

Feature

SoBe 400% growth recipe: herbs and edgy marketing

Entertainment, health and cachet with each swig. Herbal revolution meets hip, edgy marketing strategy, and there you have it - the recipe for 400 percent annual growth.

Producing and marketing under the brand name SoBe™, South Beach Beverage Company is the privately held leader in the “healthy refreshment beverage” category - the fastest-growing segment of the \$12 billion “new age” or “all natural” beverage market. SoBe is a line of ready-to-drink, non-carbonated juice blends and teas . . . all fortified with herbs, minerals, vitamins and other nutrient-enhancers and targeted cross-generationally to people with active lifestyles.

Dollar sales up from \$13 million to \$67 million in a year

Norwalk, Connecticut-based South Beach sold 1.1 million cases of product in 1997 and 5.4 million cases in 1998 - its second year of distribution - an increase of 400 percent that positioned it among the top 25 beverage companies in the United States. SoBe dollar sales jumped from \$13 million to \$67 million, making it one of the fastest-growing brands in the industry. The “all natural” beverage market represents more than 18 percent of the \$65 billion soft drink industry, which is growing at 10 percent per year, with the “healthy refreshment” segment growing at a significantly greater rate.

Nearly 70 percent of all Americans take some form of supplements, reflected by research conducted by New Hope Natural Media of Boulder, Colorado. Along with the desire to maintain the benefits of a well-established healthy lifestyle, disillusionment and irritation with the US medical care system and HMOs contribute to the growth of the market.

Established in 1995 by an experienced group of sports marketers and beverage marketers (backed by 10 investors) and competing with such brands as Snapple and Arizona, South Beach Beverage Company now has added another enhanced ingredient to its recipe for explosive growth performance: *eBPCS* from SSA.

With anticipated 1999 sales of \$200 million, SoBe is implementing the SSA Portfolio and core product *eBPCS* on the AS/400 platform as a complete enterprise application integration (EAI) system with consultative professional services and expanded partnerships. The solution objectives: to power growth; to optimize communications between the company and its suppliers, distributors and partners; and to maximize its manufacturing and marketing opportunities.

Wisdom at the gym and Energy at the gas pump

Do you know SoBe? It's the lizard-embossed bottles in the refrigerated section at your deli, gym, convenience store and supermarket. It's called Wisdom and Energy and Power and Eros, 3G Teas, 3C Elixers, Lizard Blizzard, Zen Blend, Lizard Fuel and - brand-new on the market - SoBe Lean. The whole product line tastes fruity, refreshing, soothing, uplifting - a satisfying health secret. And the lizard thing is very cool, too.

As a "virtual manufacturer," South Beach subcontracts the production and shipment of its beverages through 11 co-packers located throughout the US and Canada and markets and sells its beverage line through independent distributors, with retail focus on the single-serve/cold-bottle channel of trade. Distribution is provided by a network of 300 independent distributors operating in all 50 states, Canada, Bermuda, South Africa and throughout the Caribbean.

With widespread, outsourced production and distribution operations, electronic communication with suppliers, distributors (customers) and co-packers is a major issue, and "we require far more system control than if these functions - raw materials, yields, output and so forth - were captive," said Norman S. Snyder Jr., South Beach CFO. "We needed the whole thing, soup to nuts: supply chain management, manufacturing, sales, financial pieces, promotional pieces . . .

"We were operating with very antiquated, disparate systems that didn't work together. That was particularly apparent in the face of our astronomical growth," Snyder said. "We needed to be more efficient, with greater precision, with a system that fits the way our organization works. We needed to come right into the 21st century, and determined that SSA and eBPCS would take us there. SSA fit our industry and fit our company - it was obviously an organization that would work with us."

'It was the people who won the deal'

"We like the people at SSA. They have the confidence and faith and technology we need to be successful going forward. SSA was a fairly unanimous choice - we did a lot of interviewing, a lot of referencing, we visited companies in our industry that are using BPCS," said Snyder. "You can't really test-drive a system - you need to be able to ask the right questions . . . will this meet my needs tomorrow and after that - show me. The demo showed the functionality of the software product, and that got SSA on the short list. But it was the people who won the deal. We knew they were a fit with SoBe. It was Bill Stuek and the strategic direction that convinced us this is what SoBe needed.

"The migration is pretty smooth and swift, and we're right on schedule for an August go-live," Snyder said. "This is the closest implementation-to-plan I've ever seen."

Packaging is SoBe's key marketing differentiator on store shelves. Bottle labels feature the dual-lizard logo reflecting the yin and yang of life (and implying an Oriental and exotic aura associated with herbal healing). An embossed, sinuous lizard - the brand's icon and mascot - is on the neck of each bottle. All of SoBe's advertising and

marketing, including an independent Lizard Gear apparel-merchandising program, is based on the lizard motif.

