

European business studies red bull case study marketing essay



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Red bull is something more than ordinary energy drink. Of course it was created for moments of high physical and mental tension with the aim to increase endurance, attention, concentration and reaction. It vitalizes body and mind. It is very effective and it was proven officially by a number of scientific studies, and also appreciated by world's top athletes. But still this product doesn't offer ONLY increased energy level to people, it offers a lifestyle, a new view of life. And Red Bull company always keeps proving it by organizing events, giving out free sample at streets if someone needs it etc. Red Bull brand is something more than a ordinary energy source for your body- it is an energy source four your life.

How was it created?

In 1982 Austrian businessman Dietrich Mateschitz was travelling to Asia for Blendax toothpastes and there he met Krating Daeng. In Thai it means Red Bull, it was a cheap tonic in brown bottles which was used by factory workers to be more energetic during their long shifts. This soft drink was produced by TC Pharmaceuticals which was owned by Chaleo Yoovidhya. Dietrich Matechitz wanted to find the producer and together with Chaleo`s son Charlem they decided to set up the company.

(BUT there is a source telling us another story that may interest you: Dietrich Mateschitz went to Asia to learn more about tonic drinks which were very popular in Asia. During he was sitting in the bar at the Mandarin Hotel in Hong Kong, he got the idea of making this drinks outside Asia. This was not a new idea, so he decided to make something similar to Lucozade. (Lucozade is popular energy drink in Asia created by Smith Kline Beecham.)Red Bull was using other ingredients to make different flavor.)

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In 1984 in Austria Red Bull GmbH was created and it was producing energy drinks. Dietrich Mateschitz developed unique marketing campaign and started selling the product on the Austrian market in 1987. Red bull fast started to gain popularity and in 1992 it was the first time when it appeared at the foreign market, in Hungary. Then it reached Slovenia, Germany and Switzerland in 1994. In 1997 it Red bull entered U. S market and after 5 years in 2003 the U. S market was making 40% of Red Bull`s turnover.

Could it have been built with a more traditional marketing campaign and broad distribution?

Red Bull decided not to use traditional marketing campaign such as television , radio and billboards and they started their own marketing campaign. Red bull marketing campaign relied on the word of mouth or buzz marketing, so they wanted to be associated with energy, danger, sports and youth. That`s why they started to sponsor youth culture and extreme sports events. Not all of Red bull`s buzz tactics succeeded in 1996 they kept their advertisement in one of the most popular Playstation games of that time called Wipeout 2097. Red Bull in-game element disturbed players. But in general all the PR activities were successful.

Distribution method is also worth paying attention to it:

Firstly, they set up their own ware houses, bought vans and painted their logo on them, they hired their own deliverymen to distribute their product. They decided to use selective sales strategy , they identified five hot spots in their area such as bars and clubs which were very popular. Then they approached people who were setting the trend in this areas such as dj`s, bar

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tenders and etc. They provided them with Red bull branded promotional items to increase brand visibility. After that they were targeting the shops near universities and gyms. Their target audience were people of age from 19 to 29 who didn't recognize it as brand. Despite it was made like a sports drink, it was also widely spread in clubs as a mixture of alcohol.

In the end of 80`s and the beginning of 90`s it was very popular at rave parties, its caffeine helped clubbers to stay energetic. So they gave cans of Red bull to Dj`s while they were playing, so that people could recognize the brand, they also left empty cans on the tables in restaurants and in garbage cans outside nightclubs.

Red bull made very unique step in marketing - they painted cars in blue and silver with logos on the sides and a giant Red bull can was mounted on the top. These cars were equipped with fridges full of Red bull cans. They hired drivers which were driving around the cities and giving Red bull cans to people who needed energy.

