

REDBULL CASE STUDY

I. BACKGROUND/INTRODUCTION

A. KEY POINTS OF THE SITUATION

- In 1985 Red Bull GmbH was founded by an Austrian, Dietrich Mateschitz. The idea sparked as a result of the popularity of Krating Daeng — a red water buffalo. After two years of refining the drink to a carbonated version, Red Bull launched in 1987 with the slogan “Red Bull Flugel,” meaning Red Bull gives you wings.
- The success of Red Bull in the Asian Market further led to the partnership of TC pharmaceuticals to establish the right for Red Bull to be known as an energy drink recipe. The Red Bull market extended to the Western market; this time around, the drink was more carbonated and had a high level of caffeine. It belonged to the functional energy drink category.
- The Thai’s and Mateschitz versions had a unique set of parity that made it special: Caffeine, Taurine, and Glucuronolactone. In 1984 and 1986, Dietrich Mateschitz was in charge of professional markets whose roles were to conduct market research and test over 200 packaging proposals.
- Red Bull’s packaging made in Japan sought to translate into a stronger and different product than already existing soft drinks. Red Bull’s logo was an Oriental-themed depiction of two red bulls colliding in front of the yellow sun and communicated the benefits of its products.

- Red Bull's elastic brand positioning aided its growth in different market segments, especially among dancers, nightclubbers, and ravers. Red Bull was also referred to as the perfect mixing drink, although Red Bull wanted to establish a positioning beyond just a mixer but wanted the product to stand out alone. Besides from clubbers and dancers, other early adopters of the Red Bull drink were Truck Drivers.
- Red Bull wanted to be perceived beyond just a carbonated drink; therefore, the team decided to pursue a premium pricing strategy to enable Red Bull to stand out amongst other competing brands. Red Bull was 300% higher in cost than other carbonated drinks.
- Word-of-mouth was Red Bull's major brand marketing strategy in addition to other marketing activities like event sponsorship, athlete endorsers, sampling programs, point-of-purchase marketing, and select electronic media buys.
- Red Bull also used opinion leadership, sports activities, entertainment celebrities, seeding programs, and supermarkets to support the word-of-mouth push of brand awareness.
- Red Bull did not have a specific target audience; instead, they targeted people who were mentally and physically fatigued, and they ranged in the following categories: students, drivers, sports individuals, business individuals.
- Television ads boosted the awareness of the Red Bull brand, with the slogan "Red Bull gives you wings" growing directly from the brand positioning statement "Red Bull vitalizes body and mind" Red Bull was able to communicate the benefits of its products without promising unique physiological results. The Animated television ad was also understood across different cultural backgrounds leading to a massive increase in

consumer base. Red Bull also involved characters like Leonardo da Vinci, Adam and Eve, Frankenstein Rapunzel in their ads, making it more relatable and easy to comprehend.

- Red Bull used the sampling marketing strategy as a way to convince consumers to try the product. The team in charge of sampling was solely in charge of explaining the product benefits to the consumers and ensuring the maximize the full benefit of Red bull drink. The team was also college students called Red Bull Student Managers, who were also responsible for researching drinking trends and writing stories for student newspapers.
- Red Bull used event marketing to create a relationship with consumers and reinforce its brand positioning through events like Red Bull Soapbox Race, Red Bull Snowthrill, etc.
- Red Bull was big on sports marketing and using athletes such as Robby Naish, who matched their brand personality as influencers to drive brand awareness.
- Red Bull's point of purchase marketing was an attractive miniature refrigerator that displayed the Red Bull's logo in convenience stores, clubs, office buildings, and other strategic areas.
- Red Bull struggled to expand to European countries easily because its major ingredient, Taurine, was not allowed. However, Scotland had a negative list of food ingredients meaning all ingredients not on the list were allowed. This was a win for Red Bull as their ingredients were not on the negative list, giving Red bull an entry point. Red Bull's first EU test market was in the United Kingdom in 1995.