Serious, savvy and irreverent all at once

“SoBe’s consumer franchise,” said John Bello, South Beach CEO and founder, “includes both heavy-using teenagers who love SoBe Power and Energy, and ingredients-savvy Baby Boomers who drink SoBe Green Tea with ginseng, ginkgo, guarana and echinacea as a healthy alternative to traditional colas. While we take health and refreshment very seriously, our brand attitude is somewhat irreverent, which helps us stand out from our competitors and makes SoBe fun to drink.”

Billy Bishop, SoBe’s 28-year-old Vice President of Marketing who personally approves every flavor before it goes into production, explained the duality of SoBe’s niche markets: “Lizard Blizzard became one of our best sellers as soon as the teens and college kids saw our snowboarding lizard on the label. We don’t take ourselves too seriously, and young people can really relate to that.” At the same time, “SoBe Essentials is perfect for men and women who want a beverage with higher herbal content. You’ll be seeing it in health food stores and supermarkets that feature organically grown foods in addition to our traditional channels.”

SoBe staffers walk the walk. There are clues in the way they define their corporate culture: upbeat and unconventional; like to have fun, but serious about our work; harmonious; on a mission; young; camaraderie; craziness; out-of-the-box; shorts and no ties!!!!; responsible, adult environment where you’re trusted to do the job and achieve the end result the way you want to; you need to feel the fit, or you wouldn’t want to work here.

Then there’s the SoBe/Headshok Mountain Bike Racing Team. SoBe not only partners with premier bicycle manufacturer Cannondale as the title sponsor for the 80-biker amateur team, which competes in more than 500 races around the US, but also supports distributors and retailers in race markets. Sampling, sales, promotions and publicity are an integral aspect of the sponsorship. Hats, T-shirts, jerseys and shorts (available even in bike stores) are sold right along with the drinks.

We have met the target market, and we are it

“At SoBe, we’re all consumers,” Bishop said. “We’re all young and active and have a lot of fun. We’re out there. We formulate products that we would want to use. We really participate in the events we’re involved in, and we’re right in there sampling the participants. The Cannondale thing is a cool example - we have several people working here who are intense bikers, and that sponsorship was a perfect partnership for us. We have huge enthusiasm for the program, and there’s no end to what we can do with it.”

SoBe conducts all marketing and promotions in cooperation with distributors and retailers. Consumer communication is primarily through packaging and point-of-sale

material integrated with promotional tie-ins and radio time. Sampling at grassroots, high-impact events in key markets coast-to-coast - with product distributed by sales reps from six high-profile SoBe Lizard Vans and two customized vintage '70s school buses known as the SoBe Lizard Love Buses - is a primary market focus, along with the Lizard Line (1-800-588-0548) and SoBe's Website (www.sobebev.com).

SSA's 'highly applicable vertical industry experience'

As it expanded operations throughout each region of the US, SoBe needed to focus on one enterprise solution to gain efficiencies across the full supply chain and tighten its production and communication capabilities. SoBe will be able to meet its current and future growth schedule through *eBPCS*' seamless interoperability with industry-leading SSA Portfolio partner applications.

South Beach has clear ideas of where it wants SSA to take it. "We have invested \$500,000 in SSA's EAI package to manage our manufacturing process, as well as address new opportunities as a result of our explosive growth," said CFO Snyder. "SoBe selected SSA based on their highly applicable vertical industry experience. Plainly put, they understood our enterprise needs. The breadth and extendibility of *eBPCS* enables us to effectively meet the needs of our growing business. We're looking at double-digit growth for the next five years."

Growth plans include market penetration with its new sugar-free metabolic enhancer SoBe Lean, and another three or four new products that are in the final stages of development. Expansion into Canada and the Caribbean is on the immediate agenda, with international expansion under discussion. Independent extension of the Lizard Gear line - the next exploding thing? - appears likely. "We're finding the lizards look really cool on clothing, so we're doing more of that," Bishop said. "We'll have a Lizard Gear catalog out soon."

Globalization is a matter of preparation

Snyder looks at globalization as a distinct possibility, but only after SoBe has refined its domestic operations and saturated the North American market. "The SSA Portfolio and *eBPCS* will give us data that we didn't have before, and that will help prepare us for globalization," he said.

William M. Stuek, SSA Chairman and CEO: "With *eBPCS* and our portfolio strategy, we are able to provide the right solution to the right market at the right time. As partner in SoBe's market momentum, we are able to leverage our extensive industry expertise with a progressive strategy that can deliver individualized solutions based on our customer's specialized industry needs."

Intellectual property is what SoBe really is all about, said CFO Snyder. "All our conceptualizing and marketing is done internally - that's who we are. We don't own

bricks and mortar - we own ideas. The Cannondale sponsorship is typical of our thing - looking for alternate, inexpensive ways to get the SoBe message out.”

“The healthy refreshment beverage category has an unlimited amount of upside given the major cultural shifts that are driving it,” Bello said. With an eye to expected millennium consumer issues of wellness, health and personal well-being (read it: smarter, healthier, slimmer and sexier), “we’re committed to building SoBe’s leadership position through more innovative products, marketing programs that involve the consumer and availability wherever beverages are sold . . . It’s about consumers. It’s about fulfilling their needs . . . you create excitement and then go where the action is.”