

Rockstar energy drink marketing plan essay sample



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I. ROCKSTAR, INC.

Rockstar Energy Drink was founded by Russell Goldencloud Weiner, a doctor of nutritional enthomedicine, according to the Rockstar website. His parents, two renowned herbalists, helped to produce the Rockstar formulations.

Today, three formulas of Rockstar are on the market: Original, Cola, and Diet. The original formula was first launched in 2001, making the company only 4 years old. The company is based in Las Vegas, Nevada, one of the trendiest locales of the United States, lending to the edgy “Rockstar” image. To enhance their image, Rockstar’s catchy slogan is “Party like a Rockstar”.

The Rockstar company is not publicly traded, but in some states is distributed by Dr. Pepper. Recently, Rockstar has teamed up with Coca-Cola Consolidated (CCBCC), Coca-Cola’s second largest distributor, as another means to distribute the popular drink. Rockstar is an industry innovator; by first introducing a 16oz sized can it has differentiated itself from typical energy drinks which come in an 8-8. 4oz “slimcan”. One of Rockstar’s exclusive key ingredients, milk thistle, is a liver-protectant, detoxifier, and serves as a treatment for depression, as well as a hangover remedy. Red Bull, dominating the market share, is in store for some heavy competition against the up-and-coming Rockstar.

II. MARKETING RESEARCH

A. Market Potential, Industry Sales, and Forecasts

The energy drink industry is growing quickly, and it doesn’t look like it will be slowing down anytime soon. The growth of energy drinks can be attributed

to their trendy image, convenience and multiple uses. Energy drinks can be used as mixers at clubs and bars or as coffee substitutes. According to Information Resources Inc., the energy drink dollar sales in 2004 increased 54 percent from the previous year, with unit sales up 31 percent. Although its indirect competitors, such as sports drinks or teas, have higher dollar sales, the relatively new energy drink industry has a much larger growth rate. Energy drink sales are forecasted to increase to almost \$500 million in 2006. Appendix Exhibit B shows graphs of the energy drink industry sales and forecasts.

The breakdown of the market share in the energy drink industry are shown in Appendix Exhibit A. Rockstar, the second best-selling energy drink in the US behind Red Bull, had \$15.7 million in sales in 2004, reflecting a 250-percent increase from the previous year. Rockstar energy drink is available in an 8oz. or 16oz. can in three flavors: original, diet and cola. The drink includes a variety of vitamins, herbs and amino acids mixed into a blend of vanilla, bubble gum and citrus flavors to provide a healthy, effective and tasty drink. Rockstar is a favorite among consumers due to its good taste, unique ingredients, good value (\$/ounce), effectiveness and convenience. The positioning and desiring attributes of Rockstar give it great market potential for gaining more of the energy drink market share.

Industry Sales By Year: Direct Competitors

2003 2004 2005*

Brand \$ in millions Market Share \$ in millions Market Share \$ in millions

Market Share

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Red Bull 68. 8 54. 8 120. 0 59. 2 188. 8 65. 0

Rockstar 6. 2 5. 0 15. 7 7. 7 21. 9 7. 5

Sobe Adrenaline 12. 6 10. 0 14. 0 6. 9 26. 6 9. 2

AMP 11. 6 9. 2 13. 0 6. 4 24. 6 8. 5

Monster 2. 3 1. 8 9. 4 4. 6 11. 7 4. 0

Sobe No Fear No Info No Info 7. 5 3. 7 N/A N/A

Hansen's Energy 3. 5 2. 8 3. 5 1. 7 7. 0 2. 4

KMX 6. 6 5. 2 3. 4 1. 7 10. 0 3. 4

*Predictions: based on % change from prior years

Source: Information Resources Inc.

For 2004: previous 52 weeks ending July 11, 2004

For 2003: previous 52 weeks ending June 15, 2003

Industry Sales By Year: Indirect Competitors

Industry \$ in millions % change from 2003

Energy Drinks 195. 54 54. 29%

Sports Drinks 1, 139. 77 13. 45%

Ready-to-drink Coffees 138. 99 16. 49%

Canned/Bottled Teas 592. 78 5. 34%

Source: Information Resources Inc. for 52 weeks ending June 13, 2004

US Energy Drink Industry Sales Forecasts

Year \$ in millions

2001 12. 0

2002 42. 0

2003 75. 0

2004 142. 4

2005 312. 7

2006 479. 0

B. Competitor Matrix

The Competitor Matrix in Appendix Exhibit F shows the different parent companies that own several of the energy drink brands on the market today. The parent companies include Coca Cola, Hansen's, and Pepsi, just to name a few. These three corporations are all publicly traded and have been in the beverage market for many, many years. We were not able to retrieve data concerning Red Bull and Rockstar, two independently operated labels which are both relatively new to the market. Most of the energy drinks we observed have a global presence. Hansen's was not very clear on whether it was sold globally, and Rockstar intends to expand into international markets in the

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near future. However, on the Rockstar can, many popular “ party” cities are listed, but we are unsure if the product is actually readily available in those places. Rockstar’s closest competitor, Red Bull, is a Thai product, but is based in Austria; therefore, it has great international presence. There is great potential for Rockstar to dominate global markets outside of the United States.

