How Snapple Got Its Juice Back

Its number one priority: repair relations with disgruntled distributors. Then revive the funky packaging, adventurous flavors, and anything-goes attitude that first made the brand soar.

by John Deighton

EVEN NOW, mere mention of Quaker Oats' acquisition of Snapple causes veteran deal makers to shudder. For good reason. In 1993, Quaker paid $1.7 billion for the Snapple brand, outbidding Coca-Cola, among other interested parties. In 1997, Quaker sold Snapple to Triarc Beverages for $300 million, a price most observers found generous. The debacle cost both the chairman and president of Quaker their jobs and hastened the end of Quaker's independent existence (it's now a unit of PepsiCo).

But that's not the end of the story. In October 2000, Triarc, the privately held outfit that took Snapple off Quaker's hands, sold the brand to Cadbury Schweppes for about $1 billion.[1] The turnaround would be astonishing in any industry, but especially in the beverage-marketing business, where short-lived brands are depressingly common. Snapple's durability raises a number of questions. Why did the brand lose $1.4 billion in value under Quaker's stewardship in just four years? How did Triarc restore most of that value in less than three years? What did Triarc do with such apparently effortless grace that Quaker, with all its resources, could not?

In November 2000, shortly after Triarc sold Snapple to Cadbury Schweppes, I posed those questions to Triarc's top executives: chairman and majority owner Nelson Peltz, CEO Mike Weinstein, and marketing director Ken Gilbert. Their answers led me to a conclusion that many marketing professionals are likely to resist: There is a vital interplay between the challenge a brand faces and the culture of the corporation that owns it. When brand and culture fall out of

alignment, both brand and corporate owner are likely to suffer.

I'm hardly courting controversy by asserting that a brand might fit better in one company's portfolio than in another's. But a marketing professional would probably explain the improved fit in terms of distribution economies or manufacturing synergies. I would explain it differently: First, as every brand manager would surely agree, good brand management is explained more by process than by strategy. The big idea is important, but the execution of the big idea determines its success or failure. Second, consistent process execution is a matter of temperament. Some processes are best entrusted to managers with cautious, prudent temperaments while others flourish in the hands of risk takers. Brands thrive when there's a close fit between process and corporate temperament. This explanation, I believe, will provide the framework for understanding Triarc's and Quaker's contrasting experiences with Snapple as our story unfolds.

From a Funky Start...

Some brands just want to have fun, and from birth Snapple was one of them. Operating from the back of his parents' pickle store in Queens, Arnie Greenberg and his friends Leonard Marsh and Hyman Golden started selling a fresh apple juice called Snapple across New York City in the late 1970s. At the time, there was no shortage of upstart brands competing for the dollars of young, health-conscious New Yorkers, but Snapple stood out from the rest by virtue of an endearing artlessness. The labels on its bottles were cluttered and amateurish, and its ads seemed, if possible, even more homemade. In one, tennis star Ivan Lendl garbled the brand name into "Shnahpple." Several others featured a Snapple order-processing clerk named Wendy Kaufman. Cheerful, zaftig, and blessed with a Noo Yawk accent strong enough to peel paint, Wendy blossomed into a minor celebrity known to her fans as the Snapple Lady. She chatted on-air with Oprah Winfrey and David Letterman, made appearances at retail stores, and accepted Snapple drinkers' invitations to sleep-overs, bar mitzvahs, and proms. On the radio, the brand grew by sponsoring shockmeisters Howard Stern and Rush Limbaugh. Stern was an especially effective spokesperson. He got to know the founders of the business personally and conveyed to his listeners a genuine and infectious regard for the products and the people behind them.

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The brand's distribution channels were as unconventional as its promotions. Initially Snapple had very little supermarket coverage. Instead, it flowed through the so-called cold channel: small distributors serving hundreds of thousands of lunch counters and delis, which sold single-serving refrigerated beverages consumed on the premises. Small as the individual distributors were, they aggregated into a mighty marketing force. By 1994, Snapple was available across the country, and as distributors added painstakingly cultivated supermarket accounts, sales ballooned to $674 million from just $4 million ten years earlier. Aware that Snapple had grown beyond their limited expertise, Greenberg and his partners cast about for a new owner that could

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ILLUSTRATION: STEVE SALERNO

take the brand to the next level. Enter Quaker Oats.

