

Marketing Sports Drinks

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SM 203

April 2, 2007

Back in 1990, the *New York Times* published an article about the numerous companies producing their own sports drinks to try to compete with Gatorade, who has had the dominant market share since its creation in 1965 (Kleiman, 1990). Seventeen years later, Gatorade still tops the \$6 billion sport drink industry with an 86.2% market share ("Soaring sales for sports drinks," 2006). With the increasing dominance of sports drinks as popular refreshments, the carbonated soft drink industry actually had its first volume loss in 2005 (0.6%) while Gatorade's volume increased by 21.5% (MacArthur, 2006). In fact, Gatorade was the sixth most popular liquid refreshment drink overall behind Coco-Cola, Pepsi, Mountain Dew, Dr. Pepper, and Sprite (MacArthur, 2006). Due to Gatorade's marketing and business strategies, these competitors have been unable to obtain the majority market share and some have even exited the industry as a result. Gatorade and Powerade produce the top ten sports drinks in the industry and hold 99% of the market. For any sports drink product, athlete endorsements and sponsorships have been important in marketing and advertising the product to its average consumer.

Ever since Gatorade signed Michael Jordan to a ten year, \$13.5 million contract in 1990, Gatorade and other sport drinks have used the endorsements of top athletes to gain an edge in the market. Gatorade's deal with Jordan allowed them to create their incredibly popular "Be Like Mike. Drink Gatorade." advertisements and capitalize on Jordan's popularity. In fact, ESPN rated that commercial as the seventh best sports commercial in the last 25 years (Rovell, 2005).

"I say that when we signed Michael, Michael was bigger than the brand," said Tom Fox, who began his work with Quaker in 1985. "I think we knew that we had a product that worked, and we saw we were on the

culp, from a marketing perspective, of becoming a product that was more mainstream. That instead of people looking at us 'Oh that's what serious athletes drink,' we thought we could create that linkage with, 'Hey, I'm hot, I'm sweaty, that's what I should be drinking'" (Rovell, 2005).

When Gatorade signed Jordan in 1990, Gatorade had \$681 million in sales (Johnson and Harrington, 1998). That number has more than doubled with sales of \$1.5 billion in 2005-2006 (Lofstock, 2006). While all of that increase in revenue cannot be attributed to Jordan, the "Jordan effect" has done similar things to other companies who have endorsed him like Nike and Oakley (Johnson and Harrington, 1998). The most noticeable difference of having Jordan's endorsement actually came overseas. "We've gone into countries where they don't have a clue about what a sports beverage is, but they know Michael," says Schmidt. "He's instant validation. He's a property much like the NBA, NFL, or any other property. We manage him as if he were a brand" (Johnson and Harrington, 1998). Jordan was the first athlete endorsement for a sports drink in the U.S. and Gatorade continues to use him in commercials although not at the same frequency as when he was playing professional basketball.

The U.S. division of Gatorade has 20 athlete endorsements in seven different leagues to help sell its product. According to Gatorade.com, they had endorsements from Super Bowl champion quarterback Peyton Manning to U.S. women's soccer gold medallist Kristine Lilly to four-time World Series winner Derek Jeter. By signing athletes from different sports, Gatorade hopes to attract the superstars in popular sports to have a similar effect on sales like Jordan did in the 1990s. Gatorade's marketing department actively works to sign endorsements with the top athletes in a wide variety of sports across the world. Since the NHL did not have a deal with Gatorade in 2005, Gatorade Canada marketing manager Jeff Jackett knew he needed to sign phenom Sidney Crosby

before he had even played a game in the NHL to reach hockey fans and athletes. Before offering a deal to Crosby, Jackett talked to members of the media and people in Crosby's hometown to make sure his character was a good fit with Gatorade (Bourdeau, 2006). In June 2006, Gatorade became the official sports drink of the NHL at the cost of \$3.5 million per year (Sports Business Journal, 2006). Coca Cola and Powerade had previously sponsored the NHL for the past 17 years so this was a positive advancement for Gatorade. Their endorsement of Crosby has allowed Gatorade to showcase the rising NHL star in Canadian advertisements where hockey is the number one sport. Since the deal with the NHL happened within the past year, one cannot accurately determine if it had any impact on their market share in the U.S.