C. Positioning Of Self and Competitors

Although Rockstar is only the second best-selling energy drink, its competitive edge can be seen in a positioning matrix, as seen in Appendix Exhibit C. Energy drink consumers have rated Rockstar high in quality, convenience, signaling and pricing, making it on par with the leading Red Bull. In terms of quality, Rockstar is equal or better than its competitors, including Red Bull, in effectiveness, taste, ingredient content and availability of low sugar, low carbohydrate or low calorie versions. Rockstar is the strongest in ingredients because the drink is packed with vitamins, herbs and amino acids, many of which are unique to Rockstar. One of these unique ingredients is the potent herb milk thistle, known to help with hangovers and protect and regenerate the liver. A comparison of ingredients in the energy drinks is shown in Appendix Exhibit D. Rockstar has a high purchasing convenience because it is available at most stores. It is even available for purchase in bulk packages at wholesalers, such as Costco. However, Rockstar’s transportability is limited by its large can size as opposed to the small can size of some of its competitors.

Red Bull is at the top in terms of both availability and transportability. The positioning matrix also shows the huge advantage of Rockstar's competitive pricing at \$0. 12/ounce over other energy drinks selling at \$0. 25/ounce. Rockstar's high quality, purchasing convenience and good price make it a strong competitor in the energy drink market. However, Rockstar's signaling in terms of its brand name, packaging and mixability need to be improved upon if it is going to compete with Red Bull. Rockstar energy drink has a unique, trendy "rock star" image with the slogan "party like a rock star". Although it has a good image, the brand name does not have enough power to compete with Red Bull in attracting customers because it is not as well known. The packaging of the can is considerably plain with a gold star against a black (original), white (diet) or red (cola) can. The SWOT analysis below summarizes the strengths and weaknesses of Rockstar energy drink as well as the opportunities and threats facing the company as they try to capture more of the market share.

1. SWOT Analysis

Strengths

- * Great value: double the size for the same cost as other energy drinks
- * Ingredients: contains many vitamins, herbs, amino acids and unique milk thistle
- * Diverse product: offers three different flavors (original, diet and cola)
- * US-based company

- * Growing market share
- * Company specializes only in one product (Rockstar energy drink)
- * Good flavor: blend of vanilla, bubble gum and citrus flavors
- * Unique, trendy “ rock star” image, “ party like a rock star” slogan

Weaknesses

- * Low market share (compared to Red Bull)
- * Advertisement is not heavily promoted
- * Low brand awareness, low brand value
- * Can is a bit plain and simple

Opportunities

- * Growing market share
- * Young, innovative company
- * Global market
- * Mixability
- * FDA approval

Threats

- * Main competitor Red Bull holds more than half of market share (with many loyal customers)

- * Energy drinks have unknown long-term health effects

D. Segments in the Market

Since it appears that most energy drink consumers are college students, three segments of energy drink consumers were considered within the college-aged population. The first segment consists of heavy users who find effectiveness, taste, availability, brand name, mixability and price to be the important. The heavy user segment can be further divided into two categories: Red Bull users and non-Red Bull users. Segment two is made up of health conscious users. The effectiveness, transportability, price and availability of low sugar, low carbohydrate or low calorie versions are important to users in this category. The third segment is made up of athletes who find effectiveness and availability of low sugar, low carbohydrate or low calorie versions to be the two most important attributes. The segmentation matrix in Appendix Exhibit E contains each segment and their rating of the importance of each attribute.

D. Costs, Contribution Margins

The costs for any beverage, and particularly Rockstar, are broad. In addition to development costs, Rockstar's costs also include packing, shipping, distribution and retail costs, in addition to marketing and employee costs. Advertising costs alone were 7.3% and across the soft drink manufacturing industry, costs of operations in 2003 were 49.6% of total operating income

(Almanac of Business and Industrial Financial Ratios). The profit margin before and after taxes of the industry were 10.1% and 7.0% respectively.

