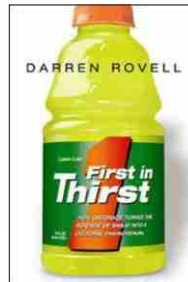




First in Thirst

How Gatorade Turned the Science of Sweat into a Cultural Phenomenon



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■ About the Author



Darren Rovell

Darren Rovell has been reporting on sports business since 1998; since June 2000, he has served as ESPN.com's sports business reporter. He appears on numerous ESPN radio affiliate shows, analyzes the sports business world for ESPNEWS, contributes to ESPN's flagship "SportsCenter," its investigative show "Outside the Lines" and is a frequent analyst featured on ESPN Classic's award-winning "SportsCentury" features. He has a sports business blog on *ESPN Insider* and a weekly feature on *ESPN Motion*.

Rovell's work has also been featured on *ABC News* and *Good Morning America*. In 2004, Rovell was named to *Newsbios*' "30 Under 30," a list of the top 30 national business reporters under the age of 30.

Rovell is co-author of "On the Ball: What You Can Learn About Business From America's Sports Leaders," which was published by *Financial Times Prentice Hall* in March 2003. The book was named to the "Top 25" list of "What Corporate America Is Reading" produced by the Knight Ridder/Tribune News Service in Oct. 2003. His second book, "The First In Thirst: How Gatorade Turned The Science of Sweat Into A Cultural Phenomenon," was published in August 2005.

For more information, visit <http://www.firstinthirst.typepad.com/>.

■ The Big Idea

Gatorade has conquered all its rivals and has ruled the sport-drink industry since its creation more than 40 years ago. If you need proof of this, all you have to do is visit any sporting event in the country. You will see Gatorade whether you are watching amateurs or pros. You will spot numerous athletes carrying them around in their colorful bottles or lining up to grab a cup from bright orange coolers. Simply put, Gatorade is the sports drink of choice and it is everywhere.

Join sports business reporter and author Darren Rovell as he uncovers everything that led to the success of Gatorade. Find out Gatorade's enthralling story and the nine business rules that have helped Gatorade grow to be the giant that it is today

■ Chapter 1 - Sweat in a Bottle

In the year 1965, the freshman team of the University of Florida was in bad shape. In one weekend, more than 20 players were treated for heat exhaustion and severe dehydration.

The problem was keeping the players hydrated. Athletes who drank too much water complained of stomach cramps. Salt tablets helped but unfortunately, too much salt causes legs to cramp as well. The need for a miracle liquid that the players can drink was apparent.

Dr. Robert Cade, a 37-year old associate professor of medicine at the University of Florida, and his research fellows decided to help. Cade and his fellows started to do heavy research on the formulation of sweat and how the body absorbs liquid.

They concluded that a beverage containing just the right amount of sodium and glucose would move into the body faster than plain water in one section of the small intestine. With this information, the fellows immediately sought the assistance of the team's head trainer, Jim Cunningham, and the University of Florida's varsity head football coach, Ray Graves, to grant them permission to test their beverage on the players.

The Guinea Pigs and Testing

Graves gave the doctors permission to test the beverage on the freshman team. The players were given blood tests and were asked to provide pre-workout blood and urine samples. They also collected and measured the sweat the players lost during practice. The doctors discovered that the players can lose as much as 25% of their total body sodium. This was an alarming statistic that can have lethal implications.

Making the Drink

Sweat is made up of water and various salts. These salts, also called electrolytes, are sodium, potassium, and magnesium. Electrolytes aid muscle and nerve function, and are essential to keeping the electrical and chemical balance of the body.

A sports drink aims to replenish the fluids lost through excessive sweating. Since the body is 65% water, anything lost must be quickly replaced. Failure to do so can cause dehydration leading to headaches, dizziness, muscle cramps, and heat stroke.

Dr. Cade and his fellows came up with a drink that is made of water, sodium, potassium and glucose. Unfortunately, the original drink did not taste too good. The doctors remedied the situation by adding fresh lemon juice to the formula. Still, the drink was far from receiving great taste reviews.