Quaker's executives approached the Snapple deal with a mixture of confidence and urgency. The confidence was easily understood: Quaker had an impressive record in beverage marketing, having developed Gatorade into a powerhouse national brand by skillfully executing a plan drawn straight from the marketing textbooks. After purchasing the sports drink from Stokely–Van Camp in 1983, Quaker introduced it into 26 foreign markets, added five new flavors (for a total of eight), and hired basketball great Michael Jordan as a spokesperson. It used its leverage with supermarkets to win premium display space and squeezed costs out of the supply chain. Textbook actions produced textbook results: Gatorade sales swelled from $100 million to $1 billion in ten years, giving Quaker's executives ample reason to believe they could produce similar growth for Snapple.

But replicating Gatorade's success was more than an objective – it was a matter of corporate survival. With only one brand in its beverage portfolio, Quaker was at a serious disadvantage to larger players that could use their broader lineups to capture economies of scale. To stave off acquisition by one of those larger competitors, Quaker needed to add a second brand that could capture similar economies. Acutely aware of the make-or-break nature of the acquisition, Quaker's executives formulated a marketing plan that sought to minimize or eliminate risk. As it happened, though, Quaker's very risk aversion turned out to be the greatest risk of all.

Things Go Horribly Wrong

The company wasted no time trying to implement this strategy: Distribution would be rationalized, Snapple flavors would be made widely available in supermarkets, and a coordinated national promotion effort would expand mainstream awareness of the brand beyond the two coasts. Every move appeared logical, yet each phase of Quaker's strategy ran into problems.

A key component of the strategy was to use the strength of Snapple's distributors in the cold channel to help Gatorade and use Gatorade's strength in the warm channel – that is, supermarkets – to help Snapple. Quaker had Snapple's 300 distributors fly into several centralized meetings and proposed to them that they cede Snapple's supermarket accounts to Quaker in exchange for the right to distribute Gatorade to the cold channel. In meeting after meeting, distributors resisted Quaker's proposals. They weren't about to give up the supermarket accounts they'd worked for years to win. And Quaker couldn't force them to. Most distributors held contracts in perpetuity. Despite protracted negotiations with individual distributors and distributor councils, no channel rationalization was achieved.

Another element of Quaker's Snapple strategy came straight out of the Gatorade playbook. Just as it had done with Gatorade, Quaker introduced Snapple in larger, more profitable sizes: in 32- and 64-ounce bottles. But consumers simply didn't want them. The larger bottles were suitable for Gatorade because people tended to drink it during or after team practice or other exercise, when they were especially thirsty and needed to be rehydrated. But Snapple was a lunchtime beverage – people weren't looking for anything larger than a 16-ounce bottle they could polish off in one sitting.

Quaker's efforts to take the risk out of Snapple's publicity were equally ill-fated. The company started running ads whose mainstream blandness and slick

production values were antithetical to Snapple's image. It then compounded the misstep by dropping Wendy the Snapple Lady from the ads and even eliminating her job. But probably Quaker's worst move was to dump Limbaugh and Stern. Done to avoid controversy, the terminations inflamed it instead. Stern took his revenge by subjecting Quaker to months of on-air diatribes that urged listeners to stay away from "Crapple."

As each of Quaker's initiatives failed or backfired, Snapple sales lost steam. From their 1994 peak, sales declined every year, plunging to $440 million in 1997. Several changes in management, including hiring the executive who turned Poland Spring water into a national brand, did nothing to reverse the trend. Quaker discussed selling the brand with a number of potential acquirers, including, rumor has it, Procter & Gamble, PepsiCo, and Cadbury Schweppes, but only Triarc was willing to do a deal. In March 1997, Snapple had a new owner – and a very uncertain future.

"The Magic Is Back"

Triarc's corporate style could not have been more unlike Quaker Oats'. Part of financier Nelson Peltz's complex web of holdings, Triarc has built a portfolio of juice and soda brands that at one time or another has included Stewart's, Royal Crown, and Mistic, as well as Snapple, all under the management of CEO Mike Weinstein and marketing director Ken Gilbert. In contrast to Quaker's buttoned-down, coolly professional culture, Triarc is the sort of place where employees wear costumes to work on Halloween. Once a year, they play miniature golf up and down the corridors of Triarc's headquarters in White Plains, New York, each office vying to create a more bizarre hole than the next. When the headquarters was expanded through a wall into the offices next door, Weinstein threw a sledgehammer party.

