



CASE ANALYSIS: RED BULL



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COMPANY OVERVIEW



Company History: The company was founded in 1987 by Dietrich Mateschitz and Chaleo Yoovidhya. It was also originated as an adaptation of the Thai energy drink Krating Daeng.

Global Expansion: Launched in Austria in 1987; by the end of the 1990s, available across Europe and the US. Nowadays, Red Bull operates in more than 170 countries and its annual sales surpass tens of billions of cans.

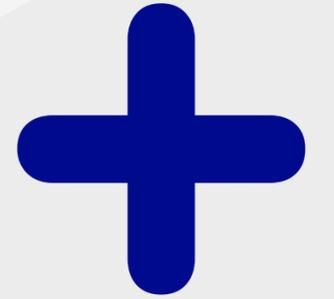
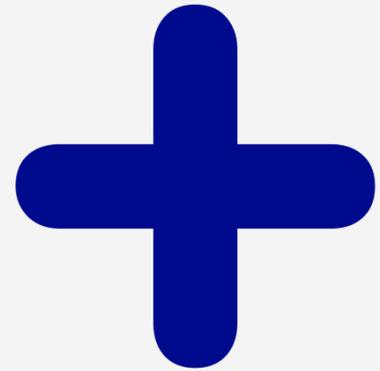
Mission: Vitalizing body and mind and energizing people in different situations like while they are working, doing sports or studying are missions on Red Bull.

Vision: Maintain leadership in the energy drink market via innovation and engagement.

Marketing strategies :

- Sponsors extreme sports and cultural events.
- Creates original content targeting young, adventurous individuals.
- Maintains consistent branding with its logo and can style.

COMPANY / PRODUCT HISTORY



1987

Red Bull launched
in Austria

1997

Red Bull launched
in the United States

1985

Red Bull founded by
Dietrich Mateschitz

1995

Red Bull launched in
the United Kingdom

2003

Red Bull Sugarfree
is released



Who

Red Bull targets various markets. It is particularly strong among younger demographics, including sports enthusiasts, students, and professionals who rely on energy drinks to stay alert and energized.

What

Red Bull is more than just a quick boost of energy. It represents a brand that promotes pushing boundaries, striving for high performance, and seeking adventure.

How

Their marketing strategies which focuses on extreme sports, music events and other unique promotional activities influence decisions of the consumers.

NATURE OF DEMAND

Why

Consumers choose Red Bull for its energy boosting effects, unique brand appeal, and association with an active, high performance lifestyle.

When

Red Bull energy drinks are mostly purchased when consumers experience mental and/or physical fatigue, such as on day of a hard workout, during an all-nighter study session, or to prepare themselves for a long demanding day.

Where

Red Bull is purchased at convenience stores, supermarkets, gas stations, bars, and nightclubs. It's also increasingly available online.

EXTENT OF DEMAND

Size of Market/Growth Potential

Market Size:

The U.S. energy drink market reached \$3.5 billion by the year 2005. Red Bull held approximately 47% of the total market share, selling over 1 billion cans in that year.

Growth Potential:

There is a significant growth potential in the US market for energy drinks since their sales are only a fraction of the larger carbonated soft drink (CSD) market valued at \$66 billion. Red Bull's growth rate was 40% in 2005, which suggests an increasing demand.

EXTENT OF DEMAND

Market Analysis

Aggregate Basis:

Red Bull has faced competition from emerging players like Monster, CocaCola's Full Throttle, and Rockstar. Despite this, Red Bull maintains a strong position due to its first-mover advantage and consistent brand identity.

Segmented Basis:

Red Bull segments its market by geography, lifestyle, and channels. It begins with small "cells" and expands geographically, targets active and trendy consumers, and uses specific channels such as college campuses, nightclubs, bars, and gyms.

Sales = Market Size × Market Share:

Red Bull's sales growth is tied to increasing the overall market size of energy drinks and maintaining a substantial market share.



Nature of Competition

- Number & size of competitors
- Which competitors are successful & why?
- Is competitive retaliation anticipated?

Number of Competitors

Based off of Exhibit 1 and 6, who currently owns those brands, and size of competitors (based off of number of countries or markets products are offered to currently)

- CocaCola: 200+
- PepsiCo: 200+
- KeurigDrPepper: 140
- Mondelez International (Cadbury Schweppes): 150+



Competitors Who Are Successful & Why



1) Coca-Cola:

- Has been around for 138 years
- In the soft drinks market in 2001, had the first biggest product by value
- Employed marketing tactics similar to Red Bull
- Made Red Bull lose market share in 2005 (U.S.)

