Challenges Facing Red Bull in a Changing, Innovating Energy Drink Industry:

Exploration of Red Bull’s Position in its Industry and its Perceived Brand Image among College-Age Men

Final Report

Prepared for:

Red Bull GmbH

December 2016

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Marketing 113, Marketing Research: TR 3:30pm

**Table of Contents**

|  |  |
| --- | --- |
| Executive Summary | 3 |
| Introduction | 5 |
| Method | 6 |
| Results | 6 |
| Secondary Research and Background Information | 6 |
| Focus Group Results | 7 |
| Survey Responses and Analysis | 7 |
| Limitations | 9 |
| Conclusions and Recommendations | 9 |
| References | 11 |
| Appendices | 14 |
| Appendix A: Research Proposal | 14 |
| Appendix B: Survey Questionnaire | 17 |
| Appendix C: Data Tables | 19 |
| Appendix D: Descriptive Statistics | 21 |
| Appendix E: Codebook for Survey | 22 |
| Appendix F: Moderator’s Guidebook for Focus Group | 23 |
| Appendix G: Notes from Secondary Research | 25 |
| Appendix H: Notes from Focus Group | 32 |

**Executive Summary**

We were contacted in October 2016 by Red Bull GmbH to explore the presence of challenges facing its Red Bull energy drink brand and ways in which that brand could increase market share within the United States, while halting the momentum of significant competitors like Monster Energy. In particular, we conducted research pertaining to elements such as (1) the sentimental perception of Red Bull, its brand, and its advertisements, (2) perception of Red Bull as it specifically pertains to health and the attraction of health-conscious consumers, and (3) the partnerships that Red Bull should pursue in order to help effectively answer the former two questions. The purpose of this research is to provide Red Bull GmbH management with the proper tools to determine its current position within the energy drink industry and to improve that position relative to key competitors. Understanding the way Red Bull’s target market sees its brand and the desires that this target market has are essential steps to preventing further damage to Red Bull’s market share, and to reversing the trend such that the brand regains its clear position as the industry leader in the United States.

About the Research. First, we conducted a focus group consisting of five male undergraduate students attending Drake University. Following that focus group, we then used an online survey that was distributed to a convenience sample, also comprised of male undergraduate students attending Drake University. We received 47 responses from a total of 182 student contacts, yielding a 25.8% response rate.

**Key Results.**

* Secondary research indicates that Red Bull is being “out-innovated” and beaten to key distribution partnerships by Monster Energy
* Focus group participants indicated that Red Bull’s sports-related advertising is ineffective in driving conversions
* 62% of undergraduate males at Drake University hold a favorable view of the Red Bull brand; 23% hold an unfavorable view; and 15% view the brand neither favorable nor unfavorably
* 70% of undergraduate males at Drake University view Red Bull as unhealthy; 34% are concerned with chemical content; and 23% are concerned with caffeine content
* When given the option to recommend changes, 65% of undergraduate males at Drake University recommended natural ingredients
* 45% of undergraduate males at Drake University recommend fruit-flavor as a desirable special edition promotion
* On a scale of 1 to 5, undergraduate males at Drake University greatly prefer buying at student centers (3.3) to coffee shops (2.1) and fast food outlets (2.0)

**Recommendations.** Based on the results of our survey, we offer a small number of important recommendations.

1. Red Bull should decrease dollars allocated to sports-related advertising and college ambassadors, and instead focus on more traditional advertising themes.
2. Red Bull should gradually introduce new, healthier energy drink options that contain natural ingredients and a wider variety of flavors.
3. Red Bull should establish partnerships with undergraduate institutions of higher education, and with food services companies capable of assisting in distribution.

**Introduction**

The owners and managers of Red Bull GmbH face significant challenges in maintaining their brand’s position as the market leader for energy drinks in the United States. Red Bull claims that, when it was founded in 1987 in Austria, it originated the concept of the energy drink and created a new industry [REDBULL SITE]. According to Investopedia, Red Bull’s marketing strategy relies primarily upon the dissemination of advertising relating to extreme sports; this includes sponsorships, events, and television commercials. Consumed in 167 different countries and controlling 32 percent of the global market as recently as 2013, Red Bull’s most significant goals going forward include expanding their market and sales in the United States (Fontinelle, 2015).

In the United States, Caffeine Informer states that Red Bull held 43 percent of the energy drink market in 2014, compared to Monster’s 39 percent (Caffeine Informer, 2016). The proximity of these values clearly illustrates Red Bull’s dilemma, as it has nearly been overtaken by a much younger brand in an industry for which it takes credit. As reported by Press Enterprise, the most recent sales quarter of 2016 saw just 2.4 percent growth for Red Bull compared to 6.4 percent growth for Monster; the industry as a whole grew by 3.5 percent, indicating that Red Bull is starting to fall behind its own industry as well as its main competitor (Buck, 2016). Meanwhile, Real Money argues that Monster Energy faces unprecedented opportunity in its industry with the 2014 distribution deal it made with Coca-Cola, as it now has the capacity to reach more countries than Red Bull with products that were already “out-innovating” other brands (Sozzi, 2016). It is clear that the primary issue that Red Bull now faces is turning around its falling market share and preventing its competitors from outperforming the brand in growth and sales.

Red Bull faces a pivotal moment in the history of its brand; it is clear that something is not working, and that its marketing strategy desperately needs to adapt in order to combat the competitors that it now faces. In order to address these concerns in a thorough, effective manner, we posed three research questions:

* Sentimentally, how do people perceive Red Bull? How do people perceive our advertisements?
* How do people perceive Red Bull health-wise? What can Red Bull do to attract more health-conscious consumers?
* What types of partnerships should Red Bull pursue?

**Method**

**Research Design.** We decided to begin the research process by collecting information and data from secondary research sources, comprised of professionally-oriented publications and articles that addressed Red Bull and the energy drink industry. We collected background information about the brand and industry as well as statistics, opinions, and analyses that provided the framework for further exploration in primary research. Sources like Yahoo! News’ Investor’s Business Daily, Press Enterprise, and Investopedia provided useful quantitative information that helped us give form to the problems that Red Bull is facing. Others, such as UKEssays, LinkedIn, and Forbes gave us information that helped us determine the target demographic and helped compare Red Bull with Monster in less numbers-specific ways. Throughout the research process, the many sources that we collected for the purposes of secondary research helped to inform our questions, our focus group and survey design, our direction in researching the brand, and how we addressed the problems that were identified.