E. Marketing Diagnosis

Following the Decision Tree for Marketing, we have decided to focus on trial for our target segment. Industry Sales are increasing, and there is a great potential for Rockstar to surpass Red Bull as the industry leader. Since Red Bull is heavily used in clubs and bars, Rockstar is equally capable of infiltrating the club scene to replace Red Bull.

Based on customer interviews, awareness and knowledge of Rockstar are already present. Most people purchase Red Bull because of the reputation and availability. Some consumers in our interviews said that Rockstar is very similar to Red Bull in taste, quality, and effectiveness, and because of its competitive price compared to Red Bull, it is the preferred choice. If more people actually experience this similarity as well, Red Bull users may convert to Rockstar. Compared to Red Bull, Rockstar has a minimal to non-existent advertisement campaign, which also plays a factor in its position in the energy drink industry.

Strategies to increase Trial will be to distribute samples and coupons, set-up point of sale displays, and hire sales staff to offer demonstrations at promotional sites.

III. MARKETING DECISIONS

A. Target Segment

The consumption of energy drinks by the heavy user segment contributes to the rapid growth of the industry. The majority of energy drink consumers are in their late to early thirties. It is assumed that college students make up the majority of this group because college students often use energy drinks as alertness tools or energy boosters when studying or partying. Therefore, it is reasonable that we should target heavy users within the college student population.

Our target segment will be heavy Red Bull users in clubs and bars. According to Rockstar executive Todd Infurna, only 15 percent of Rockstar's sales come from bars and nightclubs. However, exposure to the Las Vegas-based Rockstar energy drink in popular Las Vegas nightclubs and bars is causing an increase in the drink's popularity. Rather than making changes to an already working core segment, we will try to increase the percentage of sales that come from users in the bars and nightclubs. Since Red Bull is the main brand being used as a mixer (with vodka) and it contributes to over 50% of the market share, converting Red Bull users to becoming Rockstar users will lead to large increases in Rockstar's market share.

It is not recommended to target segment 2 and 3 because the focus of these segments do not correlate with Rockstar's goals. Segment 2, the health conscious segment, chooses products based on factors such as price, transportability and low sugar, low carbohydrate or low calorie choices. It is likely that this segment will purchase cheaper, healthy teas over energy drinks. Although Rockstar contains many healthy herbal ingredients, its main focus is to provide an effective drink that provides energy to its consumers.

The athletes in segment 3 are more likely to buy sports drinks with low sugar/carbohydrate/calories than an energy drink.

B. Product Positioning

Rockstar's great tasting formula and competitive value will be maintained. The similarity in taste and mixability between Rockstar and leading competitor Red Bull creates a big advantage for Rockstar. In addition to having a great tasting formula, Rockstar exceeds Red Bull in its quality ingredients. As seen in Appendix Exhibit D, Rockstar contains many ingredients not found in other energy drinks. It contains more vitamins, herbs and amino acids than any other energy drink. Rockstar's unique herb milk thistle, which is known to act as a liver protector and regenerator, also makes the product extremely suitable for consumption in clubs and bars. The milk thistle in Rockstar is also great for those who want help with their hangovers. Rockstar is offered at a much greater value, with its 16oz. can costing the same as Red Bull's 8oz. can. This difference in value makes it extremely cost-effective to have Rockstar replace Red Bull as a mixer.

Rockstar's trendy, rock star image will be emphasized when marketing the drink in clubs and bars. These consumers will drink the energy drinks to "pump them up" for partying all night. The rock star image is likely to appeal to young, hip people who are interested in music, having fun and partying like a rock star.

To make the product more appealing to energy drink users in clubs and bars, the packaging will be modified while retaining the same formula. The can will be changed so that it can glow in the dark or under a black light. This will

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make the drink stand out and have a “coolness” factor associated with it. Since energy drinks are currently only being combined with vodka, we will place new mixer recipes each can. By increasing the drink’s mixability, it will increase the uses for the product and cause Rockstar to become more popular as a mixer. The packaging will also be modified by making the smaller 8oz. can of Rockstar more popular in clubs and bars. Although the larger can size is more economical, such a large can is not required for mixing with alcohol. A smaller can should be used in clubs and bars to ensure quality by maintaining the carbonation and coldness of the drink. However, the 16oz. can size should remain an option to consumers who are purchasing Rockstar outside of clubs and bars.

C. Price

One of the important attributes offered by Rockstar is its competitive price, which we will maintain at \$2 for the 16oz. can. The price will be proportionally decreased for the smaller 8oz. can, which will be sold for \$1 to target the users in clubs and bars. Its competitive price will give it an advantage over its competitors when trying to induce trial within the target segment.