While paid endorsements have been important to Gatorade's success, unpaid endorsements really helped the brand grow in its early years. Gatorade not only received unpaid endorsements from athletes in a variety of articles, but musicians like Elvis and Broadway actors were either seen with the sports drink on stage or were quoted in papers singing its praises in magazines like *Newsweek* or on stage in front of thousands of fans (Rovell, 2005). This collection of unpaid and paid endorsements has helped Gatorade dominate the sports drink industry since its inception.

Whereas Gatorade has the endorsements of 20 popular athletes in their respective sports, their biggest competitor, Powerade, has the endorsement of one athlete, NBA All-Star LeBron James. In 2003, James signed a six-year deal worth \$12 million to endorse Coca-Cola's Sprite and Powerade brands. To separate itself from Gatorade, Powerade worked with James to create his own flavor, Flava23 (Rovell, 2004). Unfortunately, Powerade doesn't have the ease of marketing James like Gatorade does with its NBA players. Since Powerade isn't the official drink of the NBA, they can't

use the Cleveland Cavaliers' logos or jerseys in advertisements. To honor his deal with Powerade, James has removed the Gatorade logos from his water bottles and uses blank towels during games (Rovell, 2004). In his first commercial with Powerade, what appeared to be a personal camcorder recorded James making full court shots with ease. *Philadelphia Enquirer* picked it as the eighth best sports commercial of 2004 (Rovell, 2005). Powerade has even created an online comic strip called King James in an effort to target a younger demographic. Fortunately for Powerade, James has been named the next Michael Jordan in the NBA and will help them gain market share points in the sports drink industry. Before signing James in 2002, Powerade only had a 10% market share (Cook, 2002). Four years into his contract, Powerade's market share has increased by 3.2%. While one cannot attribute the entire increase to James' endorsement, it does seem to be a significant factor in reaching consumers.

Gatorade was the first sports drink to sponsor a league when they signed a \$25,000 per year deal with the NFL in 1967. Sponsored teams needed coolers to hold the Gatorade during games so executives came up with the idea to create orange coolers with white tops that could be placed on the sidelines of NFL games. At the same time, marketing intern Jay Fundenberg came up with the idea of giving away the green paper cups with the Gatorade logo on it to garner better exposure on the NFL sidelines (Rovell, 2005). Today, Gatorade has sponsorships with the NBA, WNBA, MLB, NFL, NHL, MLS, and MLL according to their website. They recently extended their contract with the NFL through 2011 at the cost of approximately \$500 million ("Gatorade has renewed," 2004). They also sponsor some colleges, teams, and events like the Boston Marathon. According to an article published by *Advertising Age* in 2005, Gatorade has had around 900 event sponsorships since its inception in 1965 (MacArthur and Thomaselli, 2005).

While one cannot determine the exact contribution these 900 events have had on Gatorade's revenues, it is safe to say that consumers are more confident in the brand when they see it used in top professional leagues and in important athletic events like the Boston Marathon. Greater consumer confidence tends to result in higher revenues. Between Gatorade's longevity in the industry and its sponsorship of top athletes and leagues, consumers identify Gatorade as the leader in the sports drink industry.

Gatorade not only partners with athletes, but it also works closely with the athletic trainers and ESPN. Gatorade publishes the newsletter for the Professional Football Athletic Trainers Society (PFATS) and works closely with the athletic trainers of most major leagues (Rovell, 2005). By closely dealing with athletic trainers, Gatorade could count on them to place their coolers in spots on the sideline where the TV cameras would most likely pick it up and generate the most exposure for their product. Its other key partnership with ESPN has allowed Gatorade to advertise heavily on the network known as the "Worldwide Leader in Sports" giving it an advantage over competitors in targeting their ideal market. In 2004, Gatorade even made a limited edition ESPN: The Flavor and put the ESPN logo on one billion bottles to commemorate ESPN's 25th anniversary (Rovell, 2005). Even people, who don't follow sports, usually know that ESPN is a sports television channel. When they see the ESPN logo on a Gatorade bottle, it may increase the likelihood that they test it because of an increase in consumer confidence. It is in unique partnerships like these that separate Gatorade from its fellow sport drink competitors.