In terms of primary research, we first performed a focus group that was designed with the intention of focusing directly on our proposed research questions and associated information. We wanted to explore, in real consumers terms, how Red Bull’s target market perceived the brand, how they felt about the brand’s health profile, how they perceived their own relationship to the brand, and what they thought could be improved about the products that Red Bull offers. From the information provided by UKEssays, we determined that an appropriate target population from which to sample was college men from the ages of 18 to 25, reinforced by the fact that our geographical reach was mostly limited to the Drake University campus in Des Moines, Iowa. Thus, our population for all primary research became undergraduate male students at Drake University, between the ages of 18 and 25.

We then created an online survey, informed by the secondary research and by the focus group results, that was intended to provide more quantitative information about the problems and sentiments that we had identified, as well as to directly compare potential Red Bull actions to those being taken by Monster. The survey questionnaire (Appendix B) included six explicitly close ended questions and three that were in some way open ended, allowing for other responses and for the description of an advertising experience. This survey’s sample was taken using a convenience sample due to the constraints placed on the context of the research; upon distribution, we contacted 182 people and received 47 recorded responses for a response rate of 26 percent.

**Results**

**Secondary Research and Background Information**

Our secondary research yielded a plethora of information regarding the current situation of Red Bull and their challenges in the current market. The most important takeaways, and all those that were used in building our primary research, have been listed below:

* As recently as 2014, Red Bull held 43% of the United States energy drink market, compared to Monster’s 39% (Caffeine Informer, 2016)
* Red Bull is “out-innovated” by Monster Energy in variation and in utilizing partnerships for distribution (Sozzi, 2016)
* Red Bull products perform poorly in taste testing (Gschwandtner, n.d.)
* The target market for Red Bull is men from the ages of 18 to 25 (UKEssays, 2015)
* Café Monster will be introduced in 2017 (Radic, 2016)
* Performance-enhancing ingredients in energy drinks are becoming more popular (Fontinelle, 2015)

A comprehensive review of sources and notes taken from these sources is available in Appendix G of this document; please note that several pieces of information are repeated by multiple sources, and as such are cited above from the first source that we discovered that relayed such information.

**Focus Group Results**

In order to assess the relationship between Red Bull and the typical undergraduate male at Drake University, we collected qualitative information regarding consumer sentiment toward the product. Some of our key findings from this area were as follows:

* Red Bull’s negative flavor profile was the most prominently mentioned immediate thought
* The sugar content, calories, and overall health profile was the second most important discussion point, regarding the drink’s inefficiency for exercise use
* Overall, consumption of the drink ranges from rare to moderate frequency, with no heavy users
* Red Bull is strongly associated with activities that require energy and endurance
* Advertising including the “gives you wings” tagline is memorable, but the links to extreme sports are not and do little to actually drive sales
* Natural ingredients and flavors would be preferred over current options

Full notes taken by our research team are available in Appendix H of this document.

Overall, it seems that Red Bull is perceived as a tool to use when in need of a significant rush of caffeine-fueled energy, and that it is not perceived as an appropriate sports drink. Concerns were raised that the drink’s sugar content and calorie count counteract the potential athletic benefits of the energy that the drink produces; rather than being sports-oriented, Red Bull functions best in terms of activities like gaming and overall productivity.

**Survey Responses and Analysis**

With the survey administered, most questions were analyzed in terms of percentages, as many questions were based on choosing a predetermined response from a set of classes. For the questions pertaining to favorability, the degree to which the brand is refreshing, whether respondents were likely to purchase a coffee-like Red Bull, and the locations at which respondents were likely to buy Red Bull, simple descriptive statistics were also analyzed. The relevant descriptive statistic tables can be found in Appendix D of this document. Frequency analysis, in the form of data tables, is available in Appendix C of this document.

**Favorability and Perception.** The first section of our survey dealt with the respondents’ favorability toward Red Bull and their reasons for or against consumption of its products. We determined from the responses to this question that the brand is perceived as favorable (62%) and consumed primarily for its intended energy-providing purpose (70%), but that it is widely perceived as unhealthy (70%). Overall favorability, when coded as a numerical value from 1 to 5, had a mean of 3.40; we can be 95% confident that the favorability of the population lies between 3.02 and 3.78, indicating at that the population has at least a somewhat favorable opinion of the brand.

Only 36% of respondents indicated that they liked the taste of Red Bull products. With these significant statistics we see an immediate problem with the perception of the brand – it’s viewed as unhealthy by the majority of its potential target market and has poor flavor, despite having a positive reputation overall. This prevents Red Bull from fully capitalizing upon the existing possible customers that are driving sales for other brands in the energy drink industry. Additionally, when asked to rate Red Bull from one to five on the extent to which its products are “refreshing,” the average response was approximately 2.85, and we can be 95% confident that the population score lies between 2.55 and 3.16; this indicates only modest performance for a beverage, and is further indicative of a poor flavor profile.

**Advertising.** When asked what kind of advertising each person remembered experiencing most recently, given the opportunity to answer open-endedly, 13 of the 41 individuals who completed the survey described interaction with a campus representative for the brand. Generally, the responses could be divided into the following categories:

* Campus Representatives
* Gives You Wings Campaign
* Extreme Sports Advertisements
* Sports Sponsorships
* Other

A further eight individuals described the “gives you wings” tagline and campaign, while only five described extreme sports advertisements and another five mentioned different kinds of sports sponsorships. This once again clearly illustrates the problem with Red Bull’s sports-oriented brand imagery; it has become their primary focus as a brand, but is the most recently seen advertising channel for just a fourth of the people in its target market – a number that is not statistically more significant than the number of people who recall the “gives you wings” campaign.

**Product Variations and Purchasing Environment.** The latter half of the survey contained questions primarily addressing possible variations on the product and likely purchasing location. The most striking finding is that the students sampled were overwhelmingly unlikely to buy the product from fast food outlets and coffee shops; on a scale of one to five, these locations had a score of just 2.00 and 2.11 respectively. We can be 95% confident that these values for the population lie between 1.64 and 2.36 for fast food outlets and between 1.77 and 2.44 for coffee shops. In contrast, student centers had a still-lukewarm but higher score of 3.3; we can be 95% confident that the score for the population is between 2.94 and 3.70. While convenience stores were not measured, this seems to back the secondary research conclusion that Red Bull is unlikely to be purchased outside of convenience stores, though other locations like student centers show potential to drive growth.