It's tempting to say that Triarc's executives understood and embodied the quirky spirit of the Snapple brand in a way that Quaker's marketing team never did, and Triarc's executives aren't inclined to disagree. "We started out loving the brand the first day," says Gilbert. "I don't think that there was anyone at Quaker who had loved that brand, and it takes passion to get behind a brand and turn it around. We knew Snapple because we had been going up against it every day in the marketplace with Mistic," he adds, referring to Triarc's first entry into the premium fruit-drink category. "We had respect and admiration for it, and now it was ours to run."

What Triarc didn't have was a fully formed turnaround strategy. "We had no game plan to assure Snapple's recovery," Peltz says. "The only fixed plan we had was to limit the cost of failure." Rather than pursue large schemes that required making investments well in advance of returns, Triarc's marketers put little ideas into play and watched what happened. "I knew Mike and Ken would make mistakes," Peltz says. "So what? The team understood the need to stay away from *big* risky ideas. All we had to do was to avoid fatal mistakes, to make sure that each time we took a risk, we would be able to come back if the gamble didn't pay out."

Triarc's risk orientation was apparent in the way it approached new product launches. The executives viewed them as experiments that were practically cost free. "Our distributors buy a couple of hundred thousand cases of anything with the Snapple name on it because people are interested to try our latest thing," explains Weinstein, who now runs the Snapple operation for Cadbury Schweppes. "That covers development cost. The question is whether they are going to pick it up a second time, and the distributors tell us pretty quickly whether that's happening. So when we come up with a new idea, we roll with it. If it doesn't work, then the very worst that can happen is that you end up with a little excess inventory that you have to discount. To Quaker, new products were seen as a risk. We perceive them as the opportunity. It's the most fun part of the business. You know that if you come up with an idea, it's at least going to see the light of day."

Part of the fun for the Triarc team was using themselves as a test market. "I was always as keen to get the new products to market as Mike and Ken were," says Peltz. "Part of it was selfishness – we liked the stuff so much we wanted to get it into our offices. The other was that we just thought it was exciting. We drank the ideas, and we [took a look at] the packaging. We might say something didn't taste so great and needed reformulating, but there was never a time when we said stop. Just the opposite." A company like Quaker would never take such a casual approach to product development, but it was standard practice at Triarc – and true to Snapple's back-of-the-store, back-of-the-envelope roots.

In its first week in charge of the brand, Triarc used a product launch to signal that the new regime understood what had made Snapple a hit in the first place. The idea took shape in Weinstein's office. "I had a picture of Wendy on my wall," Weinstein recalls. "Ken said, 'Wouldn't it be great if we took Wendy's picture and wrapped it on the bottle?'" Weinstein thought it was a terrible idea, but he told Gilbert to try it anyway–and to rehire Wendy Kaufman while he was at it. And thus was born Wendy's Tropical Inspiration. Weinstein picks up the tale: "We tied a TV commercial to it that took two weeks to shoot and ran a parade down Fifth Avenue. We didn't think much about it–it didn't seem like taking chances. If we'd had a very structured process, forms to fill out, analyses to do, we'd have seen the risks, and we'd never have moved. Instead, we were able to make a fast decision, move quickly, capture an early success, get the distribution channel excited again, and get the retailers back to believing in the brand." Indeed, Snapple responded almost immediately to Triarc's management. Sales, which had been declining 20% a year, turned flat within three months of Triarc's purchase.

The give-it-a-go approach paid off again later when Triarc launched a Snapple extension called Elements, a range of teas with flavor names like Sun, Rain, and Fire. A consultant would probably have cautioned against the launch, arguing that Elements' slick New Age preciousness would sit uncomfortably under the Snapple logo. But in true Triarc fashion, no one asked a consultant. In effect, Triarc let its distributors do its market research. Within weeks, it was clear from their field reports that young consumers, drawn by the Snapple seal of approval, had tried Elements, liked it, and wanted more. Within a few short months, Elements had grown to 15% of Snapple's total sales.

