

MarketLine Case Study

Red Bull

A trailblazer in marketing strategy

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ANALYSIS

How it all started

Red Bull is a formulation between Western product development and marketing and a traditional Asian tonic drink. The company was well-placed to exploit a gap in the Western market, and with its introduction to the drinks market in Europe in 1987 created an entirely new product category. The result was that the company now dominates the international energy drinks market.

The origins

Red Bull is a carbonated drink containing sucrose, caffeine, and taurine designed to give the user a burst of energy or, as the advertising slogan says, “gives you wings.” The drink was based on an energy drink found in Thailand and first sold by Chaleo Yoovidhya under the name of Krating Daeng as a “tonic drink.” As shown in Figure 1, it was presented differently, and to the present day is sold as a separate product and distributed from a separate company in some regions. Krating Daeng was originally sold as an aid for lorry drivers, construction workers, and night staff, helping to keep them awake and alert during long shifts. There is some early evidence of the marketing techniques that Red Bull would eventually adopt as Krating Daeng sponsored boxing events, a sport popular with its target audience, and the product bares the logo of two wild gaurs (a type of Asian bison) charging at each other.

Figure 1: Krating Daeng can



SOURCE: Krating Daeng website

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A gap in the market

Red Bull was set up by the partnership of Dietrich Mateschitz and Chaleo Yoovidhya. Mateschitz (an Austrian marketing executive) recognized that Krating Daeng had no Western equivalent, and so a potentially lucrative gap in the Western drinks market had been identified. Mateschitz brought the drink to the West in partnership with Yoovidhya, and altered it for Western tastes and remarketed it, first gaining access to Mateschitz's native Austrian market in 1987 and then rapidly expanding throughout Europe and the Americas. Red Bull evolved into the number one energy drinks company in the world, and along the way created an entirely new product category, with large soft drinks companies such as PepsiCo, Coca-Cola, and Hansen Natural slow to enter with their own energy drink products.

Figure 2: Red Bull can



SOURCE: RED BULL

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The road to success

As of 2012 the company is present in 160 countries and is still growing. From the beginning of the company's establishment in Austria, it began to sponsor sporting events, and in 1988 launched the Red Bull Dolomite Man, an extreme endurance event involving alternative sports such as kayaking and paragliding. Four years later the company started the Flug Tag, a fun event where competitors were encouraged to build flying machines. From the beginning the company was willing to invest in unusual causes and strategies to get noticed in specific sections of society. This trend has developed to such a point that today Red Bull's association and backing is the primary reason behind certain sports' popularity, whereas previously the reverse would be true, in that companies would want to become associated with a popular sport for the positive connotations and ultimately the connected sales.

Red Bull's current position

Red Bull is currently showing large growth year-on-year and has experienced better than expected growth in some markets that are already developed. The strength of the company is evident in more than just the annual turnover, however, as its brand strength, market share, and sales volumes are all high. Interestingly, the Red Bull product has been allowed to take on a secondary role to the company's other activities; for example, the sporting events it runs are

sometimes easier to access information on than its own products.

The numbers

Figure 3: Red Bull revenues

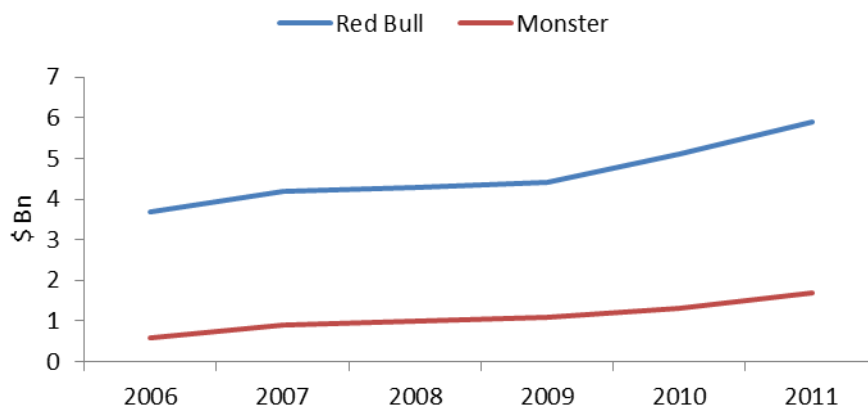
Red Bull revenues	2006	2007	2008	2009	2010	2011
Revenues (\$bn)	3.7	4.19	4.28	4.43	5.12	5.9
Percentage increase year-on-year		13.24%	2.15%	3.50%	15.6%	15%