Regarding possible changes to available beverage options, respondents overwhelmingly expressed that they would be unlikely to purchase a coffee-oriented Red Bull product (66%). When converted to a scale from 1 to 5, the average likelihood of purchasing such a product became 2.36; we can be 95% confident that the likelihood for the population lies between 1.94 and 2.78. This question was asked specifically to compare to Monster Café, a product that launches in 2017; this does not seem to be a viable product option. When asked to choose between possible changes, 64% responded that the inclusion of natural ingredients would make them more likely to purchase Red Bull, and 45% expressed a desire for a fruit-flavored special or limited edition of the drink. This reinforces the ideas that health concerns and flavor concerns are primary barriers to Red Bull’s success, and revision to the formula is needed.

**Limitations**

Due to the context of this research, we are limited to a population of 1,440 male undergraduate students at Drake University. While our conclusions can reasonably be applied to other undergraduate institutions, we can only be truly confident in our results as they pertain to this specific campus due to the nature of our convenience sample. Additionally, as six survey respondents failed to give a response to the open-ended advertising questions, our sample for that question is just 41, which falls short of the 42 responses required to create a reasonably representative sample. As such, conclusions drawn from that response may not hold as true as others, even with corroboration from secondary research and our focus group.

**Conclusions and Recommendations**

The research that we performed, though limited in scope to the Drake University male undergraduate population, provides valuable insights that allow us to make specific recommendations to address Red Bull’s challenges in the current energy drink market. We can adequately advise Red Bull in answering our core decision problem of increasing market share within the United States, while halting the momentum of significant competitors. The following comprise a summary of our findings and recommendations organized by the research problems that we posed at the beginning of the study:

1. **Sentimentally, how do people perceive Red Bull? How do people perceive their advertisements?**

* Red Bull is perceived favorably or very favorably by 62% of survey respondents, and neutrally by a further 15%
* Red Bull is perceived as having an inadequate flavor profile
  + Only 34% purchase because of taste
  + Respondents scored Red Bull as a 2.85 on a scale of 1 to 5
  + Focus group participants frequently mentioned the poor taste
* Survey results indicate that only 24% of respondents recalled sports-related advertising more recently than other forms
* The focus group concluded that sports advertising was neither memorable nor in line with the perceived purpose of the product

From these results, we can provide several recommendations to Red Bull. The first that we can make is that Red Bull should reduce its advertising allocations to materials related to extreme sports; such advertising appears to be wholly ineffective. This type of advertisement should be replaced with further instances of the Gives You Wings campaign. Additionally, because of the prevalence of campus representative advertising, we recommend that Red Bull shift advertising dollars from campuses to their television and online advertising during the summer.

Regarding taste, we recommend that Red Bull introduces special or limited editions with both natural ingredients and fruit flavors. This fruit flavor could then be gradually transitioned into a full-time, widely available variant of Red Bull; this would alleviate concerns about poor flavor profile and would give the brand the opportunity to drive further conversions.

1. **How do people perceive Red Bull health-wise? What can Red Bull do to attract more health-conscious consumers?**

* Survey respondents overwhelmingly indicated that Red Bull products are unhealthy, at 70%
* Focus group participants concluded that there is no benefit toward drinking Red Bull for exercise due to calorie content and sugar
* 64% of survey respondents indicated that natural ingredients would be a positive purchasing incentive

Our recommendations with regard to health are simple and easy to follow; we would recommend that Red Bull, as mentioned in the previous section, start by introducing special and limited editions of their drink that include natural ingredients. As with the flavoring, this could be transitioned into a more widely available product. This would ideally have further tangible health benefits than just health perception, and could drive Red Bull’s athletic market sales and reduce the reluctance of common consumers to purchase.

1. **What types of partnerships should Red Bull pursue?**

* Survey respondents indicated that they would be much more likely to purchase from a student center (3.3 on a 1 to 5 scale) than other tested locations
* Secondary research indicates that Monster Energy’s deal with Coca-Cola has driven significant growth and opportunity

This research question is best addressed in two concise, clear recommendations. First, due to the composition of Red Bull’s target market and the research indicating likelihood to purchase in student centers, we recommend that Red Bull pursue partnerships with universities and colleges. Additionally, due to the success of the Monster Energy and Coca-Cola partnership, we recommend that Red Bull partner with other popular food and beverage brands with a specific focus on expanding its distribution network.

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Appendices

**Appendix A**

**Research Proposal**

1. **Problem Definition & Background**

It has become clear in recent years that Red Bull – one of the most prominent brands in the global energy drink industry – is losing its foothold on the American energy drink market. The company faces a strong challenge by rival brand Monster Energy, as the latter grows its American sales and encroaches upon Red Bull’s market share. As Monster partners with giants like Coca-Cola and diversifies its selection, Red Bull lags in innovation and fails to keep up with an increasingly health-conscious consumer body.

For this reason, the primary decision problem facing Red Bull is that of how to increase its market share and halt the momentum of its rival brands. Reversing Red Bull’s decline in relative market share would be the primary goal; preventing Monster from overtaking Red Bull and securing the now-jeopardized pole position within the market is an important step in driving further success. Specific research problems facing the brand include the following:

* Sentimentally, how do people perceive Red Bull? How do people perceive its advertising?
* How do people perceive Red Bull health-wise? What can Red Bull do to attract more health-conscious consumers?
* What types of partnerships should Red Bull pursue?

These research problems were built primarily from preliminary investigation and secondary research regarding Red Bull; together, they explore the brand’s weaknesses and provide opportunity to find solutions the problem that if faces. Sentimental perception of the brand and its advertising, or more simply brand image, is a key element of financial brand success; health perception directly impacts the purchasing choice of any beverage market; and partnerships with other companies and brands are essential for optimal distribution networks and image.

1. **Research Design & Data Sources**

The first step in addressing this problem is gathering data through secondary research. Due to the professional nature of the problem, dealing with the market share of two specific and widely-known brand names, this secondary data should be primarily professional or academic in nature. Academic sources can also be used, but reputable professional sources will yield the most accurate, up-to-date, and useful information, both in terms of quantitative data and qualitative data. This secondary research should focus specifically on trends within the energy drink industry, analysis of the situations in which both Red Bull and Monster find themselves, and where Red Bull’s strengths and weaknesses lie as a brand.

