Final Situation Analysis Project: Gatorade, Inc.
STR 222: Principles of Strategic Communications
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**Proposed Business Challenge:**
Gatorade, Inc. once held a virtual monopoly on the sports drink world. After all, they created the industry. The company continues to adapt and increase its product choices and campaign strategies. While Gatorade continues to change its outlook, so have their competitors. Other sports drink beverage companies are capitalizing on a forgotten market: non-athletes. Andrea Fairchild, Gatorade’s vice-president of brand marketing, even addressed the issue directly: “‘We’re not willing to chase share and volume through deep discounting to bring inactive consumers to the brand’” (MacArthur 2011). By analyzing Gatorade’s overall positioning, one can develop insight into how to refine a plan that addresses the problems that exist within this industry, and ones that specifically affect Gatorade.

**Client Background:**
Gatorade began as a small, unknown, yet effective sports drink in 1965. At the University of Florida, football players were feeling the effects of the hot Florida sun and water was not performing well enough to keep them hydrated. This cost the Gators on the football field with their performance; the athletes were becoming dehydrated too quickly. The inventor of Gatorade, Dr. Robert Cade, with the help of his team, developed a formula that would help their football players remain hydrated throughout the season. Gatorade was born: “Gator”, referring to the team and “ade”, as supportive help.

After Gatorade was tested and approved to be on Florida’s sideline, the Gators saw a huge turnaround from the previous season by going 8-2 in 1966. According to Gatorade’s website, the sports drink was first used at a different location other than the Florida sidelines in 1969 when head coach Ray Graves sent along a message to the NFL’s Kansas City Chiefs that they should use the new beverage. The Chiefs went on to win the SuperBowl in the first year that Gatorade was used for team activities.

Gatorade was sold to Quaker Oats Co. in 1983. After more years of marketing and advertising, Michael Jordan signed with Gatorade in 1991 to become an official spokesman for the brand. Between 1983 and 2001, Gatorade had a 20 percent growth rate from 100 million dollars in sales in 1983 to 2.2 billion in 2001. However, in 2001, Quaker Oats sold Gatorade to its present day owner, PepsiCo.

Since 2001, Gatorade has evolved from just a sports drink to a brand that can supply multiple athletic needs to athletes. They are still most famous for their thirst-quenching sports drinks, but have since come out with powders, protein shakes, and protein bars. Gatorade rebranded in 2010 by creating the “G Series.” For this campaign, Gatorade released all of their new products, such as the protein bars and shakes to further insert dominance as the number one go-to for athletes preparation and recovery needs. The “G Series” still has the original Gatorade, but also introduced a new low calorie option, G2, that cuts over half of the calories from the original Thirst Quencher.

**Industry History and Current Trends:**
As mentioned above, Dr. Robert Cade of the University of Florida and his team of physicians began investigating why the heat had a detrimental impact on the athletes. In the summer of 1965, they officially called the new carbohydrate-electrolyte beverage “Gatorade.” After the Florida Gators’ football team enjoyed success on the field, other teams hoped for the same results and began ordering Gatorade in large quantities. Thus began the industry of sports drinks.

According to an article on Sports and Energy Drinks by Jerry Mayo and Len Kravitz, the other spectrum of energy drinks derived outside of the United States. Taisho Pharmaceuticals, a plant in Japan, produced a drink called Lipovitan-D in 1962, which was intended to increase energy with B-vitamins and
taurine. Dietrich Mateschitz expanded on this idea in 1987 by combining sugar and caffeine, forming the company Red Bull. Red Bull’s popularity spread through Europe and made its way to the U.S. a short ten years later. Today, a large variety of energy drinks can be found on the market, including over 500 brands (May & Kravitz). Over the span of energy drinks’ existence, May and Kravitz point to three consistent, main goals of sports drinks across the board: “(1) to prevent dehydration, (2) to replace electrolytes lost in sweat, and (3) to provide carbohydrates for use during exercise.”

A number of trends have surfaced for sports drinks, particularly in the last couple of years. According to a Prepared Foods article by Marie Spano, many trends have taken relevance recently. First, sport beverages are categorized based on an athlete type. Spano gives the example of the now discontinued “Gatorade Tiger” that included l-theanine for focus. In Tiger Woods’ prime in the mid to late 2000’s, focus was the perfect word to encapsulate Woods. Recently, Gatorade launched an ad series showcasing Jabari Parker, a Milwaukee Bucks guard who recently tore his ACL. The campaign focuses on his recovery, and how determined he is to return to the court next season, with the help of Gatorade’s protein products. This includes a whey protein bar and a protein shake, with the slogan “Protein for athlete building.” Clearly, Gatorade focuses on all athletes recovering from injury with this campaign. It is direct and influential.

