

Cuckoo for coconuts

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Is Michael Kirban crazy -- or is he just crazy smart?

The young and bullish entrepreneur who founded and heads up Vita Coco, a coconut-water beverage co-signature drink Madonna and other celebrities are nutty about, recently turned down multimillion-dollar investment offers from beverage giants Coke and Pepsi -- deciding to try to make it alone in the highly competitive water wars.

PHOTOS: Hit and Miss Deals

And to make matters potentially worse, a spurned Coke got up from the negotiating table and walked over to rival Zico and successfully worked out a \$15 million investment in the fast-growing coconut-water sector.

Zico can now rely on the massive marketing and packaging muscle of Coke -- not to mention its weighty

If Kirban, 34, who started Vita Coco five years ago at the ripe old age of 29, is nervous about going up against a not showing it.

"Am I worried?" Kirban said. "Not really. The big players are advertising and marketing juggernauts, but brand builders. We connect with consumers one-on-one, and with merchants one-on-one, and this is why we have unbreakable consumer and retailer brand loyalty."

While coconut water has yet to appear on the radar screens of most New Yorkers, its fast-growing sales and mineral-rich composition and potential appeal to the sports-drink, energy-drink and bottled-water crowds have attracted the attention of drink-sector giants.

Everyone, Kirban included, hopes coconut water -- which is clear and comes from young, green coconuts -- can grow to be the next super-hot \$1 billion niche beverage.

It has a ways to go, of course -- last year, the US market was pegged at just \$30 million -- but with customers like Kim Kardashian, Gisele Bundchen, Teri Hatcher and Audrina Partridge sipping away, more workaday customers are following.

At least that's the plan -- and what is causing Coke and Pepsi to open their wallets.

Now the niche market is taking off. New Yorkers love coconut water, which is naturally packed with electrolytes, vitamins, antioxidants and amino acids. The company's sales have skyrocketed to \$20 million a year.

According to industry sources, Vita Coco, based in Union Square, had several meetings this summer with both Coke and Pepsi, but Kirban said no because neither offered the "right deal." Subsequently, Coke made a \$15 million investment in Zico. Meanwhile, Pepsi bought Amacoco, a Brazilian brand.

Some might ask, when a company like Coke or Pepsi comes a-courting, isn't it wise to take the money and run? Or is it just a squashed?

Gerry Khermouch, editor at Beverage Business Insights, thinks Kirban made the right move.

"All of these brands, like Snapple, Vita minwater, all grew to be quite large scale, none was controlled by a major brand. But he said Coke did its best to smother them in the cradle. "Fortunately, the consumer rules if they really want it."

It's not always wise for a major brand to come in early, he said, citing New York coffee brand Planet Java.

bought and the brand was gone in a year and a half. Mad River, another Coke purchase, also disappeared. In addition, Coke paid \$3.2 billion for Vitaminwater to fill a gap in its non-carbonated drinks portfolio, but growth has slowed significantly.

Retailers are also big fans of the growing coconut-water niche.

Ian Parlaski, the head buyer for the city's five Fairways, buys thousands of cases of coconut water a year and Zico -- and said, "Vita Coco is a very outgoing, type-A-personality kind of drink for people who know them."

"Do you know how many bananas I'd have to eat to get that much potassium?" said hip-hop icon Simmc for you. We don't sit around smoking joints, we drink coconut water."