Zico Marketing Analysis

Introduction

Zico, founded in 2004 by Mark Rampolla, is an up-and-coming coconut water company that is trying to grow and develop its brand into a household item. They were initially focused on advertising to Bikram yoga studios and then expanded to many healthy food markets, such as Whole Foods. Since then, Zico has been trying to branch out into the surfing and endurance sports communities. In addition, the company has successfully formed an identity for itself by strategically positioning its product as Nature’s Sports Drink. Zico is currently focusing on developing intimate consumer relationships by sponsoring events and sampling its product at various studios.

Analysis of Current Strategy

Nature’s Sports Drink is offered in three different flavors—natural, mango, and passion fruit. Based on the prices listed on Amazon.com, Zico’s natural flavor is selling at $21.99 for a pack of twelve 11-ounce cartons, whereas the mango and passion fruit drinks are selling at $24.00. The company sells Zico at a comparable price to its major contenders, O.N.E. and VitaCoco. However, while O.N.E. and VitaCoco have one standard price for all of their flavors, Zico costs two dollars more for its flavored drinks. Since consumers typically value lower prices, Zico may experience more difficulty in attracting customers to purchase its flavored products. On the other hand, this marketing strategy, if positioned successfully, could encourage consumers to perceive flavored coconut water as a premium product. Having this perception that flavored coconut water tastes even better than natural coconut water will not only attract customers but also increase profits for Zico. However, Zico’s limited product selection serves as a weakness because its competitors offer more flavored products at a lower price.

The packaging of Zico is simple but stylish. It has an attractive appeal to customers as a reinvigorating drink that reminds them of a serene view. Zico has an advantage in captivating customers who are attracted to upscale products because its design is classic and refreshing whereas its competitors’ products could be viewed as tacky and animated. Overall, Zico’s design has allowed it to become successful, especially to the yoga community, because its product evokes a sense of tranquility.

Zico concentrated in increasing awareness of its product through Bikram Yoga studios. After establishing a secure market in the yoga community, Zico started expanding to Whole Foods Markets and other supermarkets such as H.E.B., Hannaford, and The Fresh Market. Zico strategically places its product in healthy food markets to promote itself as an appealing substitute for sugary sports drinks. As mentioned earlier, Zico also distributes the product online through Amazon.com. Utilizing the Internet to sell Zico is not only convenient, but it also allows the product to be more accessible. The fact that it is available online gives customers the option to purchase Zico without having to drive or walk to a nearby store. However, Zico should still consider offering its product in as many grocery markets as possible. Since many customers buy products at the point-of-purchase, it would only help Zico to sell coconut water at stores like Ralphs, Vons, and Pavilions. Unfortunately, since Zico has limited resources, the company
should focus on targeting certain markets first. Later, when it experiences increased popularity, one of Zico’s long-term goals could be to eventually become easily accessible at grocery stores. Zico has growing markets in New York, Austin, Florida, Boston, and San Francisco. At the moment, the company’s main focus is to concentrate in Southern California, particularly in the surfing industry.

According to the Wall Street Journal, Zico spent approximately one million dollars this year for marketing. The company plans to increase its marketing budget by fifty percent in the upcoming year as well. Sales of coconut water roughly doubled to twenty million dollars this year. Increased sales and budgets not only indicate the growing demand for coconut water but also provide many opportunities for Zico to focus on specific target markets and promote its product. Zico’s main marketing strategy resides in its sponsorship of niche sports, such as yoga and surfing. Zico essentially sponsors an event to promote its product at company events. By providing free samples of the coconut drink and hanging signs, the company publicizes its products by giving potential customers the opportunity to taste the product and evaluate it right away. Zico also promotes itself through its website, www.zico.com, which shows up second in the search engine when the words “coconut water” are typed. Zico is starting to market their product on pedicabs in New York as well. As they continue to focus on expanding, Zico is undertaking a variety of marketing ideas to promote its products. Unfortunately, Zico has been unable to run TV commercials because of its limited budget.

One of the threats to Zico is the fact that it has major competitors, O.N.E. and Vitacoco. Zico’s competitors offer the same product at aggressive prices. As a result, the success of Zico will be largely dependent on the creativity and effectiveness of its marketing plan. Another threat is the fact that large corporations may decide to either pressure Zico into being acquired, or even worse, enter the coconut water market by creating a similar product.

