



Liquid I.V.: Evolution from a Successful Startup to Acquisition by Unilever in Eight Years

MarketLine Case Study

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1. Overview

1.1. Catalyst

Liquid I.V., a sports hydration product launched in 2012, quickly outpaced the competition and was acquired by Unilever in 2020. With a focus on its proprietary 'Cellular Transport Technology' (CTT), a precisely balanced electrolyte ratio, the brand distinguishes itself by enabling enhanced water absorption. In the United States, where the top benefits associated with electrolytes are immunity and energy boosting, Liquid I.V. has successfully captured the market for artificial ingredient-free hydration products. While dominating this segment domestically, the brand sees untapped potential in other markets. Recognizing a broader consumer base beyond sports enthusiasts, the founder identified a market gap for free-from sports hydration products. Liquid I.V. is strategically filling this gap in the US, and with Unilever's commercial support, the brand is poised for accelerated growth.

1.2. Summary

Liquid I.V., presented in powder form, stands as a sports hydration product strategically formulated for improved water absorption, integrating electrolytes. Its standout feature, Cellular Transport Technology (CCT), is transparently displayed in a chemical composition on the brand's website. Offering low-sugar options with allulose, a naturally occurring compound found in fruits like figs, Liquid I.V. garnered positive reviews and recognition for its philanthropic initiatives during the pandemic, donating over two million packets to frontline health workers. Diverging from many competitors, Liquid I.V. deliberately adopted an all-natural ingredient approach from the outset, aiming for inclusivity for those with dietary restrictions and aligning with American concerns regarding genetic modification.

Liquid I.V. predominantly caters to US consumers through in-store sales, where 57% recognize the positive health impacts of electrolytes like sodium and potassium, aligning with the global average (55%). The US market demonstrates a 50% net favorability score, with only 7% having negative associations with 'electrolytes.' The brand's success in the US is attributed to its emphasis on the CCT model, transporting sodium and potassium, positively perceived by US consumers for health benefits. Helio identified Liquid I.V. as an investment-worthy brand, recognizing early success patterns akin to other companies. A substantial investment fueled growth, expanding distribution and advertising. The brand's association with a well-known American sports personality enhanced credibility through both endorsement and investment. Liquid I.V.'s founder identified a market gap for free-from sports hydration products with broader consumer appeal beyond athletes. While Liquid I.V. rapidly addresses this gap in the US with Unilever's support, there remains an opportunity for other brands to capture a share of this market before expanding to other regions. Mexico shows potential favorability, and outside the US in North America, a higher proportion of consumers associate electrolytes with positive health benefits. Globally, Southern Europe, particularly Greece and Italy, presents promising prospects, with two-thirds of consumers associating electrolytes with positive health benefits, resulting in a net favorability score of 63%, matched only by the Philippines.

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2. Overview

Liquid IV, available in powder form, is a sports hydration product designed to enhance water absorption through the incorporation of electrolytes. Its distinctive feature is the proprietary Cellular Transport Technology (CCT), showcased with a transparent chemical composition on the brand's website. The product offers low-sugar alternatives using allulose, a naturally occurring compound present in fruits like figs. Notably, Liquid I.V. received positive reviews and widespread recognition for its philanthropic efforts during the pandemic, donating over two million packets to frontline health workers. Distinct from many competitors, Liquid I.V. intentionally embraced an all-natural ingredient approach from its inception, aiming to be inclusive for individuals with dietary restrictions and aligning with the American market's concerns regarding genetic modification.

2.1. Liquid I.V. is a US hydration product without artificial ingredients

History of Liquid I.V.:

Liquid IV was launched in 2012 by the founder and CEO Brandin Cohen, who was just 24 at the time. Cohen was working in professional baseball and noticed that the players were drinking a rehydration solution for babies who have had diarrhea called Pedialyte. The fact it is also a common hang-over cure further highlights its rehydration abilities, with Dioralyte being used the same way in the UK. However, Cohen realized there was a gap in the market for rehydration solutions that are free from animal byproducts, artificial ingredients, and GMO derivatives, but still provide the same benefits as Pedialyte.

