

# [Strategic analysis red bull assignment](https://assignbuster.com/strategic-analysis-red-bull-assignment/)

[](https://assignbuster.com/)[Business](https://assignbuster.com/essay-subjects/business/)

A thorough analysis of energy drink producer Red Bull concludes that the company was set up to market just one product, Red Bull. Eventually, it started marketing a variety of slightly modified energy drinks. Now Red Bull is energizing people around the globe, touching down in over a hundred countries worldwide.

The Red Bull consumers can be divided into three segments: athletes, clubbers and workers. Each of these using the Red Bull energy drinks to meet their personal needs. Whether these are obtaining physical edges, mental edges or just consumption for pleasure. The ambition of Red Bull is maintaining the top-brand status in the energy drink market and clearly distinguishing themselves from their competition, who is marketing almost the same product against extremely low prices. Red Bull uses every means of marketing to reach their target groups. Their marketing is mainly based on the “ 3 pillars of Red Bull; Sampling, Advertising, Sponsoring”.

This means that next to normal advertisements, they drive around in Red Bull –modified cars handing out cans of red bull and sponsor big extreme sports events and competitions. In this way Red Bull is not just promoting their energy drink but is also selling a lifestyle, seemingly people are willing to be a part of this Red Bull extreme sports lifestyle. Due to these extensive marketing efforts Red Bull obtained, and still is maintaining, the largest market share in the energy drinks market. As initiator of the energy drinks market Red Bull holds a truly unique product.

In the past through exclusiveness, anno 2008 through brilliant marketing. The strengths of Red Bull lie solely in the marketing of this truly unique product with the ‘ myth’, or lifestyle, surrounding it. This creates a brand awareness of incredible value. This strength, the truly unique product, is also their biggest threat. When competitors, with cheaper products, gain market share Red Bull has no backup activities because they are only active in the energy drink market. Also decreasing the product price would not be an option as Red Bull would severely damage its well protected exclusiveness and thereby brand image.

The most important opportunities for Red Bull are the fast growing market for energy drinks worldwide and the reach ability of some segments and thereby the big market share. The most important threats are the lack of a major competitor, when a major big competitor like Coca Cola suddenly enters the market Red Bull is likely to lose substantial market share. And increasingly important are health issues, as various food and drug administrations keep on examining Red Bull’s products. Red Bull is clearly a Blue-Ocean company as they recognize the importance of creativity, pro activity and a clear vision.

Instead of being reactive, like most of their competitors, Red Bull is behaving as a true market leader. By creating a unique product, incredible brand awareness and even a lifestyle; Red Bull is really doing the impossible. Table of Content Introduction & International Profile5 Environmental Analysis7 SWOT8 Company Analysis & Evaluation9 Marketing Mix10 Conclusions14 Recommendations15 Sources17 Appendices18 Introduction & International Profile In 1982 a German, Dietrich Mateschitz, learned about so-called “ tonic drinks” which were highly popular in Asia.

He saw the unique characteristics of these drinks and founded Red Bull GmbH. He developed a strategic marketing concept and initiated in the Australian market in 1987. In 1992 Red Bull touched down in its first foreign market, Hungary. Today Red Bull is energizing over 100 countries around the globe The strategic profile Red Bull lives by is aggressive, multi-angle and above all international. Red Bull strongly relates its brand to extreme sporting events, popular and high profile clubs and bars but also to a kind a necessary daily energizer.

They initiate their energy drink into more than 100 markets around the world with the same effective vision as their initial product launch in Austria. Mission statement: “ Red Bull is dedicated to upholding Red Bull standards, while maintaining the leadership position in the energy drinks category when delivering superior customer service in a highly efficient and profitable manner. Red Bull creates a culture where employees share best practices dedicated to coaching and developing our organization as an employer of choice. ” Although the Red Bull mission statement is not very specific it is applicable to their company.

It clearly shows that Red Bull wants to lead the market through values and efficiency and recognizes the importance of employee satisfaction. The company was set up to market just one product, Red Bull Energy Drink. However, since 2003 the company also introduced a low sugar version of the drink. Although not well known yet in Europe or America, Red Bull is marketing Red Bull coffee and Red Bull cola in Asia. Anno 2008 Red Bull is marketed in over 100 countries worldwide, serving almost every continent. The Red Bull customers are can be divided into three groups.