This secondary research would then ideally be used to inform various types of primary research that would then be conducted in order to further address the research questions. The initial form that this primary research would take would be a small, exploratory focus group. Such a focus group would focus on the specific demographics to whom secondary information suggests the brand most appeals; in this case, it will likely be young college-age men. The focus group should have the primary goal of exploring possible answers to the research questions posed earlier, as well as clarifying and strengthening information from the secondary research. The objective would be to collect qualitative information regarding the brand and research questions, which would then be used to investigate further.

Finally, the results of the secondary research and the focus group should be used to inform a detailed survey that seeks to collect primarily quantitative information. This survey, like the focus group, should be directed toward the specific market to which the research most strongly applies, once again accounting for particular demographic constraints.

1. **Sampling Plan**

The first concern in determining an appropriate sample for primary research is determining the target market to which the research should apply; the second is acknowledging limitations to the research that can be performed. In this particular situation, it is recommended that the target population be limited to male undergraduate students between the ages of 18 and 25 according to background information that has been obtained; this is partially because of the marketing and brand image of Red Bull’s overall brand, and because the research will be geographically limited to the Drake University campus and surrounding areas.

Furthermore, the population to which the study can be adequately generalized must then be limited to those who fit the demographic constraints and attend Drake University, yielding a final population of approximately 1,440 individuals. As such, the required sample size to create a statistically acceptable representation of the population is approximately 42, assuming a 95% desired confidence level and a 15% desired confidence interval. This sample, due to the constraints placed upon the likely research team, would be obtained using convenience sampling methods. Item nonresponses within the sample would only be discounted for the particular questions for which the respondent failed to answer.

1. **Data Collection Forms**

In moderating the focus group, questions should be tailored to qualitative investigation of the research questions posed regarding Red Bull. Questions should try to assess consumer sentiment and health perceptions, with potential corporate partnerships being mentioned lightly or being drawn from the information yielded by the prior question categories. A full guidebook for such a focus group can be found in Appendix F of this document.

The questions on the survey should, while being informed by the results of the focus group, have a more targeted and quantitative approach. The focus should be on finding a way to quantify sentiment and health perception, fielding potential scenarios or options that address the problems that Red Bull faces, and investigating the research questions thoroughly. A full sample questionnaire can be found in Appendix B of this document.

1. **Analysis**

Due to the nature of the research being conducted, it will not be necessary to do a large amount in-depth statistical analysis using univariate tests; much of the of the data that we recommend collecting will be in the form of qualitative information provided by secondary research sources and by participants in a focus group.

For the questions on the eventual survey that are numerical in nature, we can reasonably analyze basic descriptive statistics in order to determine elements such as confidence intervals; we could reasonably perform frequency analysis in order to determine if there are significant outliers or patterns, and we could examine the distributions of the data.

Additionally, from all of these data sources, we can reasonably draw simple but effective conclusions; bare percentages can yield appropriate information, and can draw a powerful picture on their own. Qualitative information can be used to back up the conclusions of numerical data, and performing quick analysis of descriptive statistics for each variable can finalize these conclusions.

1. **Time Schedule**

**Timeline**

Preliminary Investigation                                                              September 22nd-October 4th

Test of Questionnaire and Further Extended Research         October 6th -October 22nd

Sample Selection                                                                           October 24th-November 29th

Share Surveys and Field Follow-Up                                       November 29th- December 3rd

Analysis and Preparation of Final Report                   December 3rd - December 6th

**Appendix B**

**Survey Questionnaire**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Please indicate the extent to which you view Red Bull as favorable or unfavorable. | | | | | | | | | |
| Very Unfavorable | Somewhat Unfavorable | | Neither Favorable or Unfavorable | | | Somewhat Favorable | | Very Favorable | |
| 1. Why do you consume Red Bull (you may select more than one)? | | | | | | | | | |
| Added Energy I identify with the extreme sports message My friends all drink it  I enjoy the taste  Other (please specify) | | | | | | | | | |
| 1. What is most keeping you from consuming Red Bull more frequently? | | | | | | | | | |
| It has too much caffeine  It is unhealthy  I'm too old  None of my friends drink it  Too many chemicals  Other (Please Specify) | | | | | | | | | |
| 1. To the best of your knowledge, please list the most recent Red Bull advertisement or public event/promotion you can remember. | | | | | | | | | |
| 1. To what extent do you perceive Red Bull to be refreshing (1 being not at all refreshing and 5 being very refreshing)? | | | | | | | | | |
| 1 | 2 | | 3 | | | 4 | | 5 | |
| 1. Which (if any) of the following perks would make you more likely to purchase Red Bull? | | | | | | | | | |
| Natural Ingredients  Enhanced Sports Performance  Minimal "Crash"  Other (Please Specify) | | | | | | | | | |
| 1. How likely would you be to purchase a coffee-like Red Bull? (e.g a Red Bull Latte, etc.) | | | | | | | | | |
| Very Unlikely | Somewhat Unlikely | | Neither Likely nor Unlikely | | | Somewhat Likely | | Very Likely | |
| 1. How likely would you be to purchase Red Bull in the following environments? (1 being the least likely, five being the most likely)? | | | | | | | | | |
|  | | 1 | | 2 | 3 | | 4 | | 5 |
| Fast Food Restaurant  Coffee Shop  Student Center | |  | |  |  | |  | |  |
| 1. If Red Bull were to offer special editions of the drink for a limited time, which type of edition would you most like to see? | | | | | | | | | |
| Fruit-Flavored  Seasonal / Holiday  Promotion surrounding a major sports event  Promotion surrounding the launch of a Video Game or Movie | | | | | | | | | |