However, there are many opportunities for Zico to continue to emerge as a popular, likeable drink. It has a huge market in the endurance sports otherwise known as EDGE. Zico is a healthy alternative as a sports drink and its marketing strategy is very unique. Rather than focusing on mass marketing, Zico emphasizes building intimate consumer relationships. Thus far, this marketing technique has helped build Zico’s reputation and become a huge influence in the ZEN area of its target market. Coca-Cola recently invested in Zico, which is another sign of increasing confidence and opportunity for a growing awareness of Zico. Furthermore, Coca-Cola is also supporting Zico with celebrity tie-ins, which may prove to be very beneficial for Zico. Overall, Zico has a wide variety of options to expand its target market, especially since the company is in a developing industry and has been able to get a relatively early start as a new, creative product.

Research and Recommendation

After doing analysis of Zico’s current marketing plan and the steps they have taken in creating an identity for their company and their product, we decided the next step was in seeing how successful their promotion strategies have affected the Southern California landscape. Based on opinions of our peers at the University of Southern California, the results are pretty clear:
Zico is not a widely known entity on a campus that is knowledgeable of brand names, being situated in one of the largest economical cities in the country.

The most startling result we discovered was the low recognition of the Zico name. Based on these results, our suggestion is to make Zico a household name throughout the larger American market, before focusing solely on smaller niche markets. After this, the next logical step would be to target a multitude of groups to dissolve the image of Zico being only a yoga drink.

Zico can improve upon three aspects of its marketing plan to supplant itself as the leading distributor in the quickly emerging coconut water industry. Zico can increase awareness of its brand through product differentiation and accessible distribution, expand its target market in a specific order that will help its market share and profit margin grow steadily and surely, and implement a promotion strategy that emphasizes effectiveness over cost and quantity.

**Expanding the Target Market**

One vital change we suggest for Zico’s success is for them to alter which one of its target markets it places the most emphasis on. Currently, Zico is targeting three markets: ZEN (Yoga), ACTION (surfing, beach volleyball), and EDGE (endurance sports). ZEN is a staple target market for the company, and should be preserved because it has proven to be a profitable niche. Although EDGE is by far the largest market, it has been the least marketed group in Southern California. Instead, Zico is planning to market mostly to the ACTION community. In regards to the increase in the marketing budget in the coming year, ZEN and ACTION marketing should be reduced or at most kept the same, and the excess money should be devoted to EDGE. Presently, EDGE is very broadly defined as endurance sports as a whole. In order to maximize their marketing potential, EDGE should be redefined into smaller sub-markets, which will allow Zico to establish a wider span of potential customers. We suggest the following sub-markets: Runners, Cyclists, and Tri-athletes. As of right now, Zico is trying to market to Southern California through the ZEN and ACTION target markets, which are very small portions of the area's athletic population. However, focusing on EDGE rather than the other markets, as well as breaking it into these specific categories, targets a larger portion of Southern California’s athletic population. This will provide Zico with a higher potential for profit.

There are several other benefits to breaking down EDGE into specific sub-markets. In general, these specific sub-markets are composed of people who care about the nutritional value of the foods and beverages they consume. Healthy foods and beverages aid athletic performance and overall well being. In Running, cycling, and triathlons, athletes lose a lot of water and nutrients through their immense amounts of perspiration. These athletes understand the importance of staying hydrated and are always seeking a nutritional alternative to the average sugar filled sports drink that usually cause more harm in the form of cramps than it does good. Providing runners, cyclists, and tri-athletes with Zico gives them a healthy alternative to other, less healthy sports drinks, and allows them to replace the electrolytes and potassium they lose without any unhealthy, unwanted fillers. Because of the growing trend of health-conscious
individuals, it is imperative that Zico actively pursues and infiltrates these up and coming markets.

Compared to the ZEN and ACTION markets, the demographics of the EDGE sub-markets are much broader and more substantial. In addition, they can be marketed to as a whole fairly easily, which potentially equates to higher profits. The people under these EDGE sub-markets seek the same benefits that the ZEN and ACTION markets receive from coconut water. People of all ages, ethnicities, and genders enjoy running, cycling, and competing in triathlons. Contrary to this, ZEN and ACTION are limited to enthusiasts of specific hobbies. Most residents of Southern California do not do yoga, play beach volleyball, surf, or live near the beach. A much higher proportion of the population do however fall under the EDGE market. This is not to say that ZEN and ACTION are not viable markets; substantial profits have been made in both of these areas. However, because EDGE is much larger than either of these, it should be Zico's primary target.