The Athletes (aiming to obtain the physical edge), Clubbers (Red Bull is a popular ingredient for several mix-drinks) and Workers (aiming to obtain the mental edge). Red Bull’s ambition is maintaining the top-brand status in the energy-drinks market. This means that they will have to maintain the high price level instead of trying to compete with cheaper brands. They expect to maintain the highest market share in the energy-drinks market. Red Bull also seeks great opportunities in the athletes segment, as most athletes currently consume sport-drinks instead of energy-drinks.

The core competences of Red Bull are of great value to the company and mainly guarantee its success. Firstly, the brand image, and thus the value, of Red Bull is enormous. Few brands in this segment accomplished to create such high brand awareness. This is closely intertwined with, the second core competence of Red Bull, the lifestyle of extreme sports that Red Bull sponsors and adores. Red Bull, as initiator of the energy drinks market, holds a truly unique product. In the past through physical exclusiveness, anno 2008 through brilliant marketing. Sub-conclusion:

After looking at Red Bull’s status, strategy, ambitions and core competences the internal analysis of Red Bull can be completed. This is shown trough stating Red Bull’s Strengths and Weaknesses. Strengths: -Top brand in energy-drinks market -High relative market share, in a growing market -Strong and unique core product -Strong brand image -The artificial Red Bull lifestyle (brand value) Weaknesses: -Low range of products -Active in only one market -Possible future competition from low-cost suppliers -The continuing high-cost marketing campaigns The strengths are mainly based on the strong brand image of Red Bull, as unique product.

Going even further in the ‘ myth’ of their product they managed to create a whole lifestyle around it by sponsoring extreme sports events. This brand awareness gave them the competitive edge to become market leader and obtain a high relative market. The weaknesses of Red Bull lie mainly in their small assortment marketed in just one market. This could be dangerous in the future when competition, who are offering low-cost similar products, gain market share. In this case Red Bull will be severely vulnerable because they do not have activities in other markets.

Environmental analysis (macro & meso) The Macro environment of both countries was analyzed and compared using a DEPEST factors analysis. This takes into account the Demographic, Economic, Political, Ecological, Social-cultural and Technological factors in the country, giving a broad view of the Macro environment. This DEPEST factor analysis can be found under the appendices as Appendix 1. Another very important tool that was used to analyze the Macro environment while taking into account the country’s Market is the PCAMA Portfolio Model.

This compares the DEPEST factors with an appropriate weight added to them, to Market factors such as size, profitability and possible partners. This PCAMA analysis can be found under the appendices as Appendix 2. After looking at the Macro environment, the market was analyzed further to find out what segments Red Bull should target, how big they are and what their needs are. The results were very clear. Red Bull has 3 major segments to target: Athletes (people sporting actively), Clubbers (people drinking in the nightlife) and Workers (people drinking at work/school).

Their main needs are as follows: Athletes look for: Energy boost, Physical edge, Taste, Lifestyle Clubbers look for: Taste, Energy boost, Packaging design, Image Workers look for: Taste, Mental edge, Price / quality Red Bull, as the world’s best sold energy drink and the biggest market share holder by far, scores really high on all these values. The Energy boost, Mental edge and Physical edge have all been maximized trough the years of research since the first introduction, same with the Taste. The package design is very recognizable, cause it is both flashy and unique.

The lifestyle and product image has received a lot of work in the past 5 years. By linking their name to all kinds of major (sport) events and having sampling teams driving around the countries on a daily basis, almost everyone knows what Red Bull is and what it does. Finally, the Price/Quality ratio. This image and lifestyle makes people value Red Bull highly. Hence it is a bit higher priced than the competition’s drinks, but people are more than willing to pay that price because of not only the drink but the image and recognition Red Bull offers. This makes it a very good Price/Quality ratio.