Spano also describes the development of the market, which has begun to see the trend of a mix between sports drinks and a functional beverage. Spano uses Glaceau’s VitaminWater, one of Gatorade’s primary threats, as a relevant example. This product provides a mix of both electrolytes with added vitamins. At one point, the drink was brought in as the hydration partner for the NCAA, appealing to fans of March Madness. The crossover drink entered the sports market, gaining relevance and credibility, but it still stands as enhanced water, not much more.

In addition to Spano’s thoughts on recent trends, investments in music sponsorships has skyrocketed. Young consumers are difficult to reach through traditional forms of advertising. In order to combat this predicament, beverage companies invest in live music sponsorships in order to build brand loyalty. PepsiCo (which owns Gatorade) recently announced in March of 2015 that they will be the official sponsor for all Live Nation events, replacing Coca-Cola (the owner of Powerade). Live Nation is the world’s largest concert promoter, producing events that attract thousands of fans, including Lollapalooza in Chicago. Companies will continue to pour money into concert venues in order to generate interest within a young target audience. By sport drinks focusing on an “athlete type” beverage and crossover beverages, coupled with increased event promotion and sponsorship, beverage companies are spending more money than ever to reach their audiences.

**Consumer Analysis:**
Gatorade’s consumer profile can be better understood once a consumer communicates (through sales tracking, social media posts, focus groups, etc.) that he or she is either an athlete, enjoys working out, or enjoys sports drinks. Many more aspects of the consumer profile filter into these topics as well; without a solid consumer profile, Gatorade cannot formulate its campaign because they don’t know who they are selling to.

MediaMark Reporter is a useful tool that helps determine what an average Gatorade consumer’s characteristics look like, based off of consumption of the beverage, and more specifically the Gatorade Energy Formula, in the last 30 days. MediaMark Reporter uses an index that compares Gatorade’s consumers’ statistics with a baseline average, or an index, of 100. Numbers greater than 100 are more
likely to be owners/users of the product than the general population. Numbers less than 100 show that a consumer is less likely to have an interest in the product/organization than the general population.

MediaMark Reporter shows mainly men (132) as Gatorade’s primary consumers for demographic segmentation, while women sit at a distant second (70). A Gatorade consumer is likely to be Asian (214) or African American/Black only (188), with other race/multiple classifications close behind (170). The primary consumer is likely to be between the ages of 18-34 for men (147) and 18-49 for women (62), a high school dropout (141), employed by companies involved in natural resources, construction and maintenance occupations (163), and have a household income of less than $20,000 (148). Gatorade’s primary consumer is also likely to be engaged (144), have a child between the ages of 12-17 (124), and have lived in their home for more than five years (108) that’s worth anywhere between $50,000- $99,999 (124). These demographics from MediaMark Reporter show that the majority and average of Gatorade’s consumers (apart from Gatorade’s clear professional athlete focus) are young men who have not graduated high school, working maintenance jobs and receive an average to low income. Reaching these demographics through targeted products and advertising can bring growth to the segment.

Gatorade is now available in more than 80 countries in 50 varieties since it’s inception in Florida in 1965. By the year 1998, Gatorade was being sold in 47 countries. In addition, it was the top sports drink in the following countries: US, Canada, Mexico, Italy, Argentina, Brazil, Venezuela, Columbia, Indonesia, and the Philippines (Globalization of Gatorade). In 2011, Mexico’s number two Overall Top 100 Brand was Gatorade. Clearly, Gatorade has a global, geographic outreach for its consumers. According to MediaMark Reporter, the average consumer that has purchased the “Gatorade Energy Formula” in the last 6 months comes from the county size “A”(122) or “B”(91), meaning any county that is located within one of the 35 largest cities in the U.S. In the United States, the primary Gatorade consumer comes from the North East region (146).

