

CASES 2

CAMELBAK: THEY'VE GOT YOUR 'BAK.

In 1989, Michael Eidson probably never imagined that his homemade, do-it-yourself fix for dehydration during long cycling races would evolve into the world's premier hydration device for outdoor enthusiasts, soldiers, and law enforcement personnel. That is exactly what happened to the CamelBak backpack, however.

The first version, which used medical tubing to flow water from an intravenous drip bag that was insulated by a sock and strapped to the back of his shirt, was born as most inventions are—out of necessity. The special pack made it possible for Eidson to take in fluids while sitting upright without having to sacrifice speed by reaching down for a water bottle during a race. The packs gained fame during the 1991 Gulf War as extreme sports enthusiasts in the U.S. Special Forces carried their personal CamelBaks into combat during Desert Storm. Thereafter, the CamelBak name would be forever associated with extreme performance and the U.S. Armed Forces.

By 1995, Eidsen sold the company for \$4 million. Its buyer, Kransco, introduced the first camouflaged models, and the packs continued to gain acclaim. In 1999, two years after buying his first CamelBak pack, cyclist Chuck Hunter left Lockheed Martin to join the upstart company in hopes of growing its military business. He promptly moved the company to the Sonoma Valley, built a research and development center, and leveraged his experience in the defense industry to launch a military-specific line of packs.

Hunter partnered with DuPont to help CamelBak develop the Low Infrared Reflective (LIRR) system. LIRR applies specially developed materials to a pack's compartments, buckles, and straps to shield soldiers from enemy detection systems. As advanced identification and kill technologies are increasingly being deployed on the battlefield, individual protection applications like the LIRR will be the camouflage of tomorrow.

Other CamelBak innovations include the WaterBeast reservoir, a fluid storage system that boasts 30 percent more rigidity than other packs on the market. The WaterBeast has the ability to withstand lengthy field engagements, aided by its silver-ion reservoir and tube linings that eliminate 99.99 percent of all fungus and bacteria in the water delivery system. The WaterBeast reservoir is now a standard feature on all CamelBak packs, as is the company's proprietary drinking nozzle, or bite valve, which must withstand 10,000 compressions to guarantee it will last through 3 years of combat use.

Another CamelBak first is its CBR 4.0 pack system, which is specially designed to perform under chemical or biological weapons attack. The CBR 4.0 took 5 years to develop, and like all CamelBak military and law enforcement products, it was created to meet the specific requests and requirements of the target market. Since its introduction in 2005, the U.S. Special Forces, New York Police Department, U.S. Secret Service, Department of Health and Human Services, and a myriad of HAZMAT, law enforcement, and government agencies from around the world have adopted and deployed the CBR 4.0.

Though CamelBak specializes in offering extreme performance packs for the military, industrial, and professional markets, it also sells a variety of products for hunting, extreme sports, recreational, and “light” law enforcement applications. Having claimed more than 90 percent of the military market for hydration packs, product manager Shawn Cullen likens CamelBak to Kleenex: “Everyone calls a hydration system a CamelBak,” he says. Ironically, the company’s biggest customer is its biggest competitor. While it continues to use CamelBaks, the U.S. Army is working with a former supplier to develop its own version, most likely in an attempt to reduce costs.

At prices up to \$200 for combat-ready systems, one thing CamelBaks aren’t is cheap. But then again, neither is CamelBak itself. Its strong product lines, history of innovation, secure strategic relationships, and dominance in government and institutional markets drove its value to over \$200 million when investment bank Bear Stearns Company bought the outfit from Kransco in 2003—not bad for a product that started life as an intravenous fluid bag wrapped in a sock.

- 1. Discuss how business relationships and strategic partnerships have helped to increase the value of CamelBak’s products and the business itself.**
- 2. What type(s) of business market customers does CamelBak sell to?**
- 3. Review the types of demand that most influence business markets. Which ones do you think are most important for CamelBak to consider in their marketing strategy? Why?**
- 4. What type of business product is a Camelbak backpack?**

COKE ZERO: DO REAL MEN DRINK DIET COKE?

When a couple of marketing managers for Coca-Cola told attorney Elizabeth Finn Johnson that they wanted to sue their Coke Zero colleagues for “taste infringement,” she was baffled. She tried to talk them out of it, but they were determined. They argued that Coca-Cola Classic should be protected from the age discrimination it would suffer with the introduction of a newer, younger soft drink that tasted exactly the same as the original. Frustrated, Finn Johnson held up the Coke can and shouted, “It’s not a person! Title VII doesn’t cover these things!”

