

Northern Michigan University

CASE: RED BULL

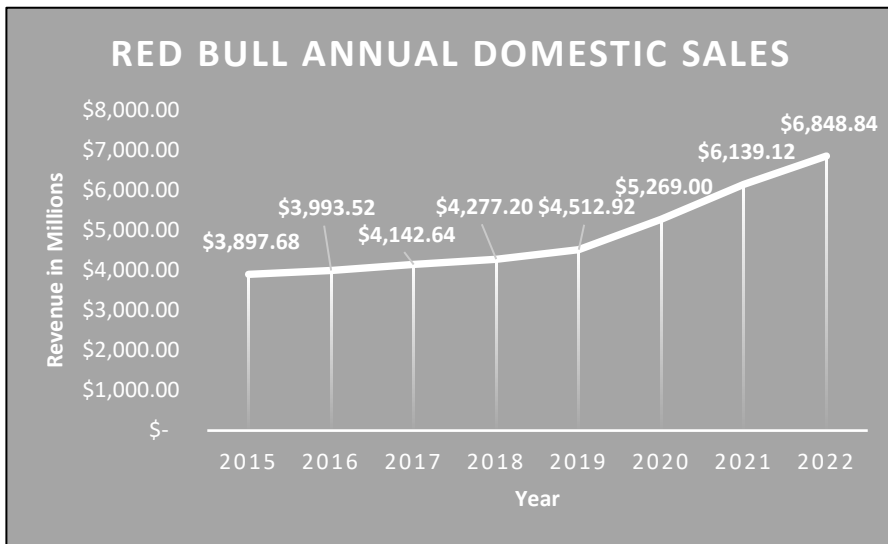
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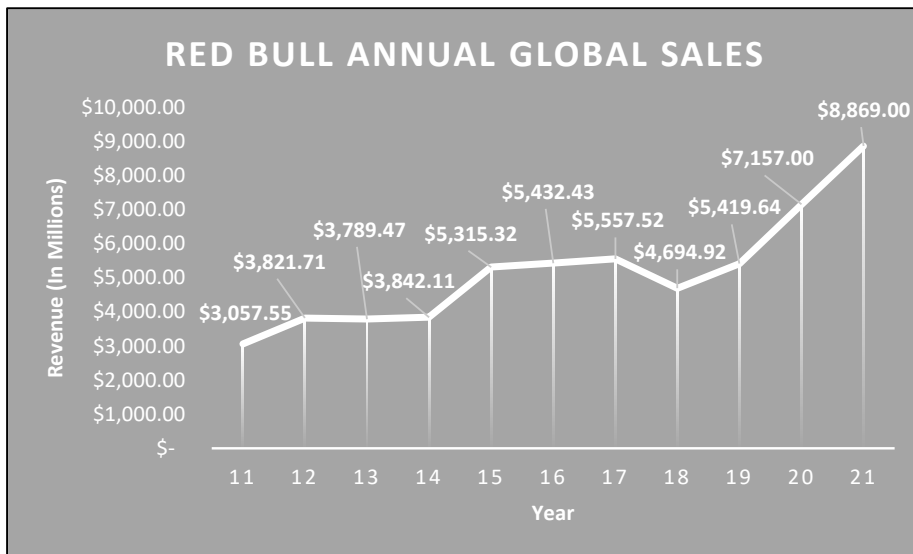
## RED BULL PERFORMANCE OVERVIEW



**Fig. 1.1.** Yearly graph depicting the growth in sales of Red Bull in the U.S (Statista).

Year	Sales (In Millions of \$)	
2022	\$	6,848.84
2021	\$	6,139.12
2020	\$	5,269.00
2019	\$	4,512.92
2018	\$	4,277.20
2017	\$	4,142.64
2016	\$	3,993.52
2015	\$	3,897.68

