

# Redbull case analysis

Business



This slogan was popularized via TV commercials in German-speaking countries in the 1990s; the slogan was later translated into English as Red Bull became more internationalized.

\* Controversy arose over the rights to use the English slogan in the early 2000s when a patent attorney from Sarajevo claimed that he had patented the slogan for his own purposes back in 1997 in Romania. The slogan is still in use today by Red Bull. II. Core Competencies \* Needless to say, the brand has developed an image for power, speed, and recklessness, and dominates the energy drink market all across the globe. \* As can be seen in Pricing Strategies, the energy drink is marketed as a premium product.

\* Special ingredients like taurine and alpine spring water in addition to a high concentration of caffeine in a can half the size of other energy drinks are used to differentiate Red Bull from competitors \* Red Bull is known primarily for its dominating position in the energy drink business, selling its Red Bull Energy Drink. In Austria, the company has also started its own TV channel, called Servus. TV, and a cell phone service called " Red Bull Mobile" \* Red Bull sponsors not only many extreme sports athletes, but also a Formula 1 racing team that won both the constructors' and drivers' championship in 2010 and 2011 \* Red Bull CEO Dietrich Mateschitz has also created the foundation " Wings for Life", which seeks to support people suffering from paraplegia. The ultimate goal of the foundation is to make paraplegia curable. III. Energy Drink Production \* Production of Red Bull is completely outsourced.

Rauch is Red Bull's licenced partner, and produces and fills the cans in factories in Austria (for the European market) and Switzerland (for Americans) IV. Official Company Figures \* Red Bull employs 8, 294 people in 164 countries \* 2011: Company turnover increased by 12. 4% from EUR 3. 785 billion to EUR 4. 253 billion \* Key markets: USA (+11%) and Germany (+10%) \* Growing markets: Turkey (+86%), Japan (+62%), France (+35%) and Scandinavia (+34%) Strategy I. Introduction \* Little official information could be obtained, as Red Bull is not a publically traded organization.

Thus, much of what follows is essentially speculation. \* For corporate level strategy, see the Overview. \* In recent years, Red Bull has developed several different SBUs, including their own media house for TV, mobile phone services, print and digital media, music publishing, and movie and documentary production; hosting extreme sports events; and of course their Red Bull energy drink. II. Marketing Strategy for Red Bull Energy Drink \* Red Bull started marketing its energy drink to club goers and the underground scene in Austria in the 1980s and 90s. " Viral" marketing: CEO Mateschitz paid opinion leaders like DJs and students for promoting the energy drink at parties.

\* Marketing for Red Bull became more diverse as the company became more well-known, both in Austria and abroad. \* Comic-style TV spots popularized the slogan " Red Bull gives you wiiings. ", while the Red Bull logo started to appear on the suits and vehicles of sports athletes. \* The Red Bull homepage also advertises the product to industrious students and business (wo)men, broadening their original target segment. The shift from focusing on the

underground youth scene to extreme sports sponsorship is probably the most drastic change in marketing strategy Red Bull has executed.

\* Red Bull is today priced as a premium energy drink (see Pricing Strategies).

\* The company often organizes free trial distribution to attract new customers. This seems rational especially considering the reluctance a potential consumer might feel when pondering the purchase of the expensive drink for the first time. Market Orientation I. Target Market Young urban males ages 16 to 29 \* Risk takers \* Young consumers and athletes II.

Positioning \* Alcoholic drink mixer \* Extreme Sports \* Sky diving \* Formula 1 sponsor \* Spends 30 to 40% of revenues on hard core marketing \* Buzz marketing \* Guerilla marketing \* Mixed marketing Macro Environment I.

Political \* Bans from EU countries \* No regulation on labeling of such drinks \* Age limits should be set on purchasing \* Health risks associated with Red Bull II. Economic \* Rising disposable incomes encourage premium purchases Major soft drink manufacturers have been attracted to the sports and energy drink market partly by the premium prices that currently exist for these market products. III. Social \* Negative health concerns \* Longer working hours, increased road traffic, more need for energy boost \* Increasing consumer concern around diet and personal health IV. Technological \* Improved manufacturing techniques and processes could lead to lower prices \* Innovation within the market—new products—looking for ultimate hangover cure Consumer Behaviour and Psychology I.