Cohen spoke to the baseball team's nutritionist and learned how sodium, potassium, and glucose formed the basis of water absorption in the human body. Realizing there was already a myriad of 'health food' startups, all focusing on wellness through sleek social media campaigns, Cohen decided to take a completely different path and focus on building his brand from the grassroots up. Cohen started by giving out samples in his local Whole Foods Market. This allowed him one-on-one interactions with consumers to get extremely valuable feedback, to fine-tune the product.

Liquid I.V. trades on its Cellular Transport Technology:

Liquid IV is a sports hydration product, sold in powder form that contains electrolytes as a mechanism to increase the uptake of water. The unique selling point is the formulation known as Cellular Transport Technology, abbreviated as CCT. The chemical composition is displayed freely on Liquid IV's website, in an equation with the molecules drawn in scientific notation. Essentially it is a mix of ions like Potassium (K⁺) and Sodium (Na⁺) alongside glucose, which, when mixed with water form an osmotic force that expedites the otherwise natural (and slower) osmosis of water and nutrients into the body. As such, Liquid IV exists at the intersection of beverages and healthcare as a functional beverage. Liquid IV's success derives from identifying precise proportions, or 'optimum ratio', of the ingredients that are most efficient.

Other CCT 'payloads result in a range of products:

By altering the 'payload' Liquid IV can piggyback off the success of its Cellular Transport Technology for other 'payloads' to launch new products. The brand has since expanded beyond just water hydration to include the delivery of matcha, guayusa, and ginger for Liquid I.V.'s Energy Multiplier product; melatonin for its Sleep Multiplier; and vitamin C and zinc for its Immune Support product.

2.2. Liquid I.V. is free from artificial ingredients and has a sugar-free range

Liquid I.V. stands out with its natural ingredients and sugar-free options, yet it includes caffeine and is exclusively offered in the US market, which has its own advantages and disadvantages:

Advantages of Liquid I.V.:

- **Allulose:** Low-sugar versions of the product are available, which utilize allulose, a naturally occurring compound found in fruits like figs. However, unlike sucralose, which is common in most other hydration products, it does not cause a glycemic response, so the product has a very low calorific content.
- **Charity:** Liquid I.V. has gained popular acclaim in reviews thanks to its donations during the pandemic, giving away over two million packets to frontline health workers. As part of its 'giveback mission,' it partnered with charity Direct Relief to help people in extreme poverty in the developing world.
- **Free from:** Unlike most rivals, Liquid I.V. set out from the beginning to use all-natural ingredients, to be accessible to those with dietary restrictions, and to cater to the American market's sensitivities around genetic modification. As such it is free from artificial ingredients, gluten, dairy, and GMOs.

Disadvantages of Liquid I.V.:

- **Caffeine:** The Energy Multiplier variety of Liquid I.V. contains 100mg of caffeine per serving - very similar to an 8 oz mug of coffee. So, the obvious risks of caffeine addiction and withdrawal symptoms arise if consumers start using Liquid I.V. as a regular product.
- **Unnecessary:** Like other hydration products, it could be unnecessary for all but professional athletes; for consumers making casual gym trips, simply drinking water is just as effective. Enough electrolytes can be found in a normal diet; the salt in most products provides enough sodium and foods like bananas are a source of potassium.
- **In-store for USA only:** As of 2023, Liquid I.V. is only available in-store in the domestic market. No effort has yet been made to stock Liquid I.V. in brick-and-mortar retail stores beyond the USA. The only availability of Liquid I.V. beyond the domestic market is via online players like Amazon UK and iHerb.