Sponsorship of extreme sports and other activities is also a part of Red bull`s advertising campaign. In 2001 Red Bull invested 35% of their turnover in marketing and sponsorship. As Dietrich Mateschitz said " We don't bring the product to the people, we bring people to the product." Red bull is not only sponsoring already existing sport such as Formula 1, motorcycle racing, NASCAR racing, it has got 4 soccer teams in United States, Germany, Austria and Brazil. It has also got a hockey team in Austria. They also create their own sports - BMX biking, Kite -boarding, Extreme snowboarding, Freeskiing, Paragliding, Skydiving. They also created adrenaline-fuelled activities which

became associated with the brand like Red Bull kite boarding , Red bull Big Wave Africa, Red bull Flugtag, Red bull Paperwings, Red bull Rampage, Red bull Trolley Grand Prix, Red Bull X-Alps and Red bull X-Fighters.

How can Red Bull grow in future given the challenges of a maturing category?

Red Bull energy drink have been fighting its' way through thorny way to achieve it's one and only goal- conquer the world market. Many circumstances and obstacles were on its' way, many specific product features, such as taste which appealed not to everyone, didn't allow Red Bull to become a very popular product. But still it continued to live and to grow. Yet, before Red Bull succeeded it took the product several years standing at the shelves of bars, sport clubs, skiing bases, and some other places. Afterwards awareness has grown considerably and the product was ready to conquer the international market. No one could actually know for sure what would happen to the Red Bull out there, as it was the first product of its' kind. But still taking in account the fact that the product was pioneered and a special, non-traditional marketing campaign was implemented, it could be seen that limitless possibilities stood before the Red Bull.

When some time passed Red Bull proved that all the efforts that were put into its' development were not in vain. We can clearly see it from the graphs which show the sales volume which grew drastically over years. And now the development of the product reached its' peak which is also known as MATURING stage in the product life cycle, thus it is high time for the red bull company to come up with some new ideas of how to sustain its' main

products' life as well as the company's life itself. So let's find all the best growth opportunities and define a way of how to cope with all challenges of maturing product category.

First let's define all the features of the plc and its features and stages.

As we all know a product has to be managed throughout its working lives. So it has to be decided when to create and when to launch a product in order to catch the moment that will provide maximum benefits. Similarly it has to be decided concerning an old product- whether it will die or its life is going to be extended. It is a very important part of any business and a decision concerning the product's life affects the success greatly therefore it has to be made very carefully using certain approaches, tools and concepts such as Product Life Cycle. The PLC shows us the process of creating, launching and selling the product during a certain period of time, this process is in a way similar to the people's life. Every product has a birth stage, growth stage, maturity stage, and a stage where it starts to die if we can say so. Thus PLC turns out to be a great tool which helps us to manage the product life cycle, allowing us to anticipate all upcoming stages and fluctuations of success of the product. But let us remember that PLC is a GUIDE which reflects what COULD happen not what will happen. And the best feature that PLC provides us with is an ability to see a stage that our product is going through and correct our actions according to the stage. But the biggest drawback of PLC is that it can function as a " self-fulfilling" prophecy, because when a company suggests that the product is ready to move on to the maturing stage and starts to implement all what is needed, the product also starts to

behave itself as maturing category product even despite being not ready for it.

Red Bull went slowly through pre-launch and introduction stages where it yet was not detected by the audience due to the fact that the distribution was not managed properly: it was sold at petrol stations and bars, some bars even refused to take it since they claimed it was of a bad taste or it was considered to be medicine. But still the first step was done and Red Bull entered the market as a first energy drink. Of course first years didn't go as smooth as they were planned to, as awareness yet was not generated and target audience was not found.