Powerade, which currently has a 13.2% market share, has sponsorship deals with the NHRA Top Fuel dragsters and Nascar. While Powerade does have the official sponsorship of Nascar, Gatorade has signed deals to be the official sports drink of

certain drivers and racetracks, which has caused problems in terms of exclusivity for Powerade (Rovell, 2005). Additionally, Powerade sponsors elite NCAA universities like Michigan State University, Florida State University, and University of Wisconsin. Coca-Cola, which owns Powerade, has been a corporate partner with the Olympic Games since 1928. To try to gain more market share in the sports drink industry, Coca-Cola decided to have Powerade become the first official sports drink of the Olympic Games in 1992 and still maintains this sponsorship today ("Torino 2006 Winter Olympic Games"). This sponsorship was key as Powerade had just been introduced nationally in 1992 and it gave Coca-Cola a big platform to share its new product. It's hard to determine how big of an impact this sponsorship had on Powerade considering it had zero percent market share in 1992 and fifteen years later now has a 13.2% market share, but it stands to reason that it did play some role in the increase in market share. Coca-Cola's sponsorship of the FIFA World Cup and NCAA has enabled Powerade to become the official sports drink for these events and organization as well and reach out to more potential consumers.

Gatorade's marketing department couldn't have been happier when Jim Burt dumped Gatorade from a cooler on the sideline over New York Giants' head coach Bill Parcells in 1985. ESPN named the Gatorade dunk on Parcells following their Super Bowl victory in 1987 as the 27th greatest Super Bowl moment (Rovell, 2005). Today, high school players will dunk their coaches in cold Gatorade after a big victory and it has become a very cheap form of advertising for the Gatorade Company. These thousands and thousands of dunks have helped consumers associate sport victories and champions with the Gatorade product.

Before Pepsi Co. purchased Gatorade in May 2001; they had to find a way to compete with Coca-Cola and Pepsi's sports drinks that had a much larger marketing budget. Marketing executives decided to match the spending of their competitors in the summer months when people bought sport drinks the most. Around 80% of Gatorade's marketing budget is spent during the spring and summer months while the other 20% is spent during the rest of the year in the Sun Belt where warm temperatures are year round (Rovell, 2005). This strategy allows Gatorade to remain competitive without relying on a large marketing budget.

In 2007, Gatorade and Powerade dominate the sports drink industry with 99.4% of the market share. Some of the other competitors include Kraft Foods Inc.'s Capri Sun Sport, Monarch Company's All Sport (previously owned by PepsiCo), and Cytosport's Cytomax. Capri Sun Sport and All Sport currently do not have any athlete endorsements nor do they sponsor any events or leagues. Capri Sun Sport target market is children and the drink is contained in the popular Capri Sun juice pouches that are friendly to kids (Fazio, 2003). All Sport's website has not been updated since 2003 and the last sponsorship it held was the U.S. Postal Service Cycling Team, which no longer exists. While Cytomax has less than a one percent market share, it does have athlete endorsements to back up its product and potentially reach more consumers than Capri Sun Sport or All Sport. Athletes like Olympic swimmer Roland Schoeman, Boston Red Sox player Kevin Millar, and NFL wide receiver legend Jerry Rice endorse Cytomax Sport Energy Drink, which offers eleven flavors. Capri Sun Sport is the only one of the competitors to have been created in the last seven years. None of these companies look to make any serious dent into Gatorade and Powerade's market share.

Gatorade and other sports drinks have been proven to be beneficial to high-level athletes who can lose weight from water loss in one game, race, or event. Before the creation of Gatorade, 30 to 40 athletes were dying of heatstroke every year. By 2004, that number had been reduced to two athletes each year (Rovell, 2005). While one cannot attribute Gatorade as the sole reason for this improvement, it has been shown to help with dehydration and can help prevent heatstroke symptoms. However, Gatorade uses these high level athletes via endorsements and league sponsorships to tell consumers that they need to drink their sports drink in order to become these top athletes. Most research has shown that the average consumers these sports drinks target don't need sports drinks to partake in daily activity that lasts less than an hour and a half (Murphy, 2004). However as long as society is concerned about health and fitness, sports drinks will remain popular with Gatorade leading the way.

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