COMPONENT B: INDIVIDUAL BUSINESS REPORT

Red Bull
Changes to Red Bull's Marketing Mix to Combat Product Maturity

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0. Executive Summary

Dr Philip Kotler defines marketing as; “1) Marketing is the process by which an organization relates creatively, productively, and profitably to the marketplace. 2) Marketing is the art of creating and satisfying customers at a profit. 3) Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communications and promotion.” (Kotler, 1991)

This report seeks to provide an outline of how to achieve this by prioritising and facilitating the Critical Success Factors outlined in component A of the Understanding the Market Process module, by adapting Red Bull’s marketing mix. The information for the analysis is drawn from a wide variety of academic sources, as well as industry reports and periodicals.

Red Bull currently operates within the energy sector of the functional drink market, with a recent expansion into enhanced water. A functional drink defined is a product that is non-alcoholic and includes ingredients such as herbs, vitamins, minerals, amino acids or additional raw fruit or vegetables. It often claims to provide specific health benefits. Examples of such drinks include sports and performance drinks, energy drinks, ready to drink (RTD) teas, enhanced fruit drinks, soy beverages and enhanced water (Mintel, 2013) (Kalra, 2003).

There is a niche in the Neutraceutical market for a functional drink that includes one of your 5 a day and additional vitamins and minerals, as well as the addition of the physiological element of caffeine and Taurine. Neutraceutical is a portmanteau of nutrition and pharmaceutical coined by Dr Stephen DeFelice in 1989 (Kalra, 2003).

It is advisable that Red Bull extends its range to include a speciality product, with unique characteristics which targeted consumers would specifically purchase. Red Bull needs to act quickly and decisively, to fill the gap in the Neutraceutical market, to counteract the market maturity and aging population.
1. Introduction

The purpose of this report is to prioritise and facilitate the Critical Success Factors (CSF). The report outlines the current performance of Red Bull, the marketing mix, and products, as well as the amendments required to achieve the CSFs.

1.1 Critical Success Factors

Based on an in-depth macro & micro and TOWS analysis of Red Bull, the following critical success factors have been prioritised as they are deemed essential for Red Bull to adapt to remain competitive in the functional drinks market.

- Continue to combat product maturity, and reduction of the core demographic, by expanding the drinks range to aim at the growing 25+ demographic.
- To continue comparing Red Bull’s caffeine content with content of everyday food such as tea and coffee to position it as a viable healthy alternative.

1.2 Company Overview

Red Bull GmBH is a Private company, registered in Austria, employing 8,966 staff in 165 countries as of 2012 (Euromonitor International, 2013). The company can be split into two major arms; Soft Drinks & Other Companies. The soft drinks sector is subdivided into Red Bull Cola & Carpe Diem and the Energy Brands. (Euromonitor International, 2013).

1.3 Economic Performance

Red Bull’s previous focus on the Energy Drinks Market alone has resulted in its ranking 9th in the global off-trade soft drinks market in 2012, with 0.2% market share (Euromonitor Profiles, 2013), and 9.8% of the Global Energy Drinks Market (MarketLine, 2013).

The largest growing market is currently the Neutraceutical drinks market with growth of between 8% (MarketLine, 2013) and 14% year-on-year (MarketLine Advantage, 2013).

Following the 2008 economic downturn, Red Bull has failed to regain previously enjoyed growth (Euromonitor Profiles, 2013) in the Energy Drinks market.

![Graph: Red Bull vs. World Performance 2007–2012](source: Euromonitor Profiles, 2013)
The financial and market data indicates that in developed countries Red Bull is entering the fourth stage of the product cycle, maturity (Bains, 2011), as the product is well established in the market, though no longer enjoying rapidly increasing sales. In time sales will start to decline.

**Figure 2: The Stages of the Product Cycle**

Source: (Bains, 2011) (Rohn Group, Sandiego State University, n.d.)
2. Red Bull’s Marketing Mix

2.1 Product

Red Bull sells not only an energizing energy drink, but also a lifestyle and sense of quality and style. The highly distinguishable branding makes it instantly recognizable.