Consumer Purchase Decision Model for Red Bull Energy Drink A. Problem Recognition \* Red Bull is mainly marketed to people who feel the need for an

extra energy boost in their lives, e. g. athletes, but also stressed-out business people, students, etc. B. Information Search \* Since Red Bull is a relatively low involvement product, value is accessed primarily through an internal search.

C. Alternative Evaluation \* Evaluative criteria for Red Bull Energy Drink include: \* Red Bull has the image of being a premium product (see Pricing Strategies), and will thus best satisfy the consumer's need for additional energy when compared to the competition. Recent controversy over the possible negative side effects of Red Bull may also impact the evaluation process (see Problems for Red Bull) \* The traits associated with the brand personality of Red Bull – speed, power, and recklessness – may also factor favourably into the evaluation process, given that they are similar to the traits of the potential consumer. \* Consideration Set \* Direct Competition: Monster, burn, Full Throttle, Rockstar \* Advantage for Red Bull: One brand = one company. The other energy drink brands are subsidiaries of larger companies, and may be neglected. Indirect competition: The soft drink market in general, esp.

the cola and fruit drink producers, eg. Coca Cola, or Rauch \* Advantage for Red Bull: Smaller size of serving, special purpose for drinking (energy boost! ) D. Purchase Decision \* There are two possible points of sale for Red Bull: The “ ON” and the “ OFF” sector (see Pricing Strategies): \* “ ON” sector: Since the product is consumed at the point of sale, the purchase decision is very straightforward. One example is consuming Red Bull at a dance club strictly to combat sleepiness and exhaustion.

No great consideration will go into where or when to buy the product. " OFF" sector: Many supermarkets will receive special display shelves from which to sell Red Bull. This helps to differentiate Red Bull from competitors, who often share a shelf with other energy drink brands. E. Post purchase Behavior \*

There is conflicting scientific evidence as concerns the effects of Red Bull on the human mind and body: \* The consumption of Red Bull may lead to negative side effects (see Problems for Red Bull) \* " Red Bull® Energy Drink significantly improves driving performance and reduces driver sleepiness during prolonged highway driving. \* " Findings indicate that 255 mL of Red Bull containing 1.

3 mg/kg of caffeine and 1 g of taurine does not alter repeated sprint performance, RPE, or HR in women athletes versus placebo. One serving of this energy drink provides no ergogenic benefit for women athletes engaging in sprint-based exercise. " \* " We show that brand exposure can have double-sided effects on behavior, with brand identity associations creating both positive and negative effects on objective consumer performance. [..

. ] as Red Bull's brand identity of speed, power, and recklessness work both for and against the players. Even though brands were exposed supraliminally, effects travelled through unconscious channels. " \* " Red Bull energy drink significantly increased upper body muscle endurance but had no effect on anaerobic peak or average power during repeated Wingate cycling tests in young healthy adults. " \* " Energy drink consumption has been anecdotally linked to the development of adverse cardiovascular effects in consumers, although clinical trials to support this link are lacking. [.

.. ] Red Bull® consumption was associated with a significant increase in pain tolerance in all participants. These findings suggest that Red Bull® consumption ameliorates changes in blood pressure during stressful experiences and increases the participants' pain tolerance. " \* " The limited research concludes that taurine and glucuronolactone in Red Bull have not been proven to improve body functions.

" II. Sociocultural Influences on Consumer Behavior \* From the beginning, marketing for Red Bull was conducted via word of mouth and viral marketing in the youth-oriented underground. \* Extreme sports athletes are sponsored by Red Bull to serve as opinion leaders and aspirational reference groups. Porter's Five Forces I. Industry Competitors and Extent of Rivalry: Low \* Red Bull has turned their niche market into a mass market and a regular buy for people around the world. \* Its brand familiarity has given them a key source of competitive advantage.

\* Differentiation by Lucozade (another popular energy drink that is trying to enter the market) is a strategy being used. They are becoming direct competition adding caffeine into their drink making it a stimulation drink. \* Red Bull has secured distribution channels that make it hard for competitors to enter the market. Red Bull has a very loyal customer base, and its own research shows that 40% of its customers would go to another store to find Red Bull if a store didn't carry their product. II. Threat of New Entrants: Medium \* Red Bull equates in the stimulant drink industry to Coca Cola or Pepsi in the soft drink industry.

