

April 4 — April 10, 2016

Tesla is pulling into
GM's lane 20

Burt's Bees—a bargain
in the U.S., a splurge
in Korea 22

Magic fans are
spellbound in D.C. 21

Briefs: Turbulence
at Boeing; Bud, the
czar of beers 23



► Looking for a lucrative market, Quest has created a blood test for well-to-do endurance athletes

► “You have to wonder how much good they do that a regular screening with an internist wouldn’t”

The modern amateur athlete loves data. Marathoners and triathletes devour information about their workouts, gleaning stats from sophisticated gadgets strapped to their wrists, chests, and bikes.

Richard Schwabacher wants to give them more, by going deeper inside the body. He runs **Quest Diagnostics’ Sports and Human Performance unit**, the medical testing giant’s effort to take a product directly to consumers. Not just any consumers, but endurance athletes willing to spend a lot of money to enhance their performance.

Take the Ironman, the popular triathlon, which asks participants to swim 2.4 miles, bike 112 miles, and

then run a marathon (26.2 miles). A 2015 survey for Ironman operator World Triathlon found the average annual household income of its participants was \$247,000; the median for the U.S. in 2013 was \$51,939. More than half a million people in the U.S. run marathons each year.

Training for and participating in an Ironman isn’t for the frugal, Schwabacher says, noting that it can run up to \$15,000 a year if you buy a bike and wet suit and figure in the cost of pool time, travel and lodging, assorted gear, and massages. “If you’re going to spend that much money on your sport, isn’t it worth spending a couple hundred dollars to

make sure the food you’re eating is right?” he asks.

Quest is in the early stages of bringing a diagnostic tool called **Blueprint for Athletes** to those free-spenders. It’s recruited what it calls ambassadors—a couple dozen hard-core weekend warriors who regularly win or place in triathlons and ultramarathons—to test the product. It’s also rolled **Blueprint** out to consumers in endurance athlete havens including Houston, Denver, and Quest’s home base in northern New Jersey.

Blueprint was born in part from an effort with the New York Giants football team, for which Quest became a sponsor in 2013. Late that year, Quest’s chief executive officer, Steve ►

◀ Rusckowski, met with Giants co-owner John Mara and the team's senior vice president for medical services, Ronnie Barnes, about collaborating. The organizations ultimately created a program to help players get faster and stronger by measuring nutrition, hydration, and food allergies using detailed blood tests. Quest and the team doctors would analyze dozens of biomarkers—for everything from albumin to lymphocytes—and offer specific advice. The results, Schwabacher says, were powerful as the athletes saw how they could change behavior and quickly improve their performance on the field by altering their workouts or diets. "The players became way more engaged," he says.

Soon after the meeting, Quest started honing Blueprint for serious amateur athletes as a way to help its overall business grow. The company has 2,200 labs; it's the biggest clinical testing company in the U.S. With sales of medical tests flat and competition from companies such as **Laboratory Corp. of America**, better known as LabCorp., increasing, Quest is looking to several products to boost growth.

The consumer version of Blueprint comes in several varieties and costs \$225 to \$500 per test. On Blueprint's website, athletes can choose test packages designed to boost endurance, recovery, or nutrition. A clinician at a Quest location draws several vials of blood that are then analyzed. After a baseline test at the start of training, an athlete can come for follow-ups. Some get tested monthly; others check in quarterly.

Test results are reviewed by a physician, who will flag anything he or she deems critical. The athlete ultimately

gets a report that can be dozens of pages long, with details on everything from vitamin D to platelet count. The report defines each biomarker and gives advice on how to combat a deficiency. For example, a high bilirubin level typically means an athlete needs to consume more iron to boost her red blood cell count.

As a weekend cyclist, Schwabacher sees endurance athletes' obsession with gadgets and data firsthand. "When I'm on my bike, I'm looking at other people's bikes and their equipment, and

we're talking about it," he says. The vast majority of purchases are based on referrals. So Schwabacher's team at Quest sought out guinea pigs—cum-evangelists who'd add Blueprint to their workouts and, ideally, tell their friends about it. Over the next year, the company plans to use ambassadors' and consumers' feedback to determine which diagnostics are the most useful for specific types of athletes.