SOURCE: MARKETLINE

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As seen above, the company saw some fluctuation in year-on-year growth rates during the economic crash in 2008 and 2009, but the company has since returned to strong double digit growth. Red Bull's closest competitor is Monster Energy, which has been showing good revenue growth, but Red Bull's annual growth is higher despite its already dominant market share.

Figure 4: Red Bull and Monster revenues



SOURCE: MARKETLINE

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Strength within the market

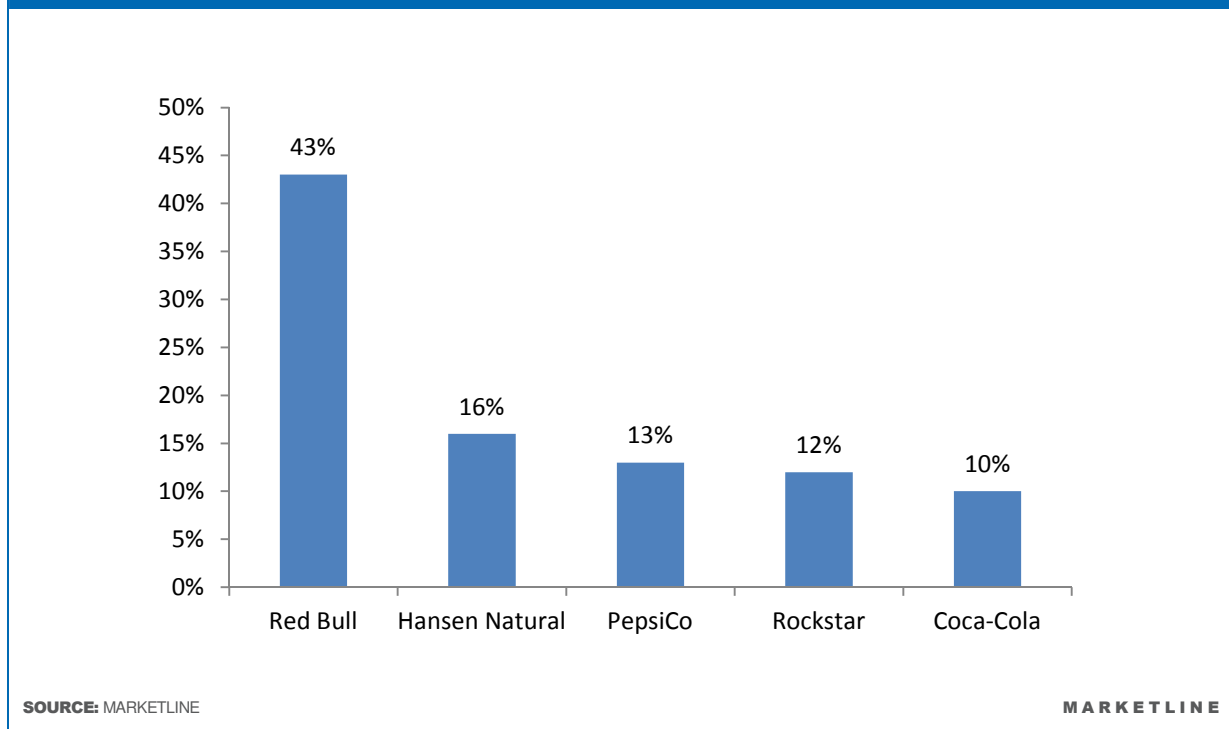
Red Bull's strengths extend beyond its annual turnover and include some unusual elements not commonly seen in other companies.

