

# A feasibility analysis for red bull in south korea



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Red Bull was created by an Austrian entrepreneur Dietrich Mateschitz. Since its introduction in 1987, Red Bull is distributed in over one hundred and thirty countries. Red Bull sold close to three billions cans worldwide in 2006. The company's shares have risen drastically over the past few years since it is one of the most well known energy drinks in the world.

This report looked at the feasibility of Red Bull launching its product in South Korea. The Macro-environment of South Korea was examined, and the PEST factors (political, economical, social, and technological) were analyzed to evaluate South Korea as a potential market for Red Bull.

A competitive analysis was conducted by reviewing Red Bull as a company through the SWOT analysis. The SWOT analysis revealed that Red Bull is strong in brand but are subject to strong competitions.

After assessing the South Korean environment, possible market entry strategies was explored. The market entry mode was based on the need for control and amount of risk. This is done by comparing the pros and cons of such market entries.

Recommendations on the marketing mix were explored. In addition to the traditional 4Ps (product, price, promotion, and place) and additional P (process) was taken into account. The marketing mix revealed that Red Bull needs to greatly emphasize its promotional efforts and pricing strategies. Pricing method should highlight quality, costs and at the same time increase awareness. Promotion should integrate the young Korean cultures and taking advantage of the use of technology.

Korea business environment is quite conducive for Red Bull. The competitive analysis revealed that Korea already has an established energy drink market and many players are already in force. However, South Korea serves a feasible market with its strong need for energy drink.

## 1. INTRODUCTION TO THE COMPANY AND PRODUCT

Red Bull is an Austrian Company that was started by a German entrepreneur known as Mateschitz. He got his inspiration from an Asian based drink that had the ability to revitalize one's body and mind when exhausted. This was the same quality that Mateschitz was considering when he established the drink during the late eighties. At first, the company began selling Red Bull locally but shortly after, they ventured into other countries such as the United States, the United Kingdom, and Hungary among others. The company's shares have risen drastically over the past few years since it is one of the most well known energy drinks in the world (Speadace, 2007).

Red Bull, as a product is an energy booster that can restore one's strength and is distributed in over one hundred and thirty countries. According to Red Bull (n. p.) during the year 2006, close to three billion cans of red bull were sold to various markets found throughout the world. This means that the company has established quite a name for themselves in that industry. The product itself is known for its rich energy content ensured by measured quantities of glucose, sucrose and fructose. It also has other nutrients such as vitamins, taurine and caffeine. Red bull is used in bars as a mixer for alcoholic drinks. However, the most notable use is boosting physical strength. The product has the ability to raise one's metabolism temporarily.

Red Bull energy drink is manufactured by Red Bull GmbH and comes in various forms. For instance, there is a sugar free version, a cola beverage and many other varieties (Speadace, 2007). The purpose of this marketing plan is to conduct a Feasibility study for introducing Red Bull from Melbourne to the Korean market.

## 2. THE MACRO ENVIRONMENT OF SOUTH KOREA

The macro environment will be studied through a PEST analysis, PEST refers to the Political, Social, Economic and Technological factors likely to affect the company when it enters into the Korean market.

### 2. 1 Political Factors

The country under analysis is a politically stable one. This was not always the case because Korea has emerged from what used to be a politically turbulent nation. In the past, Korea had dictators as presidents. Although some of them may not have depicted these dictatorship traits openly, it was a known fact that they controlled their electorate. These instabilities sometimes led to war. However, such is not the case today, Koreans boast of some of the most stable political environments in the region; this is especially given the fact their Asian counterparts have been performing poorly in this area.

Korea belongs to a number of regional and international trading bodies; one such body is the OECD. The Company has a number of Free Trade Agreements; however, they have not yet entered into a trading agreement with Australia. This means that the Melbourne based Red Bull company ought to be prepared for additional costs as a foreign investor. Besides the

latter, Korea operates in an international manner and would therefore welcome foreign investment (Austrade, 2007).

## 2. 2 Economic Factors

The Korean economic climate has grown by leaps and bounds over the past few years. However, it should be noted that it may not be easy to predict or forecast future performances. Owing to the fluctuations in their economic climate, it would be necessary for Red Bull Melbourne to prepare for both good and bad times because Korea has recorded one of the most historic economies changes of our time (Coyner ; Song, 2008).