2) PepsiCo:

- Has been around for 126 years
- In the soft drink market in 2001, has the second biggest product by value
- Employed marketing tactics similar to Red Bull
- Also made Red Bull lose market share in 2005 (U.S.)

Competitive Retaliation is Not Expected

- Red Bull's growth strategy was to enter new markets slowly and methodically
- Red Bull pursues a premium pricing strategy
- Competition proves challenging for Red Bull, lost 33% market share from 2000 to early 2005 in the U.S.
- Red Bull markets at the "Right Time"



Marketing Mix

Place

Initially available exclusively in Austria, Red Bull quickly gained popularity throughout Europe via a foothold in Scotland, eventually making its way to the United States in the late 1990s. It can currently be found in 175 countries globally, and is sold in bars/clubs, gas stations and convenience stores, and even at retail giants.

Price

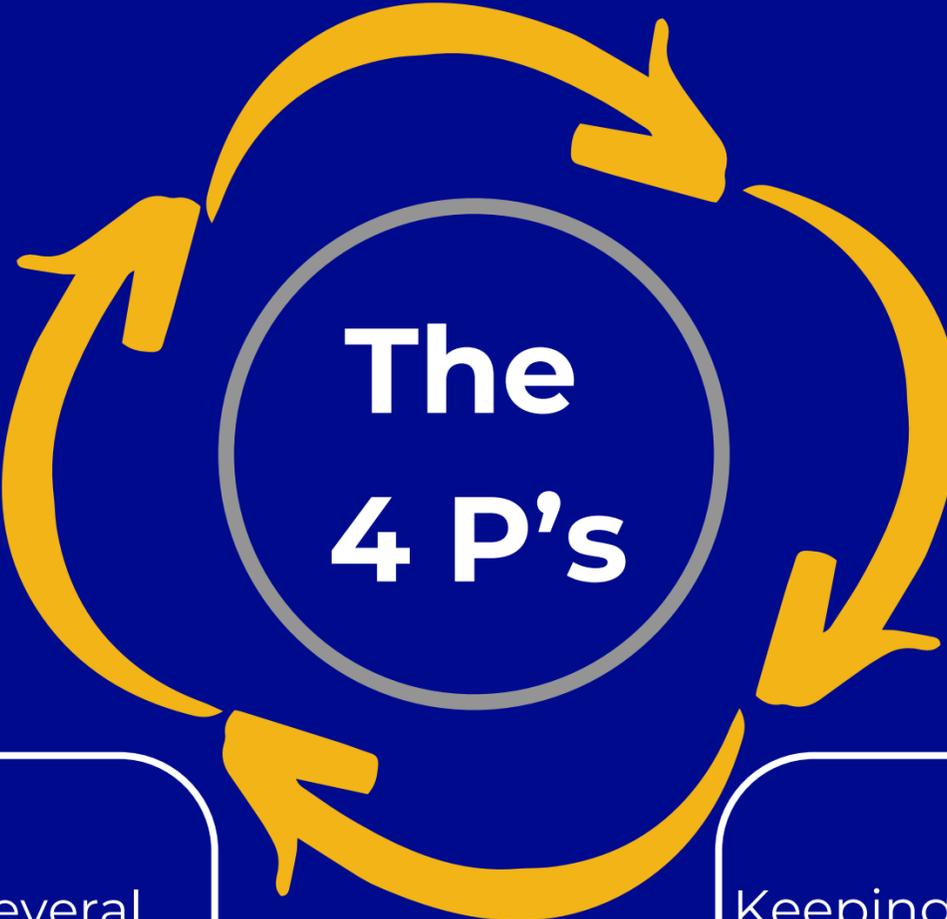
Since its inception, Red Bull has utilized a “premium pricing strategy” in efforts to convey the higher value and quality the drink offers versus its competitors. Specifically, “in every market, Red Bull set a price at least 10 percent greater than the most expensive competitor to maintain a ‘best of class’ positioning.” And it worked to beat out competition.

Promotion

To market the drink, Red Bull employed several strategies: consistent advertising with the “Red Bull gives you wings” slogan, attendance at major events where samples were often offered, and even hosting its own unique events/competitions such as the Red Bull Flying Day.