The next step is to expand beyond the ZEN, ACTION, and EDGE markets. For example, targeting “soccer moms” could be highly effective, because obesity rates for children in the United States are increasing, and parents are actively seeking healthy alternatives to beverages such as soda and sugar filled juices. Zico can provide their children with a healthy after-school snack or a beverage in school lunches. Zico’s packaging already resembles a juice box, so there is no need for repackaging when switching markets. In targeting this market, Zico should aim at the parents, rather than the children, due to their overall rule in what their children will consume. Stressing the nutritional value of coconut water as well as its delicious taste will enable Zico to capture this market. Furthermore, the idea that Zico is "nature’s sports drink" implies that it can be included in sporting events, which makes it perfect for a healthy after-game hydrator for the whole team. By targeting “soccer moms,” Zico can gain significant market share in this newly developed and dynamic youth sports drink market.

Making Zico More Accessible

For Zico to achieve success, they also must increase the brand's accessibility. Currently, Zico is sold in health-conscious supermarkets, certain yoga studios, and online. To make Zico more accessible, they must widen their distribution channels. One way they can do this is by providing cases of coconut water to potential carriers for free and have those carriers sell the product for a profit. Once the product becomes popular with the patrons of the potential carriers, they will want more., and will work out a contract with Zico. Through this process, Zico will get its name and image out into a vast number of popular retailers.

In order to cater to the newly proposed EDGE target market, Zico should stock the Los Angeles area running stores and cycling shops to help increase the awareness of coconut water among these types of endurance athletes. These runners, cyclers, and tri-athletes will be eager to try something new and healthy that will aid them in whatever adventure they will take part in next. Because endurance activities are popular in Southern California, stocking Zico in these stores will most likely be hugely successful.
Zico should also get upscale Los Angeles area boutique gyms, such as Equinox and LaloFitness, to carry their product at their juice bars. These types of gyms are perfect places to sell a healthy and all natural sport drink. The majority of members at these upscale gyms are serious about their physique and personal fitness, and would therefore be interested in a drink with all the benefits of Zico. Some members of the EDGE target market may very well cross-train at these gyms, further increasing popularity and accessibility. These gyms are also known for being favorite workout spots for numerous Hollywood stars, and would serve as the connection between Zico and the Hollywood scene. This link will pay big dividends in the future, when Zico increases their marketing budget and starts looking for famous celebrities to endorse their brand.

Zico should also stock themselves in nutrition stores such as GNC and VitaminShoppe. These stores carry a large variety of health and nutrition products for athletic individuals, so Zico should fit right in. Most GNC and VitaminShoppe stores have refrigerators where different energy drinks, protein shakes, and sports drinks are sold. Zico should be placed in with these different beverages. Because GNC and VitaminShoppe have such a large clientele base, Zico is sure to become a popular favorite with health enthusiasts, many of whom fit into the EDGE target market. Once the sale of single Zico’s from the refrigerators becomes popular, cases of Zico will soon be sold in these shops.

Once Zico has expanded substantially and has the monetary means to do so, it should test Costco as a primary carrier. Zico should provide free samples of coconut water for Costco patrons and see what their reactions are. If the reactions are positive, Zico should seriously look into having them carry their product. Costco is a very powerful and popular wholesaler and can increase Zico’s sales and profit immensely.

Increasing Awareness

Zico’s most important step towards a significant increase in sales is to increase their brand awareness. According to our group’s observations, almost everyone seemed excited about Zico once they had heard about it, but not many people were aware of what it was before we approached them. This is a huge problem. At this point in the company’s growth, they need to focus on getting their name into the minds of consumers more than anything. Zico already has a fairly well established brand image, product line, and pricing scheme. It’s time to put more effort into advertising.