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Of course, none of the new product launches would have stood a chance without Snapple's distributors. By the time Triarc came on the scene, they had virtually given up on the brand and were putting their energies into other companies' products. Triarc's efforts to win them back began as soon as the purchase from Quaker was complete. Along with ditching the much-despised 32- and 64-ounce bottles, the marketing team sent the distributors a clear message that they were part of the family and not an inefficiency that ought to be eliminated.

Proclaiming "the magic is back," the marketing team convened a meeting of the distributors. Each of Triarc's senior executives learned a magic trick and performed it at the meeting. "My trick was to make money appear in a box," Weinstein recalls. "We didn't have a lot else to tell them. We promised them Wendy's Tropical Inspiration; we promised that we were going to listen to what they wanted and change the way business was done. But that was enough. They gave us a chance."

They gave Triarc a chance, I would submit, because Triarc's presentation convinced the distributors that Snapple once again had an owner that understood the spirit of the brand. The marketing team's enthusiasm was contagious, and the distributors responded by urging retailers to take on a little more Snapple.

The market response to the successive changes in tone at Snapple highlights a process that my Harvard Business School colleague Susan Fournier calls "the co-construction of meaning." Consumers did just as much as Arnie Greenberg or the Triarc team to form Snapple's brand identity. Marketers offer brand ideas to the market, but those ideas don't truly become brands until they are accepted, adopted, and made over afresh as part of the lives of those who use them. Brand meanings and associations arise as a kind of found consensus between what the marketer wants and what the consumer has use for. Precisely because they were planned with a professional thoroughness and care foreign to the brand, Quaker's moves with Snapple shattered that consensus. Triarc's gleeful experimentalism restored it.

It's an Attitude Thing

One of the most striking things about my conversations with Peltz, Weinstein, and Gilbert was the language that the Triarc team used. In most corporations, brand marketing sounds like a form of warfare. Consumers are targeted, campaigns are planned, products are positioned and launched, waves of advertising are flighted, and then market research does the reconnaissance to say whether the missions were successful or not. But at Triarc, the talk was of play and fun, parties and parades. It's not that they didn't know the other terminology. Peltz hired Weinstein and Gilbert for their impeccable professional credentials, and they could have used marketing-speak if they had wanted to. But the spirit of Snapple called for another way of speaking and thinking.

As Gilbert once told me: "We can be disciplined, but should we be? We can write down positioning statements, but the Snapple trademark spills over the boundaries we put on it." The brand's vitality responded better to play than to planning.

My point here is not to disparage discipline or, indeed, the marketing professionals of Quaker Oats. Their failure with Snapple wasn't a matter of ineptitude or a bureaucratic tin ear. Nor do I think it was a case of a nimble upstart outflanking a lumbering corporate behemoth. In a battle between David and Goliath, the smart money is almost always on the giant. Rather, Quaker's failure can be put down to a fatal mismatch between brand challenge and managerial temperament.

There was no such mismatch between Gatorade and Quaker. If Snapple was about play, Gatorade was about sport – about playing to win. You could have fun with Gatorade, but only after you'd won the game. Quaker's corporate temperament was perfectly attuned to the achievement-oriented message of Gatorade. But Snapple isn't about accomplishing an objective; it's about adding a little whimsy to the humdrum and the everyday. The job's dull and the car is more safe than sporty, but at least you can get a little wild at lunch with a Mango Madness. Given the difference between the two brand identities, it's no surprise that they didn't both thrive under the same owner. The surprise would have been if they had.

That's a lesson executives considering a brand acquisition might want to keep in mind. There are factors beyond economic analysis to take into account if the process of brand management is to cohere. What we call a brand identity is actually a form of meaning, made at least as much by small, impromptu managerial acts as by grand designs precisely executed. The managerial temperament makes itself known and felt in those small, almost unconscious, actions and decisions. Variations in temperament go a long way toward explaining why brands that flourish in the care of one custodian wither in another. So before committing to a deal, don't just consider a brand's sales. Give some thought as well to its soul.

1. Cadbury paid $1.45 billion for Snapple and a number of other Triarc brands, including Royal Crown, Mistic, and Stewart's. Triarc officials estimate that the Snapple brand was worth $900 million to $1 billion of that total, but no separate accounting was officially made.

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DRAWING: LEO CULLUM

"What's my motivation for crossing the road?"