Product

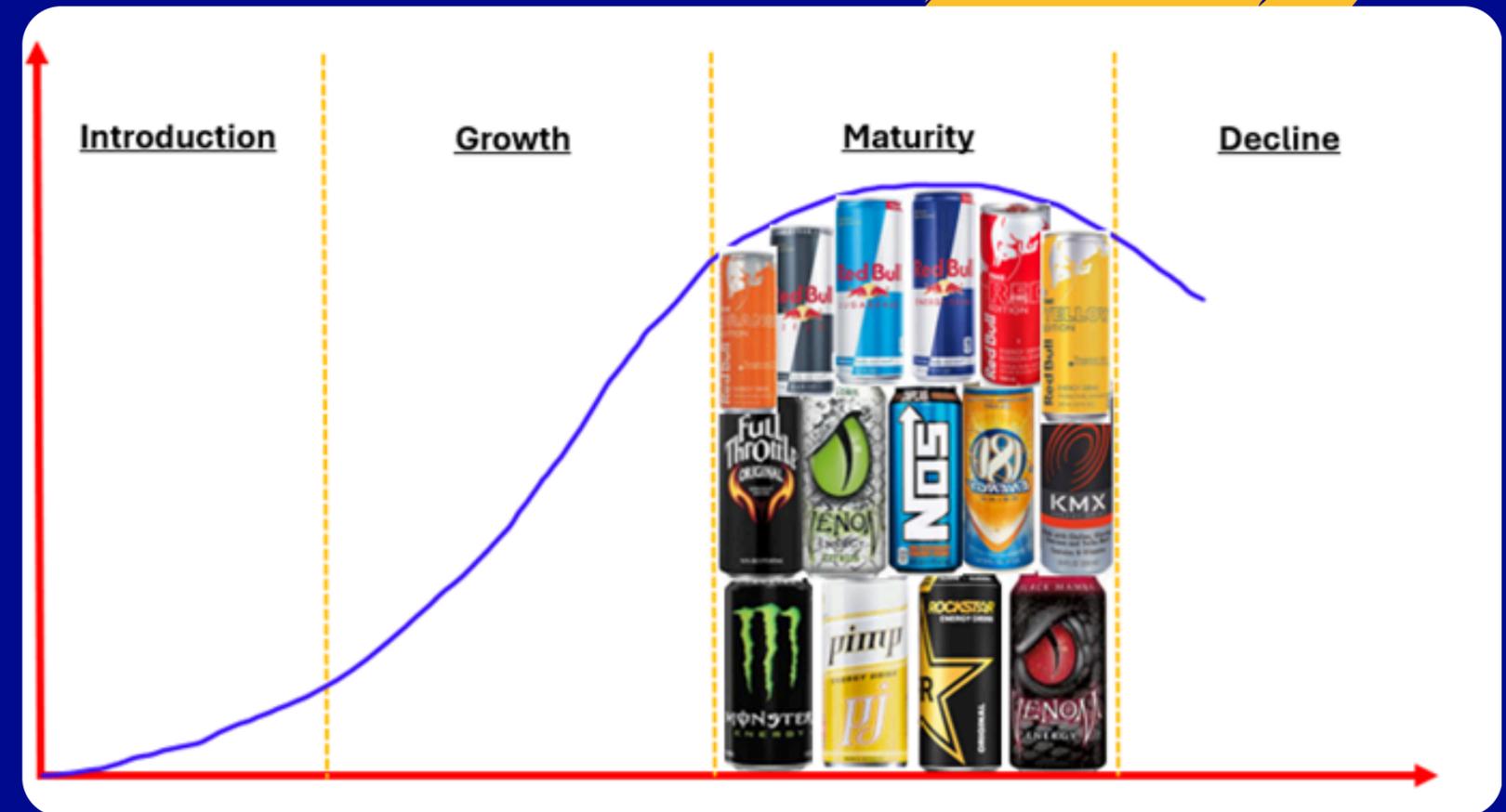
Keeping things simple, Red Bull initially focused on a single energy drink, containing caffeine, taurine, and glucuronolactone, known for “revitalizing the mind and body.” Recently, the brand has expanded their product line with new variations including other flavors and sugar free versions.



The
4 P's

Product Category Life Cycle

- Product category life cycle transitioned from growth stage to mature stage from the mid 1990's to 2010's
- **High level of competition:** Coca-Cola and PepsiCo increased their market share in the functional energy category; smaller competitors exit the market
- **Price wars:** reducing prices or offering perpetual sales promotions to capture market share
- **Brand Extensions:** variety of flavors, sugar free, variety of can sizes
- **Category sales growth stabilizes**



Cost Structure

Fixed Costs: Fixed costs are expenses that do not change with increased levels of output.