In regards to the consumers’ behavioural characteristics, such as purchase frequency, brand loyalty, usage, etc., MediaMark reporter is able to provide interesting statistics. It recognizes that consumers who have drank Gatorade in the last 6 months have also used the Internet lightly (125), read magazines (118) and the newspaper (112), rarely listen to the radio (117), watch TV (plus prime time) moderately (120), and have a satellite dish (105). By interpreting this behavioristic data, Gatorade is able to determine which media platforms to advertise on in order to reach their primary consumer.

**Competitive Analysis:**
Gatorade has seen a number of impressive competitors in recent years. While the company dominated the field in the early years, other energy/sport drink companies have taken notice to a forgotten audience: ‘what if I’m not an athlete?’ Some new competitors, that focus on a healthier image, include Vitamin Water, Pocari Sweat, and Sobe LifeWater. However, the biggest and most threatening company that competes with Gatorade is Powerade, a company that shares many of the same characteristics.

How do all of these companies compare based on consumer interest? According to NetBase, the Social Intelligence Company, Gatorade may not be the most-liked energy drink brand. NetBase produced a Brand Passion Index (BPI) that measured the top five sports beverage brands during the summer months, when their demand is
arguably the highest. The index takes into account “the behaviors, emotions, and opinions expressed across the web and social media channels” (Passion Intensity [PI]) while also weighing a consumer’s approval for the product (Net Sentiment [NS]).

The graphic on the previous page measures chatter about a brand on social media (size of the circle), while the placement of the circle indicates the products’ likeability, or intensity of passion. Although Gatorade generated the most discussion, buzz, and interest (75% of total social media interaction of the 5 brands), they are tied with Powerade least liked beverage (NS 44).

Vitamin Water came in third place for buzz generation, and was also recognized as one of the most liked brands (NS 52). Consumers rave with reviews on the product’s taste and innovative commercials. The most surprising product competitor to Gatorade comes from Japan, from a drink called Pocari Sweat. The company held the rights to the most liked beverage (NS 73) while still generating social media discussion on the great taste of the product (PI 53), despite the unique name.

While Gatorade’s popularity cannot be denied, Powerade’s recent surge in numbers cannot be ignored. According to an article from Crain’s Kate MacArthur, Powerade has made significant advances as recently as 2011. They are beginning to dig into Gatorade’s dominance as the number one sports drink: “Gatorade saw its share of the $7 billion U.S. market slip to 75% in the first quarter from 76% at the end of 2010. [Powerade] gained another point of market share in sports drinks in the quarter, bringing its total to 24%” (MacArthur 2012). The chart on the left reiterates MacArthur’s findings; Gatorade’s overall sales have declined in the last four years, while Powerade’s has risen in each of the last four years. Powerade’s momentum has been increasing in the last couple of years, something that “suggests plenty of consumers are willing to trade Gatorade for a cheaper alternative” (MacArthur 2012). Gatorade controlled more than 80% of the market, while Powerade held less than 20%, just as recently as 2008.

While Gatorade has dominated the market place with its products for a number of years, consumers are beginning to look for more options due to Gatorade’s specific targeted audience. While they gear towards athletes, or people who work out more than once a week, companies like Sobe Life Water and Vitamin Water are cashing in on an untapped audience. In addition, Powerade is making a strong case as a tough competitor, chipping away at the market share each year since ‘08.

Brand Analysis:
Although Gatorade is widely famous for their original drink that started at the University of Florida, since the rebranding to “The G Series” campaign, the company has come out with a wide range and variety of products that appeal to many types of athletes.

According to Duane Stanford of Bloomberg Business, Gatorade changed from just a sports drink company to competing on the nutrition aisle in grocery stores. Stanford explains, “Gatorade’s goal is to go
from a big fish in a $7 billion U.S. sports-drink industry to an even bigger fish in a $20 billion sports nutrition market.” If Gatorade is able to accomplish this, Stanford says, they are going to have to convince athletes of every sport to put down fruit and instead use Gatorade’s new line of nutrition products.

Although Gatorade does not offer liquid flavor enhancers, they make up for it by offering over ten different products that their competitor Powerade does not provide. According to Gatorade’s website, since the rebranding, they offer 14 total products that include energy chews, which are fruit snack-type chewable nutrient rich enhancements, protein shakes, dry powders to be added with water, and protein bars.

