives mastered the strategy of when and where to advertise, by matching soft-drink advertising during the summer, when most of the beverage was sold.

By the end of 1995, Gatorade’s market share was falling, while Coke’s and Pepsi’s were rising.

During the 1996 Olympics in Atlanta, Coca-Cola’s hometown, the soft-drink giant made a big push to unseat Gatorade, and failed. On top of that, Gatorade finally succeeded in selling to convenience stores and gas station mini-marts. Food brokers used their success with Gatorade to build relationships with other companies. Gatorade sold well through retailers. Apparently Coca-Cola executives never thought they could knock off Gatorade.

If You Can’t Beat ’Em — Buy ’Em!

By 2000, Coke and Pepsi were both thinking about acquiring Quaker Oats in order to control Gatorade. Coke’s board member Warren Buffet thought too much was being offered. Pepsi, already in the food business, bought Quaker Oats — and Gatorade — on Dec. 4, 2000. Now, Coke had to fight Gatorade again with its POWERade. Coke signed additional athletes. It tried to appeal to kids and mothers. By the end of 2002, it became clear how entrenched Gatorade was, with more than 80 percent of the market. The marketing battle reached its height in 2003 and 2004. POWERade used LaBron James. Because Gatorade had deals with the NBA teams, James couldn’t drink out of POWERade bottles when he got back to the bench.

After 18 years of being NASCAR’s official drink, Gatorade gave up that title to POWERade in 2002. Gatorade fought back by signing drivers. The competition reached a peak in 2004. Some drivers were even knocking big blowup POWERade bottles off their cars when they won. ■

The Gatorade Rules

The following are nine business principles that helped Gatorade become one of the most powerful brands in modern-day business history:

1. Make sure your product, service or brand is unique, and know what makes it unique. The drink started out as being sold only to athletic teams, but once Stokely realized that Gatorade could appeal to the mass market, it almost stopped positioning it as a sports drink. Stokely spent much time and energy trying to increase awareness of the brand through advertising that didn’t always include active athletes.

2. Never stop researching the marketplace. Quaker executives realized that the thirst-quenching market was going to be enough of a business to make the company profitable. “We saw the baby boomers really coming into their prime, and the whole notion of exercise and getting out there and running was going to be huge,” said Quaker Oats executive Phil Marineau.

3. Identify drivers of the business and take care of them. Bill Schmidt, the Gatorade marketer, realized that consumers would buy the product, but the “drivers,” the influencers who drive sales, are the athletes and trainers.

4. Never stop working to get your next customer. From the time of Quaker Oats’ acquisition of Gatorade, executives working on the brand always understood the value of grass-roots marketing. It was always important for the company to reinvest in the consumers, making sure Gatorade was sponsoring amateur events, and was available where active athletes were thirsty.

5. Packaging counts. The beverage market has always

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The Gatorade Rules

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used changes in packaging to drive sales. Early Gatorade research found that consumers were more package loyal than brand loyal. Gatorade's goal was to vary the type of packaging in order to get into the consumer's hands.

6. Learn from your mistakes. One of Gatorade's greatest mistakes was the low-calorie Gatorade Light. Gatorade tried to bring women — who made up only 20 percent of its customers — into the franchise by creating Gatorade Light in 1990. It used saccharin as a sweetener, which hurt the product's taste. But managers soon realized that consumers wanted a full Gatorade or nothing.

7. Seek to connect emotion and passion to the brand. A brand is only as good as the people behind it. Gatorade didn't fight off the onslaught of Pepsi and Coke in the early 1990s by simply having a good product. It also had good people who didn't want to lose.

8. Stay disciplined. With any major brand, the temptation is to use the brand name to branch out, but cannibalization of the brand is always a risk. Before Quaker Oats acquired Gatorade, Stokely-Van Camp had licensed the Gatorade brand name for a gum called Gatorgum. The problem with the gum was that it had no benefit that was similar to what Gatorade did for the body. Further hurting Quaker Oats was the fact that it wasn't a good seller. Quaker Oats got rid of it when the license ran out.

9. Form smart strategic alliances. Gatorade had partnerships with trainers and athletes and many leagues, but its alliance with ESPN also helped the brand grow stronger. Over the years, investing in the network's sports programming through advertising has allowed the brand to be automatically prominent in the minds of sports fans, who are not only consumers but often active participants who fall into Gatorade's target market. ■

Gatorade Critics

By 1989, Dr. Robert Cade had received nearly \$8 million in royalties from the sale of Gatorade. But he was working diligently to beat out the very product that he had helped invent, and that had earned him a healthy fortune. He wanted to make a better product, called Thirst Quencher 2 (TQ2). Cade said that TQ2 would give an athlete a 30 percent longer workout than Gatorade. Quaker and the Gatorade Trust were not happy, alleging that any sports-drink improvements belonged to the trust and to Quaker. They sued Cade and the University of Florida. They settled, and TQ2 was sold to Quaker Oats, but it has never been marketed.

Pepsi's All Sport was easily shot down, because it contained bubbles and expanded consumers' stomachs.

POWERade caused more stomach upsets, because it

didn't move into the small intestine fast enough.

Gatorade's Respectability

To fight off criticism, Gatorade developed the Gatorade Sports Science Institute, which has conducted studies over the years about the science of sweat. "When people see that the company has a lab, there's definitely a comfort level there that there isn't with Pepsi or Coke," says Dr. Chris Carr, sports psychologist for the Methodist Sports Medicine Center in Indianapolis, Ind.

But Gatorade actually has been beaten to the punch, since it never rolled out a during-exercise drink for professional and endurance athletes until 2004 in powder form. Specialty brands that appealed to this audience were becoming prevalent, so Gatorade came back with its Endurance Formula, which restored its dominance of the sidelines.

PacificHealth Laboratories in New Jersey is trying to beat Gatorade by developing a drink called Accelerade, the first during-exercise drink with protein — a muscle repairer — in it. Gatorade is evaluating whether protein during exercise helps.

The Dehydration Myth

Some critics say that the Gatorade Sports Science Institute overpromotes hydration in order to promote its product. South African exercise physiologist Timothy Noakes says there's nothing wrong with modest levels of dehydration in athletes, as opposed to high levels of hydration. He's written in the *British Medical Journal* that overconsumption of water or sports drinks before, during or after exercise can be fatal. Gatorade officials are sensitive to the criticism that they promote overdrinking, arguing that it rarely occurs.

Gatorade's storied history, its intricate marketing plan, its innovative sales team, and its scientific institute have all contributed in a very complex way to making it one of the strongest brands on the market today. ■

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For additional information on what happened to the inventors of Gatorade, go to: <http://my.summary.com>