It is good news to find that the country is an active participant of the global economy. Many multinationals can be found in Korea and the same may be said of Korean owned companies in other parts of the world. Consequently, issues such as VAT would be favorable for Melbourne. In line with this is the fact that the country's infrastructural facilities have grown rapidly over the years. This is definitely a plus on for any foreign investor because movement of factors of production will be easily facilitated there. Privatization is also another issue that has been taken seriously by the South Korean government because in 2008, the country's parliament just finished privatizing its banks. It has also been predicted that between the years 2009 and 2011, Koreans will keep embracing foreign capital as part of their economy (QuichMBA. com, 2007).

Red Bull should also consider some of the issues that revolve around this country in terms of the nature of their economic climate. For instance, statistics show that the Korean tax breaks usually apply to small and

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medium sized enterprises. In addition, it has been shown that a substantial part of the Korean infrastructure may take up their tax breaks. The credit crunch within South Korea has eased tremendously thus making it easier for Red Bull to operate there.

## 2. 3 Social Factors

The demand for higher quality and healthier foods is not just a direct result of an increase in disposable income but also change in lifestyle of South Korean society. Most of them are now widely informed and very particular about what they purchase. This is a word of caution to the Red Bull Company as it intends on penetrating the market. They must strive to convince the consumer in South Korea that their products are indeed worthwhile (Coyner ; Song, 2008).

Moreover, health conscious issues have had a negative impact on the demand for some energy drink brands. For example, the ingredients contained in most of the energy drinks, such as taurine and caffeine, were perceived to be unhealthy. The market has seen an increase in the demand for more healthy substitutes, as society is becoming more health conscious, while energy drinks are being avoided.

Trade Unions within Korea were largely associated with a military-like approach. However, such characteristics are slowly diminishing due to the forces of globalization. Red Bull should be prepared for this and should also be aware that most informal sectors are the ones that are unaffected by organized labour.

## 2. 4 Technological Factors

South Korea is leading several key industries in the world, especially in the fields of science and technology. It has a very advanced and high-tech infrastructure and is a world leader in information technology such as electronics, semiconductors, LCD displays, computers and mobile phones (Bureau of East Asian and Pacific Affairs March 2008). The rivalry competition of the past decade has motivated aggressive Korea and global firms to consider a wide variety of ways to satisfy business requirements more efficiently. Many innovative business solutions are based on adoption and exploitation of information technology. In the present day, Korea's information technology advancing has brought big impact in alternative business strategies and organizational decision making.

For Red Bull, it needs to understand and consider about the effective logistics operation which are directly influenced by information technology. Red Bull can assess the efficiency of logistics to reduce the time taken for procurement, production, distribution and transportation; provide just in time (JIT) service to gain competitive advantage. As there is increasing internet usage and online shopping, Red Bull can take advantage of this by engaging in e-commerce such as order online and use the internet to match the supply and demand to provide value-added services to target supplies and customers. High- tech packaging may also take into consideration. South Korea's high technology environment may be creates an opportunity for Red Bull in certain aspects; on the other hand, it may also be a threat. Red Bull can also package their products by using some material which is biodegradable.

### 3. COMPETITIVE ANALYSIS

#### 3. 1 SWOT

Before Red Bull establishes itself into the Korean market, they need to examine their business using the SWOT analysis and the Competitor analysis.

##### 3. 1. 1 Strengths

Red Bull has been successfully distributed into various international markets hence the company has lots of know-how that how to penetrate into the new market effectively.

Moreover, Red Bull has certain benefit that cannot be found in the other energy drinks, which is that the Red Bull can reduce the levels of negative substances in the body such as cortisol. This aspect can be useful to overcome local energy drink brands and also, be able to cover the unhealthy image.

##### 3. 1. 2 Weaknesses

Red Bull has been battling with number of litigation in regards to their product ingredients. Some individuals and media presses have argued that if Red Bull is consumed regularly, it may cause heart attacks or other heart related disease. As it has mentioned earlier, many Koreans are looking for a quality food or beverage and trying to avoid unhealthy one. Hence, such litigation can also be arising in South Korea once Red Bull is established (Coyner ; Song, 2008).



### 3. 1. 3 Opportunities

Red Bull is one of the most recognized energy drinks internationally. The product has succeeded in many countries such as U. S, Hong Kong and Australia. In other words, Red Bull's brand equity is quite strong in the rest of the worlds. Since past few decades, large numbers of South Korean people have experienced going overseas and many of them have become aware of Red Bull therefore the number of Korean consumers, who aware of the product, would keep increasing.