- **Rent and overheads:** Costs associated with the factories or production facilities, warehouses, and offices.
- **Equipment and machinery:** The cost of purchasing and maintaining the production equipment used to produce Red Bull.
- **Salaries of permanent staff:** Managerial, administrative, and other nonproduction staff wages.
- **Marketing and brand promotion:** Red Bull invests in branding and marketing, which remains fairly consistent regardless of the number of cans produced. (Events, Red Bull athletes, Red Bull Racing, commercials)

Variable Costs: Variable costs change with the level of production.

- **Raw materials:** The ingredients used in the drink (caffeine, taurine, sugar, water).
- **Packaging:** Aluminum cans, labels, and boxes used to ship the product.
- **Direct labor:** The wages of workers directly involved in production.
- **Distribution and logistics:** Costs related to transporting the product, increases as more cans are produced.

Cost Structure



Relationship Between Fixed and Variable Costs:

- **Economies of scale:** As Red Bull increases its production, its fixed costs are spread over more units, which can lower the overall cost per unit. If Red Bull increases production to meet higher demand, the cost per can for rent, machinery, and marketing diminishes, potentially improving profitability.
- **Profit margin:** The combination of fixed and variable costs influences Red Bull's pricing strategy. Fixed costs like marketing are high for Red Bull due to its global campaigns, but it offsets this by producing large quantities to spread these costs over more units.

Skills of the Firm

Marketing

- Consistent branding
- Strong brand identity (energy, sports, excitement)
- Global brand positioning but also local/segmented marketing when fit

Production

- Focus on consistent and strict quality
- Strong supply chain is able to keep pace with global demand
- Simple, standard design is easy to make and recognize

Management

- Strong emphasis on brand image and positioning
- Innovative and adaptive aim to be the first (or among the first) and best known in market

R & D

- Extensive R & D at inception invested in and compiled 3000 pages of research to create new market for energy drinks
- Consistently expand

ENVIRONMENTAL CLIMATE

P

Political: Red Bull faced regulatory challenges in Austria, where it had to lobby for a new "functional food" category to market its product, which created a barrier to entry for competitors.

E

Economic: Red Bull's premium pricing strategy allowed it to position itself as a high-value product, which helped it maintain a unique market position despite the economic barriers and competition from similar products introduced by major beverage companies.

S

Social: Red Bull leveraged social influence by targeting opinion leaders and early adopters like clubbers and athletes, which helped create buzz and word-of-mouth marketing. The brand's association with the nightlife and sports scenes contributed to its social cachet.

T

Technology: Red Bull's marketing strategy included innovative approaches like event sponsorships and pre-marketing through television productions, which helped build brand awareness even in markets where the product was not yet available.

FINANCIAL RESOURCES OF RED BULL

- **Sales Growth:** From 1987 to 1991, Red Bull's net sales in Austria increased from \$700,000 to \$10 million, demonstrating significant growth despite minimal traditional advertising expenditures.
- **Marketing Expenditure:** During the same period (1987-1991), Red Bull's marketing expenditure ranged between \$700,000 and \$1.4 million annually. This indicates a strategic focus on cost-effective marketing methods such as word-of-mouth and event sponsorships rather than expensive traditional advertising.
- **Pricing Strategy:** Red Bull pursued a premium pricing strategy, setting its price at least 10% higher than the most expensive competitor to maintain a "best of class" positioning. The 250 ml can was priced between \$1.99 and \$3.00 in convenience stores, which was significantly more per ounce than traditional soft drinks.

Case/Brand Specific Facts

- Best Global Brand by Brand Value in 2023 by Interbrand #60.
- A Thai beverage energy drink recipe had been sold to Red Bull, with changes made to the recipe by diluting it, lowering caffeine content, and adding carbonation to adapt to Western tastes.
- Two of the energy drink ingredients occur naturally in the body.
- Product has a medicinal taste.
- Single package, small can.
- Shortly after the product launched in Austria, the company would place empty Red Bull cans in clubs and bars to create the illusion of popularity.





Case Questions

Red Bull



1. Describe Red Bull's sources of brand equity. Do these sources change depending on the market or country?



Red Bull's Sources of Brand Equity:

- Unique taste and energy-boosting drink that distinguishes it from competitors.
- The "Red Bull gives you wings" slogan can convey its message to people effectively.
- Its marketing strategy includes sponsoring extreme sports and cultural events.
- Its international market covers more than 170 countries.