Red Bull's brand currently holds 80th position in Millward Brown's Global brand value listings for the top 100 brands. This is exceptionally high considering its products are limited to one specific niche market. Being a relatively new company, the power of the brand and strength of its logo make it comparable to much larger corporations with larger advertising

budgets. For instance, BP and Nissan occupy 77th and 81st respectively. This brand strength allows Red Bull to punch above its weight in terms of recognition.

Red Bull has achieved a very unique position in the global energy drinks market. Its current market share is estimated to be 43%, while its nearest competitor holds a share estimated to be 16%. Due to its remarkable recognition strategy, the company is able to hold off the advances of some of the largest drinks manufacturers and corporations in the world, such as PepsiCo and Coca-Cola.

Figure 5: Leading energy drinks players' market shares



Red Bull as a product has become the primary name for the energy drinks sector; for instance, a popular alcoholic drink in the UK is a measurement of vodka mixed with an energy drink, but the drink is referred to and advertised as Vodka Red Bull even when a different energy drink brand is being used. The benefit of this is enormous, as the company is the primary consideration when a consumer chooses an energy drink, in a similar way to Coca-Cola within the soft drinks industry.

Red Bull achieved 4 billion can sales in 160 countries in 2011. In comparison with its major competitors, the Red Bull serving is much smaller, yet the product is charged at the same price and sells in higher volumes. It is likely that Red Bull is viewed by the consumer as a higher end product, and yet sells in the quantities of a lower end product. Red Bull can also charge more than its competitors, despite the fact that the standard serving of Red Bull is a 250ml (8.3oz) can, whereas all other competitors offer larger (often double the size) cans for the same price.

Red Bull's product range is not huge, and currently consists of Red Bull Energy Drink, Red Bull Sugar Free, Red Bull Energy Shot, and Red Bull Cola. The company has spread all over the world, and has achieved higher than expected success in markets that are already well-developed, such as Japan and Turkey.

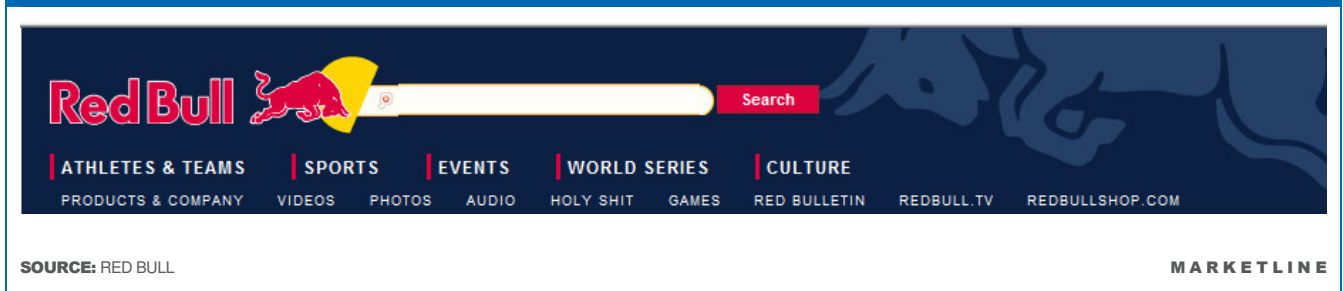
The company grew by roughly 700 employees in 2011 to reach 8,294 employees. This rate of growth shows the confidence that consistently growing revenues have brought the company.

The product takes on a secondary role

Unusually, the Red Bull product is a secondary consideration on the company's website, which is devoted to the myriad

different events it runs and sponsors, rather than its own product.