- Red Bull adopted a different strategy for the United Kingdom market, knowing that its target market was utterly different from Austria. Red Bull, United Kingdom Strategy, was focused on Red Bull as a sports drink, Advertisements through the largest beverage channels and billboards. This change led to Red Bull's loss of over \$10 million in its first 18 months in the UK. With this, Red Bull management had to strategize and change their marketing strategy to be electronic and word-of-mouth inclined. This led to an 86% share of the functional energy drinks market in 2001.
- Red Bull faced several competitors in the UK from Virgin, Burn, Mountain Dew, and many other functional energy drinks. This helped boost the functional energy category, with Red Bull remaining Top amongst other competitors by having a 72% share in 1999.
- Irrespective of the Red Bull competition, they maintained the lead position in over 12 Western European countries and two-thirds of overall energy drink volume across Western Europe.
- Red Bull launched in the United States in 1997 using the market cells approach; with its success in Santa Cruz, California, and San Francisco, Red Bull established its brand presence in Santa Monica and Hollywood. Red Bull's growth in the United States was fast-paced because the team executed marketing strategies that had worked in Austria and Europe, such as word-of-mouth, student ambassadors, targeting high end locations (clubs and bars). By 2000 Red Bull had achieved sales of 108 million cans, far above the 80 million the Red Bull team had estimated.
- Red Bull's success in the market gave rise to over 1000 smaller competitors. Monster Energy Drink, which was highly similar to Red Bull, was a major competitor who

introduced 16-ounce cans, giving consumers double the amount of beverage for the same price. Coca-Cola also released Rockstar Energy Drink which was similar to Monster.

- In 2005, there was an extension of the energy drink segment with the introduction of organics and spirits; brands high-end such as Syzmo, Everglo, Zygo, and Pink penetrated the market, creating disappointments for some Red Bull staff.
- The Red Bull team was intentional about their event marketing and partnership. In 1999 Red Bull supported a local flying club in Austria — “The Flying Bulls,” which later became the “Flying Bulls Aerobatics Team.” In 2002, Red Bull introduced a competition in South Africa — “Red Bull Big Wave Africa.” Red Bull also sponsored the first Divide and Conquer competition and many other events to build brand presence.
- In 2003, Red Bull introduced Red Bull Sugar-free, which contained artificial sweeteners and fewer calories. The branding for Red Bull Sugar-free was slightly different, with a lighter blue color and the word sugarfrees replacing energy drink on the cans. The Red Bull Sugar-Free launched in the UK before becoming global. In 2005 it accounted for 20% of the brand volume.
- Red Bull expanded into different categories like a fast-food chain, Herbal Tea Drink, and a plan to launch a quarterly magazine in Europe in the future. Red Bull remained a sustainable brand across the years, especially in markets like Austria because it served consumers of all ages.

B. MAIN ISSUES

Introduction of Brown Glass Bottles

- Red Bull introduced brown glass bottles, which consumers disliked. After the Red Bull's launch in Germany, the organizations could not meet with demand, and with the introduction of the glass bottles, sales fell drastically.

Struggle for Approval in UK and Australia

- Red Bull struggled to get approved for sale in Australia because the Australian government accepted just three categories: Food and drugs, Traditional food, Dietary food, and pharmaceutical. This issue led to the creation of the functional food category, also known as nutraceuticals. With the cost of commissioning being extremely high, the economic barrier, and the unproven food category, Red Bull had no competition for over 5 years after its introduction in 1987.
- The European Union countries had a list of food ingredients they allowed and accommodated. Taurine, a crucial Red Bull ingredient, was not allowed, and lobbying to get Taurine was highly time-consuming and expensive.

The Mystification of Red Bull

- As Red Bull's popularity grew in Austria, neighboring countries like Germany and Hungary heard about the product through word of mouth. The spread about Red Bull was not entirely true, but there were also rumors that Red Bull contained bull testicles. Therefore, the mystification of Red Bull increased the negative rumors as well.
- Red Bull was banned in the French market until it could be proven 100% safe. This ban heightened the bad rumors (mystification effect) among the french consumers.

- Due to health concerns and the death of a famous basketball player Ross Cooney, Red Bull was prohibited in France, Norway, and Denmark.