![Diagram: The Product Marketing Mix for Red Bull](image)

**Figure 3**: The Product Marketing Mix for Red Bull

Source: (Armstrong, 2012)

It is advisable that Red Bull extends its range away from the convenience products it currently produces, to a speciality product (Armstrong, 2012), with unique characteristics which a significant group of buyers would be willing to make a special effort to purchase.

There are no Neutraceutical products on the market that combine a healthy vegetable juice with fortified minerals and vitamins along with caffeine and Taurine (GMI/Mintel, 2013) (Mintel, 2013) (Mintel Group Ltd, 2013) (MarketLine, 2013). Research shows that these qualities, combined with labels as depicted in (Fig. 3), are main decision factors when purchasing a product, in addition to the absolute requirement of a specific health benefit (Bleiel, 2010). The new core product (Armstrong, 2012) (Bains, 2011), will be marketed with the main focus on the product being an energising healthy drink which promotes quality and prevention of lifestyle related illness.
Despite a large number of recent studies and governmental organisations determining Red Bull and caffeine to be safe in moderation (British Soft Drinks Association, 2010) (Carvey, 2012) (Food Standards Agency, 2012) (Yamakoshi, 2013) (de Haan HA, 2012), the brand is yet to overcome the perception caused by previous research (Chad J. Reissig, 2009) (Marczinski, 2006). It is essential that Red Bull secures the success of the new product by marketing its health benefits to ensure that the product is incorporated into buyers’ daily routine consumption and ongoing purchase (Bleiel, 2010), in addition to expanding the education of the current customers.

2.2 Promotion

Red Bull's existing well-developed marketing strategy, which uses a combination buzz marketing, sponsorship and TV and print advertising (Red Bull GmbH, 2012), is aimed at 18–25 year olds males. This approach works well to drive home the high octane and adrenaline fuelled message (Red Bull GmbH, 2012), however is failing to capture the growing demographic of over 25s, as well as female consumers (Mintel Group Ltd, 2013).

This is due to the perceived unhealthy ingredients, and high sugar levels. Additionally, in a number of tests energy drinks have been shown to be too sweet (Mintel Group Ltd, 2013), which also deters the impulse purchaser, who is not looking for the physiological effects.
To the consumers who are typically the more health aware and less price sensitive 25+ market (Bleiel, 2010) (Lau, 2013) (Siró, 2008), such as the newly married and long-term cohabiting life-cycle and beyond (Bains, 2011), it is essential that the marketing mix appeals to their physiological criteria. This demographic is the largest purchaser of functional foods and drinks which provide such, such as added vitamins and calcium, to stave off age and lifestyle related diseases (Bleiel, 2010)

Red Bull introduced the Carpe Diem Brand to Austria and Switzerland as a trial to increase share in the Soft Drink and healthy drink markets (Carpe Diem GmbH & Co KG, 2012). However Red Bull has not gone far enough to capture this growing market.

Red Bull is currently engaged in a variety of promotional activities (Euromonitor International, 2013), and has an integrated marketing communications strategy. To successfully market and validate the functional properties and health benefits of the new product, it should be featured on health blogs websites and news and in the general media.

The brand operates under an oligopolistic competition model (Armstrong, 2012), which is highly sensitive to the pricing and marketing strategies of its competitors. The new Neutrectual range will exist in a pure monopolistic model (Armstrong, 2012), where the market consists of many buyers and a single producer.
Figure 7: The Integrated Marketing communications

By sponsoring early adopters (13.5% of the market), (Bains, 2011), health thought leaders and heads of business and industry, Red Bull will effectively be influencing the influencers via referral marketing (Bains, 2011) (Armstrong, 2012). By the sponsorship of personal goal, and large events such as the Olympics, FIFA World Cup, (International Olympic Committee, 2006) (KantarSport, 2010), and events such as marathons (Nestle, 2013), where the targeted demographic is prevalent (The International Olympic Committee, 2013), whilst maintaining the high octane extreme sports, core to the main products, this will align both the current, and targeted demographic, throughout their life cycle.