The First Test

It was October 1, 1965 when the drink was put to its first test. The freshman team, which was oozing with raw talent, went up against the varsity B team which was

avored due to their experience and size. The freshman team, however, was given the new drink while the B team was given plain water.

Although the first half was owned by the veterans, the freshman dominated the second half. The doctors explained to the coaching staff that drinking the beverage prevents the players from tiring out easily as they were properly hydrated. The team's head trainer was convinced. He ordered a big batch of the drink to be delivered for their varsity players immediately.

The LSU Game

The Gators were set to take on the favored LSU Tigers the next day. The doctors made a 100-liter batch for the varsity players and for the very first time, the drink appeared on the sidelines. The doctors handed cups of beverage to the players, telling them exactly what they were drinking.

The Gators won and the doctors were happy. It would not be accurate, however, to say that the team won because they drank the doctor's formula since many of the players chose not to drink the beverage. Still, Graves ordered that the beverage be available to his team for the entire season.

The Gators went on to win their two next games and the doctors realized that they had to come up with a name for the beverage. They all decided on Gatorade - a name chosen because it was what the Gators drank.

■ Chapter 2 - The Mystique is Born

In 1966, Dr. Cade started exploring Gatorade's commercial value. He went to the director of sponsored research at the university to ask for \$10,000 to keep Gatorade afloat. Dr. Cade also offered to sell the drink to the university. The head of sponsored research, however, decided to pass on the offer.

Dr. Cade continued to provide the Gators with Gatorade. In 1966, the Florida Gators team was at its prime, led by quarterback Steve Orr Spurrier. No one really knows if it was Gatorade or Spurrier's own brilliance but the Gators finished 8-2 that season, exceeding everyone's expectations.

The Auburn Game

The entire Florida Gators team was now drinking Gatorade. They started the season with an impeccable 7-0 record and now they were set to fight the Georgia Bulldogs for the SEC championship.

The Gators lost to the Bulldogs, displaying a dismal performance in the second half. Conspicuously enough, Gatorade was nowhere to be seen on the sidelines that day. Whether coincidence or not, the Gators did not have Gatorade for the first time this season and they lost.

According to Cade's autobiography, the delivery truck packed full of Gatorade was forced off the road by Georgia fans who stomped on the Gatorade cartons. Some people say, however, that Cade destroyed the product himself to prove the value of Gatorade.

The Press Catches On

Miami Herald reporter Neil Amdur heard about Gatorade and he knew he had a great story. On November 30, 1966, a story appeared talking about a liquid solution that may be behind the success of the Gators. Soon, other newspapers were writing about the Gatorade craze.

After finishing 8-2, the Florida Gators were invited to play at the Orange Bowl against Georgia Tech, a team coached by Bobby Dodd. Once again, the Gators demolished the competition in the second half. After the game, Bobby Dodd told Graves, "We didn't have Gatorade... that made the difference."

Although Gatorade was already becoming a success, Cade had a hard time getting paid. Cade would often give Gatorade away for free in exchange for publicity but orders were not flowing in. Although people were happy about the product, no one wanted to invest in it.

■ Chapter 3 - From Field to Shelves

Kent Bradley, a general internist who had made rounds with Cade for six months, transferred to the Indiana University medical school. Through his connections there, Bradley was able to meet Alfred Stokely, chairman of the board of Stokely-Van Camp. Bradley told Stokely about Gatorade and was able to spark the man's interest.

In March 1967, Dana Shires (one of Dr. Cade's fellows) and Bradley met with Hank Warren, Stokely-Van Camp's vice president and director of sales and marketing. Bradley, a born salesman, pitched the product so well that Warren signed a letter of intent to look at the product.

In Gatorade They Trust

Stokely-Van Camp's board of directors was hesitant about selling a product that did not taste too good. Furthermore, they were not comfortable selling to athletes only. Warren, however, convinced them otherwise.

At that time, the doctors asked for a \$1 million flat fee for their product. The board asked Warren instead to propose a royalty structure where the doctors would get a percentage of the sales. This decision turned out to be a boon for the doctors as they will earn more than \$30 million each over the next 40 years.