Also, Most of the South Korean teenagers, especially high school students, are studying extremely hard to enter the top local universities. From nearly 3years prior to take the university entry exam, the students barely sleep and rather study. According to Lee (2006), 62. 6% of high school students sleep less than 5 hours a day thus most of them are highly relying on the energy drinks to keep them awake. This statistic shows that the Red Bull may successfully supply their products to such target audience.

### 3. 1. 4 Threats

The biggest threat to the Red Bull would be the major local competitors, such as Bacchus and Vita500, which already dominated the South Korean market. Those brands already have strong brand equity therefore many other energy drinks have been failed to beat them.

### 3. 2 Competitor Analysis

Even though there are many different numbers of energy drink brands existing in South Korea, two major companies, Bacchus and Vita500, are <https://assignbuster.com/a-feasibility-analysis-for-red-bull-in-south-korea/>

dominating the industry. Bacchus is the highest selling local energy drinks for over 40 years thus Korean consumers recall Bacchus if they need to boost their power. Another major brand is called Vita500, which is the vitamin drink that made in Korea from the year of 2001. Since before it came out, most of the energy drinks have focused on appealing the products' function; boosting energy. However, Vita500 promoted them selves by mentioning specific ingredient, vitamin, to avoid health concerns and also tried to appeal its superb taste. As the results of that, Vita500 have competed all the competitors except Bacchus (Shim, 2007).

Besides, there are number of other energy drink brands in South Korean market that Red Bull needs to concerns include:

- \* Youngbichun

- \* Vita1000

- \* Condition

These and many more companies are distributed in the Korean market and this means that Red Bull should be ready for the intense competition.

However, Red Bull has numbers of competitive advantages to overcome existing local competitors. Most of the energy drinks in South Korean market perceived as pharmaceutical products due to they are sold at the pharmacies. Unlike those products, Red Bull is distributed to large retail chains and the local supermarkets thus they can be perceived as a daily consuming goods. Also, the industry's major consumer group in South Korea

would be the teenagers or university students. They may think of the energy drinks that are sold at pharmacies are less trendy compared to Red Bull.

Moreover, Red Bull's packaging looks cool and convenient compared to other energy drinks that are contained in a bottle. Also, there is a sugar free line for those who are sensitive about the calories intake. Consequently, the company is able to increase its sales by marketing their product to all different kind of consumers (Speadace, 2007).

### 3. 3 Perceptual Map

Figures below show the positioning map of the current competitors. Fig. 1 represents the levels of energy boost and the level of nutrition, and Fig. 2 in context of the levels of energy boost and the taste.

Fig. 1 Energy boost levels / Nutrition Fig. 2 Energy boost level / Taste

Red Bull would be positioned near Bacchus, having energy boost as high as Bacchus, but slightly lower for the nutrition level. However, the taste is much better than the Bacchus. Red Bull would have almost highest levels of energy boost and the tastes, and yet nutritious in the consumers' mind.

### 4. TARGET MARKET ANALYSIS

In South Korea, energy drink beverage has become part of the mainstream market due to vast response from the young, energetic consumers. The demand for energy drinks could be a direct result of people's lives becoming busier. Hence, it is very important for Red Bull to clearly identify their target

market in the populated South Korea beverages industry are foreign brand attempting to penetrate this market.

Due to the culture and lifestyles differences, Red Bull need to carefully identify and segment its target audiences into different niche segmentations by considering the demographic, psychographic, geographic factors of the audiences, and the degree of competitiveness within that segment. The targeted market must be accessible, measurable in terms of their overall performance, distinctive from one another, and of course profitable (Kennedy Library Home 2008).

The main target audiences for Red Bull in South Korea will be almost the same as other countries. It is going to target young adult consumers' ages 16-29 both females and males, who live fast-paced, hectic lifestyle while barely making it through long days and nights of working, classes and studying. The consumers who fall into this category are young urban professional, post secondary school students, truck drivers, club goers, athletes or sports lovers and consumers who are looking for a drink to keep their day going and feel energetic. Koreans' busy and stressful lifestyle, especially high school and university students have made this target market more favorable.

The second target audiences will be consumers who substitute vitamin supplement or energy stimulant such as ginseng, vitamin pills, energy bars, and coffee with energy drinks.

The third target audiences will be the consumers who are health conscious. Latest unproven cases about health concerns have threatened Red Bull's  
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positioning. Thus, it should carefully target this market segment by implementing an effective strategy to increase consumers' confidence with the product.