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### Coconut Water Bubbles

#### *Drink Makers Ramp Up Ad Campaigns for Niche Market*

By SUZANNE VRANICA

As the once-hot bottled water business loses steam, drink makers are starting to pour money into marketing campaigns for what they hope will be the next sector to come to a boil: coconut water.

Beginning this week the Zico coconut water's name and logo will be pasted onto pedicabs in New York City while O.N.E. coconut water will make an appearance on the new season of ABC's "Extreme Home Makeover."

Zico in Hermosa Beach., Calif., and Los Angeles-based World Enterprises, maker of O.N.E., are the early stage of what marketers say will be a major marketing push over the next year behind coconut water. Coconut water is the clear liquid inside young, green coconuts and is different from coconut milk, which is pressed from the coconut meat.



Zico

Zico is starting to market its coconut water on pedicabs in New York.

A popular drink in Brazil, the water is now catching on in the U.S., thanks to its healthy image and athletes and celebrities such as Madonna who drink the product. The goal now is to broaden the reach of coconut water drinkers beyond the athletically inclined.

That is becoming increasingly important for beverage makers of all sizes that have watched sales of bottled water -- their cash-cow in recent years -- get hurt by budget-conscious consumers and environmentalists who oppose the use of plastic bottles. For the past 52-weeks ended July 12, sales of bottled water dropped 6% to \$7.6 billion, according to Chicago-based market-research firm Information Resources Inc., whose figures don't include sales from Wal-Mart Stores.

Meanwhile, sales of coconut water doubled this year to roughly \$20 million, estimates Beverage Marketing Corp., a New York-based research and consulting firm.

"Although it's a very tiny part of the beverage business, it's growing fast because it's seen as a natural product, it's relatively low in calories and it has a lot of potassium," says John Sicher, editor and publisher of Beverage Digest.

The category is now attracting the biggest players in the beverage business. Earlier this month, [PepsiCo](#) agreed to buy Brazil's largest coconut water company on terms that weren't disclosed. A spokesman for PepsiCo says the company has "no immediate plans" to sell its coconut water brands in the U.S.

Even so, it's just a matter of time before coconut water brands from giants like Pepsi and [Coca-Cola](#) -- and their attendant ad campaigns -- head to the U.S., say beverage industry experts.

Coke and Pepsi have in the past used their marketing weight to muscle into niche markets. For example, Energy Brands in 2005 spent \$3.3 million on U.S. ads for its Glacéau Vitaminwater, according to TNS Media Intelligence. Then Coca-Cola bought the brand in 2007 and shelled out \$68.4 million for ads last year.

O.N.E. plans to spend \$1.6 million on marketing this year and says it will double its marketing budget next year, while Zico, which spends about \$1 million annually on marketing, says it will increase marketing outlays by 50% next year. Until now both companies have relied largely on sponsorships of niche sports and public sampling events.

Rodrigo Veloso, O.N.E.'s chief executive officer, says the company is "ramping up its marketing" and intends to use product placement in movies and popular TV programs such as TNT's "The Closer" to promote its brand. It is also dipping its toe into traditional advertising and is planning to launch a billboard campaign within six to eight months.

For the past few years, Zico has relied largely on striking marketing alliances with Bikram Yoga studios around the country. It still sponsors yoga, but recently Zico has started moving into endurance sports such as triathlons. In June it signed on to sponsor marathon runner Pam Reed, who recently ran in Badwater Ultramarathon, a 135-mile race.

Zico says it won't do traditional advertising such as TV commercials. "The best way to build a brand, particularly a beverage, is to build an intimate relationship with consumers using one-to-one marketing," says Mark Rampolla, Zico's founder and chief executive.

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