3. Liquid I.V. aligns with American consumers' expectations of electrolytes, artificial intelligence software adoption opens doors for strategic acquisitions, and noteworthy investors add credibility to the brand

Liquid I.V. primarily sells in-store to US consumers, where 57% see positive health impacts in electrolytes like sodium and potassium, matching the global average (55%). Only 7% (globally consistent) have negative associations with 'electrolytes,' giving the US market a 50% net favorability score. The success in the US is linked to the brand's emphasis on the CCT model, transporting sodium and potassium, positively associated with health benefits by US consumers. Helio identified Liquid I.V. as an investment-worthy brand, spotting early patterns of success similar to other companies. The significant investment fueled growth, expanding distribution, and advertising. The brand's association with a well-known American sports personality further boosted credibility through both endorsement and investment.

3.1. Nearly six in ten American consumers have positive health associations for electrolytes

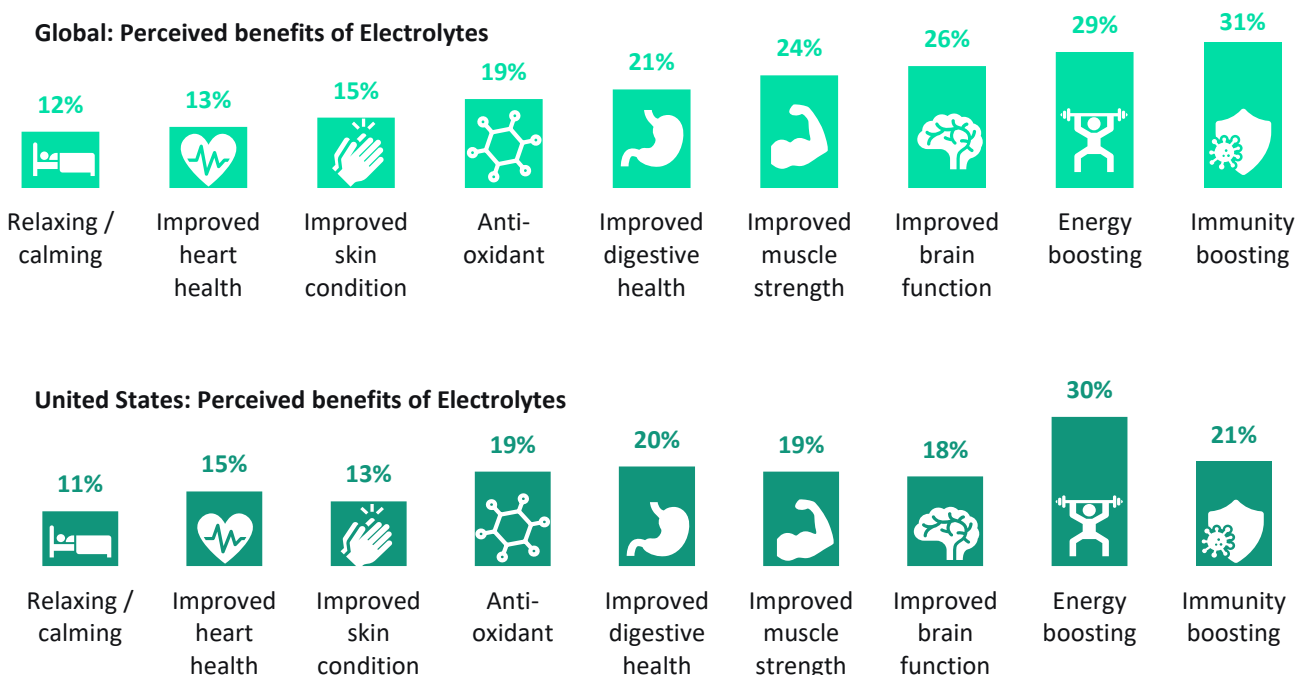
Liquid I.V. is predominantly sold in-store to consumers in the US, where 57% think that electrolytes including sodium and potassium found in Liquid I.V. have a positive impact on their health, in line with the global average (55%). Just 7% (the same as globally) have negative associations with the term 'electrolytes'. This gives the US market a net score of 50% favorability. The map shows the net favorability of all 42 markets in the GlobalData consumer survey, highlighting that India, Japan, and the UAE have the lowest favorability towards these ingredients. In Japan, this is because 45% give a neutral rating, the highest anywhere in the world. Whereas in India and the UAE, the low net favorability is caused by more than one in ten having actively negative perceptions of electrolytes, lowering the net score. However, the map also highlights the markets where sodium and potassium already have very positive associations with health impacts. Expanding south to Mexico is an obvious first step for Liquid I.V., after which South Europe presents the best opportunities. The next page explores why highlighting the electrolyte concept has been so successful in the United States and looks at the most promising markets in more detail.