What she didn’t know was that the marketing managers were actors. Hidden cameras had been planted around the meeting room to capture the reactions of several unsuspecting attorneys who had been asked to consider the case, including an immigration lawyer who was asked if he could get the Coke Zero marketing head deported back to Canada. The short videos were strategically placed on Web sites such as www.youtube.com to promote Coke Zero as the hip, new alternative to Diet Coke for men.

The Coca-Cola Company knows it has to be creative if it’s going to sell more soda after sales dropped two years in a row in 2005 and 2006. Morgan Stanley analyst Bill Pecoriello explains, “Consumers are becoming ever more health-conscious, and the image of regular carbonated soft drinks is deteriorating rapidly.” In an attempt to appeal to consumers concerned with nutrition, Coke introduced Diet Coke Plus in 2007, a sweeter version of Diet Coke fortified with vitamins and minerals.

But what they really needed was a way to reach young male consumers, and Diet Coke Plus, marketed with tagline like “Your Best Friend Just Got Friendlier!” wasn’t going to do it.

A few new products appealed to certain male demographics, such as Coca-Cola Blak, a cola with coffee essence created for older, more sophisticated consumers who are willing to pay more, and Full Throttle Blue Demon, an energy drink with an agave azul flavor (think margaritas) designed to appeal to Hispanic men. However, research showed that there was still a big demographic hole to fill as young men between the ages of 18 and 34 were abandoning the Coca-Cola brand altogether. They didn’t want all the calories of regular Coke, but they weren’t willing to make the move to Diet Coke, either, which has traditionally been marketed to women who want to lose weight.

Katie Bayne, chief marketing officer for Coca-Cola North America, says that the men who weren’t put off by the “feminine stigma” of Diet Coke often rejected it anyway because of its aspartame-sweetened aftertaste. “What we were seeing before Zero launched was that more and more younger people were interested in no-calorie beverages but weren’t going to sacrifice taste,” Bayne said. “So when they got interested in no-calorie, they were like, ‘Forget it, I’m not going to Diet Coke.’”

Testing showed that the name “Coke Zero” would be an effective way to sell a low-calorie cola to men without using the word “diet.” And advances in artificial sweeteners made it possible for Coke to finally create a product that tasted more like the Real Thing. So expectations were high when Coke Zero was introduced in 2005 with a big marketing push, including a commercial that remade the famous 1971 “Hilltop/I’d Like to Teach the World to Sing” ad—this time with rapper G. Love on a rooftop singing that he’d like to teach the world to “chill.” Unfortunately, the commercial didn’t catch on, and neither did the product it was selling.

Despite disappointing sales in the United States, however, Coke Zero was an immediate hit in Australia, selling more than three times the number of cases expected during its first year on the market. In the United States, the packaging was white and silver, making it difficult for consumers to see the difference between Coke Zero and Diet Coke. In Australia, the bottles and cans were black, making the product stand out on the shelves and look more like the “bloke’s Coke” it was intended to be.

The U.S. marketing team took notice and reintroduced Coke Zero with a black and silver label in 2007. Coca-Cola is now investing more money in Coke Zero than any other brand its size, hoping it will someday be a megabrand for the company alongside Coca-Cola Classic and Diet Coke. Chief marketing officer Bayne is enthusiastic about the impact it may have on the company. “We do see this as potentially a bit of a white knight. There’s huge opportunity to grow here.”

- 1. Describe the specific type of consumer that the Coca-Cola Company is targeting with each of the following products: Diet Coke, Coke Zero, Diet Coke Plus, Coca-Cola Blak, and Full Throttle Blue Demon. What types of demographic segmentation is each product’s marketing most likely to include?**
- 2. Some industry analysts think soft-drink companies should develop products that will bring new customers into the market rather than just creating variants on the old. They warn that products like Coke Zero will cannibalize lost market share from other soft drink categories instead of increasing the number of consumers overall. Which Coca-Cola products are most likely to lose customers to Coke Zero?**

- 3. Why do you think that the hidden-camera videos used to promote Coke Zero were an effective way to reach its target market? Do you think a similar strategy with a viral marketing campaign on the Internet would appeal to the target market for Diet Coke Plus?**

- 4. Do you think Diet Coke could have been repositioned to change consumers' perceptions of it enough to be considered a drink equally appealing to men? Why or why not?**