**Appendix C**

**Data Tables**

|  |  |  |
| --- | --- | --- |
| 1. Please indicate the extent to which you view Red Bull as favorable or unfavorable. n = 47 | | |
| *Category* | *Count* | *%* |
| Very Favorable Somewhat Favorable  Neither Favorable or Unfavorable Somewhat Unfavorable  Very Unfavorable | 8  21  7  4  7 | 17  45  15  9  15 |
| 1. Why do you consume Red Bull (you may select more than one)? n = 47 | | |
| *Category* | *Count* | *%* |
| Added Energy I identify with the extreme sports message  My friends all drink it  I enjoy the taste  Other (please specify) | 33  3  3  17  9 | 70  6  6  36  19 |
| 1. What is most keeping you from consuming Red Bull more frequently? n = 47 | | |
| *Category* | *Count* | *%* |
| It has too much caffeine It is unhealthy  I’m too old  None of my friends drink it  Too many chemicals Other (please specify) | 11  33  1  0  16  12 | 23  70  2  0  34  26 |
| 1. To the best of your knowledge, please list the most recent Red Bull advertisement or public event/promotion you can remember. n = 41 | | |
|  | | |
| 1. To what extent do you perceive Red Bull to be refreshing (1 being not at all refreshing and 5 being very refreshing)? n = 47 | | |
| mean = 2.85; std. dev. = 1.04; median = 3 | | |

|  |  |  |
| --- | --- | --- |
| 1. Which (if any) of the following perks would make you more likely to purchase Red Bull? n = 47 | | |
| *Category* | *Count* | *%* |
| Natural Ingredients Enhanced Sports Performance  Minimal “Crash”  Other (Please specify) | 30  8  15  9 | 64  17  32  19 |
|  | | |
| 1. How likely would you be to purchase a coffee-like Red Bull? (e.g a Red Bull Latte, etc.) n =47 | | |
| *Category* | *Count* | *%* |
| Very Likely Somewhat Likely  Neither Likely or Unlikely Somewhat Unlikely  Very Unlikely | 6  6  4  14  17 | 13  13  9  30  36 |
| 1. How likely would you be to purchase Red Bull in the following environments? (1 being the least likely, five being the most likely)? n = 47 | | |
| *Category* | *Mean* | *Std. Dev.* |
| Student Centers Coffee Shops  Fast Food Restaurants | 3.32  2.11  2.00 | 1.30  1.15  1.22 |
| 1. If Red Bull were to offer special editions of the drink for a limited time, which type of edition would you most like to see? n = 45 | | |
| *Category* | *Count* | *%* |
| Fruit-Flavored Seasonal / Holiday  Promotion surrounding a major sports event  Promotion surrounding the launch of a Video Game or Movie | 21  11  9  4 | 47  24  20  9 |

**Appendix D**

**Descriptive Statistics**





**Appendix E**

**Codebook for Survey**

**Variable Name Description Response Options**

ID Questionnaire Identification Number

FAVOR Favorability toward Red Bull (1 – 5; “very unfavorable – very

favorable)

FOR Reasons for consumption SAME

FOR-T Open ended response to FOR

AGAINST Reasons against consumption SAME

AGAINST-T Open ended response to AGAINST

ADS Open ended response to most recently seen Campus representative = 1

form of advertising from Red Bull Gives You Wings = 2

Sports Ads = 3

Sports Sponsorships = 4

Other = 5

REFRESH Extent to which Red Bull is refreshing 1 – 5

INCENTIVE Elements that would increase likelihood to SAME

purchase Red Bull

INCENT-T Open ended response to incentive

COFFEE Likelihood to buy a Red Bull coffee product (1 – 5; “very unlikely – very

likely”)

FASTFOOD Likelihood to purchase Red Bull at a fast 1 – 5

food location

SHOP Likelihood to purchase at a coffee shop 1 – 5

STUDENT Likelihood to purchase in a student center 1 – 5

SPECIAL Special edition that would incentivize purchase Fruit-Favored = 1

Seasonal / Holiday = 2

Promotion surrounding a major

sports event = 3

Promotion surrounding the launch of a Video Game or Movie = 4

**Appendix F**

**Moderator’s Guidebook for Focus Group**

Materials Needed

Phone to record

Big thing to write on

Big marker(s)

Note cards

Pens/Pencils

Computer to play advertisement(s)

Moderator’s Guidebook

Tell them conversation is being recorded/monitored but responses are confidential

Tell them what is to come

Tell them to keep their own opinion

Go over rules of road (treat everyone with respect)

Warm up questions (name/occupation/hobbies)

1. Nominal Question: Give them a notecard, and ask them to write down perceptions of energy drinks.
2. How often and in what quantity do you consume energy drinks?
3. Tell me about positive experiences you’ve had with energy drinks.
4. Think back to the first time, you were exposed to Red Bull advertising, what was your initial reaction?
5. Tell me about disappointments or shortcomings you have had with energy drinks.
6. Did these disappointments cause you to purchase less energy drinks? What holds you back from purchasing as much energy drinks as say, soda?
7. When you decide to purchase energy drinks, what do you look for? Take a piece of paper and jot down three things that are important to you when you purchase.
8. List down all the reasons on a flip chart. If you had to pick only one fact that was most important to you, what would it be? You can pick something that you mentioned or something that was said by others.
9. Have you ever changed brands or types of energy drinks? What brought about the change?
10. Watch the following advertisement: https://www.youtube.com/watch?v=WdUytwMi3G4

* How does this ad make you feel?
* Think of the type of ad that you typically respond positively to. Does this make you more likely to want to drink Red Bull?
* Think of the type of person you are (high school archetype). Would you say that you fit in to Red Bull’s target market?
* If you were the creative director of a Red Bull ad, what would your ad include? How would it differ?

1. Suppose a new flavor or type of Red Bull was introduced? What type of marketing would you hope to see this brand take on?
2. What do your friends think of Red Bull?
3. Sentence Completion task. I am going to read a sentence, write down one word or phrase to complete the sentence. We will go through all the sentences at the end and share our words.
4. People who drink energy drinks are \_\_\_\_\_\_\_
5. When I think of Red Bull, I think of \_\_\_\_\_\_\_\_
6. My energy drink consumption pattern is like a \_\_\_\_\_\_\_\_\_
7. Imagine you move to a new city and there are Red Bull cars driving around handing out free Red Bull like they sometimes do in larger cities. How would you react to the cars and this form of advertising?
8. Any other thoughts?
9. Thank them for participating in the focus group.