3.2. Consumer-perceived benefits of electrolytes perfectly match Liquid I.V.'s claims

Energy and immunity boosting are the top benefits most associated with electrolyte ingredients:

Liquid I.V.'s formulation is part of its success in the United States since its marketing gives prominence to the CCT model which transports sodium and potassium; ingredients that US consumers associate with positive health benefits. GlobalData's Consumer Survey also uncovers what consumers in the United States thought of the benefits of those ingredients.

Figure 1: GlobalData's consumer survey of global and US perceived benefits of electrolytes



Sources: GlobalData Consumer Survey 2022 Q1

The top two claims that US consumers most associate with electrolytes like sodium and potassium are "energy boosting" (30%) and "immunity boosting" (21%). Interestingly, the proportion of US consumers who associate electrolytes with 'immunity boosting' is significantly below the global average (31%), but on par for 'energy boosting'. Nevertheless, it is still the second highest claim, and a little educational marketing could help raise this amongst likely consumers of its 'Immunity Boost' product.

Consumers around the world, and in the United States, have not made the connection between increased potassium and sodium intake and better sleep. In fact, "relaxing" came in last of all the claims tested in GlobalData's Consumer Survey. This helps unpack Liquid I.V.'s successful branding: the electrolytes can be downplayed behind the CTT allowing other active ingredients to come to the fore. By using the word 'technology' it minimizes the fact the electrolytes are part of the formulation and allows the consumer to focus on other aspects of the formulation. For example, Liquid I.V. has successfully launched a "Sleep Multiplier" in which the active ingredient is Melatonin, which the CCT helps the body to increase uptake of, inducing better sleep.

3.3. Artificial Intelligence software is helping big companies spot acquisition opportunities

Liquid V.I.'s Potential Spotted by Artificial Intelligence:

Liquid I.V. was founded in 2012 and received Series A funding in 2015 along with various small amounts of seed funding to kick-start the company. However, interest in Liquid I.V. took off when it came to the attention of CircleUp (an early-stage consumer investment fund) through its Artificial Intelligence software, Helio, in 2017. Helio flagged Liquid I.V. as a company of interest to investors because it identified several trends and patterns in the brand's performance, which other successful companies had exhibited early in their life cycle. This prompted the software to suggest Liquid I.V. as worthy of investment.

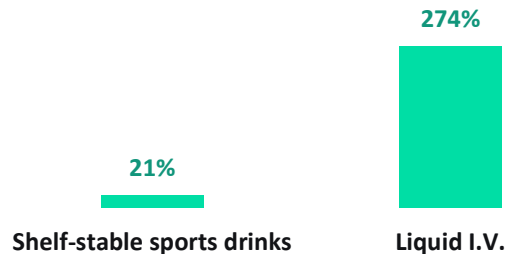
After Helio AI identified the potential of Liquid I.V., CircleUp Growth Partners led Series B funding in 2018, which brought on board a host of influential investors who took the product to new audiences and accelerated the brand's growth even further. Series B investors included: American music executive Scooter Braun who has managed artists from Justin Bieber to Ariana Grande, Norwegian music producer Kygo whose Spotify stream grew faster than any other artist, and professional baseball player Adam Eaton.