2.3 Price

Red Bull is classed as fast moving consumer goods, with a low risk profile (Bains, 2011), which customers buy out of habit or availability. Improving the profile at point of sale can maximise impulse purchases as well as ensure inclusion in health food sections in more upmarket retailers such as Fortnum & Masons, Selfridges & Co, Marks and Spencer, Holland & Barrett and Waitrose. It is essential that Red Bull’s new product remains at a premium price, due to the inclusion of a perishable ingredient that will reduce the lifespan of the product.

Studies show that consumers are willing to pay more (Bleiel, 2010) (Annunziata & Vecchio, 2011), in comparison to a standard product with relatively little addition depending on the marketing done. As shown in the example (Fig 7) of Actimel versus normal yoghurt, with the only additional ingredient being added bacteria.
2.4 Process & Place

Currently Red Bull is widely available in most stores, trendy clubs and activity centers, by direct distribution channel structure (Bains, 2011), as well as vertical marketing systems (Armstrong, 2012), selling directly to wholesalers and retailers. By placing the product in premium stores and stylish health clubs, as well as within health food sections, and upmarket stores, the experience of locating and purchasing the product will add an additional sense of style.

It can be argued that this defeats the current impulse buy strategy and may discourage consumers. Red Bull currently distributes point-of-purchase merchandise such as fridges and display materials, which can be expanded to make highly visible displays in these premium locations (Anon., 2013) (Harvey, 2009).

2.5 People & Proof

Red Bull has invested in many promotional teams but this is the extent of its control over the people aspect. They employ brand ambassadors in universities, The Wings Promotional teams, and their sponsored sportsmen and women also profile the brand (Red Bull GmbH, 2012) (Red Bull GmbH, 2013).

Distribution of Red Bull by premium retailers means training and investment programs can be run, enhancing both the sale and delivery of the product. Premium retailers train their employees highly (Tan, 2013), and the exclusivity and stature of the shop results in enhanced buying experience. Red Bull’s integrated communication strategy will provide the early and late majority (Bains, 2011) with the proof they require to make informed decisions.

3. Conclusion

By releasing an energising healthy Neutraceutical drink which promotes quality and prevention of lifestyle-related illness, targeted specifically at the over 25 market, Red Bull will not only change the perception of its high octane profile, but also capture a growing demographic in the next phase of their life cycle. By sponsoring early adopters, health thought leaders and heads of business and industry, Red Bull will facilitate the launch by referral marketing. Red Bull should maintain its current position with its core range, and continue education about the effects of caffeine and Taurine, and position itself as a viable alternative to indirect competitors such as tea and coffee. Changes to the marketing mix should include a move toward a more tangible, life goal orientated sports such as marathons etc.
4. References