Ashley Merryman, who studied high-performance athletes for her book *Top Dog: The Science of Winning and Losing*, says for testing to be effective, athletes need to spend a lot more time and money on it. "I'm talking a daily basis," she says. Truly understanding the individual athlete is critical in helping someone stay healthy and competitive, says Dr. Norbert Sander, who practiced sports medicine for more than 20 years and is the founder and CEO of New York's Armory Foundation, which hosts dozens of indoor track meets yearly. Lab tests, he says, "have a great deal of variability. You have to wonder how much good they do that a regular screening with an internist wouldn't."

Quest, Schwabacher says, aims to create something "that's useful as one of the many tools an athlete can use in their training." The company's challenge is to effectively distill the results into actionable advice. Christina Ross, a Blueprint ambassador and a doctor in Minnesota, is a longtime triathlete who's recently taken up long-distance, single-speed mountain bike racing. "What I like is that it's science-based," she says. Ross says the testing showed her where to tweak her nutrition, adding supplements where necessary. She got tested regularly during

"Not only did I feel like I'd done the work, I was prepared in the right way."
—Blueprint Ambassador Christina Ross

training, including right before a race. "It didn't show evidence of over-training. Not only did I feel like I'd done the work, I was prepared in the right way."

Kristen Heath is working on a plan to counter her hypothyroidism and low iron levels. "That's really difficult for an athlete, when they're not in line," says Heath, who lives outside Syracuse and trains for long-distance races in her spare time. She describes herself as intensely competitive and always looking for an edge. Without data, she says, "you kind of go by feel."

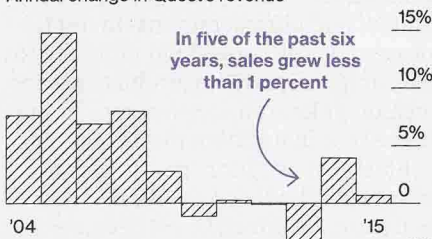
Ross and Heath will both compete on bikes in this year's Leadville 100, for which Blueprint for Athletes is the lead sponsor. The race, in the Colorado mountains, is among the most famous ultramarathons. (The "100" in the title is the number of miles competitors cover, at elevations from 9,200 feet to 12,600 feet.)

Quest in April will launch a 30-day challenge, in partnership with **Under Armour's MapMyFitness**, through which contestants can win an entry to the fully booked Leadville bike or run. It's an easy way for Quest to identify future Blueprint customers. People nutty enough to run or ride 100 miles in the mountains are looking for all the help they can get—and willing to pay for it. —Jason Kelly

The bottom line Quest, whose clinical testing business is flat, has created a performance test for amateur athletes that could spur growth.

Vital Sign Weakness

Annual change in Quest's revenue



In five of the past six years, sales grew less than 1 percent

DATA COMPILED BY BLOOMBERG

Cars

Showdown at the Electric Garage

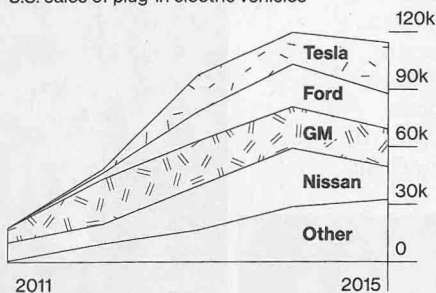
▶ **GM and Tesla introduce vehicles that target the same customers**

▶ **"Think of the Model 3 as... really competing" with BMW and Audi**

Forget about old grudge matches like Chevrolet vs. Ford or Honda vs. Toyota. The fight brewing between **General Motors and Tesla Motors** is shaping up to be nastier. Both will soon be going after the customer who can spend \$30,000 or more on an electric car, as GM launches the ▶

Fighting for the Socket

U.S. sales of plug-in electric vehicles*



*INCLUDES VEHICLES WITH A GASOLINE-ASSIST ENGINE
DATA: U.S. DEPARTMENT OF ENERGY, HYBRIDCARS.COM

◀ Chevy Bolt at the end of this year and Tesla begins selling the Model 3 in 2017. GM showed off the Bolt in January, and Tesla unveiled the Model 3 on March 31.