3.4. High-profile investors lend credibility to Liquid I.V.'s brand

Liquid I.V. saw year-on-year growth in the run-up to the brand's acquisition by Unilever ten times that of the category as a whole. In total, Series B funding reached \$5 million. This large injection of cash was used to fuel continued growth, allowing the brand to reach new distribution networks and wider advertising spaces. Liquid I.V. benefitted hugely from having a well-known American sports personality not only endorsing the product in words but by publicly putting his money where his mouth is, by investing in it. Investors like Adam Eaton attract consumers looking for an endorsement they can trust; since Adam Eaton is a professional athlete he depends on the quality of the product for his own performance, so is unlikely to use something that would hold him back.

Unilever Acquisition:

By 2020, Liquid I.V. sales were growing ten times faster than the industry as a whole. Liquid I.V. saw year-on-year sales from August 2019 to August 2020 up 274%, compared to just 20.5% for the shelf-stable sports drink category as a whole. A month later, Liquid I.V. completed an acquisition deal with Unilever; for an undisclosed sum, it bought out the whole company. Helio AI identified whitespace opportunities in the form of retail channels that Liquid I.V. had yet to reach, specifically Convenience stores and Discount stores. Prior to Series B funding, its retail channels were almost exclusively through drug stores and large-scale supermarkets. Even after Series B funding, by 2020 it had only made small in-roads to convenience stores and discount stores. Therefore, it's likely that Unilever saw an opportunity to use its global position to speed up access to more retail spaces.

Figure 2: Growth comparison of shelf-stable sports drinks and Liquid I.V.

Source: MarketLine

© MarketLine

4. Growing Demand for Artificial Ingredient-Free Hydration Products: Opportunities in Canada, Mexico, and Southern Europe

The founder of Liquid I.V. identified a gap in the market for free-from sports hydration products with broader consumer appeal beyond athletes. While Liquid I.V. is rapidly filling this gap in the United States with support from Unilever, there remains an opportunity for other brands to capture a share of this market before expanding to other regions. Mexico shows potential favorability, and in North America outside the US, a higher proportion of consumers associate electrolytes with positive health benefits. Globally, Southern Europe, particularly Greece and Italy, offers the most promising prospects, with two-thirds of consumers associating electrolytes with positive health benefits, resulting in a net favorability score of 63%, matched only by the Philippines.

4.1. There is a demand for hydration products free from artificial ingredients

There is a gap in the market for 'free from' hydration:

The founder of Liquid I.V. identified a gap in the market for free-from sports hydration products, which have wider appeal to consumers beyond sports participants. That gap is now being rapidly filled by Liquid I.V. in the United States, a process that will only accelerate with Unilever's commercial support now. However, before Unilever expands Liquid I.V. to other markets, there is scope for other brands to corner a share of this market for themselves.

Celebrity endorsements can be taken to the next level by getting celebrity investments:

Liquid I.V. has an advantage over the plethora of other celebrity-endorsed brands; well-known public figures have invested their own money in the brand. Some public figures like pop stars have a huge audience, which becomes aware that someone they follow has seen fit to invest their own money, and other public figures like athletes are using the product and investing financially in it. These kinds of endorsements bode well for any start-up.

AI can be used to identify acquisitions:

The fact that Helio AI first brought Liquid V.I. to the forefront of the industry's attention and sparked Series B funding shows how important Artificial Intelligence could soon become in major industry decisions.

This has implications for multinationals and start-ups:

- **For multinationals**, it points towards the need to get their own in-house AI software trained on identifying acquisition opportunities or partnering with a company that can provide this capability.
- **For start-ups** with the ultimate aim of a corporate buy-out, they need to understand how AI will measure them and ensure the key milestones and corporate goals of the company align with the markers that will flag them as good opportunities.

