

By Mark E. Goebel

A Thirst for Profits

Gatorade Looks to Remain On Top; Competitors Gaining in Sports Drink Market



O

ne of the more memorable images of the New York Giants 1990-91 season is still as clear as if it happened yesterday. No, not Buffalo kicker Scott Norwood missing a field goal at the Super Bowl and securing the Giants 20-19 victory. Rather several Giants dumping a bucket of Gatorade on the head of coach Bill Parcells following the team's upset win in the NFC Championship

Game. That ritual, although performed before, gained fame and lasting appeal during that heart-stopping Giants season, and subsequently became routine both in the NFL and college football. The management of Gatorade's corporate parent, Quaker Oats Co., and the drink's marketers couldn't have asked for better free

publicity.

Since that time, Gatorade has soared to new heights.

For over 25 years, Gatorade has stood atop the sports drink world. With little competition, it has been the king of the hill. From the late 1960s to the mid-80s, it wasn't much of a hill though. As recently as 1983, total annual sales of sports drinks amounted to only \$100 million—less than one percent of the soft drink market—of which Gatorade accounted for \$90 million.

Times have changed.

A decade of yearly, double-digit growth has taken retail sales of sports drinks/isotonic products to approximately \$1.2 billion annually, which is almost two percent of the soft drink market. Sports drinks, along with ready-to-drink teas such as Snapple, are the hottest beverage categories. So much so that the super heavyweights of the soft-drink world, Coca-Cola and PepsiCo, have been drawn into the battle, introducing their own sports drinks, Powerade (Coke) and All Sport (Pepsi) a little more than one year ago. There are now 13 national sports drink brands, double the number from the end of 1992.

Gatorade was invented in 1966 by a University of Florida research team headed by Dr. Robert

Cade. The drink was supposed to replenish fluids lost during exercise, a serious problem in Florida's heat and humidity. The guinea pigs were members of the university's football team, the Gators, who were said to have experienced new-found bursts of energy after drinking

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the concoction. The team's victory in the 1967 Orange Bowl, attributed in part to their endurance in the face of extreme heat, added to the drink's mystique.

Gatorade was rolled out nationally a few years later by Stokley Van Camp, owners of RC Cola, as a special drink for athletes. But it didn't have mass-market ambitions until it was acquired in 1983 by Quaker Oats Co.

The Chicago-based company, a multi-billion dollar food conglomerate, positioned Gatorade as the official drink of the American sports establishment, including Major League Baseball, the National Hockey League and the National Football League. Cups and towels with the Gatorade logo and buckets of the drink quickly became ubiquitous in stadiums and arenas throughout the country. In addition, Quaker got celebrity athletes, most notably Michael Jordan with his "Be Like Mike" campaign, to endorse the product.

Gatorade's evolution into a household name through its association with professional sports and star athletes coincided with the health and fitness boom of the 1980s. Sales soared to over \$1 billion by 1994.

For years, the power of Gatorade's sports relationships kept competition at bay. Dozens of companies took on Gatorade, but none succeeded—at least until now.

It's clear that Gatorade's market dominance will be challenged as never before by Powerade and All Sport. Coke and Pepsi bring to the battle name recognition, vast distribution networks, strong beverage marketing backgrounds and large advertising budgets.

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In addition, a new category of sports drinks has emerged over the last couple of years—one that appeals mainly to serious athletes, including weight-lifters and joggers. They are called functional beverages, or nutraceuticals, and are very low on taste, heavy on sodium/electrolytes and cost about 50 percent more than regular isotonic drinks. Found mainly in gyms, health clubs and health food stores, they go by names such as Everlast, Nautilus, Rebound and Gold's Gym.

So far, Gatorade seems to be holding its own against Coke, Pepsi and the functional beverages. In the year or so since their national launch, Powerade and All Sport have managed to lower Gatorade's share of the U.S. market by only 3.5 percent, from 90 percent to 86.5 percent. In fact, Powerade and All Sport are still being out-sold by 10-K, owned by Suntory International of Japan, which has been around several years longer.

Interestingly, before launching Powerade, Coke first considered an alliance with Quaker. In 1992, the two companies discussed using Coke's worldwide distribution network to push Gatorade overseas, where it still was hard to find, but where Quaker felt it had the best growth potential. However, talks broke down when an agreement could not be reached regarding profits and control.

The entry of Coke and Pepsi into the sports drink market saw overall advertising spending in the category more than triple in 1994, according to Brandweek. Quaker responded to the challenge of Coke and Pepsi by doubling Gatorade's advertising budget, increasing its promotional programs and introducing new flavors, as well as more convenient packaging. It has also refocused its marketing efforts on the core consumer of sports drinks, serious athletes. Coke and Pepsi are spending tens of millions of dollars to promote Powerade and All Sport, which they say are better tasting and have more scientifically advanced fluid replacement formulas than Gatorade. Powerade was the official sports drink of the 1994 World Cup in the U.S. and Coke has signed a costly sponsorship deal for the 1996 Summer Olympics in its hometown, Atlanta. All Sport has tried to differentiate itself by appealing to women.