Figure 6: Red Bull website contents



Red Bull has begun to display elements of reduced involvement in its own products through comprehensive investment and backing of sporting and cultural events. Red Bull the investor and sponsor is portrayed as the primary activity of the company to the consumer. By associating itself in such depth with positive recreational activities, the company needs to devote less time to promoting the actual product. An intriguing part of Red Bull's own website is that the actual product the company sells takes on a secondary role to its other activities. It is possible to view the product line, but this is placed in a separate list much smaller than its other activities. It is as a result of having a specific business philosophy and culture that Red Bull can avoid hard selling its products, which further increases consumer goodwill toward the company and avoids the dangers of making consumers bored of the product.

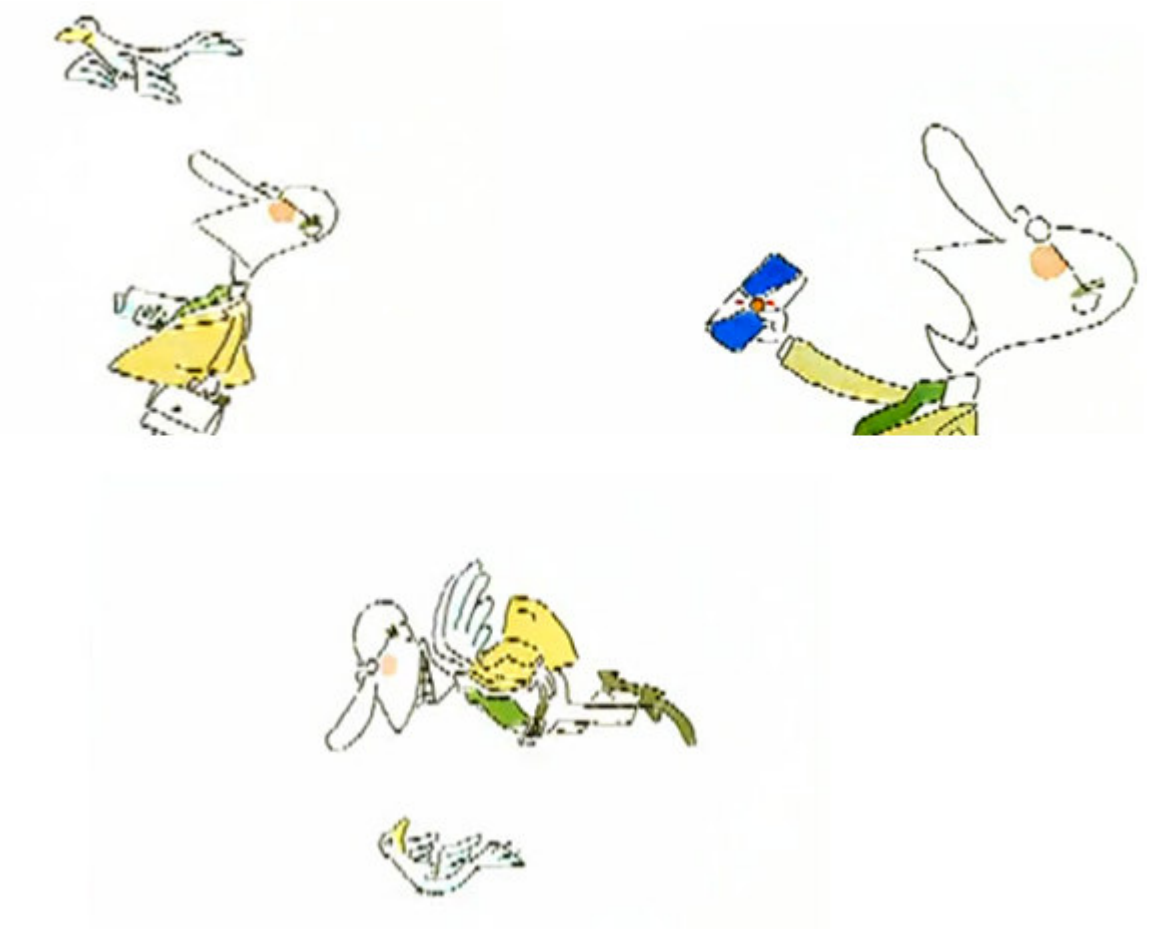
Unique marketing

Apart from the unusual methods of advertising that Red Bull has adopted, which will be examined later, the company has not shied away from traditional media, but with its own specific twist.