**Fig. 1.2.** Annual U.S. sales of Red Bull in millions of dollars. Used to depict Fig. 1.1 (Statista).



**Fig 2.1.** Yearly graph depicting the growth in sales of Red Bull internationally (Statista, Red Bull).

Year	Euro Revenue (In Millions)		Exchange Rate	Dollar Revenue (In Millions)	
2011	€	4,250.00	1.39	\$	3,057.55
2012	€	4,930.00	1.29	\$	3,821.71
2013	€	5,040.00	1.33	\$	3,789.47
2014	€	5,110.00	1.33	\$	3,842.11
2015	€	5,900.00	1.11	\$	5,315.32
2016	€	6,030.00	1.11	\$	5,432.43
2017	€	6,280.00	1.13	\$	5,557.52
2018	€	5,540.00	1.18	\$	4,694.92
2019	€	6,070.00	1.12	\$	5,419.64
2020	€	8,158.98	1.14	\$	7,157.00
2021	€	10,465.42	1.18	\$	8,869.00

**Fig. 2.2.** Annual international sales of Red Bull in millions of dollars. Used to depict Fig. 2.1 (Statista, Red Bull, MacroTrends). The years 2011-2019 are from Statista and use an averaged exchange rate for each year. The revenue of 2020 and 2021 are from Red Bull's website.

Red Bull has seen consistent growth over the past 8-11 years both domestically and internationally. The average domestic growth per year was around **8.54%** with the vast majority of growth in the years 2020-2022. The average international growth per year was around **12.43%** with the majority of growth in the years 2012, 2015, 2020, and 2021. The worst year for Red Bull was 2018 where they experienced a loss of about **16%** in international revenue.

### Red Bull International Unit Sales

Year	Cans (In Millions)	Y-O-Y Change
2011	4,080	N/a
2012	5,230	28%
2013	5,390	3%
2014	5,610	4%
2015	5,960	6%
2016	6,060	2%
2017-2019	No Data	N/a
2020	7,900	N/a
2021	9,800	24%

**Fig 3.1.** Annual unit sales of Red Bull and the year-over-year change. Years of importance are 2012 and 2021 where growth in unit sales were greatest. No data was available for 2017-2019, but it can be assumed that 2017 experienced a loss in unit sales as reflected in revenue in Fig 2.2 (Statista, Red Bull).

### Red Bull Brand Equity

Year	Euro	Equity	Exchange Rate	Dollar	Equity
2021	€	15,990	1.18	\$	13,551
2020	€	15,110	1.14	\$	13,254
2019	€	13,190	1.12	\$	11,777
2018	€	15,390	1.18	\$	13,042
2017	€	15,250	1.13	\$	13,496
2016	€	15,110	1.11	\$	13,613

**Fig 4.1** Brand Equity (or value) of Red Bull converted into USD (in Millions) through an average of each year's closing exchange rates (MacroTrends, Statista)

In 2021 Red Bull had sold over 9.8 billion cans (or units) (Red Bull). The growth in international revenue can be seen reflected in Red Bull's unit sales. Red Bull's brand equity was valued at around \$13.55Bn (Statista). Surprisingly, the brand value was highest in 2016, even though revenue was greater in 2017, 2020, and 2021. The brand has a history of overvaluation, but could be undervalued in 2021.

## MARKET SHARE AND COMPETITIVE OVERVIEW

### U.S. Energy Drink Market Shares (2022)

Brand	Market Share	Revenue (In Millions)
Red Bull	42.50%	\$ 6,848.88
Monster	30.10%	\$ 4,850.62
VPX Bang	8.20%	\$ 1,321.43
Rockstar	4.40%	\$ 709.06
Reign	2.70%	\$ 435.11
Other	12.10%	\$ 1,949.92
Market Size	100%	\$ 16,115.00

**Fig. 5.1.** Market shares of the leading energy drink brands in the United States in 2022 (Statista).

### International Energy Drink Submarket Share of the Largest Brands (2021)

Brand	Market Share	Revenue (In Millions)
Red Bull	17.55%	\$ 8,869
Eastroc	13.65%	\$ 6,900
Monster	10.96%	\$ 5,541
VPX Bang	2.77%	\$ 1,400
NOS	0.73%	\$ 367
Rockstar	1.29%	\$ 652
Lucozade (2019)	0.84%	\$ 426
Other	52.22%	\$ 26,395
Total	100%	\$ 50,550

**Fig. 5.2.** The global annual revenue of the four largest energy drink brands. The submarket share is calculated by dividing revenues by total revenues (Statista, MacroTrends, and Wall Street Journal).