To see how these needs can possibly be met with an eye on the Macro environment, and to see how big/profitable the segments actually are, the MASBA Portfolio Model was used. This MASBA Portfolio Model can be found under the appendices as Appendix 3. Sub- Conclusion Having analyzed the External Factors, the Opportunities and Threats of Red Bull can be stated. The Opportunities look mostly at the market, viewing how Red Bull can increase its sales and/or market share. The Threats look mostly at the Macro environment, viewing what outside factors such as the country’s economy or government could influence Red Bull’s sales and/or market share.

Opportunities for Red Bull: the fast growing market for energy drinks, the big market size and the low competition intensity in both countries. Also the size, growth rate and reach ability of some segments (Clubbers in Netherlands and Austria, and Athletes in Netherlands). Threats for Red Bull: the low demographic dynamics in Austria (low growth, not many people), the lack of competition (a big competitor like Coca Cola can step in and become a threat at any point they desire, and in case that happens, Red Bull does not have a suitable strategy to compete), and the increasingly important Health Issues being reviewed in both countries.

SWOT-analysis Strengths: -Top brand in energy-drinks market -High relative market share, in a growing market -Strong and unique core product -Strong brand image -The artificial Red Bull lifestyle (brand value)Weaknesses: -Low range of products -Active in only one market -Possible future competition from low-cost suppliers -The continuing high-cost marketing campaigns Opportunities: -Fast growing market for energy drinks -Big market size -Low competition intensity – Size, growth rate and reach ability of some segmentsThreats: -Low demographic dynamics in Austria (low growth, not many people) -Lack of competition (a dangerous competitor like Coca Cola could step in any moment and gain market share) -Increasingly important Health Issues being reviewed in both countries Company Analysis and Evaluation for the Netherlands and Austria To analyze Red Bull’s current status in Austria and the Netherlands, the current market share and position was assessed, as well as the strategy and positioning.

Consequently, a Red or Blue ocean analysis was performed and the Marketing Mix defined. The current market position and market share of Red Bull in Austria and the Netherlands is very good. In both countries Red Bull has a market share of over 75%, and due to the lack of real competition, it can permit to position itself as the one and only, superb-quality energy drink for the consumers in either country. This means that the positioning is the same in both countries. The strategy is also the same in both countries, although it should not be. More about this in the conclusion and recommendations.

To get a more in-depth view of Red Bull’s status in Austria and the Netherlands, the Country Marketing Position Portfolio Model was used. This compares the country’s market versus how Red Bull is positioned in that market. This “ CMPPM” model can be found under the appendices as Appendix 4. A very defined and important way to looking at a company’s situation and status is the “ Red or Blue Ocean” analysis. This looks at an amount of factors relating to the innovativeness and future prospects of the Company. The definition of a Blue Ocean company is that they are pro-active, creative “ do the impossible”), forget about their competition and have a clear vision. All of this already applies to Red Bull. Red Bull is by far the market leader on the global energy drinks market. They have no real competition, whatever competition there is bases their drinks on the Red Bull product, they only copy. This means that Red Bull is Pro-Active and practically the only innovator in the market. Because there is so little competition, Red Bull totally forgets about what they are doing, and focuses on what they think is best to increase market growth and their sales.

This makes them Creative, doing whatever is needed to keep their product the most favored energy drink on the market. Their vision is very clear and expressed trough all the events they sponsor and sampling they do: Red Bull is THE drink to keep you on the edge, whether mentally or physically. The needs in both Austria and the Netherlands are similar, and it seems that as long as they keep working on the company Image and Lifestyle, the Blue Ocean status is guaranteed. A final analysis of the company’s position will be done trough the Marketing Mix.