But then, as time passed by, Red Bull successfully passed the introduction stage and moved on to the next stage which is GROWTH. At this period there is usually a rapid increase in sales. And that was what the company got, as the target audience was found and a special, non-traditional marketing campaign, known as buzz, was implemented. This campaign made Red Bull something that everyone was talking about but didn't actually know what it is, as it was sold in clubs only to trend makers, and all other people were refused if they asked to buy a can. Empty cans were thrown near bins and were left in popular places, special extreme sports events were sponsored. So the new campaign created not only a new successful brand but a new way of life which was associated with Red Bull. And the audience found the product itself: it was sold on parties, near the universities, gyms, and other places where people needed energy. And the key was that usually companies improve the product on this stage, but the strength of Red Bull

was not the quality, but the attitude towards people. So it improved the brand image and provided the customers with new events and possibilities.

After some years, by the time when Red Bull became world-known brand, and conquered nearly 80% of world market it had entered into the maturity stage. Usually at this stage the product achieves as much as it can. The growth stops being so fast, and all people who were supposed to be interested in it, most probably had already tried it and a stable set of customers who bought the product regularly should have appeared. Product starts to die slowly, people begin to switch brands due to the old one got unexciting or due to the lower price of other similar products. So the product and the brand have to be refreshed, loyal customers have to be encouraged, and new customers have to be attracted, or the company's product range has to be extended. If to talk about Red Bull, we may say that there were plenty of loyal audience as Red Bull is a pioneer in energy drink industry, and also it is the only brand that organizes events. The quality of product is very high, thus the only thing that is left is to extend the product range. For example it is possible to create new energy drinks based not only on caffeine.

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unexciting or due to the lower price of other similar products. So the product and the brand have to be refreshed, loyal customers have to be encouraged, and new customers have to be attracted, or the company's product range has to be extended. If to talk about Red Bull, we may say that there were plenty of loyal audience that won't switch brands as Red Bull is a pioneer in energy drink industry, and also it is the only brand that organizes events. The quality of product is very high so any improvements of the drink are unneeded.

But other improvements are necessary in order to extend the life of company and brand. For example it is possible to extend the product range.

Something like energy drink based not on caffeine may be created. It may be made of fruit extracts, thus it will contain vitamins and other vital elements. This would give much energy to any person, and it wouldn't be as harmful as Red Bull.

Another way of improving is to organise different events such as concerts of local bands, or concerts of pop/rock/alternative music. Teenagers who are interested not only in sports would be involved.

Also it could be useful to sponsor events for other age groups, for example music festival of retro music.

It would be a great success if Red Bull company would organize its' own fighting-sports amateur championships. That is 100% related to the lifestyle that Red Bull represents. And it would also be a good idea to create sport defence equipment for fighting or doing any other extreme sports were

injuries may occur. That will not only sustain the status of extreme sports
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and lifestyle brand but also will show how the Red Bull cares about its' customers.

Those decisions will relate to the Red Bull culture, and these steps also could attract the attention of hard-to-win customers.

If to speak about Red Bull itself, we may say that we need to differentiate. It could be useful to conduct a marketing research concerning what people think and wait from red bull, for example which flavour energy drink they would like to see in future, or what type of product they would like to see. Because as it was stated above, it is senseless to keep the company producing 1 and the only product. Of course when a new product will appear in the market, the company will have to pay attention to the diffusion of innovation, and force innovators and earl adaptors into trying the product. For achieving that goal the Red Bull company may use the strategy it used before- buzz. But in a bit different way.

All the point mentioned earlier will help Red Bull brand to retain the market share it had before. And it will surely increase awareness, bring more customers to the company and will open new horizons for development. In other words the maturing stage will be surpassed and the product and the bran will be revitalized.

Does it have capabilities to compete with mainstream brands considering its recourses? In which segments are the greatest growth opportunities?

Red Bull reached the 70% market share of energy drinks worldwide - €2. 5 billion. It is sold in over 100 markets and now Red Bull is an established

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brand of a maturing category. But despite the 44% volume growth of year 2000, the year 2003 had only 6.5% growth. Worldwide growth in energy drinks consumption is beginning to slow. Year growth of 31% in 2004, and 24% in 2005, growth slowed to 17% in 2006. Actions have to be taken to reestablish the development level.