With all of these new products, Stanford says that new Gatorade products can no longer sell in an average grocery store, but instead must sell at stores where more athletes shop, if athletes are their number one target: “Gatorade now is selling to GNC vitamin shops, Dick’s Sporting Goods, Whole Foods Market, and specialty sports stores” (Stanford 2011). In the story, Fairchild, the vice-president of brand marketing for Gatorade, said that deciding what stores to have Gatorade available for purchase is defined by where the athletes shop. By rebranding with the new “G-Series”, Gatorade is able to offer a wide variety of products that promotes them to a nutrition-competing company. Gatorade’s campaigns have “legs” that enable the company to sustain its message for a long period of time, which helps to create consistency and a longer outreach to potential consumers.

**PR/ Promotional Analysis:**
Gatorade over the years has taken their PR and Promotional efforts seriously. To develop brand loyalty with their consumers and to make sure that Powerade never makes the jump on them as the number one sports drink for athletes, Gatorade listens to their consumers on social media platforms to understand their wants and needs.

Gatorade’s strong social media presence is no mistake. On Gatorade’s Twitter page, they are always responding to consumers that have either had problems with Gatorade or who have raved about their experience with it. When Gatorade spots a problem from a disappointed consumer, they will tweet back an apology and an e-mail address so the consumer can voice their opinion on what went wrong. If a positive tweet is sent out by a consumer, Gatorade will respond with something along the lines of thanking the customer for using the product and directing them to try another related product.

Gatorade has also always remained active in TV commercials. From the current campaign of “Win from Within”, Gatorade’s commercials provide the theme of professional athletes using their products, which in turns enhances their performance in games or competitions. For example, Gatorade recently ran a TV ad featuring NBA superstars Kevin Durant and Dwyane Wade, in which both players were in a game against each other; Durant missed a key basket that could have won his team the game. How does he recover: by using Gatorade products, such as drinks and chews. Finally, the commercial goes back to the same game where instead he makes the basket instead of missing it.

In TV spots like the one mentioned above, consumers are able to see a Gatorade product in action. It doesn’t hurt the product is endorsed by a former NBA MVP. Through consumer engagement and promotion on social media, with creative, promotional messages, Gatorade generates positive PR while also promoting their current product campaign.

**Category Creative Analysis:**
Gatorade has always been a company that encourages their consumers to strive for greatness and success. It can be easily seen from all of their commercials that show athletes pushing themselves to be the best they
Gatorade’s messages fall under a value appeal that Michael Solomon communicates in his book, *Launch! Advertising and Promotion in Real Time*. Solomon describes the value appeal as a type of message that “relates to people’s strong underlying beliefs about priorities in their lives and morality” (Solomon, 12.2). Gatorade always markets to athletes and people that believe they can be great. Consumers of Gatorade, mainly athletes, embody the value appeal. Here’s why: using Gatorade products is more than a choice. It is a priority in their lives, more of a lifestyle.

In terms of what value category Gatorade markets towards, “Striver” best fits Gatorade’s overall strategic planning. Solomon describes a Striver as “ambitious people who seek power, status, and wealth” (Solomon, 12.2). Although Gatorade consumers may not be striving for wealth, they are clearly striving to be the best in whatever field they are competing in. Gatorade’s slogan “Win from Within” falls under the category of Striver; the campaign enlists a call to action to never settle for mediocrity. The Kevin Durant and Dwyane Wade commercial was not created for consumers that are sitting on the couch, and sedentary, but instead for the consumers that are improving their body, both physically and mentally.

By utilizing executional frameworks, Gatorade puts forth many efforts in order to produce the most effective advertisements. Gatorade is famous for using the star power framework, from their first big signing of Michael Jordan in the 1990s, to recent endorsements with tennis star Serena Williams. Gatorade endorses athletes in a number of sports, including basketball, tennis, baseball, football, golf, and hockey.

Gatorade often utilizes the lifestyle framework as well. Being an athlete or competing in high level athletic events makes up their everyday choices and actions. Gatorade ensures the company logo or products are present in advertisements. How is Gatorade a lifestyle choice? In the 2000s, Gatorade ran an ad campaign that featured athletes legitimately sweating the color of a Gatorade beverage.

By using these appeals and frameworks, Gatorade gains a large advantage over many of their competitors. For example, if a consumer saw a Gatorade commercial compared to a Powerade commercial, in which Kevin Durant was represented for Gatorade and a non-professional athlete was represented for Powerade, the consumer would connect with Gatorade more because of the star power.