This analysis of Product, Price, Place and Promotion gives an excellent view of how Red Bull views their strategy and how it is implemented. Price – The price is a lot higher than imitator brands, usually more than 400% more expensive – Because it is the most famous energy drink, they can permit to charge a very high profit margin, because a high price is associated with the perception of quality. This profit margin is about 4 times as much as the production costs, versus a 0. 5 margin for most imitator brands. The profit margin is as high as consumers are willing to pay for the quality and lifestyle Red Bull offers – A single can costs about €1. 50 in supermarkets, usually a bit more in corner shops and clubs – Cans are cheaper if you buy them in bulk, both 4, 6, and 24 packs offer a % discount over buying the same amount of single cans – Price is the same for all versions (Normal, Light, Sugarfree) – Price difference in countries is generally mostly due to difference in Taxes. Although Red Bull tries to keep the price stable wherever you go, prices may differ a bit due to difference in production and ransportation costs for that specific country. In this example, Austria is bigger and more mountainous so it has more transportation costs. Also, in the Netherlands you pay only 6% VAT whereas in Austria you pay 20% VAT. \* A comparison – Red Bull prices in a Dutch (albert. nl) and an Austrian (austriangrocery. com) online supermarket Dutch: Austrian: Product – One core product, the standard Red Bull – Various other similar products such as Red Bull cola, Sugarfree Red Bull, etc. The various products can be seen at the bottom of the page. All the products are well developed. Having the same drink since the 1990’s means that it’s had over 20 years of development. It’s practically perfect in it’s current state. – A few different sizes of containers (can, bottle, 4-pack, 6-pack, tray) – Because it’s such high quality, it’s perceived as the supreme product. This gives any product with the Red Bull brand on it an advantage. This helps promote drinks such as the Cola variation. Place – Red Bull is sold and marketed at various places – At sport events – At Clubs and Disco’s – At Supermarkets – At Cornershops Trough automatic dispensers at places where “ busy” people crowd, such as a train, metro or bus station – Wherever it is sold, Red Bull always has a prime spot, and is always in it’s own Area. It’s always sold out of a special Red Bull cooler or fridge, or in a special Red Bull section of the store (as shown below). Promotion – Red Bull is promoted in 3 ways that really signify the segmentation of the company. – 1: Sponsoring of Sports Events. Every athlete knows of the Red Bull Air Race, the Red Bull X-Games (freestyle motocross), the Red Bull and Toro Rosso Formula 1 teams, etc.

A lot of athletes perceive Red Bull as having a special interest in them – 2: Sampling: Clubbers and Students usually gather at specific places. To make them known with Red Bull, Red Bull sends out sampling teams to Clubs and Universities. The sampling teams have a few basic rules to make sure people have the best possible experience tasting Red Bull: • never impose the product •always explain the benefits of the product •drink always a full can( 250 ml) •It must always be chilled •Always being cautious about whom your are sampling the product – 3: Advertising.

A lot of Workers, Students and Clubbers watch a lot of TV. Red Bull therefore uses TV adds that stress the Physical and Mental edge they need, to promote it to them as effectively as possible. Conclusions After analyzing Red Bull efforts and performance in both Austria and the Netherlands, several conclusions can be drawn. However, both countries seemed to show great similarities, both in culture, their approach to Red Bull, and Red Bull’s approach towards them. -Red Bull is continuingly investing in extensive marketing campaigns.

These are mainly focused on extreme sport events, as this is the lifestyle they associate their brand with. Other marketing efforts involve Red Bull promotion cars and advertisements. These advertisements are quite similar to both countries as the product is basically marketed in the same way. The packaging of the products is similar in Austria and the Netherlands. In both countries they package the product in eye-catching cans and bottles. In this way one Red Bull image is created around the globe. This is a smart decision as Red Bull is profiling itself as a truly multinational. Red Bull is the top brand in the energy drinks market and has the highest market share in both Austria and the Netherlands. The unique core product and the brand awareness, the artificial lifestyle, are Red Bull’s biggest assets. -Red Bull is still facing important opportunities to grab in the near feature. The energy drinks market is big and still growing; this means that there are still a lot of potential customers out there waiting to be energized by Red Bull. -Red bull is marketing a low range of products; just Red Bull energy drink and variations to this drink. Therefore they are also active in just one market.