D. Channel

Rockstar will continue distribution through its normal channels, such as supermarkets and retail stores. However, additional channels will be added to help target consumers in clubs and bars. One recommendation is forming contracts with clubs and bars to get them to serve Rockstar on tap. Since

Rockstar appeals to people who like to listen to music, especially college
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students, the drink can be sold at concerts, band contests or music venues on college campuses. This will help to increase trial of the product.

E. Promotion

Rockstar currently has a few ads, one of which is shown in Appendix Exhibit G, but most consumers have not been exposed to them. We have developed several promotions and advertising plans to help move our potential consumers from awareness to repeat purchasers. Our most developed promotions focus on getting consumers to try Rockstar energy drinks, specifically at clubs or music venues with the hopes that they will extend their usage to everyday.

1. Advertisements

In addition to promoting trial, awareness of the Rockstar energy drink brand is another of our concerns. To address this concern we will begin by placing full-page ads in popular, national magazines. Because the ads will not be tied to any specific promotion it is possible to print those on remnant empty space, thus saving on advertising costs. To begin with we will place ads in FHM and Maxim. In the ads will we use a successful musician to solidify Rockstar's image as an energy drink used by club and concert goers. Using a celebrity also helps to raise the esteem of the brand, as well as increase brand association. To track the reach and effectiveness of the advertisements the ad will include a web address consumers can go to and print out a coupon for a Rockstar drink. To access the coupon consumer will need an access code that will also be featured on the advertisement. Use of

these access codes will allow us to track which ad reached more consumers. These advertisements can later be extended to other publications.

2. Trade-In

Once consumers are aware of Rockstar as an alternative energy drink option we want to try and specifically change their brand preference from Red Bull, the most frequently consumed energy drink, to Rockstar. To target Red Bull users we will co-sponsor a local concert, or team up with a music venue, and allow consumers to trade in their Red Bull energy drinks for a Rockstar. If consumers are repeat purchasers of Red Bull, then they have an opportunity to trade their energy drink for a Rockstar which has twice the value of Red Bull, as well as a unique image which is associated with the club/music scene. In addition, flyers promoting the event will include a coupon for a discounted Rockstar (see Appendix Exhibit H). Consumers who trade in their Red Bull would also get discounted or free admission to the event. This promotion specifically targets Red Bull users while still maintaining Rockstar's image as a club/party/concert drink.

An alternative to this promotion is to offer discounted admission to consumers who bring in empty cans of Rockstar. At the door patrons would then receive a coupon for Rockstar purchase at the venue, or other Rockstar promotional items.

3. Mixer/Recipe

In addition to promoting Rockstar's image and value, we would also like to demonstrate that it is just as mixable with alcohol as Red Bull. This

promotion will focus on bars or clubs that serve alcohol. Consumers would receive a coupon flyer at the door of the establishment that includes a recipe for an alcoholic energy drink (see Appendix Exhibit I). Attached to the recipe would be two coupons. One coupon would offer a \$1 off that specific drink if ordered from the bar, the other coupon would be for a discounted Rockstar at a retail store so that consumers can try mixing the drink at their own home. The coupon and recipe would be easily separated so that consumers can save the recipe.

4. Other Promotions

In addition to the three major promotions, we developed several other awareness and trial campaigns:

- When a Red Bull product is purchased at a grocery store, a coupon for Rockstar will print out. In this way we can focus on converting Red Bull consumers to Rockstar users.
- Team up with an alcohol company whose alcohol can be used to mix with Rockstar. Place shelf talkers on their products that feature the drink recipe, as well as offer discounts on Rockstar.
- Consumers can collect and send in Rockstar UPCs or proof of purchase to receive Rockstar merchandise.

F. Rejected Promotion Alternatives

In addition to the suggested promotions, we considered others that were similar to Red Bull's promotion campaigns. However, we rejected them

because they are costly and targeted general consumers, rather than a specific segment. For example, we considered using television commercials but they are expensive and offer little interaction between the customer and the product. While commercials may help increase awareness of the brand, they don't offer any trial opportunities. Sponsoring sporting events is another campaign Red Bull has used. We rejected such sponsorships for the time being because they are very costly and these sporting events do not project the Rockstar image. In the future Rockstar may consider sponsoring large-scale concerts. We also rejected using "Rockstar mobiles" like the Red Bull "can cars" that can be seen driving around college campuses. While the novelty of the vehicles may draw attention, they also do not focus promoting trial to a specific group and would be costly to develop.