Traditional methods of advertising

Efforts from the company in traditional spheres of advertising have included television and radio advertisements, but in typical Red Bull fashion they were unusual in their content and highly recognizable and stylized. In the UK, for example, the adverts were based on a simple cartoon format, and almost all had a certain sense of levity, which was intended to make the viewer laugh at the ridiculous nature of the situation faced by the characters, with the message that Red Bull gives you wings (a common theme was that the characters grew wings and flew away after drinking the product). This was a bold and successful strategy, and keeping the adverts amusing, ironic, and informal allowed Red Bull to build and add to its youthful, energetic, almost irreverent image.

Figure 7: Red Bull cartoon advert



SOURCE: RED BULL

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The Red Bull way

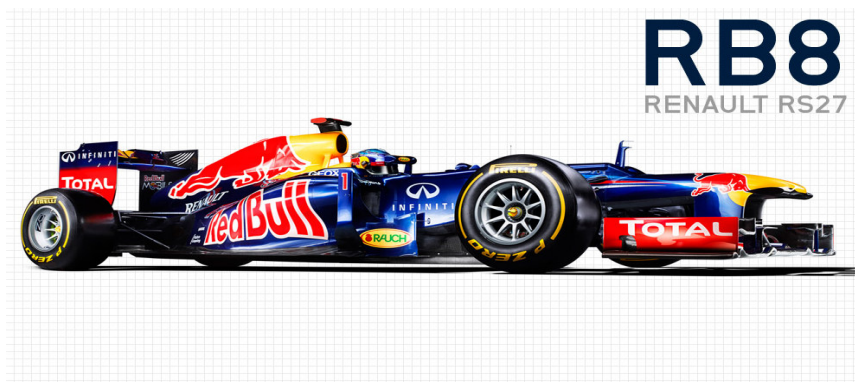
Despite these attempts in normal advertising spheres, from the beginning Red Bull was forging a new method of recognition. The company drew on the relatively common methods of backing positive sporting and cultural events, which many companies have used before, but also became involved in the actual running, development, and creation of these events. Rather than paying for its name to be placed in a visible location during a game, Red Bull actually buys the team, sets up its own managerial team (usually consisting of the best people available), and buys relevant assets such as stadiums, arenas, and technical equipment. Examples of this are Red Bull's ownership of two soccer teams, the New York Red Bulls in the US and Red Bull Salzburg in Austria. These are not short-term publicity stunts, and the aim is usually to remain in possession of these teams long term and ultimately to achieve success while in possession of them. For example, the Red Bull racing team in Formula 1 quickly became one of the best funded teams, and dominated the championship contest for two consecutive years in a sport that is notoriously expensive to operate and requires very high levels of technical expertise.

Non-product-related acquisitions

The company has acquired a large number of teams, events, and personnel to add to its already extensive profile.

The company owns two teams in Formula 1, under the names Red Bull Racing and Scuderia Toro Rosso. Red Bull Racing has been hugely successful, with two overall championship wins from driver Sebastian Vettel in the 2010 and 2011 seasons and two constructors' championship awards in the same years. Red Bull also runs extensive development programs and a new drivers program, which trains talented drivers to be able to eventually break into the primary and secondary teams, proving the company's long-term dedication to the sport.