GM is positioning the Bolt to sell to the masses, which will help the company meet regulatory targets for required zero-emission vehicle sales, and to highlight technology GM developed with its first electric car, the EV1, introduced in 1996. When GM stopped EV1 production in 2002, **Toyota** became the darling of green-friendly buyers with its Prius hybrid. Tesla, meanwhile, is looking to the Model 3 to prove it can sell battery-powered cars to a mass market and turn a profit.

Both cars will start at \$30,000—or less after federal tax credits of \$7,500 are applied. And both go at least 200 miles on a fully charged battery. The Bolt is a five-passenger hatchback that boasts cargo space and more legroom for rear passengers—front-seat backs are an inch thinner than in most cars. Tesla has kept details under wraps, but the Model 3 is expected to be about the size of a **BMW 3 Series**.

At the Consumer Electronics Show in Las Vegas in January, GM Chief Executive Officer Mary Barra, describing the Bolt's virtues, said, "Bolt customers won't have to drive to another state to buy, service, or support their vehicle." Tesla owners outside California must sometimes travel long distances for maintenance and repairs; the company has fewer than 100 stores nationwide, while Chevy has 3,000 dealers.

In February, Tesla CEO Elon Musk said he welcomes the Bolt to the market, but doesn't see it as a rival. "You should think of the Model 3 as sort of really competing in kind of the BMW 3 Series or **Audi A4** market," he

said. Musk has successfully targeted luxury brands such as Audi, BMW, and even **Porsche** with the Model S, Tesla's first full-size EV, which hit U.S. streets in 2012. It now starts at about \$75,000 and can go well beyond \$100,000.

Chevy will market the Bolt on its value and practical features. "Frivolous gadgets" won't cut it, says Darin Gesse, marketing manager for electrified vehicles at GM. Are the falcon-wing doors on the Tesla Model X frivolous? "They're in that neighborhood," he says. Musk has said that the doors aren't just for show; opening upward, they make it easier to get in and out of the car.

Tesla first pushed its cars as sporty and unique, and then as electric and green, says Alexander Edwards, president of San Diego marketing consultant Strategic Vision. That's why sales have increased even as cheap fuel has battered hybrid-electric cars like the Prius. Despite the companies' different marketing approaches, Edwards says, the 8 percent of new-car buyers interested in an electric car will look at both the Tesla and the Chevy models.

—David Welch

The bottom line GM and Tesla have a lot riding on the release of their newest EVs, as both companies go after the middle market.

Cosmetics

Burt's Bees Goes From Big-Box to Upscale

▶ **The personal-care brand has a fancier reputation abroad**

▶ **In the U.S., "the positioning was not to its best interest"**

A best-selling item at the **Burt's Bees** store in Seoul's IFC Mall, a 0.6-ounce package of Res-Q ointment for cuts and scratches, sells for 18,000 won (about \$15.47)—almost three times the U.S. retail price. A 113-gram tube of diaper cream goes for about \$26; the average price in America is \$10.

Located amid major retailers such as Armani Exchange, Jill Stuart, and Uniqlo, the store is one of 13 stand-alone boutiques the **Clorox**-owned



Exported Buzz

Burt's Bees fetches higher prices abroad



Rosewater toner
In the U.S. \$11 →
In Korea \$31.27



Peach & willow bark
deep pore scrub
U.S. \$8 → Hong
Kong \$26.95



Baby Bee bubble bath
U.S. \$9 → U.K. \$15.84

At a time when large consumer-products companies are struggling with sluggish sales, Burt's Bees and the premium prices it commands overseas represent growth potential for Clorox. "This is a very profitable business internationally," says Chief Executive Officer Benno Dorer. The company, best known for its bleach and Hidden Valley ranch salad dressing, bought the small, Maine-based maker of lip balms and honey-infused creams and cosmetics for \$925 million in 2007. At the time, the line was sold in five countries outside the U.S.; now it's in more than 40. It entered half of those markets in the last three years, Dorer says. The newest international

outpost opened on March 9 in Tokyo's Shinjuku neighborhood.