A few days later, Stokely-Van Camp was given the exclusive world rights to manufacture, market, sell and distribute Gatorade.

Marketing Issues

Now that Stokely had the rights to Gatorade, it now had to address pressing marketing concerns. First up was taste. Gatorade still didn't taste good. Stokely had to make the product more palatable. One of the company's chemists added two percent more sugar to the solution.

Another problem occurred in packaging. Gatorade was initially packaged in metal cans. Unfortunately, the salts in the drink penetrated the cans and caused leaks. Stokely immediately shifted to the use of 32-ounce glass bottles and pouches of powdered concentrate.

NFL Coolers and Cups

In 1967, Stokely executives signed a \$25,000-a-year deal to be called the official sports drink of the NFL. They used coolers and cups with Gatorade on them and asked all NFL teams to put them on the sidelines of every game. Although not all the NFL teams were using the product, there were players on teams that would swear by it.

Sports Illustrated

In the July 1, 1968 issue of *Sports Illustrated*, an article by Gil Rogin appeared singing Gatorade's praises. Rogin cited statistics to prove that Gatorade simply works.

After the article, athletes started calling Stokely headquarters to ask for Gatorade. Unlike Dr. Cade who used to give away Gatorade for free publicity, executives at Stokely were told that anyone who wanted Gatorade had to pay for it. When Arthur Ashe called asking for Gatorade for the Davis Cup team, he was asked to pay \$800. Ashe was shocked but he relented.

Gatorade was on a roll nationally. It was in 1968 when Gatorade started appearing in supermarket shelves. By 1969, Gatorade had become the pride and joy of the Stokely brand. It was advertised as "The Big Thirst Quencher" and it was available for "thirsty kids, thirsty moms and thirsty dads."

Stokely was advertising Gatorade in magazines, television and the newspapers. The greatest advertisements, however, pop up from unsolicited endorsements. One of the greatest examples would be Elvis Presley who always made sure that Gatorade was right next to him on the stage.

Cyclamate Disaster

At that time, cyclamate was being used in Gatorade because it was 30 times sweeter than sugar and less expensive. Unfortunately, studies started appearing showing that it could be hazardous to human health. Although no definite evidence was seen linking cyclamate to cancer, products with cyclamate were ordered to be pulled off the market. Gatorade was reformulated with fructose, a simple sugar that doesn't slow down the movement of fluid in the body, and the legend continued.

■ Chapter 4 - Wrestling Over Gatorade

Although Gatorade had become an international success, trouble was brewing between Cade, the University of Florida, and the government. During an interview, Cade publicly chastised the university for passing up on his invention. When news broke out that the university let a fantastic opportunity go, the trouble began.

The government also discovered that Gatorade was invented under a National Institutes of Health grant that he had been given to study sodium levels in rat kidneys. The government insisted that Gatorade is only a product of this grant. Furthermore, Cade admitted to using \$42 worth of supplies earmarked for the grant for his Gatorade project.

In order to satisfy the government, the doctors agreed to publish their findings about Gatorade. The doctors also agreed to pay the University of Florida a 20% share of the royalties.

In 1983, Stokely, and with it Gatorade, was acquired by Quaker Oats.

■ Chapter 5 - The “Tipping” Point

The Gatorade bath is now a sports tradition. Nowadays, most coaches expect to be given an ice-cold Gatorade dunking from the Gatorade cooler after a big win. It all started in 1985 when New York Giants Jim Burt dumped a cooler of Gatorade on top of the head of his coach, Bill Parcells. The next week, Burt got teammate Harry Carson to join in on the fun.

The following season, New York beat San Diego 20-7 and Carson gave Parcells a Gatorade bath. This time, television cameras were focused on the two. The media loved it.

The people at Gatorade were raving about the free publicity and they knew they should capitalize on this. They sent Parcells and Carson \$1,000 each in Brooks Brothers gift certificates with letters explaining that the money should be used to replace clothes ruined by Gatorade baths.