Due to possible competition in the feature Red Bull could possibly lose market share. Red Bull then faces a big problem; they can not lower the price to compete with cheaper products due to the exclusiveness of the product and the expensive marketing campaigns. -Red Bull is facing increasingly important health regulations in both Austria and in the Netherlands. Food and drug administrations are targeting energy drinks for research. Because energy drinks, especially Red Bull, use a lot of caffeine and taurine these administrations are concerned about the effects to the personal health of competitors. Major difference between the two countries is the segment sizes. Due to the difference in the absolute population amount, all segments are significantly smaller in Austria than in the Netherlands. But, again, positioning of the segments on the market is almost exactly the same. Recommendations ? Red Bull should expand and intensify their promotion plans in the emerging economies of Eastern Europe (Russia, Hungary, Bulgaria, Romania, Czech Republic, etc. ). These are very interesting, high-potential markets in which Red Bull should aim to gain an as high as possible market share. Red Bull should recognize the importance of a healthier image by creating new products which are produced from 100% natural resources such as plants (ginseng, golden seal and other medicinal herbs). By creating these types of products, Red Bull is going to attract also other target groups, older people between 40 and 65 years. This is a big opportunity because there are a lot of people who are unaware of these health beneficial products or are not too interested in them because these products are not so well promoted.

Thus, it is important for Red Bull to capture the attention of this, relatively large, target group. ? Red Bull should use a larger variety of packaging. By customization in respect to the packaging and size they can attract more potential customers. Also the user-friendliness of the package can be improved through the introduction of a re-closeable cap; this feature would be especially appealing to the athletes. ? Red Bull should recognize the size and quantity of the clubbing segment. This is an emerging market in almost every country but requires intensive marketing campaigns.

In respect to these marketing campaigns they should also recognize the way Red Bull is used in the clubs, for example the mix with a product as vodka. Focus of the marketing campaigns should be on it being an alternative for mix drinks, rather than associating the drink with Alcohol. ? Red Bull should differentiate their product assortment. At the moment they are only marketing a certain energy drink and slight variations. But by introducing other products like power-bars and chewing-gum they reach more potential customers.

The fact that these products have the same aim as the energy drink, energizing and refreshing the consumer, Red Bull has a lot of R&D knowledge to use to improve the products. However, evenly as important, they eliminate their biggest threat, the marketing of one kind of product in one market. If the energy drinks market would collapse Red Bull would have some market segment to fall back on. ? Red Bull should recognize the importance of sustainable production and include these developments in their marketing campaign.

As people find sustainability increasingly important, the corporate image could benefit from this. ? Red Bull should diversify their marketing campaigns. Their main focus should stay with extreme sports but some attention should be diverted to other sports. It would be particularly wise to keep focus on sports because Red Bull would want to increase market share in sport drinks. Maybe Red Bull could start sponsoring major sports in combination with relevant TV advertisements. ? Red Bull should not diversify in the sport drink market. They should promote Red Bull under athletes as solo product.

