

BUSINESS  
UNUSUAL

# Bubbling up

Sales of a carbonation device  
go from flat to sparkling



When Daniel Birnbaum was recruited by a private equity firm to become CEO of SodaStream International in 2007, he faced a challenge. Sure, the Israel-based company had customers for its at-home carbonation machines, but they weren't exactly bubbling over with excitement for the century-old brand.

"The product lineup was 10 years old, and consumers referred to it as a 'hospital' machine. They would hide it under the sink when people came over," remembers Birnbaum, who joined the company from Nike.

With Birnbaum at the helm, SodaStream—which sells carbonation devices for \$79 to \$199 and flavoring packs for \$5 and up—rereleased the countertop appliances in five bright colors and required retailers to order the entire rainbow, not just a few favorites. By the end of his first year on the job, the revamped devices accounted for 60 percent of carbonation-machine sales.

The new strategy came out of Birnbaum's decision to hire people with what he calls the "crazy gene"—enthusiastic executives who thought their brand could go head-to-head with the likes of Coke and Pepsi. SodaStream empowered them to take risks—but that resulted in a few failures, too: In Slovenia, the carbonation devices were stocked on grocery beverage shelves instead of with appliances; understandably, they compared unfavorably with low-price sodas. At home in Israel and in Belgium, the company experimented with lowering the cost of the device, with a plan to make money on the CO<sub>2</sub> refill cartridges and flavors, but customers at the time weren't invested in their machines, which were going unused.

Instead, the company focused its marketing program on eco- and health-minded consumers who don't want to give up carbonated beverages. It emphasized the sustainability aspect of making soda at home with reusable bottles, as opposed to the wasteful method of producing and shipping commercial products. Additionally, the company promoted its line of flavorings sweetened with real cane sugar and/or Splenda, rather than high-fructose corn syrup or aspartame—allowing it to pitch itself as a more health-

ful alternative to mainstream sodas. Finally, the brand got a boost by promoting the "personalization" aspect of its product—the fact that people can create their own flavors—and increased recognition through licensing deals with familiar companies like Country Time and Kool-Aid.

Since Birnbaum has implemented the new SodaStream strategy, growth has come at a rapid clip. At press time revenue for 2012 was projected at \$424 million. The firm now has 2,200 employees worldwide, 20 manufacturing facilities across nine countries and plans to open an "innovation center" this year near Tel Aviv. In a major coup, the company in February announced a partnership with Samsung to develop a four-door refrigerator with an automatic sparkling-water dispenser.

But the SodaStream team still sees itself as the little guy tilting at corporate windmills—one who's not afraid to add some serious fizz to the fight. With part of its \$65 million marketing budget, the company bought its first Super Bowl ad in 2013; it showed traditional soda bottles exploding when someone uses a SodaStream.

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In the U.S., a key growth market, SodaStream is sold at retailers such as Walmart, Costco, Williams-Sonoma and Bed Bath & Beyond. India and China are also in the company's growth plans. Meanwhile, the product line is expanding; a partnership with star designer Yves Behar resulted in Source, a sleek carbonator with a new snap-on mechanism to attach bottles (in place of a screw-in top). Also new are pre-measured flavorings for 1-liter bottles.

"People will not tell you that they are looking for home soda solutions. But they did not ask for a doorknob or an iPod, either," Birnbaum says. "When you have a disruptive type of technology, you have to work really hard to create the demand." —Margaret Littman