Adaptations Depending on Market or Country:

- Marketing strategies are shaped by the culture and norms of different societies.
- Sponsoring events that make sense for specific regions.
- Sometimes, the product's formula is adjusted to match local tastes and follow regulations.

2. Analyze Red Bull's marketing program in terms of how it contributes to the brand's equity. Discuss strengths and weaknesses.



Strengths:

- Make a strong, adventurous brand image by sponsoring extreme events and different adventures.
- Using Red Bull Media House to reach its audience and convey the brand message.
- Focusing on special lifestyle statues by emphasizing extreme sports and youth culture.
- Enhances brand visibility and differentiation with unique events like Red Bull Stratos.

Weaknesses:

- May not appeal to broader demographics due to heavy reliance on sports and adventure.
- Costly marketing strategies that can negatively impact ROI.
- Risk of concentrating on extreme sports which can cause loss in other markets.
- Needs to use digital marketing trends and new methods, which could challenge the traditional approach which is event-focused.

3. How can Red Bull maintain its marketing momentum? Would you recommend that Red Bull develop any brand extensions? If so, what would they be? Would you use the same marketing strategy?

- Keep pushing new things by organizing events and making engaging media content to keep the brand exciting and appeal.
- Look into expanding product lines, like health-focused drinks, such natural ingredient energy beverages or low-calorie options.
- To build a better connection with consumers and make the brand a bigger part of their lives, think about offering lifestyle products, like activewear or sports accessories.
- Make sure to use platforms like Red Bull Media House to show these features and keeping the brand message across all channels.



4. Evaluate Red Bull's move into herbal teas, fastfood chains, and magazines. Does it make sense for the company to expand into these areas? What are the potential benefits and dangers?

Herbal Teas:

- **Benefits:** Taps into the growing health trend, attracting people who care about wellness.
- **Dangers:** Could take away from the brand's core focus on energy and performance.

Fast Food Chains:

- **Benefits:** Adds new ways to bring in money and makes the brand more visible.
- **Dangers:** Might hurt the brand's image if fast food clashes with Red Bull's health-focused products, like herbal teas.

Magazines:

- **Benefits:** Lets the brand connect with customers on a deeper level and helps with content marketing.
- **Dangers:** With print media on the decline, it could be tough to stay relevant without a solid digital plan.



5. Because product usage was not marketed as being limited to one or even a few occasions, Red Bull users could continue to use the product even as their priorities shifted. The case states that “a Red Bull consumer first attracted to the product as a nightlife enhancer in his or her early twenties might later use the drink as a morning pickmeup or a revitalizer during a long day of meetings.” How effective is Red Bull at advertising to these varied groups?

Key Points Showing Red Bull's Effectiveness:

- Reaches different age groups by showing how it gives energy for both active sports and regular daily tasks.
- Uses flexible marketing to fit different situations, from sports events to being a refreshing drink during work, which makes it more appealing to a wide range of people.

Recommendations for Red Bull:

- Focus more on targeted ads by using data analytics to better meet the needs of specific groups.
- Boost digital marketing to connect with younger GenZ audiences through current social media trends and influencers.
- Add more health-conscious options, like low-sugar versions, to appeal to health-focused consumers.
- Gather and review customer feedback regularly so you can quickly adjust marketing strategies and stay in line with what different customers want.

Additional Discussion Questions

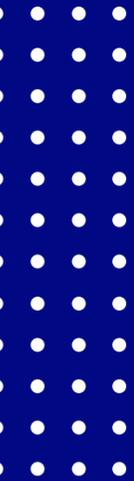
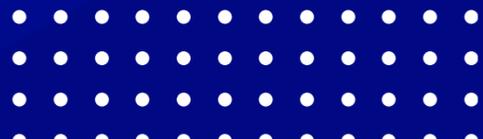
1. Is there anything that Red Bull could have done to help prevent losing majority market share in the U.S. in 2002? If so, what? If not, why?
2. What aspects of Red Bull's branding do you think contributed most significantly to its success? Were there any branding/marketing decisions that detracted from the brand's reputation?
3. How has Red Bull's positioning as a lifestyle brand, rather than just an energy drink, contributed to its market dominance, and what potential challenges could arise from this strategy?
4. How can Red Bull continue to innovate while staying true to its core brand image? What challenges do you foresee arising as the market for energy drinks becomes more health-conscious?



THANK YOU



RED BULL GIVES YOU WIIINGS. 



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