Red Bull’s
Company Synopsis

Group 4:
Michael Costley  CEO
Rolando Fuentes Ruiz  COO
Helen Shi  CMO
Michael Wong  CFO
Karsten Huynh  CHR
Introduction

Red Bull, headquartered in Fuschl am see, Austria, manufactures energy drinks which are described as “functional beverages providing various benefits, especially in times of increased performance” (Red Bull, 2013). The product claims to improve concentration, alertness and most importantly reduces the feeling of tiredness and fatigue. As of today, over 35 billion cans of Red Bull have been sold in 165 countries throughout the world.

Currently employing over 8,966 employees, Red Bull continues to see incredible company growth recording a 15.9% increase in 2012 (Red Bull, 2013). Red Bull also saw profits increase by 40% in 2012 to €311 million from the financial year of 2011.

Brief History

In the Mid 1980’s Dietrich Mateschitz developed the recipe for Red Bull and formed the company Red Bull GmbH. Originally Red Bull was based on a Thai drink, Krating Daeng, which was created by Chaleo Yoovidhya (Red Bull, 2013). Mateschitz then partnered with Yoovidhya and reformulated the drink to Western palettes. Red Bull was first sold in its home market of Austria on April 1st, 1987 and with this launch, Red Bull created a totally new “energy beverage” category within the consumer beverage marketplace. Since then Red Bull continues to succeed with their limited product line and has recently launched new variations of the drink including different flavours.
Company Goals

Red Bull is dedicated to upholding the highest industry standards, while maintaining their leadership position in the energy drinks category and delivering superior customer service in a highly efficient and profitable manner. Red Bull’s desire to maintain their leadership position is reflected in their mission statement “To spread our wings over the world” (Red Bull, 2013), as they continue to focus on global expansion.

International Expansion

Red Bull aims to strengthen its global position by focusing on their presence in Asia. Red Bull has been successful in the past with its aggressive international expansion, and plans on using a similar strategy to enter the Asian marketplace (Euromonitor, 2013). India is home to the highest number of 20-24 year-olds at 98 million, followed by China with 82 million and Indonesia with 21 million. Since Red Bull's prime consumers are in their 20s the large youth population in these Asian countries makes them an attractive market with large potential growth (Euromonitor, 2013).

Current Situation

Products

Red Bull has expanded their product line from the original Red Bull Energy Drink to Red Bull Sugarfree, Total Zero, Energy Shot, and most recently, Red Bull Editions. Red Bull Editions is their line of fruit flavoured drinks which include cranberry, lime, and blueberry. Red Bull products continue to gain popularity with an increase in product sales of 12.8% in 2012, resulting in 5.226 billion cans sold worldwide (Red Bull, 2013). The key ingredients in Red Bull are caffeine, B-Group
vitamins, sucrose, glucose, taurine, and Alpine spring water. With ingredients like taurine and caffeine and the proliferation of energy drink consumption, Red Bull and the entire energy drink industry have come under scrutiny due to health concerns. As a result, new regulations on the sale of energy drinks are an ongoing concern for companies like Red Bull. Red Bull’s product line has also widened to include merchandise that is adorned with the company name such as hoodies, hats and shirts, due to their involvement in sponsoring athletes and events.

Market Share

By creating a product that had never been seen before, Red Bull has made their name synonymous with the word energy drink. With Red Bull products sold in 165 countries, the company holds an estimated global market share of 43% as of 2012 (MarketLine, 2012). This statistic becomes even more impressive when you consider that their closest competitor, Monster Energy Drink, only holds an estimated 16% market share (MarketLine, 2012). This market share and brand recognition has allowed Red Bull to hold their ground and fend off larger beverage companies like Coca-Cola and PepsiCo. Even with such a dominant position in the energy drink market, Red Bull continues to grow. Figure 1 indicates the significant position Red Bull has over all other top competitors in the energy drink market.