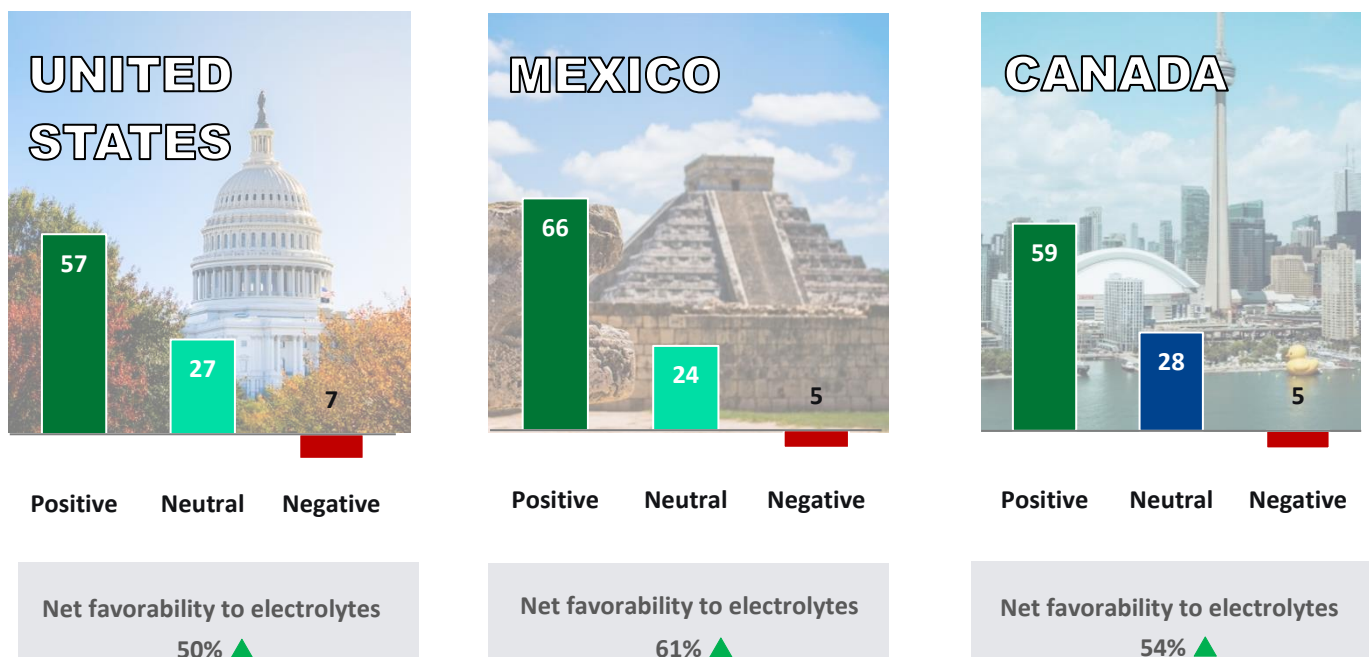
4.2. Brands specializing in hydration should explore opportunities in Canada and Mexico ahead of potential entry by Liquid I.V.

Mexico is potentially more favorable than the US:

In the rest of North America outside the US a greater proportion of consumers associate electrolytes with positive health benefits. Two-thirds of Mexican consumers (66%) associate electrolytes with positive health benefits, higher than in the US. With just 5% saying they are negative, the net favorability amongst Mexican consumers is 61%, much higher than the 50% net favorability in the US.

Mexican consumers are also significantly more likely to associate sodium and potassium with energy-boosting: 41% of consumers in Mexico said this was the reason they gave it a positive rating. Once again 'immunity boosting' lags somewhat; in Mexico, it is only the third-most cited benefit at (24%) behind 'improved brain function' at 31%. These figures suggest Mexico would be a good market for competitors to Liquid I.V. to highlight the cognitive benefits of improved hydration. Similarly, in Canada, 59% of consumers have positive associations (four points above the global average) and 5% have negative associations (two points below the global average), giving a net score of 54%.

