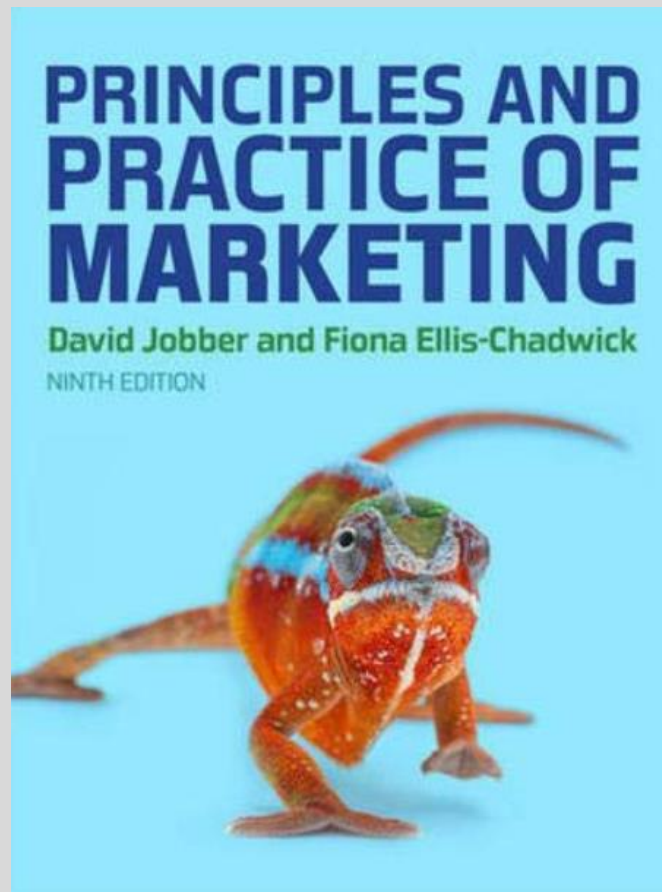


CASE STUDY: Reaching 'Sinks, Dinks and Millennials' Worldwide

Case 4 – Principles and Practice of Marketing (2019)

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CASE 4

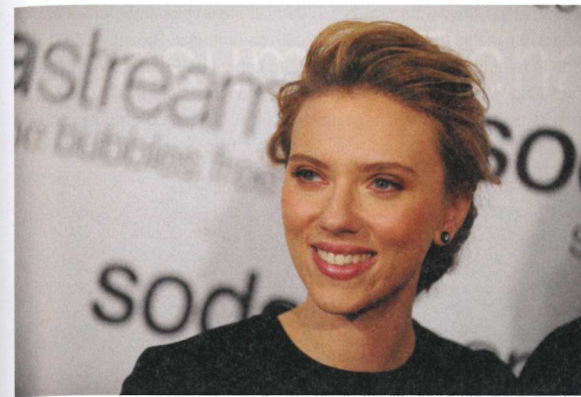
Reaching 'Sinks, Dinks and Millennials' Worldwide

SodaStream International, a company that distributes seltzer-making units and syrups in 45 countries via 60,000 different retail locations, has a long tradition and rich history. The company's origins go back to 1903, when it was one of the first providers of a system that allowed people to make carbonated water (otherwise known as 'sparkling water') at home. Founded by W&A Gilbey, the famous London Gin distiller, its first soda-making apparatus was very popular with the British upper class. Even the royal family were equipped with a seltzer-making unit in the early 20th century. The company, constantly improving and updating its technology, now sells systems that allow people to add flavouring and produce their own soda from regular tap water, whenever they want to. SodaStream claims that its machines are cost effective, allowing people to make sparkling water for only \$0.20 per litre and traditional flavoured sodas for about \$0.57 per litre. A reported 1 per cent of homes in the USA have a SodaStream machine, with the proportion being an astounding one in four in Sweden. World consumption of soft drinks in 2017 was 17 billion litres, making it the fastest growing market segment, being responsible for 37 per cent of all commercial beverages sold.