Failed Launch in the United Kingdom (UK)

- The Red Bull launch in the United Kingdom (UK) was an epic failure. Red Bull lost over \$10 million during its first 18 months in the market due to its competitor Lucozade dominating the sports drink market. Red Bull was unable to meet consumers' expectations and fit into the sports drink category in the UK. Red Bull's launch also failed in the UK because it excluded word-of-mouth strategy, which led to Red Bull's popularity in other markets. Red Bull's use of billboards instead of electronic media also led to its failure in the UK. Finally, Red Bull changed its slogan to "Never underestimate what Red Bull can do for you" — this new slogan did not communicate Red Bull's brand positioning.

Fall In Market Share

- In 2002, Red Bull's market share in the United States had fallen to 51% from 80%. By 2005, it had dropped to 47% because of the incorporation of organics and spirit in the energy drink segment.

C. OBJECTIVES

Create Unique & Functional Product

- Red Bull's primary objective was to create a functional energy drink that would attract consumers beyond the taste.

- Red Bull's packaging aims at creating a stronger and different package than most traditional drinks.
- Red Bull wanted to be perceived beyond just a carbonated drink; therefore, the team decided to pursue a premium pricing strategy that would enable Red Bull to stand out in a unique territory in the beverage market and also reinforce its energy drink positioning.

Brand Positioning

- Masteschitz positioned Red Bull drink as the go-to drink for any occasion, activity, and time basically giving consumers a boost in energy whenever they needed one. Red Bull's elastic positioning is also aimed at increasing growth in different market segments.
- Red Bull was sought to attract consumers of all ages, not only the young at heart.
- Red Bull adopted the above-the-line marketing and product trials, which led to growth in net sales from \$700,000 to \$10 million.

To Increase Brand Awareness

- The Red Bull team initiated a seed program to increase awareness about the product and enable the elites to access the products first with the hope of convincing other consumers through word-of-mouth by targeting "in" clubs, bars, and stores.
- Red Bull adopted a pre-marketing strategy to develop brand awareness in locations where its products were not sold. This was to give individuals an experience with Red Bull even if they haven't consumed the product.

- Red Bull's marketing efforts drove and encouraged product trials through sampling, word-of-mouth, and point-of-purchase efforts.

To Attract New Consumers

- Through its sampling marketing method, Red Bull aims to reach consumers on special occasions when the consumer needs an energy boost. For example, Sampling campaigns took place at the beach, sporting events, parties, and campus libraries.

To Increase Brand Visibility

- The objective of the Red Bull event market was to increase brand visibility and imprint Red Bull as an independent, stimulating beverage in the heart of consumers.

To Build Credibility In The Industry

- Red Bull sponsored individual athletes and engaged in sports marketing to build credibility among opinion leaders and sports influencers. These sports influencers displayed the brand personality of Red Bull which includes: innovative, individual, humorous, unpredictable, and non-conformist.

D. QUESTIONS

1. Describe Red Bull's sources of brand equity. Do these sources change depending on the market or country?
2. Analyze Red Bull's marketing program in terms of how it contributes to the brand's equity. Discuss strengths and weaknesses.

3. How can Red Bull maintain its marketing momentum? Would you recommend that Red Bull develop any brand extensions? If so, what would they be? Would you use the same marketing strategy?
4. Evaluate Red Bull's move into herbal teas, fast-food chains, and magazines. Does it make sense for the company to expand into these areas? What are the potential benefits and dangers?
5. Because product usage was not marketed as being limited to one or even a few occasions, Red Bull users could continue to use the product even as their priorities shifted. The case states that "a Red Bull consumer first attracted to the product as a nightlife enhancer in his or her early twenties might later use the drink as a morning pick-me-up or a revitalizer during a long day of meetings." How effective is Red Bull at advertising to these varied groups?

II. CRITICAL ANALYSIS

E. RELEVANT INFORMATION

1. Every brand should always conduct research before launching into a new market. The research should entail: Finding out the target audience's pain points, what entertainment means to the target audience in that country, and other vital elements that will help build a profitable brand. To avoid future launch failures like the UK Launch, Red Bull should conduct a complete market analysis research and know what works in each country to prevent financial loss.