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### UMP INDIVIDUAL BUSINESS REPORT MARKING GRID

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<th>CRITERIA</th>
<th>FIRST (70%+)</th>
<th>UPPER SECOND (60-69%)</th>
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<th>FAIL (0-39%)</th>
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<tr>
<td><strong>Demonstrate a clear, detailed and insightful understanding of your chosen brand/organisation, the industry it occupies, the needs of its stakeholders and the markets that it serves.</strong></td>
<td>Excellent, thorough and concisely stated introduction to the brand/organisation, its industry, its markets and stakeholder needs</td>
<td>Good introduction to the brand/organisation, its industry, its markets and stakeholder needs with a number of minor errors or omissions.</td>
<td>Sound introduction to the brand/organisation, its industry, its markets and stakeholder needs with a number of minor errors or omissions.</td>
<td>Basic introduction to the brand/organisation, its industry, its markets and stakeholder needs with the odd major error/omission and a few minor errors or omissions.</td>
<td>The task has been incorrectly attempted or does not demonstrate sufficient understanding of the elements, the company, its stakeholders or the industry it occupies.</td>
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<td><strong>Identify and prioritise critical success factors on the basis of market evidence.</strong></td>
<td>Critical success factors are correct and clearly identified and prioritised. Up to date market evidence or theory has been used to support prioritisation at an excellent level.</td>
<td>Critical success factors are correct and clearly identified and prioritised. Market evidence or theory has been used to support prioritisation with the odd minor omission or error.</td>
<td>Critical success factors are largely correct and an attempt has been made to prioritise them. Some market evidence or theory has been used to support prioritisation but with a number of minor errors or omissions.</td>
<td>Critical success factors are largely correct and an attempt has been made to prioritise them. Some market evidence or theory has been used to support prioritisation but with a major error/omission and a few smaller ones.</td>
<td>Critical success factors are not addressed or the concept is so poorly considered to be unacceptable. Little or no attempt to prioritise them and little or no market evidence in support.</td>
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<td><strong>Demonstrate an understanding of the individual components of your brand's marketing mix.</strong></td>
<td>Demonstrates an excellent understanding of all elements of the marketing mix including both product and service elements. Possibly some consideration of the mix in light of the product anatomy.</td>
<td>Demonstrates a good understanding of all elements of the marketing mix including both product and service elements with a few minor errors or omissions.</td>
<td>Demonstrates a sound understanding of all elements of the marketing mix including both product and service elements with a number of minor errors or omissions.</td>
<td>Demonstrates a basic understanding of all elements of the marketing mix including both product and service elements with a major error/omission and a few smaller ones.</td>
<td>Demonstrates a limited, flawed or poor understanding of the elements of the marketing mix.</td>
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<td><strong>In light of the CSFs, offer clear and reasoned justification as to which elements of the mix might need to be altered and how this might be achieved. Use relevant theoretical concepts/marketing tools to support your arguments.</strong></td>
<td>A good attempt to draw a link between the issues identified by the CSFs and the required alterations to the marketing mix. Proposed alterations are explained in excellent detail using relevant theoretical concepts and marketing tools.</td>
<td>A sound attempt to draw a link between the issues identified by the CSFs and the required alterations to the marketing mix. Proposed alterations are explained in good detail, good use of theories and marketing tools with a number of minor errors or omissions.</td>
<td>Some attempt has been made to draw a link between the issues identified by the CSFs and the required alterations to the marketing mix. Proposed alterations are basically outlined but with a major error/omission and a few smaller ones.</td>
<td>Little or no attempt made to draw a link between the issues identified by the CSFs and the required alterations to the marketing mix. Attempts to explain how elements of the mix should be altered are superficial, unjustified or missing. Limited or no use of relevant theories and marketing tools.</td>
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Present your work clearly and creatively in the form of a formal business report, referenced using UWE Harvard as appropriate. (15%)

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<td>15-12</td>
<td>Report is presented to a professional standard with excellent standards of English, punctuation and grammar. Referenced correctly using UWE Harvard. Minor errors only.</td>
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<td>9-7</td>
<td>Report is presented to a reasonable standard with acceptable standards of English, punctuation and grammar. Referenced correctly using UWE Harvard. A number of minor errors.</td>
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<td>Basic attempt to present work in report format with acceptable standards of English, punctuation and grammar. Referenced correctly using UWE Harvard. A number of major and minor errors.</td>
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<td>4-0</td>
<td>Presentation of report is of an unacceptable standard with poor standards of English, punctuation and grammar. Little or not attempt to reference correctly using UWE Harvard.</td>
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General comments:
An excellent report that addresses all elements of the extended marketing mix for Red Bull and which makes informed and salient recommendations for alterations to the 7Ps (or certain elements thereof). The ideas and arguments therein are supported by effective referencing, marketing theory and secondary data, and your work conveys much learning and a good grasp of the assessment requirements (including how to write business reports). Well done!

Key actions you can take to improve your performance:
Maintain this (high) standard and the good habits observed here. Think about other marketing frameworks or tools that might be useful for the purposes of this assignment (e.g. positioning map).

Marker: Tim Gale

Date: 15/1/2014