**Appendix G**

**Notes from Secondary Research**

Press Enterprise

* Energy drink sales increased 3.5 percent in 3Q16, with Monster sales growing 6.4 percent and sales of Red Bull, the leading energy drink, growing 2.4 percent
* Third-quarter sales in the beverage industry are weak on a global basis
* Monster is continuing the worldwide transfer of its bottlers to Coca-Cola Co. bottlers after formalizing its alliance in 2015

NASDAQ

* Euromonitor International estimates that Red Bull had a 43% share of the global energy drink market as of 2014, the most recent year annual data are available; Monster, which gets most of its sales from the U.S., was second with 39%
* If you look at the U.S. only, Monster has lost some share to Red Bull in 2015 on a revenue basis; part of that is that Red Bull put in price increases
* Red Bull's sales have been a percent or two above Monster's
* In cases and units sold during 3Q15, Monster's market share increased and is ahead of Red Bull's
* Monster need to grow its business overseas, where Red Bull holds a commanding lead
* Monster is prepared to move into Russia and China during 2016, and also plans to enter other regions, such as Nigeria
* The majority of sales will probably be at gas/convenience store channels, but the other channels should help drive growth in margins

Real Money

* Coca-Cola should buy all of Monster Beverage
* Coke took a 16.7% stake in Monster back in late 2014 and began to distribute Monster's various energy drinks through its vast bottling network
* Coke was basically able to shut out others PepsiCo from swooping in and buying all of Monster
* Monster's stock has essentially gone straight up since Coke acquired its stake
* Why buy all of Monster?
  + Monster's business profile is very favorable
    - Monster continues to notch solid sales growth and has operating margins of nearly 50% in the U.S
    - Monster is seeing strong double-digit sales growth with rapidly expanding margins in international markets
    - Monster is simply out-innovating Red Bull and most others in product innovation
  + Industry backdrop remains healthy
    - For the four weeks ended July 23, 2016, sales in the convenience and gas channel, including energy shots, increased 2.5% year over year
    - Sales of Monster rose 5.9% from the prior year. Sales of Red Bull increased 0.3%
  + Monster sitting on a potential emerging-market payday
    - Approximate early fourth-quarter launch of Monster in China
    - Monster is currently awaiting approval for the launch in India

Investopedia: "Monster Beverage Gets Energy from Coca-Cola Deal"

* Coca-Colapurchased a minority stake of 17% in Monster for $2.15 billion, which allowed the two companies to swap a few products, and share their distribution networks
* Coca-Cola became Monster’s global distribution partner, and Monster took charge of all energy drink products of Coca-Cola.
* Reporting impressive numbers for 2Q16, Monster net sales outside the United States rose 33%, following a similar 32% jump in 1Q16; earnings per share increased 25.3% in the second quarter, year-over-year
* Germany, Australia, New Zealand, Singapore, Russia, Portugal, Spain, Albania, Iceland, Macedonia, Peru, Serbia, South Africa, Guatemala and Mexico have all started distribution
* Chile, Colombia, Montenegro, Ukraine and eight African nations are next on the list for launches planned for 3Q16; Brazil, the Caribbean and many nations of Central America and North Africa are tabbed for expansion in 4Q16

FoodNavigator-Asia

* Trademark issues and intense local competition among manufacturers have been holding up Monster Beverage’s charge into China
* Coca-Cola has its eyes on replicating Monster's popularity in its home market, where it enjoys 52.8% market share largely due to its large size and high taurine content
* China has become the biggest global market for energy drinks and is continuing to show world-beating growth; in 2015, sales stood at over 1.3 billion litres, up 25% year on year, with revenues increasing by over 15% to $9 billion
* Chinese functional beverage consumption still remains low, with the average consumer buying less than 2 litres each year (not a tenth that in developed countries)
* Monster's trademark has already been registered by a third-party in China (Shanghai Monster/Mansite registered the trademark, launched a fruit drink under the name in China, and has similar packaging to that of American brand
* Red Bull accounts for around 80% of market share in China

The Sydney Morning Herald

* Ten Yoovidhya family members share 49% of Red Bull while Chalerm Yoovidhya, the Chaleo Yoovidhya's eldest son, owns another 2%. The remaining 49% is held by Dietrich Mateschitz
* Seven members of the Yoovidhya family also own T.C. Pharmaceutical, which controls 51% of Red Bull China; Mateschitz doesn't have a stake in the Asian ventures
* Red Bull had global energy-drink sales of $43 billion in 2015; estimating the segment will continue growing at an 11/cent compound annual rate through 2020; Red Bull has a 30.2/cent global share of the market and T.C. Pharmaceutical another 11.8/cent
* Red Bull had 5.9 billion euros ($6.2 billion) of global revenue in 2015; publicly traded Monster Beverage Corp, Red Bull's closest peer, had $2.7 billion of revenue in 2015, and its two founders, Rodney Sacks and Hilton Schlosberg, have a combined wealth of $2.2 billion

Euromonitor

* Strengths
  + Category leader
    - Red Bull has established a strong, consistent brand image (an independent, edgy brand) globally; Red Bull is synonymous with energy drinks in many countries
  + Broad geographic presence
    - Red Bull has a broad geographic, which should ensure positive long-term growth even if certain markets reach maturity
* Weaknesses
  + Category limitations
    - In overall soft drinks, Red Bull has a limited product portfolio compared to the rising number of rivals with a plethora of flavour variants and categories
  + Controversial
    - The relatively high content of Red Bull makes the brand highly vulnerable to regulatory control
* Opportunities
  + Emerging markets
    - Emerging markets represent newer geographies for Red Bull's expansion; accelerating the marketing and sponsorships in these markets is a wise move
  + New production
    - Red Bull is building a new production facility in Brazil which is likely to make its retail price more competitive than imported product prices; Building a site in Asia should also be considered
* Threats
  + Competition
    - Monster represents the biggest threat to Red Bull as it contains natural ingredients, which seem more desirable than Red Bull for some consumer
  + High marketing costs
    - Market maturity in developed markets will make marketing to its core consumers harder than in the past; constant communication with consumer means high marketing costs

Investopedia:

* Red Bull
  + Red Bull is sold in 167 countries and experienced strong sales growth in India, Japan, Turkey, Scandinavia, Russia, and Brazil in 2015
  + Red Bull plans to focus on continued expansion in the United States, Western Europe, and the Far East
  + Red Bull’s advertising strategy relies heavily on event and extreme sports sponsorship, buzz marketing, and television ads
* Monster
  + Monster is sold in 114 countries
  + Coca-Cola’sdistribution network reaches more than 200 countries, which should help increase Monster’s sales internationally
  + With US sales of $3.147 million from July 2012 through June 2013, Monster Energy is a close second to Red Bull
  + Once Monster acquires Coca-Cola’s portfolio of energy drinks, Monster could become the dominant player in the US market; however, while Red Bull’s lead in sales over Monster is small domestically, it is large internationally
    - In 2013, Red Bull had about 32% of the worldwide market, while Monster had about 14%; similar to Red Bull, Monster’s marketcapitalization is nearly $20 billion
  + Monster’s stock dramatically outperformed that of Coca-Cola, PepsiCo, Dr. Pepper Snapple Group, the NASDAQ, and the S&P 500 between 2008-2013
  + Monster, and less so Red Bull, is on top of the trends in the energy drink and broader soft drink industry and has widened their product offerings to compete with smaller players
  + Energy drinks with additional ingredients that are supposed to enhance athletic performance and recovery are trending upwards

Seeking Alpha:

* Over the last five years, Monster has grown earnings byan average of 17.7% per annum; rather positively, this growth rate is predicted to increase to an impressive 20.4% over the next five years
* Monster will only be good value if it delivers on expectations
* The energy drinks market in the United States will grow at acompound annual growth rate of 11.42% through to 2019; this organic growth should help bolster Monster's sales growth, especially if Monster is able to increase its US market share which has been estimated to be upwards of 36.6%
* In 2015 the Chinese energy drink market grew by 25%, with an additional 525 million liters' worth of energy drinks consumed; Chinese Red Bull has an estimated 80.2% share of the market at present
* By the end of 2016 the product should have rolled out to such a degree that it reaches 18% of China's population, which represents about 30­ to 33% of the current energy market
* In 3Q16, international sales were $232.8 million

Seeking Alpha:

* Monster Beverage Corporation’s 3Q16 report failed to meet analysts’ expectations, due to increased expenses and shipping delays; despite the disappointing EPS and revenue, the outlook for Monster looks good
* Monster holds a buy rating for two reasons: Monster's continued emphasis on innovation and the company's expansion into China, which has already begun
* Café Monster, Monster's latest innovation, will be released in 2017; at the present time, Café Monster is experiencing some production problems: production facilities capable of handling fresh milk and cream products are inadequate
  + Monster is sorting out the problem and should have it under control within a few months

Investor’s Business Daily

* Customers have grown more health conscious and look to trade in their sugary soft drinks with healthier and more natural drinks, which bodes well for water; the shift has benefited companies that specialize in non-carbonated beverages (Red Bull/Monster)
* Monster Beverage has run off seven straight quarters of double-digit earnings growth; sales have risen by double-digit percentages four times over the same period and the company boasts a best-possible IBD Composite Rating of 99, and its stock price set a record high of 149.76 on July 23, 2016
* Red Bull held the largest share (43%) of the U.S. energy drink market in 2014 and reported $5.5 billion in 2014 sales; Monster held 39% of the market
* Nonalcoholic beverages represent a $141.22 billion market in the U.S
* U.S. sales of nonalcoholic beverages rose 2.2% in volume in 2015, the fastest growth rate since 2006
* Coke agreed not to acquire more than 25% of Monster within the next three years
* The market for energy drinks has been occasionally rattled by health concerns, primarily related to caffeine intake among consumers who are either young or in ill health

Forbes

* Sales Growth increased amongst energy drinks, but declined for soda beverages like Coca-Cola, Dr. Pepper
* Net Partnership with Coke, will constitute around 3% of net-operating profits, roughly 13% of North American Sales
* Sales expected to swell by 53% through 2017, beating every other beverage company in U.S.
* Monster sells 21% of drinks in international markets

Selling Power Magazine

* Red bull doesn’t do well in taste tests, some think its too sweet- kinda going off results of the focus group
* Red bull focuses on events across the globe, wants to build reputation throughout high media and intense events
* Red Bull has a 70-90% market share in over 100 companies

Market Realist

* Monster originally started with double the size of the can, with the same price.  Making it more desirable for consumers
* Due to partnership with Coca-cola, Monster will be able to take advantage of coca-colas distribution network, and looks to take advantage of international market
* Red Bull has 31.5% global share, while Monster has 14% global share
* Energy drink volumes increased by 5.5%, compared to 3.2% decline in soda’s volumes, also surpassed tea’s and sports drinks
* Global energy drink industry grew from 3.8 billion to 27.5 billion in 2013.

UK Essays

* Market and Red Bull, both target the 18-25 aged men demographic
* Advantages for Monster over Red Bull is price and quantity
* Some countries such as Denmark, Norway, and France have banned Red Bull from being sold as it is believed to be dangerous because of the ingredients involved
* Red Bull, specifically, but all energy drink companies, take a hit because of the health risks

LinkedIn

* Large number of people in Generation Y and Millennials in the target demographic have gravitated towards the energy drinks, compared to the typical coffee.
* Around 80% of people in 55-64 age group would prefer plain coffee
* Around 2013, the FDA ordered that energy drinks be classified as beverages, instead of dietary supplements
* Monster, Java line, following with new flavors, trying to explore the coffee drinkers market who like a sweeter coffee

**Appendix H**

**Notes from Focus Group**

Focus Group Red Bull

Participants: 5 male Drake students

Moderation/Notes: Aaron Feldman/Elisabeth Neuhofer

Notes:

Participants take a seat and are informed about the recording/monitoring, and that the responses are confidential. Also, they should treat each other with respect and keep their own opinion.

As an icebreaker, everybody introduces himself by name, major, hobbies and a fun fact.

The students get notecards and write down their perceptions of energy drinks.

**(Unique) Flavor: - Most important**  
almost all participants wrote down, that the taste is essential for the drink, one of the students stated, that the flavor mostly is too strong and too chemically – he would prefer a more natural and less intrusive.  
One participant stated that he likes limited/special editions e.g. pineapple, super raspberry etc. and that he is more likely to buy one if it’s special.

Brand:  
they want a well-known brand they already bought drinks from; if they already bought the brand several times, they don’t consider a change to the competitor.

Strength/Caffeine:  
should contain enough caffeine to work as energizer, but the consumer should still be able to sleep during the night.

Connotative meaning:  
loud colors and a logo like Monster give the customer the feeling, that he becomes a “beast” after consuming the drink. “Red Bull gives you wings” on the other hand conveys the idea of no limits and that anything is achievable.