2. Brand positioning is essential to remain relevant and create the right brand associations. Red Bull should ensure it has a good strategy before it diversifies into different industries. For Example, Red Bull's Fast-food chain extension may not be extremely profitable because it may create confusion in the hearts of consumers as to what Red Bull really stands for. It may also hamper Red Bull's brand trust because it questions its authenticity. Red Bull should ensure its brand positioning is an important segment of the organizations' value to enable being the major player in the industry.

3. Integrated Marketing Communication (IMC) is an important aspect of using both traditional and new media in marketing strategies. Red Bull should use both the criteria of IMC and the different methods to infuse new media (websites, social media) into its already existing advertising strategy. This will increase Red bull's buzz and hype and increase memory associations in the mind of consumers about the brand.

4. Brand equity is how consumers think of a product in their minds. Red Bull should continue to build its brand equity through its marketing events and programs. It should make a conscious effort to maintain its reputation and debunk myths and rumors about the brand when possible. A good way would be to create a forum or chat box on its website where customers can lay their complaints, and they will be speedily responded to without a doubt and issues. Also, Red Bull can engage in education events since it uses student ambassadors and places advertisements in schools. It can feature in student TedTalks and other student programs. To build brand equity and brand love.

F. POSSIBLE SOLUTIONS

1. Keller (2012) referred to Brand equity as the differential effect a brand has on a consumer's knowledge about a brand's marketing. Brand equity lives in the consumer's minds; it is the consumer's knowledge about a brand (Keller, 2012). Keller further highlighted two significant sources of brand equity — brand awareness and brand image or associations.

Brand awareness should be able to spark brand recognition and recall at the glance of a brand. Red Bull has been able to drive awareness through its unique brand personality and values. First, in most markets, such as Austria and some states in the European Union, Red Bull created a product category called the “Functional Food” category. In most countries, excluding the United Kingdom, Red Bull was the first of its kind. Secondly, Red bull unique product packaging was a slender silver and blue 250ml can, with a Red Bull logo (Oriental-themed depiction of two red bulls about to collide head-on in front of the yellow sun) which was prominent at the front of the can with bold words stating “Energy Drink.” Red Bull was unique in its identity. Thirdly, Red Bull flavor was not similar to any other beverage in the market, not even the traditional drinks. Red Bull has its unique flavor as a result of ingredients such as caffeine, taurine, glucuronolactone. Red Bull flavor made it known to consumers that it was more than a product for refreshment. According to Norbert Kraihamer, Red Bull's Group Marketing and Sales Director, Red Bull's product is concerned about the product's function, i.e., giving consumers a boost than the taste. The flavor and feeling consumers got from consuming Red Bull made word-of-mouth an essential marketing strategy for the Red Bull team. Word-of-mouth influences brand purchase by about

20% to 50% (Bughin *et al.*, 2010). Red bull's success in Austria is attributed to word-of-mouth which Norbert Kraihamer referred to as the "oldest and best form of media."

Also, Brand recall occurs at the point of purchase. To enhance brand recall among customers, Red Bull used point-of-purchase marketing to create brand visibility and top-of-mind awareness among prospective customers. Red Bull's point-of-purchase marketing involved branded refrigerated sales units, which ensured Red bull was prominent in every retail environment.

Brand Image is also an important source of brand equity. The Red Bull team was intentional about their brand image, so opinion leadership was at the core of their marketing to influence a brand purchase. Opinion leaders included action sports athletes and entertainment celebrities whose personalities were similar to Red Bull's, such as innovative, humorous, unpredictable, etc. Red Bull ensured that the celebrities and events they partnered with could easily be associated with the brand. Keller (2012) added that Brand image should create solid and favorable brand associations — this could either be brand attributes or brand benefits. Red Bull's unique advertisements communicated the product benefits with its memorable slogan, "Red Bull gives you wings" This ad helped Red Bull establish broad extensions regarding consumer base because it could be understood across countries and different locations. Red Bull's associations with athletes, sporting events, clubbers, bars created an image of

revitalization and energy boost. These activities by Red Bull showed their sources of brand equity and how they established positive word-of-mouth among consumers.