\* Supermarket stimulant drinks dominate the budget end of stimulant drinks, but mid range drinks don't have many suppliers and attempts to compete with Red Bull's marketing is a huge barrier to entry. \* Red Bull's brand power alone would make it hard for anyone to successfully enter the market. III. Threat of Substitutes: Low Price sensitivity is low within Red Bull's target segments, and because Red Bull is a spur of the moment purchased commodity, convenience is a standard purchase criteria for the drink. Brand power and customer loyalty have created a low situation for product substitution.

\* Red Bull's High prices are linked to their high quality, thus identical substitutes at lower prices don't really affect the Red Bull market. \* Other stimulant substitutes such as coffee, Five Hour energy, or energy smoothies, all have trade offs with stimulation duration, caloric intake, and convenience, giving Red Bull its own niche in the stimulant market. IV. Bargaining Power of Buyers: Low \* Being a small market with strong customer loyalty, it's possible for the company to have all of the pricing power and for the customers to have very low bargaining power. \* There is a pull in the market or a derived demand giving retailers not much bargaining power.

V. Bargaining Power of Suppliers: Low \* Red Bull has a short supply chain meaning high profit at each stage of the chain. \* The production process for Red Bull is uncomplicated, leaving the suppliers with not much power because there are low input costs. Pricing Strategies I. Pricing Strategy For Red Bull Energy Drink A. USA prices: 8.

4 ounce can \$2.00-3.20 24 pack of 8.4 ounce cans \$32.00-49.00 B.



Pricing Objectives \* Red Bull has a strict policy of keeping prices relatively similar and high compared to the rest of the beverage industry. \* Compared to can of Coca Cola, Red Bull is around 3-6 times more expensive. \* This is to always maintain the image of a premium, quality product. C. Pricing Strategy \* There are two separate sectors of pricing strategy based on the location of the point of sale: \* " ON" sector: Any place where product is consumed at location.

Examples: nightclubs, restaurants, cafes \* Regional managers set this price at a constant level. Very little to no deviation of price. \* " OFF" sector: Any location where the product is consumed at a later time. \* Examples: grocery stores, gas stations \* Pricing is still dictated by a regional manager, but more deviation and the possibility of sales exists. D.

Possible Disadvantages \* Due to the high price, the product may simply be too expensive for lower income demographics. \* Sampling Red Bull for the first time is much more expensive than other beverages thus possibly deterring the first purchase. E. Possible Advantages \* Customers often associate a high price with high quality. \* As a premium product with substantially high market share, Red Bull is able to charge such a high price without losing many customers.

II. Positioning A. Price Communication \* Red Bull's overall value in the marketing mix is greatly affected by price. \* Due to a constant high price product, consumers believe that Red Bull is a premium product. B.

Price Elasticity Red Bull has a high Price Elasticity of demand due to: 1. Large number of substitutes (both within energy drinks and even more broad) 2.

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Low degree of necessity (considered a luxury product) II. Product Life Cycle Stage \* Red Bull is currently in the Maturity stage. \* The company has begun to differentiate its product due to the large increase in substitutes \* Much larger emphasis on brand loyalty \* Growth figures are slowing down as the product ages (exception with 2011 where growth nearly tripled from the previous year) A.

Distribution Channels \* To ensure quality Red Bull manufactures and packages all of its products by itself \* The company does not license out or franchise their name \* All for quality control. Red Bull sells its product through the sectors mentioned above. B. Supplier-Retailer Relationships \* Red Bull has recently instituted a new program, called Perfect Partnership, for retailers that help grow the Red Bull brand. \* Retailers will be rewarded based on the amount of Red Bull sold, the visibility of the product, the percentage of Red Bull in the store as compared to the rest of the energy drinks, and product placement. Integrated Marketing Communications I.

Red Bull's targeted forms of IMC: A. Public Relations Red Bull is successful in their public relations field because they plan accordingly through: \* Generating extensive publicity across all mediums, such as: TV, radio, print, flyers, drinks, towels, stickers, cars, etc. \* Launching parties, activities, events, press releases, and commercials that clearly communicate the meaning of their product. \* Attracting spectators through fun and exciting projects. They make their product look interesting, intriguing, engaging to participate in and watch to the general public, as well as, the extreme.

Also, Red Bull hits international frontiers. II. Social Media \* Red Bull invests in online platforms that will give them a better marketing ROI in the long run. \* Instead of relying on audience traditional media properties, Red Bull is building their own audiences through business development and inbound marketing. \* Examples of how Red Bull shows content marketing and social media functions: \* Red Bull's homepage looks like an action sports news site.