Initially, Burt's Bees loyalists worried Clorox would strip it of its authenticity. But the brand has held on to its all-natural cachet and grown steadily. Its co-founder, Burt Shavitz, died in July 2015, but his likeness will remain on products, the company says.

Sales have increased at least twice as fast as those for the parent company overall. Today Burt's Bees accounts for 4 percent of Clorox's sales, which last year totaled \$5.7 billion. In the last fiscal year, 82 percent of total sales came from the U.S.

Dorer is looking for 10 percent to 15 percent growth in Burt's Bees' sales, compared with 3 percent to 5 percent for Clorox overall. Oru Mohiuddin, a beauty analyst at Euromonitor International in London, says competition from such brands as **L'Occitane** and **Weleda** is strong, but having baby-care products and being priced in between mass and premium brands gives Burt's Bees a niche. And there's a lot of unmet potential, she says. In the U.S., where its largest distributors are big-box retailers like **Walmart** and **Target**, "the positioning was not to its best interest," Mohiuddin says. Given its natural ingredients, she says, the company could have marketed the brand as an upscale product early on. Clorox says selling through mass retailers has driven growth.

Whether U.S. customers would spend more for the balms and lotions is unclear. Candy Leung, in Hong Kong, is happy to pay a premium. She was introduced to the products while visiting family members in the U.S. "If I need it, I buy it."

—*Lauren Coleman-Lochner, with Cynthia Kim and Annie Lee*

The bottom line When Clorox bought Burt's Bees for \$925 million in 2007, it was sold in five countries outside the U.S. Today it's in more than 40.

Briefs

Job Cuts at Boeing

By Ira Boudway

✂️ Boeing plans to eliminate about 4,000 jobs from its commercial airplanes division by midyear as part of a broader effort to reduce costs amid strong competition from *Airbus*. The plane maker doesn't plan any involuntary layoffs for now; the reductions will come among 1,600 workers who've elected to leave under a voluntary program and through attrition. 🔄 The outlook for *SunEdison* darkened as the U.S. Securities and Exchange Commission probed whether the solar-

energy giant lied to investors about cash reserves. Since early 2014, SunEdison has spent \$3.3 billion to acquire renewable-energy projects, taking on sizable debt to do so. ✈️ *Alaska Air Group* and *JetBlue Airways* have put in bids to take over *Virgin*

America, the carrier started by billionaire Richard Branson. Virgin, which started flying from San Francisco in 2007 and is now the ninth-largest airline in the U.S. by traffic, put itself on the market in March. 🍺 Budweiser is enjoying unlikely growth in Russia. Overall brewing output has fallen more than 30 percent in the country since 2008, but the head of *Anheuser-Busch InBev's* Russian unit says sales of Budweiser are growing by double digits. Made in Russia and pitched as a premium beer, it appeals to younger drinkers. 🏦 *MetLife* defeated a U.S. attempt to label it too big to fail. In a sealed ruling, a federal judge rejected the Financial Stability Oversight Council's arguments for classifying America's largest life insurer as a systemically important financial institution. The designation would've put MetLife under closer government scrutiny and could have forced it to place more money in reserves.

Boston-based startup **Kuvée** began selling a Keurig-style smart bottle for \$199. It keeps wine fresh for 30 days after opening and has a touchscreen to order more bottles.

Increase in visitors in the final three months of 2015 vs. a year earlier at **Whistler Blackcomb**. The Vancouver-area ski resort says a snowy winter and a weak Canadian dollar brought more people to the slopes.

23%

CEO Wisdom

"This is not a direction in which states move when they are seeking to provide successful, thriving hubs for business."

—**Apple CEO Tim Cook** and 89 other signatories in a letter to Governor Pat McCrory after North Carolina passed a bill rolling back protections for LGBT citizens.