Soon, different players on different teams began copying the Gatorade bath. As a result, competitors began looking into ways to get their brands on the coolers. Gatorade flexed its muscle and in 1988, the company paid \$130 million for six years of sideline rights. In 2004, Gatorade agreed to shell out over \$500 million to the NFL.

■ Chapter 6 - “Be Like Mike”

Stokely began focusing on “Gatorade moments” for the company's advertising companies. Their advertisements show athletes drinking Gatorade during basketball or soccer games. From 1984 to 1990, Gatorade's commercials said, “Gatorade is thirst aid for that deep down body thirst.”

The jingle was catchy and the campaign became very effective. In fact, the campaign was so effective that Sands, Taylor & Woods sued Gatorade claiming that it held the trademark use for "ThirstAid."

Now that the "Thirst Aid" campaign was ending, it was time to find a new way to market Gatorade. They were eyeing the services of one athlete in particular - Michael Jordan.

Wooing Michael Jordan

Michael Jordan was perfect for Gatorade. In fact, Jordan had been drinking Gatorade since he was in high school. In 1985, Quaker tried to get Jordan's services. Unfortunately, the company was not able to come up with the money to do so.

By 1990, Gatorade finally had the advertising budget it needed to meet Jordan's asking price. By that time, Jordan's contract with Coca-Cola had just ended. Jordan wanted a 10-year contract, seven figures per year. By then, Jordan had just turned 28 and the contract did not include the right to terminate if Jordan retires.

Coca-Cola offered a five-year deal at \$750,000 per annum. Gatorade offered a ten-year deal worth \$13.5 million. Jordan agreed and Gatorade scored a marketing coup. Not only do they have a superstar endorsing their brand, they also prevented Coca-Cola from using Jordan for its own sports drink, POWERade.

"Be Like Mike"

Bernie Pitzel is the creative chief of Bayer Bess Vanderwarker, the advertising firm Gatorade hired. He was disappointed with the two commercials that were presented to him by his co-workers. Instead, he came up with the idea of an advertisement talking about how everyone wanted to be like Mike.

Pitzel came up with the lyrics to "Be Like Mike" and the jingle turned out to be a hit. Gatorade also ran eight-page advertisements that turned into a poster of Jordan holding a Gatorade cup. The company then made copies of the song and sold it to the public. Suddenly, the great Michael Jordan was associated with Gatorade.

■ Chapter 7 - "We're Going to War"

In January 1992, Quaker and Coca-Cola considered a joint venture. Quaker officials rejected the deal and a few weeks after, Coca-Cola unleashed POWERade.

Pepsi also had a sports drink in the market. The drink was called Mountain Dew Sport. Together with Coca-Cola, Pepsi seemed poised to blow Gatorade out of the market.

Gatorade, however, had 83% of the U.S. sports drink market at that time. It had the advantage of being first. Gatorade was able to fend off blows Coca-Cola and Pepsi

made. When the two gigantic companies told consumers that their drinks tasted better, Gatorade countered that POWERade did not have enough sodium and may have too much carbohydrates.

When the taste tactic did not work, Coke and Pepsi resorted to lowering their prices. Still, this did not dissuade the public from buying Gatorade. In fact, Gatorade surprised everyone by introducing 16 new flavors in the United States knowing full well that Coca-Cola and Pepsi would find it hard to match Gatorade's new flavor proliferation.

All Sport Dismantled

Gatorade officials eagerly pointed out that Pepsi's Mountain Dew Sport produced throat burn when drank quickly. Since Pepsi's drink was carbonated, Gatorade ran ads that were termed, "physiology versus fizziology." To make matters worse, Gatorade ran an ad where the head trainer of the Vikings asked the viewers whether they preferred a sports drink made by a soft drink company or a sports drink certified for athletes. Soon, Pepsi changed the name of the drink to All Sport but the damage was done.

Both Pepsi and Coke began pouring money into massive advertising campaigns. Coke reportedly committed \$30 million in 1977 to the National Hockey League for a four-year deal. Gatorade did not make a counter offer. Instead, Gatorade kept paying big money to the NFL and the NBA.