Although Red Bull was a unique brand in the functional food category, its equity sources changed across different countries and markets. For example: In UK, Red Bull decided to change its marketing strategy at launch. Its new UK marketing strategy included 1) Red Bull marketed Red Bull as a sports drink, not a stimulation drink; 2) Red Bull did not pursue a word-of-mouth strategy, instead decided to sell via the largest beverage channels; 3) Red Bull created new advertising and focused on billboards rather than electronic media. Using Keller's (2012) principles of sources of brand equity, this strategy shows that Red Bull established a different marketing strategy to build its awareness and image in the UK. However, this new strategy did not work for Red Bull's launch and awareness in the UK; instead, it led to a loss of over \$10 million.

2. According to Farquhar (1990), there are various ways to build brand equity; through a positive brand evaluation — which involves having a quality product that can stand the test of time, an accessible brand attitude, and a consistent brand image. Red Bull has been able to mix these brand elements through various marketing programs to contribute to its brand equity. Red Bull marketing programs include; Word-of-mouth, Events Marketings, Sports Marketing, Advertising, Sampling, Point-of-purchase Marketing.

Word-of-Mouth Marketing

This is one of the strongest and effective marketing that influences purchase for organizations. Red Bull used word-of-mouth to build brand trust amongst its consumers in Austria. As Norbert noted, it was the primary element of all Red Bull marketing activities. Word-of-mouth helped build awareness for Red Bull in the functional food category; it created a buzz for Red Bull. Interestingly, Rosen (2002) highlighted that “Buzz is all about the word-of-mouth of a brand.”

Brand awareness and Brand trust increase brand equity because of a brand.

Event Marketing

Another source of a marketing program that contributed to Red Bull’s marketing program was their Event Marketing. Red Bull focused on partnering with other brands for events or hosting their own events. These events will contain Red Bull's branded items and merchandise, logo, promotion, and media production. Red Bull used event marketing to create visibility and also reinforce it as the best independent stimulating beverage. The media played a big role in making the events huge as they would air Red Bull’s significant events to gain more coverage. Red Bull events included the Red Bull Soapbox Race, Red Bull Flugtag, and Red Bull Snowthrill.

Sports Marketing

Red Bull used Sports marketing to foster a relationship with opinion leaders who participated in action sports such as snowboarding, skydiving, skateboarding, rock climbing, mountain biking. Red Bull was interested in athletes in non-mainstream

sports. Red bull was also particular about the athletes they worked with. They wanted athletes that would fit the brand personality, such as Robby Naish, Eddie Irvine, Shane McConkey. These activities by Red Bull created brand associations in the mind of consumers leading to an increase in purchasing and buzz around the brand, Red Bull.

Advertising

Red Bull's advertising aimed at communicating the product's benefits without promising specific physiological results. Red Bull was intentional about their ad, and what meaning it would translate across all countries and cultures it was aired in; that is why they created a clear slogan which stated "the function of Red Bull's Drink" and could be easily recalled.

Sampling

Red Bull used the sampling marketing program to reach new prospective consumers on various occasions. Red Bull's sampling took place at concerts, parties, festivals, sporting events, beaches, etc. These were places consumers needed a boost. Red Bull also used student ambassadors to further push its sampling marketing program by creating a buzz in schools, publications, and libraries. Red Bull, through this program, wanted to give consumers a good experience and satisfaction so they could request more. This worked perfectly as Red Bull's team highlighted that the feedback from these sampling events was great and the conversion rates were huge.

Point-of-purchase Marketing

Red Bull used miniature glass refrigerators to create brand visibility and awareness in convenience stores across bars, clubs, sports shops, office buildings, and other prominent locations where their target audience was present. Red Bull intended to create a consistent and quality experience for their consumers through point-of-purchase marketing. Red Bull's team saw this as good promotional marketing for the product.

The Red Bull Marketing team also used Billboards and electronic media in the UK, but this marketing media was ineffective for Red Bull's promotion.

STRENGTHS

Brand Visibility & Brand Awareness

These marketing programs created brand visibility for Red Bull. Through advertising, sports marketing, event marketing Red Bull was able to make a name in the market for the brand and create a unique experience for consumers. Red Bull, through word-of-mouth marketing, was able to create a buzz among consumers and raise awareness for its products.