In order to implement their strong belief of relationship marketing, Zico should continue its practice of handing out as many free samples as possible. Although this process doesn’t directly generate revenue, handing out free containers of coconut water will drastically increase awareness, which is worth it in the long run. As mentioned earlier, it would greatly benefit their brand’s awareness to hand out samples at running and cycling stores, such as Road Runner Sports, The Running Store, or Bikecology. Zico could also set up a stand and hand out drinks at major endurance sporting events, such as marathons or triathlons. These samples will spark interest, and get consumers coming back for more. In the stores where it isn’t possible to
distribute samples, Zico needs to install an eye-catching point-of-purchase display, to distinguish itself from competing health drinks.

In addition to all of this, Zico has to invest in more aggressive methods of advertisement. Although television or radio commercials would be the most effective way of increasing awareness, it would not be wise for Zico to purchase airtime. First of all, both types of advertisement are very expensive, and Zico’s marketing budget is relatively small. Secondly, these massively broadcast ads would go against the brand’s philosophy of one-to-one, relationship marketing methods. Instead, they should showcase their product in print form – magazine ads and posters would both be hugely effective. Because print ads can be strategically placed, they are able to speak more intimately with a specific demographic. Advertisements could be placed in publications such as Men’s Health, Runner’s World, or Bicycling Magazine, as well as on the walls of popular public transportation systems (busses and metro rails in Los Angeles, for example), and on posters put up in liberal, health-conscious neighborhoods. These ads would feature down-to-earth, emotional imagery that potential consumers would be able to easily relate with. Picture a sweat-covered, relatively attractive, twenty-six year old man contently drinking a container of Zico on his morning jog, just as he nears the bottom of an intimidating looking hill. Alternatively, imagine a bulky, brightly colored cooler filled with Zico drinks sitting on the edge of a lush, green soccer field, as a gaggle of fourteen year old girls race to get their highly sought-after post-practice treat.

Additionally, Zico needs to invest in the practice of online marketing. Confused consumers need an easy, accessible, online source to guide them toward their decision to purchase Zico’s product. Social networking websites are hugely popular right now, too, and although the brand’s target demographic of athletes and yoga enthusiasts may not be as active in the online world, it would be foolish to ignore the web’s utility. Thus far, Zico’s internet marketing has been carried out pretty well – they have a simple, easy to navigate website with an equally simple URL (www.zico.com). They also have a Facebook account, Facebook group and fan page, as well as a frequently updated Twitter account. More importantly, when Google searching the phrase “coconut water,” aside from the sponsored links section, Zico’s website appears second in the list, beaten only by Wikipedia.

There is always room for improvement, though. For instance, Zico’s Twitter account has just over 640 followers, while VitaCoco has over eight hundred, and O.N.E. has a whopping 1,263. Similarly, Zico’s Facebook fan page has five hundred fans, while O.N.E.’s has nearly a hundred more, and the “I Drink VitaCoco All Natural Coconut Water” Facebook group has over a thousand members. There’s no secret as to why the other brands are generating more online buzz: they’re simply putting in more effort than Zico is. Each of their Twitter accounts is following around two thousand people, while Zico is only following close to six hundred. Both O.N.E. and VitaCoco have also shelled out the money to buy themselves sponsored links on Google, so that their names appear above Zico’s, regardless of how high Zico appears in the actual search.

With just a small amount of effort and funds, Zico should be able to turn things around. First of all, they need to purchase a sponsored link, so that they appear alongside their
competitors on Google, rather than under them. Secondly, they need to be much more active with their online resources. Zico should update their Twitter more often, and follow as many people as possible, if only to get their name out to a larger audience. There are also many inexpensive, low-maintenance forms of online marketing that can dramatically increase the hits that Zico’s homepage, Facebook page, and Twitter account all receive. Google’s AdWords service allows advertisers to create their own, custom ads, and have them appear alongside relevant Google searches. Facebook also has its own, relatively inexpensive advertising program, that allows you to have your ad appear on the Facebook pages of anyone who fits into your target market. Better yet, both of these advertisement services allow you to pay “per click,” so that each time you spend money, you’re guaranteed that a potential customer is viewing your website.

Conclusion

Zico has done a good job building up their brand image in several US cities by marketing specifically to the ZEN community up to now. As they plan to market to the Southern California landscape, the best way for the brand to grow will be to focus on marketing their beverage primarily to the EDGE group. They can also make the product more accessible by widening distribution channels; Getting the product into more stores will make it easier for people to buy it. Lastly, Zico needs to make its name more widely known by engaging in aggressive advertising. By implementing all these strategies, Zico will truly become Nature's Sports Drink.