When Pepsi and Coke tried to undercut Gatorade and lambaste the way the product tastes, Quaker officials countered by approving higher marketing spending. This strategy knocked out smaller players such as Suntory's 10-K. By the end of 1995, Gatorade's share of the market slipped to 72.3 percent. All Sport had 9.8 percent while POWERade took 12.1 percent.

By utilizing superior convenient store strategy, Gatorade's market share increased to 76.1% by the end of 1999. POWERade's share rose to 16% and All Sport was reduced to a niche player.

In the year 2000, it was apparent that if Pepsi or Coca-Cola wanted to be the number 1 U.S. sports drink provider, it had to acquire Quaker Oats. Coke passed on the opportunity and Pepsi emerged as the winning bidder in exchange for \$13.4 billion in stock.

POWERade Relaunch

Coca-Cola decided to relaunch POWERade. The company changed the logo and added vitamins B3, B6, and B12 which they claim would aid in energy metabolism. Gatorade debunks this theory.

Aside from terrific ad campaigns, Coca-Cola also launched drinks in nontraditional colors. The company tried to appeal to kids and mothers by selling POWERade in packs of six bottles.

Yet, by the end of 2002, it was clear that even with aggressive and brilliant marketing, POWERade has gained less than one point of the market share in the U.S.

■ Chapter 8 - The Gatorade Rules

Here are the nine business principles that helped Gatorade become one of the most powerful brands today.

1. Make sure your product, service, or brand is unique and know what makes it unique.
2. Never stop researching the marketplace.
3. Identify drivers of the business and take care of them.
4. Never stop working to get your next consumer.
5. Packaging counts.
6. Learn from your mistakes.
7. Seek to connect emotion and passion to the brand.
8. Stay disciplined.
9. Form smart strategic alliances.

■ Chapter 9 - The Gatorade Critics

TQ2

Years after the success of Gatorade, Dr. Cade is working hard to beat out the very same product that he had helped invent. He came up with a new product called TQ2 that during tests beat out Gatorade in terms of pulse rate and change in blood volume. According to Cade, athletes who drink TQ2 can gain a 60% longer workout than water. Quaker immediately sued Cade. In July 1993, Quaker Oats decided to buy TQ2 and discontinued the legal proceedings. The company has, however, never marketed the product.

Pedialyte and Rehydralyte Challenge

Although not originally formulated to hydrate athletes, the use of Rehydralyte and Pedialyte (solutions used to nourish children with severe diarrhea) by athletes has become common. Both solutions have more sodium and for larger athletes, it seems to prevent cramps better. To make matters worse, some athletes started admitting that they have been using the two solutions instead of Gatorade. Gatorade has since then released the Endurance Formula which has twice the sodium and three times more potassium than the regular Gatorade.

New Challenger

In 2001, PacificHealth Labs developed an exercise drink called Accelerade. The drink is supposed to increase endurance by 24% over drinks of the same carbohydrate makeup. The reason for this is the added protein, a component believed to be essential for muscle repair.

Gatorade vs. Water

Gatorade executives believe that water is the greatest competitor of Gatorade. In fact, Gatorade has launched a series of ads showing how drinking Gatorade is better than drinking plain water.

Critics, however, are pointing out that during simulations, there was no noticeable difference in the performance of a water-drinking team to a Gatorade-drinking team. Furthermore, Quaker researchers also determined that on average, Gatorade goes through the body and is absorbed only as fast as water. This, however, is an achievement in itself because of the added carbohydrates.

Dehydration Myth

Although a lot of experts warn against dehydration, a lot of experts are more wary over the possible overconsumption of fluid before, during, and after exercise. According to studies, extremely high levels of hydration can cause hyponatremia, a possible fatal affliction that occurs when the sodium levels in an athlete's body are diluted too rapidly.

Critics immediately pointed to the recommendations made by the Gatorade-affiliated National Athletic Trainers Association (NATA). NATA recommends drinking as much as 30 ounces before working out, seven to 10 ounces every 15 minutes, and at least 20 ounces per pound lost within two hours. Gatorade counters by explaining that harmful overdrinking is a rare occurrence compared to dehydration. Furthermore, since Gatorade has sodium, it should prevent hyponatremia and not cause it.