Figure 8: Red Bull Racing Formula 1 car



SOURCE: RED BULL

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In the World Rally Championship the company has applied its usual formula of gathering the best talent in the industry to achieve success. Sebastian Loeb is the eight time winner of this event, and he appears with Red Bull livery, clothes and car. The Red Bull soccer teams have allowed the company to enter more mainstream audience markets, and their ownership of the stadiums allows the Red Bull logo to be displayed on buildings with a large footfall, where music events and other sporting events are held. In the US, the New York Red Bulls have been successful, coming top of their league in 2010 and fighting for top spot again in 2012. Similar to its other operations, Red Bull has also brought high profile stars such as Thierry Henry to the club in order to increase both its success and fan base.

Figure 9: Red Bull New York



SOURCE: RED BULL

MARKETLINE

By coming to the aid of ailing sporting teams, Red Bull attracts goodwill from fans of the sport, such as with its 2012 purchase of the bankrupt ice hockey team Red Bull Munchen. Apart from team sports, the company also sponsors individual athletes, which allows it to access less popular sports and more niche target audiences. For instance Red Bull sponsors large numbers of individual athletes, including surfers, skaters, mountain bikers, basketball players, American football players, parkour athletes, snowboarders, base jumpers, and many others.

The purchase of equipment allows its teams and individuals to perform more “extreme” stunts and events in the most remote locations; for example, the Red Bull snowboarding teams have helicopters to allow them to access unused mountain ranges. The main benefit of investing in this expensive equipment for its teams is that the videos these athletes then publish can become very popular, especially when they feature unique daredevil feats. This allows Red Bull to gain significant recognition for providing the resources for this to happen.

Figure 10: A Red Bull snowboarding helicopter



SOURCE: RED BULL

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Red Bull's World Series touring events have actually created new sports and spread them around the globe. They include unusual versions of sports designed to provide an enthralling spectacle. One common theme to increase the attractiveness of the event is that danger is implied, such as with the base jumping and cliff diving events. Some examples include Red Bull X Fighters, a type of freestyle motor cross event that has become the most well-recognized tour within the sport; Red Bull Crushed Ice, a combination of ice hockey and cross country skating; Red Bull Cliff Diving, a competitive cliff diving event; and Red Bull Air Race, a tournament for stunt pilots. Providing these expensive and risky events is very unusual, although the benefits and recognition gained through creating and popularizing an entirely new sport and having the Red Bull brand displayed on all equipment and competitors are significant.

The events are not limited to sports-based projects, however, as the company also promotes music and cultural events. These include the Red Bull music academy, an Internet radio station, a television station, a record label, and music festivals. There have also been efforts from the company to represent urban and street cultures, as with the breakdancing competitions that feature live music and celebrities from that genre. These businesses may not be profitable, but they allow Red Bull to further increase its recognition within the lives of its target audience and ultimately this further enhances its profile and sales.

Results of the efforts

The huge amount of investment that Red Bull pours into these events results in an efficient advertising campaign, goodwill from spectators (which is a more intangible and immeasurable benefit), and becoming a brand that is associated with positive events. These are all reflected directly in the company's revenues, sales volumes, and market share.

Economical

All of this effort and investment could be considered wasteful, but the product following it has created means it is able to dominate the market while spending less than other companies on product development. The basic product has not changed significantly since its introduction to the Austrian market in 1987, but the company has seen significant growth in developing markets and still predicts continued growth in existing ones.

Goodwill

The amount of support that Red Bull puts into certain events means their existence is solely dependent on Red Bull's involvement, which in turn makes those who take part in the activity extremely loyal to the company, and so the brand

logo is present all over the clothes and equipment of said individuals. This builds a huge amount of goodwill, as fans and supporters will likely to be influenced by brand recognition when choosing an energy drink product (and potentially pay the more expensive prices per Red Bull can to repay the support). The money Red Bull invests in these activities, or more precisely, the success its sponsored athletes have, has a direct effect on its own revenues. This can clearly be seen in the Red Bull Formula 1 wins in 2010 and 2011, where corresponding company revenues were boosted significantly.