\* The company puts out professional-grade news articles, feature stories, and videos everyday which channels them to social marketing networks like Facebook and Twitter. III. Advertising \* Red Bull mainly markets through creative advertising, targeted sponsorships and events, and sampling to consumers, in order to receive their product. \* Media Advertising: \* Red Bull uses media channels, such as: cinema, TV, radio, press, and the most important, the Internet.

\* Their focused advertisements are towards young people. \* Sports and Events Sponsoring: \* Company's concentration is on supporting the image, credibility, and visibility of their product. \* They do this by sponsoring extreme athletes and events, as well as, with logos and stickers. Sampling: \* Sampling the drink is a major purpose of Red Bull because Red Bull is all about being in the right place and the right time. Social Media Press Release Red Bull Merges with Apple to Expand its Web TV Channel INNSBRUCK, AUS. , Aug. 7, 2012 - In April of 2010, the Red Bull company launched its own Red Bull Web TV showing extreme sports competitions and following athletes such as Travis Pastrana and Felix Baumgartner all over the world. In early January of 2012, however, Red Bull has extended this online network to Apple's iTunes and app store for complete mobile access. By downloading <https://assignbuster.com/redbull-case-analysis/>

the Red Bull TV app along with many others, Red Bull Web TV brings you a selection of international shows ranging from Red Bull Air Races to Red Bull Mountainbiking Chronicles every hour on the hour.

By having the web series available at iTunes and the Apple app store, these amazingly rare video clips are ready to watch at the palm of your hands. The shows can stream live on your iPhone, iPod, or iPad, with just a simple download and there are even breakdancing and music apps you can download from the Red Bull record label app. From the Red Bull website, you can click “ share” to post the link of the shows onto other social media websites like Twitter and Facebook. Many celebrity athletes associated with Red Bull use the Web TV shows to allow their fans to follow their every day lives. One of these entertainers is Ryan Sheckler, an American professional skateboarder, and three-time X-Games gold medalist. “ I want to make a huge contribution to skateboarding...the only way I will know that I have achieved legendary status is when my peers say I have.

There is no other way,” he says. He makes his contribution through at least six shows on the Red Bull Web TV. Red Bull, known for its sensational digital marketing strategies, has truly “ upped the anti” with its Red Bull Web TV series. It has especially made a lasting impression in its homebase country, Austria. Red Bull’s new mission at this time is to carry this social media movement to the United States. The plan is to more actively promote their international hardcore sport video clips and shows from their website on theYoutubehomepage, Facebook advertisements, tweets, and other blog sites like Tumblr and Stumble Upon. ### Problems for Red Bull I. Increased

Scrutiny on Health Benefits vs. Risks Red Bull makes the following claims about its energy drink: 1. Increases performance 2.

Increases concentration and reaction time 3. Improves vigilance 4.

Stimulates metabolism 5. Makes you feel more energetic thus improving

your overall wellbeing \* The company provides very little information

regarding the health side effects of consuming their product. \* Many studies

have been conducted, and there is overwhelming evidence that there are

many negative side effects of consuming Red Bull.

\* The University of Wisconsin has found that Red Bull does not give the boost

of performance and alertness that the company claims. Research has shown

that some of the side effects of Red Bull are: increased risk of heart disease,

increased blood pressure, anxiousness, jitters, and increased chance of

stroke. \* Red Bull must try to avoid what happened to the tobacco industry

after the Surgeon General's study. \* There is debate about whether the FDA

should increase its regulation on energy drinks. If they decide to take further

action, Red Bull as a company would be unable to survive.

II. Possible Alternatives \* Red Bull has yet to comment on the adverse effects

of their product. To help avoid the possible devastating effects of the studies

being conducted Red Bull could: \* Do their own studies and accept whatever

results they find. \* Decrease the amount of taurine and caffeine that is

currently used in Red Bull. \* Create a PR campaign in which they focus on

the positives of the product rather than the negatives.

III. Immediate Action \* It is important for Red Bull to know exactly when and

where various governments are increasing the regulation of energy drinks. \*

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The energy drink industry needs to increase its lobbyist presence in governments around the world. While there may not be a quick fix to this situation, Red Bull should plan for the worse by looking into different formulas for their most popular product.