SodaStream has made it clear that it plans to revamp the way it markets its products, focusing less on the making of flavoured soda and putting more emphasis on just sparkling water. The drinks brand started its transition from soft drinks to fizzy water back in 2014 in response to changing habits as consumers started to cut sugar from their diets and in expectation of restrictive legislative measures against high-sugar-content products. Events would prove the company right. In the UK, a 'sugar tax' introduced in the spring of 2018 has prompted all major manufacturers, including Coca-Cola, to reformulate their products below the tax-applicable threshold of 5 grams per 100 millilitres of beverage. From a marketing communications standpoint, SodaStream changed its slogan from 'set the bubbles free' to 'water made exciting' in 2014 to reflect the above new strategic focus, to reposition itself in the carbonated drinks market and promote its brand as the healthier option. The boxes that the machines come in now carry the slogan of 'sparkling water maker' instead of 'home soda maker'. Daniel

Birnbaum, a chief executive at SodaStream, claims that users of his company's systems were only using flavouring syrups to make soda 30 per cent of the time, and the rest of the time the machines were used to just make sparkling water. These results would corroborate those of a study carried out by market research firm Canadean, which found that the sparkling water market is expected to see annual growth of 3 per cent through 2020. In mid 2017, SodaStream put at the heart of its marketing efforts the concept of 'make a difference to the world', taking on the giants of the soft drinks space with an aggressive move to cut sales of bottled water. The company has put forth the following provocative stance: 'If you're lazy, selfish and not mindful about how you contribute to the planet, keep on buying those bottles. If you want to be a leader and a change agent, you should embrace SodaStream.' In 2016, SodaStream aired a successful (and humorous) commercial in which the actress Mayim Bialik (known internationally from the US TV series *The Big Bang Theory*) plays an anthropologist in the year 2136 recalling an encounter with a near-extinct species, 'Homoschlepiens'. The Homoschlepiens—among them actor Kristian Nairn (who plays Hodor in the TV series *Game of Thrones*)—are defined by the fact that they only drink water that comes from plastic bottles. In the ad, Bialik narrates the story of Homoschlepiens to a group of school kids who have never known plastic bottles and are shocked at the 'unnatural' behaviour of Homoschlepiens. At the end of the ad, Bialik, of course, touts the benefits of SodaStream seltzer-making machines to make sparkling water at home (with no plastic bottles needed).

The goal, as announced by Laura Wilson, the brand's regional marketing officer for the Australian market, is to reach out to new demographics including the 'sinks and dinks' (single income/double income—no kids) category, as well as millennials. It's also about communicating the message of sustainability, health and wellness. 'We traditionally used to target the families market but realised through our sales data that increasingly the sinks and dinks and millennial audiences were more engaged with our brand and they were where the future is. So our social media strategy has turned to focus our content towards that audience,' she said.



Apart from marketing and strategic challenges, the company also faced political issues related to the ongoing Israeli–Palestinian conflict. The company (based in Israel) and its spokesperson at the time, Scarlett Johansson, were the targets of boycotts due to the closing of a SodaStream factory in 2015 that was situated in the Mishor Adumim industrial zone of the Ma'aleh Adumim settlement in the West Bank. In 2015, SodaStream moved its operations to Idan Hanegev in southern Israel. The company, although vocal about being a responsible and model corporate organization, could not prevent laying off about 500 Palestinians who used to work at the West Bank plant. The company's CEO, Daniel Birnbaum, claimed in 2014 that he would secure Israeli work permits for his Palestinian employees. In May 2017, his determination paid off, as 74 of SodaStream's Palestinian employees were able to join their 1,500 colleagues in the new plant in the Negev area. Birnbaum thanked the Israeli government as it 'did the moral and honorable thing to grant work permits to our employees, who can now provide for their families and also prove that coexistence is possible'. Shortly after, the brand decided to voluntarily add the Israeli flag to its packaging, along with the words 'Made in Israel', despite the risk of backlash from the Boycott, Divestment, Sanctions (BDS) movement. If you take the time to fully read the packaging, just below 'Made in Israel' it says, 'This product is produced by Arabs and Jews working side-by-side in peace and harmony.'

Despite the ever-present political challenges facing SodaStream, luckily it has one element clearly in its favour: consumer psychology. The company's home systems sell for anywhere from roughly \$80 to \$200, and for many people who buy one, this registers mentally as a type of investment rather than a simple purchase. Customers have incurred a sunk cost and as a result have a 'psychological incentive' to use the machine as many times as possible in order to recoup

the purchase cost through the savings they receive by making soda more cheaply at home. Hopefully for SodaStream, people trying to save money is a trend that will never go out of style.

Questions



1. Do a SWOT analysis for SodaStream.
2. What marketing challenges face SodaStream?
3. Apart from marketing, what other challenges is the company facing?
4. What strategic action is SodaStream taking in reaction to its current challenges? Do you think the company will be successful? Justify your answer.

This case study was written by Tom McNamara and Irena Descubes, Rennes School of Business.

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