Introducing different products would damage the brand image as it would look like any sport drink with a variety of flavors. It is of great importance that the working of Red Bull is emphasized. ? Red Bull should make their product better accessible. They can do this by making Red Bull vending machines for example. Such machines also contribute to the brand awareness as they are practically advertising signs. The Red Bull vending machines should be placed outside sporting canteens, at events, amusement parks and any other place where people are intending to buy competing products. Red Bull should try to keep prices regular throughout all areas. Small differences are ok, but at the moment some stores and events are pricing it at such heights that people perceive it as an “ elitist” product rather than a quality product. Sources ? http://www. energyfiend. com/2007/04/the-15-top-energy-drink-brands ? http://www. austriangrocery. com/shop/-b-beverages-b–c104/red-bull-red-bull-cola-s467/oscid-o0a78fc856ef05970ee59fe1ed963da97/ ? http://webwinkel. ah. nl/process? h\_location=%2F%2Fecommerce%2Fnl\_NL%2Fcategories%3C%7Becommerce\_shoc1%7D%2Fit\_show\_product\_code\_1398%3E%7B10%3B20%7D%2Fpr\_startdate%3C20081011%2Fpr\_enddate%3E20081011%2Fpr\_ltc\_allowed%3E%7Bbowi%7D%2Fcategories%3C%7Becommerce\_shoc1\_1al%7D%2Fcategories%3C%7Becommerce\_shoc1\_1al\_1ahal%7D%2Fcategories%3C%7Becommerce\_shoc1\_1al\_1ahal\_1ahalal115%7D%2Fcategories%3C%7Becommerce\_shoc1\_1al\_1ahal\_1ahalal115\_1ahalal278%7D&&fh\_reffacet= categories&fh\_refpath= facet\_85502244&fh\_refview= summary&action= albert\_noscript. modules. build ? http://online-supermarkt. at/Getraenke/Energy-Drinks::: 27\_494. html? XTCsid= 52e8fd30138f9361843fef84d6eff68e ? ttp://www. utalkmarketing. com/Pages/Article. aspx? ArticleID= 4274&Title= How\_Red\_Bull\_invented\_the\_%E2%80%98cool%E2%80%99\_factor ? http://business. maktoob. com/NewsDetails-20070218034411-Red\_Bull\_plans\_to\_double\_sales\_by\_2010\_sees\_no\_stock\_market\_entry. htm ? http://www. expresshospitality. com/20040927/foodbeverage03. shtm ? http://www. sellingpower. com/article/display. asp? aid= SP2229597 ? http://www. flex-news-food. com/pages/7981/Austria/Beverages/soaring-sales-encourage-energy-drink-firm-red-bull-expand-asia. html ? http://findarticles. com/p/articles/mi\_m0BDW/is\_22\_42/ai\_75286777 ? http://www. neurope. u/articles/83145. php ? http://www. marketingweek. co. uk/cgi-bin/item. cgi? id= 59342&u= pg\_dtl\_art\_news&m= pg\_hdr\_art ? http://beachstreetsalon. spaces. live. com/Blog/cns! 41BE6A4D8958BE6D! 436. entry ? www. bized. com ? www. foxnews. com Report: Illegal Immigrants Given Red Bull, Ephedrine Before Dash Across Border, June 23, 2007 ? Harvard Business School Press, 2001 ? www. findarticles. com A Bull’s Market – the marketing of Red Bull energy drink Kenneth Hein May 28, 2001 ? www. mxsports. com Red Bull Athletes Geoff Aaron, Jeff Tilton and Ronnie Renner will Ride at Loretta Lynn’s ? www. forbes. com The Sode with Buzz, Kerry A.

Dolan 3/28/05. ? http://www. energyfiend. com/2007/04/the-15-top-energy-drink-brands ? http://energydrinks. factexpert. com/882-energy-drink-industry. php ? http://www. bevindustry. com/content. php? s= BI/2004/09&p= 9 ? http://energydrinks. factexpert. com/886-energy-drink-brands. php Appendices DESPEST factors Demographic NetherlandsAustria Age & male/female distribution0-14 years: 17. 6% (male 1, 496, 348/female 1, 427, 297) 15-64 years: 67. 8% (male 5, 705, 003/female 5, 583, 787) 65 years and over: 14. 6% (male 1, 040, 932/female 1, 391, 946)0-14 years: 14. 8% (male 621, 326/female 592, 131) 15-64 years: 67. % (male 2, 783, 531/female 2, 753, 389) 65 years and over: 17. 7% (male 599, 415/female 855, 741) Amount of population16, 645, 3138, 205, 533 Population Growth rate0. 436%0. 064% Urbanization90%67% Economic NetherlandsAustria GDP PPP (million dollar)639, 512317, 807 GDP PPP per capita (dollar)38, 48638, 339 Inflation rate2. 0%1. 9% unemployment rate3. 2%4. 3% Overall government investment rate20, 00%21. 1% Political NetherlandsAustria GovernmentMonarchy Republic Political stability AverageAverage Legal system (based on)French penal thearyRoman law origin Trade restrictions and tarrifsAbove average\*Average in some sectors due to high taxation on specific luxury goods Ecological NetherlandsAustria Corporate knowledge of social responsibility HighAverage Nuclear wasteLowLow Political policiesHighAverage Polution per capitaAverageAverage Social-Cultural NetherlandsAustria Educationaverage 9. 4 years of schooling average 8. 4 years of schooling People actively sporting9%7% ReligionRoman Catholic 30%, Dutch Reformed 11%, Calvinist 6%, other Protestant 3%, Muslim 5. 8%, other 2. 2%, none 42%Roman Catholic 73. 6%, Protestant 4. 7%, Muslim 4. 2%, other 3. 5%, unspecified 2%, none 12% Obesity