Brand Love & Brand Trust

Consumers had the opportunity to try Red Bull products on various occasions, leading to brand love and trust. For example, the Sampling marketing technique created a buzz for Red Bull as consumers returned to purchase the products.

Brand Positioning

Red Bull was able to position itself in the industry as the best in the game through its association with opinion leaders in the sporting industry and its sporting events. The experience they created for their consumers also showed their brand worth and thought leadership.

WEAKNESS

The Mystification of Red Bull

Red Bull's Marketing Team found it difficult to control the negative rumors and news about the product. Therefore, as much as word-of-mouth was working for the brand, it partially affected its reputation. For example, The death of a famous basketball player Ross Cooney, Red Bull was prohibited in France, Norway, and Denmark.

Flawed UK Marketing Strategy

Red Bull's marketing plan for the UK was flawed with Bill Boards and electronic media because it was not as effective as their other marketing programs. Therefore, the Team should have researched the UK audience properly without changing the entire marketing strategy.

3. Red Bull's branding has taken an impressive turn over the years with its infusion of different media types and activities to grow a loyal consumer base and show positive thought leadership in the functional food category and energy drink industry; Red Bull has stood out among its competitors. Red Bull can maintain its momentum by incorporating new media into its marketing strategy. In the 21st century, different

platforms such as Instagram, TikTok, Clubhouse have been created to give the business a platform to reach their new consumers. Red Bull can use these new media to stay updated with trends and know what competitors are doing. Red Bull can also use new sports influencers who are now popular with a huge following and fan base to boost the brand associations for Red Bull's products. Red Bull should also maintain their Television ads because this will foster brand recall and memory associations.

The Red Bull brand should not develop any brand extensions because this may affect its brand image and positioning. For a brand to remain long-standing, it must be known for its product, style, personality, which Red Bull currently has. An extension can lead to loss of brand reputation and brand image. Red Bull is seen as a thought leader in the energy drink/functional food category; therefore, for this positioning to remain constant, Red Bull must uphold its initial values and focus on the products the consumers have known them for.

4. Red Bull's diversification into other products like herbal teas, fast-food chains, and magazines is a good choice for Red Bull as it would help build its brand equity and increase brand awareness. However, too much diversification can be harmful to a brand, especially when it is not a spin-off of its primary product category. For example, Coca-cola producing Coke Zero was a good extension because it is similar to what Coca-cola is known for by consumers. Therefore, the Red Bull team should ensure it diversifies strategically to maintain its position as top among its competitors. Red Bull can also use these products to reach new markets and segments they were not targeting

with their other products. This will expose Red Bull to new brand associations and growth in other areas. One tentative area that may harm Red Bull's brand image is its extension into the fast-food chain. This extension may not be favorable for Red Bull as other top competitors have gained brand trust over the years in the industry, like McDonald's and KFC. Red Bull should focus on its already existing products doing well and introduce new strategies to increase growth and expansion to new territories to increase market share and brand equity.

5. Red Bull's advertising has appealed to varied groups in its target audience: nightlife and the day energizer. For example, Red Bull's sampling marketing program was held at different occasions and events to show the functionality of Red Bull's energy drink, such as bars, clubs, events, and libraries. Also, the Red Bull advertisement with the slogan "Red bull gives you wiiings" creates the impression that Red Bull would give you a boost anytime and any day. Red Bull advertising also showed that it appeals to all groups through events marketing and sports marketing because most sports events were done during the day. Red Bull did a great job, including its target audience and using opinion leaders to boost the awareness and word about the product.

G. CONCLUSION

Brands should endeavor to look for new innovative ways to attract new customers and evolve their brand strategies. Brands should also debunk the myths and rumors about their products at early stages to not harm their reputation. Red Bull should look into utilizing new media for attracting new customers and retaining old consumers. Red Bull should also

innovate effective and engaging ways to keep its consumers entertained. The Red Bull marketing team should frequently conduct communication audits and competitive analysis to stay updated and remain a leader in the industry.

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