**Public Opinion/ Stakeholder Analysis:**

None of Gatorade’s marketing strategies matter if their message isn’t effectively reaching their primary consumers and target audience. Gatorade is able to analyze recent social media posts, discussions on new products, and reviews/articles on Gatorade’s successes or failures, all of which help the company gain a better understanding of where public opinion lies with their products. Does the media show their product in a positive light? Are the general population and shareholders responding to their messages in desired ways? Here are the results:

Gatorade has been in negative public eye in recent years for ingredient controversies. In January of 2013, a Mississippi teenager put together a petition to ban brominated vegetable oil in Gatorade products. The petition garnered over 200,000 signatures, prompting Gatorade to change their ingredient list, stating: “While our products are safe, we are making this change because we know that some consumers have a negative perception of BVO in Gatorade, despite being permitted for use in North American and Latin American countries” (McConnell 2013).

On the opposite spectrum, internal, or controlled media, is Gatorade’s strong suit. Social media has the ability to communicate with Gatorade on where they stand in the public’s eye. Gatorade has over 314,000 followers on Twitter, over 506,000 followers on Instagram, and 6.9 million likes on Facebook. As mentioned in the PR/Promotional Analysis, Gatorade provides constant interaction with their consumers.
and audience on Twitter, candidly answering questions and directing them to links that will hopefully solve their problems or needs. Followers feel important and individualized, creating strong brand loyalty. By utilizing consumer interaction on social media platforms, Gatorade is able to adjust their brand direction depending on their needs, wants, desires, or suggestions.

Let’s take a specific Gatorade campaign and see the effect it had on consumers based off of social outreach. VML, a strategy development agency based out of Kansas City that works with Gatorade, recognized that Gatorade’s primary consumers (here, teen athletes) were not comprehending what their “Win From Within” positioning meant, and a lack of connection existed with the brand. The “Win From Within” campaign has been on the market for four years, encouraging athletes to fuel their body with the proper nutrients found in the “G Series”. VML recognized the following problem: it’s not all about what’s on you, but what’s really in you, that makes you a champion. Here’s what VML and Gatorade set to work on: introduced a social calendar and other interactive features on their social media accounts, ran social campaigns that let consumers put their own face on the Gatorade bottle, and created a YouTube series highlighting some of the most impressive comeback stories from young athletes that they deemed the world should hear. The results? The “Win From Within” campaign produced a 33% increase in mentions. VML and Gatorade also saw great growth in social media outlets: “retweets skyrocketed more than 200 percent. Our follower base tripled on Instagram. Even our most mature channel, Facebook, had a 20 percent increase in engagement” (VML 2015).

Gatorade engages with its consumers on social media platforms that helps to create brand loyalty on a variety of levels. Taking Gatorade’s “Win From Within” example above, the company utilized the help of a positioning agency to assertively correct the disconnect between their primary consumer and the brand, specifically through public interaction on social media outlets.

**SWOT Analysis**, of Gatorade as a whole, including company logistics, campaigns, communication, etc., which measures the company’s strengths and weaknesses (internal) and opportunities and threats (external).

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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<td>- Social media engagement</td>
<td>- Expensive products for consumers</td>
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<td>- Effective campaign strategies</td>
<td>- Small market segmentation</td>
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<td>- Athlete endorsements</td>
<td>- Market only to active athletes</td>
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<td>- Ability to listen to consumers &amp; adapt</td>
<td>- Controversial ingredients</td>
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<th>Opportunities</th>
<th>Threats</th>
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<td>- Capitalize on the inactive market</td>
<td>- Increased marketshare from Powerade</td>
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<tr>
<td>- Market the company as a nutrition/ re-fuel company, not just a sports drink</td>
<td>- Other companies’ nutritious approach</td>
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<tr>
<td>- Capitalize on concert/event sponsorship</td>
<td>- Consumers’ inability to connect with campaign, lack of understanding</td>
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Overall, Gatorade does a great job of controlling the market, identifying primary consumers, while introducing new, innovative products to the market that enhances their brand image in the public eye. Powerade is making a strong surge as a serious threat. However, Gatorade has not been willing to lower its prices to reach another segment of the market. With Powerade’s recent success in the market share, it will be interesting to watch how Gatorade responds. Gatorade has a clear target audience identified. But will they be willing to adapt in order to appeal to an inactive market?
References