IV. IMPLEMENTATION

A. Mock Up Flyers

Appendix Exhibit H shows a sample flyer for the Red Bull trade-in promotion discussed above. The first key element is the name of the featured artists and the place and time of the event. The second element is the actual offer that tells consumers they can bring a full can of Rockstar to the particular venue to trade it in for a full can of Rockstar. Consumers who use Red Bull on a regular basis will have an opportunity to try something new without having to spend any additional money. Furthermore, they will be able to get into the venue without paying the usual cover charge. In addition to the critical information, the flyer also includes a coupon for those consumers who did not bring a can of Red Bull with them but still wish to try the product. This

allows us to raise awareness of the product and have it available for consumers to try on the spot.

Another sample flyer, shown in Appendix Exhibit I, is for the Mixer/Recipe promotion. Its main feature is the new recipe for an alcoholic Rockstar drink. This flyer will be printed on heavy card stock and be glossy. Attached to the flyer will be two coupons that can be detached on a perforated line. One coupon will offer a discount to consumers if they order the alcoholic Rockstar drink at the bar where the flyers are being handed out. The second coupon will provide a discount on Rockstar at retail stores so that the consumer can purchase the ingredients and try making the drink at home.

B. Work Plan

A 12-month work plan is shown below according to the tasks and the start/end dates.

12 month Work Plan

Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Idea Generation and Screening for new Can

Concept Test with Club goers/owners/workers

Make Appropriate modifications based on concept test

Retest

Create project budget

Identify Test City

Contract Sales rep

Create promotional collateral

Distributor Promotions

Club Promotions

Small Music Venue Promotions

Assessment of Marketing Plan

C. Budget and Break Even Analysis for Sacramento Metro Area

The budget and break-even analysis for Sacramento are discussed below for each promotion.

1. Trade-In

Our trade-in promotion is an effective way to get Red Bull users to try the Rockstar brand and begin to convert them to repeat customers. The break-even analysis of this promotion varies depending on the location or event and can be applied at a wide range of venues. To cut down costs, Rockstar would team up with the particular venue and in exchange for promoting the band or event. The venue would wave the cover charge for all customers participating in the trade in as advertised (see Appendix Exhibit H). Since the approximate contribution margin is 50% and a 16oz. can of Rockstar retails for \$2.00, the contribution margin would be \$1.00.

Assuming that the concert draws in 300 people per night, and a third of those people bring in a can to trade, then the cost of giving out a free can of Rockstar is \$200. If two thirds of the concert-goers received a flyer with the additional 50-cent coupon, then that is an additional cost of \$100. The total costs for the promotion, assuming the venue waves the cover charge, are \$300. With a contribution margin of \$1, an additional 300 cans of Rockstar would have to be purchased either at the revenue, or later at a retail store.

2. Mixer/Recipe

This promotion would be better implemented at a larger club venue that can accommodate more people. The contribution margin would still be \$1 but the possible number of consumers would increase. It would cost \$319 to produce 5,000 glossy flyers that feature the Rockstar recipe and coupons (quote from sprint.com; see Appendix Exhibit I). The cost per flyer is 6 cents. Assuming 500 people come to the venue, the cost for the flyers would be \$32. If one third of those people use the 50 cent coupon to purchase a Rockstar later at a retailer, that is an additional cost of \$83. If half of the people who received a flyer bought the new mixed drink in the club, that cost would be \$250. (However, the contribution margin on mixed drinks in the club maybe different, and so actual cost to Rockstar may be less.) Total costs would be \$365, indicating that 365 additional Rockstars would have to be purchased at the club or later at a retail store.

D. Evaluation of promotions

All three of our main promotions include coupons or coupon codes which can easily be tracked through point of sales. By tracking these coupons within a <https://assignbuster.com/rockstar-energy-drink-marketing-plan-essay-sample/>

week or two of the event or promotion, we will be able to evaluate whether or not our plan is working. This quick evaluation can be done because people will not hold onto a coupon for a long period of time after receiving it.

We can also track the success of our promotion by evaluating sales of Rockstar within the venues themselves, on the night of the promotion. This evaluation will quickly tell us how many consumers we reached at the door, and how many bought a Rockstar to try.

V. SOURCE CITATIONS

<http://www.rockstar69.com>

<http://www.redbull.com>

http://macabre.lib.calpoly.edu/staff/fvuotto/bus_346/

<http://www.bevindustry.com/content.php?s=BI/2004/07&p=5>

<http://www.backyardgardener.com/redbull.html>

<http://www.bevnet.com/reviews/documents.asp?brandid=401>

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