When researching domestic and international sales of

Red Bull and its competitors, it's clear Red Bull is the best performing energy drink brand by revenue generation. Red Bull currently dominates the U.S. market with a market share of **42.5%** when cumulating all Red Bull products. Unfortunately, estimates of the global energy drink market were quite varying with even the smallest estimate reflecting the top seven selling brands as only half of all energy drink sales. The global energy drink market size was determined by averaging three separate estimates (Maximize Market Research, Global Newswire, and Brand Essence Research), which yielded a market size of around \$50.55Bn. The estimated global market size in revenue gives Red Bull a market share of **17.55%**.

The two most concerning competitors are Monster and Eastroc. Domestically, Monster is the main competitor with about a 30% market share in the U.S. energy drink market. MacroTrends reports Monster's international revenue year-by-year. Averaging out the year-over-year change since 2011 shows that Monster is growing at an average annual rate of about **14.22%** (MacroTrends). Monster's average international growth rivals that of Red Bull's **12.43%** over the same time period.

Eastroc, on the other hand, is the main international competitor. The energy drink company has the second largest global market share with an annual revenue of about \$6.9Bn in 2021 (Wall Street Journal). The firm is based in China and will be a tough competitor in the Asian market. Due to its Eastern brand image, its unlikely to launch in Western markets.

## **RED BULL MARKETING STRATEGY**

*"Red Bull Gives You Wiiiings"*

**Buzz Marketing** – Red Bull primarily uses buzz marketing to generate word-of-mouth buzz. Red Bull sponsors a large variety of events including Formula 1 racing, snowboarding, cliff jumping, mountain biking, high-altitude skydiving, and so much more. The purpose of their marketing campaigns is to put Red Bull top of mind with an image of clean, long-lasting energy. Better Marketing Pub reports that the high-altitude skydiving stunt cost over \$30m, but led to over \$500m in sales. As CEO Dietrich Mateschitz once said, "The most dangerous thing for a branded product is low interest."

**Red Bull-Owned Distribution** – The majority of Red Bull products are distributed through Red Bull owned distributors. The main distributor Red Bull uses is called Red Bull North America, Inc. (RBNA). The vertical integration of distribution allows Red Bull to save money on distribution expenses as well as allow Red Bull to generate valuable marketing research data.

**Compact, Efficient Form** – The slim, compact form allows for two unique advantages. The first being product differentiation. The slim Red Bull can was unique to Red Bull and differentiated the product

among consumer recognition. The second purpose was for more efficient distribution. The compact, slim form allows for a 40% reduction in transport space when compared to glass bottles and 30% when compared to PET bottles.

## IS RED BULL A “GOOD” PRODUCT?

**The Company’s Perspective:** A resounding YES! The Red Bull brand is a privately held company that generates billions of dollars in revenue per year. The brand has the dominant market share of energy drinks both domestically and internationally. The growth of Red Bull has been fantastic, as is reflected in the international sales in Fig. 2.1. Since 2011, Red Bull has nearly TRIPLED its revenue. The brand has extremely high consumer recognition and is not likely to lose its market dominance over the next few years.

**The Consumer’s Perspective:** Yes and no. Red Bull as a product has been greatly accepted as being the average energy drink consumer’s favorite energy drink. The market share reports corroborate this statement as Red Bull is the dominant brand domestically and internationally. From a health standpoint Red Bull, and arguably all other energy drinks, would be considered “bad” products. The amount of caffeine, sugar, and artificial additives are extremely unhealthy at high consumption amounts. In addition, caffeine is an addictive chemical that can cause compounding effects when mixed with alcohol.

**Regulatory Perspective:** Energy drinks have been a “thorn” for regulatory agencies. Energy drinks are seen as being unhealthy and cause various health complications. The FDA reported in 2018 that 34 deaths have been attributed to energy drinks. Investigations were then warranted. Also, the banning of the original recipe of Four Loko in December 2010 marked the outlawing of alcohol-mixed caffeinated beverages. Red Bull has been able to circumvent these prohibitions by marketing Red Bull strictly as an energy drink and allowing bars, restaurants, and consumers make their own choices. Overall, Regulatory and Legal agencies probably view Red Bull as a “bad” product.