One of the options may be the concentration of the Western Europe's, Australian and U. S. markets as well as the maturing of targeted audience and general aging of population. The solution is in expanding to other markets.

One of the closest ways is Eastern Europe. It has a lower level of income in comparison to already penetrated markets, but there is no other significant brand from a global company. Still, we have the problem of aging population. The sales of Red Bull are low, but the market has a potential to take a considerable role. If the region will be ignored, competitor products will be constantly increasing their share and public appeal. The same goes for South and Central America.

Another way is aggressive expansion in Asian market. This will strengthen the global position of Red Bull. Asia consumes about a half of total energy drinks sales volumes. In almost every region energy drinks have become generally accepted. Still, in per capita level of consumption Australia and North America are leading.

The US is the biggest country market, followed by Japan, Indonesia and China. Other three Asian countries appear in the top markets for energy

drinks: Thailand, South Korea and Vietnam. These countries should be our targets for future expansion.

In Asia, Japanese brands have traditionally led the regional rankings table. However, stagnant domestic demand and the slow or non-existent overseas expansion of Japanese brands have led to poor share gain at regional level. In contrast, Red Bull is more aggressive in terms of geographical expansion. Our two main competitors are Japanese brands Otsuka's Oranamin C and Suntory's Deka Vita C.

Asia should be the main market to expand in. Red Bull targets mostly consumers in their 20s and the large number of youth population is perfect. India has 98 millions 20-24 year olds, China - 82 million and 21 million in Indonesia. Liberalisation of Asian markets will increase the level of income and more people will be able to afford our premium product. This region will experience a high rate of sales growth of energy drinks, what is a good perspective for Red Bull.

To achieve our goal, previously used retailers should be contacted at first. One of the examples is Carrefour. It has a wide network of hypermarkets and they can assist us in entering the market.

India is of a high value to our company. Its energy drink market is in the early stage of development with sales of 15, 000, but it is expected to grow to approximately 25, 000 cans in 2006. Another possibility in India is to establish a manufacturing plant and use it as a base for the Pacific and Asian expansion.

Having a GDP growth rate of over 8% in years 2005 - 2006, India became number three economy in Asia. And what is most important - the increase of GDP is driven by domestic demand, not exports.

Macro economic trends reveal only part of the situation. The demographic trends promise new opportunities for energy drinks. The middle class of the country is reaching the number of 350 million. It is more than the total population of United States of America or European Union. Rising disposable incomes and increased urbanization create markets for goods, which are higher in value than commodities. The 20 percent growth in the retail sector is one of the signs of the rising desire and ability to purchase by the middle class.

However, India is not a truly new platform. It has had for decades beverage market. The leader is GSKCH (GlaxoSmithKline Consumer Healthcare) with its brands " Viva", " Boost", " Horlicks" and " Maltova". They have a high level of popularity among Indian people.

However, to set the record straight, ' health and wellness' is not a wholly new platform for the Indian market. India has, for decades, had a thriving health food drinks market. Market leader, GlaxoSmithKline Consumer Healthcare (GSKCH), has had iconic brands ' Horlicks', ' Boost', ' Viva' and ' Maltova' create ' top-of-the-mind' recall across generations of Indians. However, the beverages of the past have been promoted as generally healthy, while Red Bull focuses on specific characteristic.

A questionable decision may be an attempt to penetrate Japan's market. The average consumption of energy drinks in Japan is twice as big as in U. S., but <https://assignbuster.com/european-business-studies-red-bull-case-study-marketing-essay/>

the positions of leading brands are tough. The market is highly concentrated with top two brands account for approximately 70% of the market. Moreover, the rapidly aging population and decreasing birth rates will make it even harder to attract customers. Since the late 1990 local producers have failed to find new consumers and the consumption has been declining since then. This is expected to continue, what makes it even harder to enter the market.