Figure 3: Net favorability to electrolytes in the US, Mexico, and Canada based on consumers associate electrolytes with health benefits



Benefits associated with electrolytes: Energy boosting...**Benefits associated with electrolytes: Immunity...**

4.3. Key markets in Southern Europe are even more favorable than North America

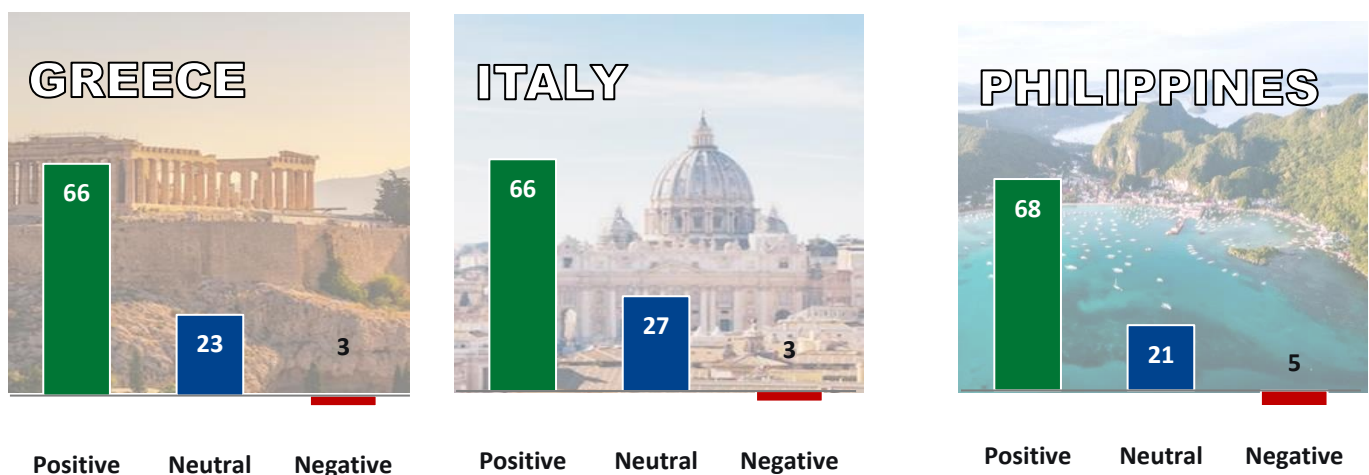
Globally, Southern Europe offers the best prospects:

Two of the four markets with net favourability towards electrolytes above 60% are Greece and Italy. Two-thirds of consumers (66% in both markets) said electrolytes were associated with positive health benefits but just 3% said negative, giving a net score of 63%; matched only by the Philippines.

Both markets saw key claims around immunity and energy more accepted than in the US. In Greece, 'immunity boosting' overtakes 'energy boosting' with 41% citing positive benefits to the immune system, almost double the proportion in the US and a clear target market for anyone looking for new markets.

Filipino consumers are the most supportive of the claims; nearly half of those who think electrolytes are good for your health cite 'energy boosting' (48%) and 'immunity boosting' (46%). However, the Philippines is regionally isolated as nearby markets are less enthusiastic, making a launch here a lower priority. For example, in Thailand just 17% associate electrolytes with energy boosting (12 percentage points below the global average), and in Malaysia, whilst 38% think these ingredients are energy boosting, overall, the net favorability towards electrolyte ingredients is 44%, much lower than elsewhere.

Figure 4: Net favorability to electrolytes in Greece, Italy, and Philippines based on consumers associate electrolytes with health benefits



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Case Studies



Benefits associated with electrolytes: Energy boosting...



Benefits associated with electrolytes: Immunity...



5. Appendix

5.1. Further reading

Magic Spoon: A Cereal Brand with Nostalgic Appeal and Successful Venture Investment

Scotch Porter: A clean beauty brand revolutionized men's skincare routine

Morphe Cosmetics: A Make-Up Brand That Lost its Relevance Among its Target Generation Z consumers

6. Ask the analyst

We hope that the data and analysis in this case study will help you make informed and imaginative business decisions. If you have any questions or further requirements, MarketLine's research team may be able to help you. The MarketLine Research team can be contacted at ReachUs@MarketLine.com.

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