## ALCOHOL AND DISTRIBUTION CHANNEL ESTIMATES

Estimating the channel distribution share and alcohol mixing was difficult to determine. An estimate can be made using a variety of assumptions generated by earlier unit sales stated in the case. The estimate was determined by finding the sales to stores for Red Bull in 2008 and estimating the distribution share for 2021. In 2008, the Orlando Sentinel reported that Red Bull had approximately 1/3 of U.S. stores’ energy drink sales (about \$1.6Bn). In 2009, TopNews reports that Red Bull had 4.28Bn in international sales in 2008. To find the proportion of domestic sales, a ratio can be derived from earlier analysis in Figs. 1.2 and 2.2. The resulting domestic-international ratio for 2021 is 69.22%. When using the ratio for international sales in 2008, it can be estimated that Red Bull generated about \$2.96Bn in domestic sales. Finally, using domestic sales it can be estimated the percentage of sales that went through the store channel. The resulting equation finds that about 54.1% of Red Bull’s domestic sales were sold in all types of stores. The remaining 45.9% can be attributed to other channels, but mostly bars and restaurants. Because of possible overestimates in domestic sales, as well as bar & restaurant contribution it should be assumed that 46% is an overestimate. **The actual percentage of Red Bull sold to bars and restaurants is about 20-25%.**

2021 Domestic Sales	\$6,139.12
2021 International Sales	\$8,869.00
Domestic-International Ratio	69.22%
2008 International Sales	\$4,280.00
Estimated Domestic Sales	\$2,962.62
2008 U.S. Store Sales	\$1,600.00
Domestic Store Sales Ratio	54%
Other Channels Ratio	46%

**Fig. 6.1.** Rough calculations used to estimate the domestic distribution to restaurants and bars.

Diverging further, an estimate of the amount of alcohol mixed with Red Bull can be attempted. Assuming that 90% of restaurant and bars Red Bull sales are mixed with alcohol, it can be assumed that about 18-22.5% of all Red Bull sales are sold mixed with alcohol. When considering store purchases, it can be safely assumed that 5% of all store purchases of Red Bull are mixed

with alcohol. Of the remaining 75-80% of sales, at least another 3.75-4% of all Red Bull purchases are mixed with alcohol. **In total, an estimated 21.75-26.5% of all Red Bull purchases are mixed with alcohol.** Going beyond the estimate, 21.75-26.5% of all purchases is likely an inaccurate estimate since much of the assumptions used were derived from data in 2008 and 2021 only, as well as random assumptions of restaurant and bar alcohol mixing rates.

## RED BULL RECOMMENDATIONS

**Should Red Bull consider co-branding with an alcohol producer?** No, and simply due to legal and regulatory expectations. With the banning of Four Loko's caffeinated recipe in 2010, it would be extremely risky to launch a product that's Red Bull mixed with alcohol. The product would likely not make it to market; and if it did any damages associated with the drink would bring Red Bull into a lawsuit. Continuing the previous strategy of delivering high quantities of Red Bull to bars and restaurants would be the best course of action.

**Should Red Bull consider launching a flanker brand on alcohol-based Red Bull Products?** No, and for the same legal and regulatory reasons stated in the previous recommendation.

**Should Red Bull consider launching new products?** Yes. Red Bull has about 20 flavors available with the Red Bull Sugar Free and Red Bull Summer Editions accounting for 6.3% and 4.3% of U.S. energy drink market share in 2021 respectively (Statista). The continuation of the product strategy would be highly recommended since the performance history indicates a high-level of success. Other than creating more types of flavors, Red Bull can attempt to create a caffeine-free version of its product to die-hard Red Bull consumers who have to cap consumption for health reasons. Another interesting venture would be an organic Red Bull without all the artificial components. Red Bull is already attempting to create a product that's a mixture of both: Red Bull's ORGANICS. ORGANICS is a soft-drink type beverage that are mostly decaffeinated (Red Bull).

**Should Red Bull do nothing?** Overall, no, Red Bull should continue producing new products. With that said, Red Bull should do it's best to continue the past marketing strategies as they've worked extremely well for the firm. The performance history and market shares indicate that Red Bull's marketing strategy is performing very well. Why fix something that isn't broken?

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