FIGURE 1: Market share for the top energy drink companies for 2011

* (MarketLine, 2012)
Financial Performance

In 2011, Red Bull had sales of $2.93 and made $3.06 billion in operating revenue. This led to profits of $402.4 million an increase of 35% from 2010. With $1.15 billion in current assets and $220.5 million in current liabilities, this results in an impressive current ratio of 5.22. Table 1 below goes into further detail on the financial performance of the company since 2007.

TABLE 1: Red Bull GmbH Financial Summary

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<tr>
<td>Total Assets</td>
<td>2,060,854</td>
<td>1,702,958</td>
<td>1,862,165</td>
<td>1,787,651</td>
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<td>Shareholder Equity</td>
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<td>1,136,385</td>
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<td>Operating Revenue</td>
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<td>Cash &amp; Cash Equivalent</td>
<td>383,590</td>
<td>129</td>
<td>10,281</td>
<td>36</td>
<td>35</td>
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<td>Net Income</td>
<td>402,390</td>
<td>298,797</td>
<td>177,368</td>
<td>181,971</td>
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*(Mint Global, 2013)*

Current Strategy

The high sales volume of Red Bull is largely dependent on their extensive and well recognized marketing strategies. The brand continues to be successful by pushing boundaries and implementing campaigns that are unique and impactful.
Social Media Use

With over 36 million “likes” on their Facebook fan page, Red Bull is one of the Top 10 most liked corporations on Facebook. Even though they generate multiple updates per day, it is a rare sight to discover a post that is dedicated to its products. Rather, Red Bull’s corporate strategy is to focus on promoting the athletes and events that they sponsor. This reinforces the notion of Red Bull being a lifestyle choice rather than just an energy drink. Further, unlike other brands, Red Bull does not respond to user comments on Facebook and only replies to between 10 and 40 tweets per day, which promotes an elusive dimension to the brand (Moth, 2013).

Publicity Stunts

Although publicity stunts are nothing new in the market, the extremity of Red Bull stunts have garnered viral attention and unparalleled publicity. The Red Bull Stratos event in October 2012 was an ambitious stunt that funded Felix Baumgartner’s record-setting jump from the stratosphere. As the sponsor, it was a testament to Red Bull’s edgy brand through association with extreme events and their willingness to take risks. This stunt generated a media storm, with over 7.3 million live viewers on YouTube, and half the worldwide Twitter trends being connected to the event (McNaughton, 2012). By capitalizing on these public opportunities, Red Bull has been able to effectively increase its brand awareness through word of mouth.

Sporting Events and Acquisitions

Unlike other soft drink companies who only sponsor events, Red Bull also implements an innovative strategy where they develop and run a wide range of extreme sporting events themselves. This added involvement in the events provide Red Bull with added control and flexibility, serving a competitive advantage. By actually purchasing the teams and relevant assets such as stadiums and
technical equipment, Red Bull aims to keep these teams in the long-run in hopes of achieving future success. Examples include Red Bull’s Formula 1 racing team, which went on to be one of the best funded teams, and soccer teams which helped garner a larger mainstream audience (MarketLine, 2012). These investments attract goodwill from sports fans, and supporters who are more likely to be influenced by brand recognition when selecting energy drinks.

**Environment**

**Economic Dynamics**

Sales in the “functional water” industry have been significantly impacted by the ongoing economic crises globally. However, the energy drink sector has proven most resilient and outperformed other industry categories. It appears that consumers are cutting back on how many beverages they consume but maintain their habits in energy drink consumption.

The growing and lucrative energy drink market has attracted large competitors, namely The Coca Cola Company and PepsiCo, to start offering their own products in the segment. However, despite these competitors dominance in other beverage segments, Red Bull has been able to maintain market leadership in the dynamic energy drink industry. (Euromonitor International, 2012)

**Legal and Political Pressures**

Red Bull manufactures and distributes all of it’s products from it’s only factory in Austria (Euromonitor International, 2012). However, by manufacturing all products in one central hub, Red Bull is more susceptible to tax laws, tariffs, and high costs of distribution compared to competitors whom have multiple worldwide facilities. Their current differentiation strategy has allowed Red Bull
to market and sell their products at a premium which is absolutely necessary as they incur greater costs relative to competitors. Currently, Red Bull is building a new facility in Brazil which is expected to service the America’s and reduce these costs to make Red Bull more cost efficient (Russell, 2012).