The marketing frenzy raised the stakes and shook out some second-tier play-

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You can purchase



in the frozen section at:

- WALDBAUM'S Supermarkets
- KING KULLEN Supermarkets
- MEL WEITZ'S FoodTowns
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You can enjoy a



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- DUBLIN DOWN Bluepoint
- J. D. MARLENS Hicksville
- ON THE WATERFRONT Patchogue
- OSBORNE INN Riverhead
- POUR HOUSE PUB E. Northport
- SEABREEZE CAFE Babylon
- BARKERS Babylon
- SOLOMON GRUNDY'S Rockville Centre

Drug Addiction

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in homes with addictive personalities of any kind. However, it is more likely to occur in homes where parents use drugs. Drug addiction, in its barest form, is an ineffective, faulty, coping mechanism. Addicts are often vulnerable individuals who have been unable to cope with situations and emotions that they perceive to be unbearable and overwhelming.

One current solution is to send the drug-addicted athletes to clinics offering packaged programs which are of short duration. Players come out of drug programs with a new vocabulary and practiced catch phrases. They proclaim themselves cured and some of them even find religion. All are desperate attempts to deal with the internal demons that they find unable to conquer. They are ashamed of this perceived weakness. For many, their off-field lives are not commensurate with their on-field success. Relapses are frequent and the public's reactions range from sympathy to contempt. Are 28 days and some follow-up care enough to address life-long problems? Given the low recovery rate, which is reportedly below 20 percent, I think not.

Sadly, few in and out of baseball appreciate or see the scope of the problem, and if they do, they choose not to address it. Many are more interested in profit sharing, television revenues, wins and losses. Just look at the current sorry state of baseball if you doubt this premise. As long as Darryl Strawberry can hit a ball and Steve Howe can get batters out, they will have a team to play for. Just ask George Steinbrenner. This is a fact of life in sports and perhaps society. This is not to say that these players should not be allowed to participate, just don't be deceived by the motives of the employer.

Recently, there have been a number of articles that have asked why we portray athletes as heroes in this country. In fact, many of them are far from heroes and do not enjoy or want to be portrayed in this manner. This worshipping of athletes is not germane to our recent history, although our desire to worship athletes has become more prominent and evident. This is particularly due to a dearth of available heroes in our society, as we are having difficulty producing people who can provide the solutions to the complex problems we face. And while there may be a selection of potential heroes from which to choose, we do not embrace them.

Gooden, Strawberry and O.J. Simpson are all examples of fallen heroes. What is a hero and what should this country look for in a hero? Being a hero certainly does not involve hitting a ball, catching a pass or scoring the winning goal in overtime. It certainly is not Marion Barry, who was elected the mayor of the District of Columbia. How can we hold up our elected officials as role models when we have elected a person who has violated the public trust? The debate goes on about whether our professional athletes have this responsibility. Charles Barkley can give you an earful on the subject.

One premise of Ken Burn's television series and various PBS specials about baseball is that the game is reflective of what is happening in our society. The current state of baseball has both players and owners arguing over crumbs, and management looking for solutions due to years of mismanagement, greed and neglect of the consumer.

One of the primary tenants of psychology is that people can recover. There is hope, since our society has the capacity to recover, grow and learn. Rather than looking at athletes with disdain and contempt, we should be looking at them with compassion and understanding. After all, isn't that what we would want for ourselves?

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ers, with Dr. Pepper/Seven-Up and Cadbury dropping their entries. Suntory decided not to compete head-to-head with the giants, repositioning 10K as a pre-teen drink competing with Hi-C and Kool-Aid.

Gatorade, Powerade and All Sport, along with the lesser lights of the isotonic drink world, clearly don't depend on taste to sell their products. For the vast majority of consumers, these drinks aren't in the same league, taste-wise, with the juices or the ready-to-drink teas of the world. You're supposed to drink them because they're healthy and contain carbohydrates, electrolytes and minerals that help your body recover from the effects of exercise more quickly than water. Nutritionists say that unless you are among the less than 10 percent of Americans who exercise strenuously for more than one hour a day, you really don't need isotonic drinks; drinking water and a balanced diet will do the job. So, if you don't exercise a lot, buy sports drinks because you like the taste. They aren't any better for you than juices or soda.

Unless you have a hangover.

Yes, that's right, a hangover. A little known tidbit, not widely advertised by their manufacturers, is that sports drinks are great for hangovers. Hangovers are caused by dehydration and isotonic rehydrate the body. However, don't expect Gatorade or All Sport to be found on the shelves of your corner liquor store any time soon.

With competition heating up and growth likely to slow in the U.S., Gatorade is looking to expand its overseas sales, which have grown to over \$200 million. Gatorade can currently be found in 20 countries, including Italy, Spain, Germany and Greece. It recently entered Australia, Brazil and Indonesia.

So far, Gatorade has had modest success in Europe. With a market share of slightly more than 20 percent, it is second in sales to the Swiss product Isostar. However, Gatorade had to pull out of the highly competitive French and English markets. In France, where Gatorade was introduced in 1989, major distribution problems and the drink's inability to appeal to the "demanding" French taste bud forced Quaker to withdraw quietly in 1993.

Gatorade has had more success in other European countries. In Germany, where sales reached \$60 million in 1994 (tops in Europe), Gatorade had a leading 24 percent market-share. In Italy, with \$40 million in 1994 sales, Gatorade had an 81 percent share of the market. Overall, sports drink volume in Europe was up 22 percent last year, rising to 356 million liters, 300 percent ahead of 1990 levels.

In addition to increasing brand awareness, Gatorade's long-term international success will no doubt also depend on Quaker establishing a global distribution network, not an easy task. Its two main U.S. rivals, Coke and Pepsi, already have very strong international distribution networks, as well as a global brand identity.

Clearly, the sports drink wars have just begun.