Becoming cool

An interesting side effect of the sponsorship is there is a demand for Red Bull merchandise among fans. The company runs a detailed section of its website where fans of any of the activities and events can buy specific merchandise including clothes, posters, and related accessories. This provides additional value for the company, as the Red Bull logo is present on all these items, which increases the company's visibility.

Attempts to become "cool" and associated with youth culture are typically unorthodox and visible in the company's use of profanity on its website; under one category link called "Holy Shit" viewers can watch clips of extreme sports and performances. The company has traditionally been linked with younger consumers, as many of the activities it sponsors are supported and practiced by younger consumer groups. However, there has been an attempt to engage with a wider range of age groups, as the involvement in Formula 1 (a long running motorsport that is more mainstream in its audience base) shows.

Potential pitfalls

Despite the international success of Red Bull, there are issues that the company will have to contend with over the coming years. These include its competitors, counterfeit products, health concerns, access to new markets, and risky investments.

Competitors

The Monster and Rock Star brands from Hansen Natural and PepsiCo are developing, and have adopted similar techniques for becoming recognized. Monster has also become synonymous with extreme and alternative events such as Moto GP and the Isle of Man TT. It also runs new and unusual events such as Ken Block driving performances, and sponsors celebrities and musicians such as Snoop Dogg, Rob Dryzek, and the band Bullet For My Valentine, who can regularly be seen wearing the monster logo. Rock Star has a greater range of flavors and products available to consumers, and regularly appears in offers and price drops, making it perhaps a more accessible alternative. Both companies offer better value for money in terms of the size of the product and the price.

Figure 11: Valentino Rossi sporting the Monster logo



SOURCE: MONSTER

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Health concerns

The energy drinks sector is one that still suffers from some stigma and bad press, in the sense that the high sugar and caffeine content of the products can of course be considered unhealthy if consumed in inappropriate quantities. There have been instances of libel cases where the product has been said to have a negative effect on a person's health. Whether these cases are justified or not, the bad image they create is a continuing battle for the industry. This is despite the European Food Safety Authority declaring that the ingredients in the quantity used in these drinks are safe.

Access to new markets

Red Bull has a continuing battle to gain access to certain international markets, as due to health concerns the company sometimes struggles to secure market authorization. For example, Red Bull has been trying to enter the Chinese market for some time, although currently a version of the drink is sold via an entirely different company called Red Bull Vitamin Drinks, which was recently removed from shelves due to concerns over "unauthorized additives" in the products. This company is owned by Krating Daeng, the original Thailand-based company. Yoovidhya owned specific distribution rights for Krating Daeng in the Asia region, but it may be more likely that the Western version of the product will be able to enter the Chinese market after recent concerns in China over Krating Daeng ingredients and the recent death of Yoovidhya.

Counterfeit products

With such a popular and well-recognized brand, the possibility of counterfeit products is very high, and this is a subject that Red Bull takes very seriously, maintaining a section of its website designed to explain to consumers why it matters to the company and to the consumer to stay away from counterfeit products. All this is an indication of how the company's brand is almost more important than the product.

Risk

It can prove to be a costly problem when Red Bull's activities prove to be unsuccessful, as with the US Red Bull Nascar team, which withdrew from the event and sold its cars to a competitor in 2011. It is estimated that reviving this two car team for the next season would have cost in excess of \$30m, and Red Bull racing was involved with Nascar for four years. As the main aim of Red Bull is to become synonymous with success in a particular sport to help drive its image and eventually sales, on occasions where this is not possible it can be a waste of resources and time for the company. Becoming so deeply involved in these sports represents a potential risk to the company's image, as certain sports can fall into disrepute, as Formula 1 did following its decision to go ahead with the race based in Bahrain in April 2012,

despite protests and riots near the track. However, while such moves represent a substantial risk to the company, with the necessary precautions it should be able to manage this risk accordingly.