**Sugar/Calories: - second important**  
Very important for men nowadays; if a guy wants to drink an energy drink to get awake for the gym, lots of calories in the drink put the purpose away.

Cost/Quantity/Size:  
The participants of the focus group are also aware of the can size and the cost;

Consumption:

2 students don’t drink energy drinks at all (no longer), 2 of the guys are consuming it occasionally (if there is a purpose for energizing) and one of them states that he consumes it regularly, but still only one can twice or three times a week. There are no heavy users in this group.

Positive Experiences:

Most of the participants can remember a situation in which they used Red Bull or a competitor’s product to stay up longer, to study, to play videogames, to rise endurance for work. One of them describes the taste of Red Bull as “adult thing”, which means it is an unusual taste and therefore he feels as if he is adult and could do whatever he wanted to.

First time of being exposed to Red Bull advertising – initial reaction?:

All guys answer with “Red bull gives you wings”. This campaign is quite a long time ago but still on customer’s mind. They all agree that these ads were the best Red Bull ever had. They also remember the extreme sport ads, at least that there have been some in the last years. Red Bull is also known as a sponsor and initiator of several different sports/sports-events (Air Power, “Flugtag”, …)

Disappointments or shortcomings with energy drinks and consequential changes in buying behavior? Any holding backs from purchasing as much energy drinks as soda/as they want?

All present persons have started drinking energy drinks some years ago, but most of them already stopped again. One to two persons still drink it now and then, especially when there is a new flavor available. But all of them agree, that sometimes you can’t fix everything with sugar – if you are very tired, Red Bull may not be the solution. One guy talks about his friend, who drank several cans of Red Bull, got very energized for one hour and then completely passed out. This happening influenced his own buying behavior concerning energy drinks in a negative way.

The focus group agrees that gamers may be a very important target market for Red Bull/energy drinks. They remember a Red Bull campaign, where they got free Red Bull for an entire day. One guy states, that he switched to Mountain Dew, because he prefers the image of Mountain Dew and he really liked the Call of Duty Event in corporation with Doritos.

Advertisement of Red Bull<https://www.youtube.com/watch?v=WdUytwMi3G4>

How does this ad make you feel? (Cliff Diving)

The participants don’t interpret the film as an ad – one of them states that the ad takes him far away from Red Bull, as Cliff Diving stands in no relation to the brand – and that he was a little bit confused when the Red Bull Logo popped up at the end of the ad. Another statement is that the film makes you feel, that you can reach everything you want, no matter how unreal it is – even if you know, that you can’t do cliff diving, the ad gives you a shiver of excitement to also try it. The group also talks about Felix Baumgartner, the man who jumped out of a space capsule some years ago. They agree that Red Bull tries to convince the audience, that everything is achievable.

Does this make you more likely to want to drink Red Bull?

The attendants of the focus group liked the cliff diving spot itself, but they would not increase their Red Bull consumption because of it. On their point of view cliff diving and Red Bull have nothing in common and therefore they are not attracted by it. One of the guys states that he really liked the ad and that he did associate it with Red Bull.

Would you say that you fit in to Red Bull’s target market?

All of the respondents agree that they belong to the target audience of Red Bull, as they are college students, working next to their studies to pay their rent, partying at the weekend, chronic overfatigued, doing sports or at least watch them on TV.

If you were the creative director of a Red Bull ad, what would your ad include? How would it differ?

They participants of the focus group definitely liked the old ads better than the new action ones. Although they were kind of weird and far-fetched, they sticked in the mind of the customers – who remember the ads still today.

One of the guys points out, that at the end of the cliff diving video he would have preferred a can that is dropped into the water (instead of the white liquid), to create more connection to the energy drink, not only to the brand.

Suppose a new flavor or type of Red Bull was introduced. What type of marketing would you hope to see this brand take on?

They would prefer a natural flavor instead of the chemical ones, and combined with that the advertisement should show an island/wild nature/plants etc. to create an image where the ingredients come from. Also, the focus group states that although they all like catchy packaging sometimes it is better especially for e.g. Monster to design the cans clearer, because it is annoying to read “Dragonpower” and don’t know how it will taste. If a customer needs to read the ingredients to decide, he might choose not to buy it, because of all the sugar and chemicals in it.

Sentence Completion task. I am going to read a sentence, say what word comes to your mind at first.

People who drink energy drinks are \_\_\_\_\_\_\_  
Active, addictive, jittery

When I think of Red Bull, I think of \_\_\_\_\_\_\_\_  
Wings, extreme sports, working out, skiing

Imagine you move to a new city and there are Red Bull cars driving around handing out free Red Bull like they sometimes do in larger cities. How would you react to the cars and this form of advertising?

If it is a catchy car, the participants would definitely be attracted by the campaign. If it is e.g. an ordinary Prius, they would not take a free drink out of the car. Some of them normally avoid people/cars of such campaigns, but they all also have never seen a Red Bull car offering free drinks up to now.

These days, Red Bull is hosting a campaign on Drake University Campus, where young people with cooling backpacks are asking students in the library or at different halls between two classes, if they want a cold Red Bull. Although most of the participants normally don’t drink energy drinks on a regular basis, they are enthusiastic about this campaign, as they got the drink right in the moment they needed it the most – and for free. Therefore it can be stated that this initiative is a hit!

Any other thoughts?

The guys point out, that it for sure doesn’t give you wings, and you don’t become superhuman when you drink it, as the advertisements sometimes show. Furthermore, they don’t like the taste of the original Red Bull, they prefer the new variations. Their tip is to try each taste of Red Bull at least once.

The participants line out, that a cooperation with e.g. FIFA would bring Red Bull thousands of new customers, as guys love to play FIFA; especially after the release of a new version, they prefer to play until the morning hours, until they have played through the whole game.

Interpretation:

According to all notes stated above we can assume, that students and sportsmen are definitely a big target audience for Red Bull. Although many people say that Red Bull or energy drinks in general are unhealthy, none of the participants of the focus group stated this – they only care about the sugar and calories because they don’t want to consume the same amount of calories with the drink as they burn in the gym.

The guys in our focus group preferred the clean design of the Red Bull in comparison with the freaky and cluttered design of Monster. Therefore the taste is not their favorite, the new flavors are more favored. Concerning the cooperation with FIFA: FIFA itself is no typical gambler-game, so the players of this game would be a target group additional to the traditional gamers.