The nature of Red Bull’s dominant product offering is a source of political and legal issues. France, Denmark and Norway had at one point banned Red Bull products because of some concerns over the ingredients being used; these have all been lifted (Fried News, 2013) (Euromonitor International, 2012). Additionally the high caffeine levels in Red Bull leave Red Bull vulnerable to regulatory controls. This issue is further amplified as Red Bull’s relies solely on energy drink products.

The United States, one of Red Bull’s key markets, has started to raise concerns over energy drink products as well. The city of Chicago is one area that is considering banning the sale of energy drink products to all consumers (Radar Staff, 2013). This is in light of increasing hospitalization due to the consumption of energy drinks throughout the United States (The Associated Press, 2013). The negative press is without a doubt becoming a matter of great concern for the sector as a whole.

**Strategic Challenges**

**Maintaining Market Leadership in a Growing Competitive Market**

According to a global study in 2011, Red Bull is leading the energy drinks market with a market share containing 43% of the world’s value, and 21.5% of the world’s consumption (Passport,
2012). Meanwhile, Hansen Natural Corp, Red Bull’s leading competitor only retains 16% and 14% of the world’s value and sales respectively (Passport, 2012). However, Red Bull’s comfortable lead in the energy drink market is likely to dwindle due to the two soft drink powerhouses, Coca-Cola and PepsiCo, recently targeting the energy drink market. Specifically Coca-Cola has formed partnerships with Hansen Natural Corp, and PepsiCo has formed partnerships with Rockstar Energy. In order to maintain its dominance in the energy drink market it is crucial that Red Bull increases their sales volume and maintains its edgy brand image.

Competitive Pricing

Manufacturing only from a single Australian site, Red Bull was selling its product at a premium (Passport, 2012). Often priced twice as high as their leading substitutes, sports drinks and functional bottled water, Red Bull’s premium pricing has hindered their success in targeting a larger consumer base. In addition, Red Bull’s premium pricing has become even less justified due to energy drinks becoming more analogous and enforces the notion of lowering prices to appeal to more price sensitive consumers. In order to lower prices and increase sales volumes, it is important for Red Bull to consider constructing more manufacturing plants at strategic locations such as Asia, and that it ensures the success of the new manufacturing plant in Brazil. However, the loss of a premium price and a larger consumer base may have detrimental effects on Red Bull’s current edgy brand image.

Maintaining an Edgy Brand Image

Red Bull’s current success and global presence is due to its brand image. Spending upwards to 40% of its total sales on advertising, Red Bull has effectively advertised its brand as being edgy and “cool” to younger audiences through a wide range of activities from clothing lines to sport events (Passport, 2012). However, as Red Bull attempts to widen its marketed audience through competitive
pricing, it may have adverse effects on its edgy brand image. This is due to the fact that Red Bull may become viewed as being “uncool” and common place. Fortunately, Red Bull’s growing presence in the nightclub scene may help Red Bull remain relevant as an edgy brand among its core audience.

Expanding in the Soft Drink Industry

The soft drink industry includes the energy drinks segment and is lead by Coca-Cola and PepsiCo. Ranked seventh in terms of world value, and unranked in volume sales, it is unlikely that Red Bull will be able to break into the top five of soft drink companies unless it expands its portfolio (Passport, 2012). In addition to expanding the amount of products it has to offer, it is important that Red Bull effectively manages its marketing among its products. The recent abysmal performance of Red Bull’s new product Red Bull Cola in contrast to its current main product, emphasizes the need to effectively allocate resources. In addition, Red Bull’s highly caffeinated drinks may put its product at risk of regulation and inhibit its global growth.
References