But the energy drinks are sold at the retail price, what can make our product's premium image a competitive advantage. Japanese young population is changing their tastes rapidly, and even successful companies have to differentiate their supply of products. This will give Red Bull a short term advantage over the existing brands. But this point will not be able to bring us success. A line of products should follow Red Bull to keep the Japanese market, especially to meet the increasing in popularity " healthy" life style.

Nevertheless, Japan has always been a wealthy country and the population was always able to afford premium products. Red Bull may have a chance of winning young Japanese consumers by finding a niche. More chances to succeed will give cooperation with local sellers, who have connections and experience in handling Japanese market.

In this section the main directions for possible development have been defined, analysed and evaluated.

What can mainstream brands learn from Red Bull? / Can buzz be leveraged by any company?

Red Bull chose a right time to enter the market. After World War II, the generation of baby boomers had their kids who by the year 1987 were about 20-30 years old, and were actively looking for new ways of entertainment. Red Bull offered them a way to party for longer - and even though the sales did not increase too rapidly in the first years, a growing amount of younger population made Red Bull popular.

Red Bull positioned itself as not just a product for consumption but as a statement about the lifestyle of the consumer. Since this product, when launched, was unique - there was nothing like it on the market, it had the whole party and extreme sports market to themselves. The popularity of clubs and extreme events was growing at a very fast rate, and Red Bull sponsored many events that included those 2 activities, for example they gave Red Bull to DJs in clubs, because they were the trendsetters for the people partying.

There was also a growing popularity of extreme sports such as mountain biking, skydiving, base jumping - anything that gave an adrenaline rush to the person. People addicted to these activities were started to be called "adrenaline junkies", whom Red Bull decided to support. One of the biggest and most popular activities sponsored was the Red Bull X Fighters, where people on motocross bikes performed their stunts. This activity took place in many countries and cities - Barcelona, London, Madrid - and was broadcasted on many national and international channels. Each person competing in the tournament had some kind of Red Bull symbolic on them -

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be it a sticker on a bike or a helmet with the Red Bull logo. Also, there were banners all around the stadiums, and the ramps that were used for jumps also had the Red Bull logo. From time to time, these motocross riders were shown drinking Red Bull - sending a message something like " look at me, I'm cool because I do this, and you can be cool as well - just drink Red Bull". This is a way that companies can generate a buzz around them - creative promotions and not just advertising in the media.

Other companies can learn from Red Bull their marketing techniques. Rather than just reaping in the cash from the people, they gave back to their consumers - which greatly paid off. Red Bull's Air Race is a very good example. Basically, pilots all around the world compete in different locations around the globe to obtain the fastest time around a set track. Each airplane and each billboard has a Red Bull logo to remind the consumer who paid for this event - and therefore the people watching the Air Race may want to buy this product to see this event again. The most important thing that companies should learn from Red Bull is that giving back to the consumer is extremely important, as it raises the popularity of the brand and also brand awareness.

The other thing companies need to learn, especially small startups that entrepreneurs start, that their product has to be unique in some way. When Red Bull was introduced there were no energy drinks available to general public - or at least no one took the effort to market them. Red Bull did, and became hugely successful.

Red Bull was able to generate the buzz around the company with their careful marketing plans, advertisements, and sponsorships – and so can other companies. They just need to generate some kind of mystique about their forthcoming product. A company that was hugely successful at doing this is Apple. They “tease” everyone with a catchphrase or a curious photo to generate discussion about what the product could be – along with making sure the secrets don’t get out of the company. Then they announce the product to the public that is already hyped up about it, and thus the product immediately has the attention of a huge amount of people.

Another thing that companies need to learn is that word-of-mouth is one of the most effective ways of advertising. In order for a product to be successful, people need to talk about. A person that likes the product (the taste, the after effect, or just the general “feel”) will share their experience with people around them. This process can repeat itself numerous times, until everyone eventually will know about the product. This is where trendsetters have to come into the light.