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## Red Bull (A)

By 2008, Red Bull had been on quite a run. From a small Austrian village near Salzburg, it had become the world's leading energy drink, locking horns with giants like Coke, Pepsi, and Budweiser. In a simple blue and silver can (**Exhibit 1**), Red Bull was positioned as a functional beverage that “vitalizes mind and body”<sup>1</sup> and that could provide the energy to drive a Formula 1 racecar or to maintain attention during university lectures. Some called it “cocaine in a can.”<sup>2</sup>

Red Bull had been the market leader in the US energy drink market since the moment it entered in 1997. By early 2008, however, the market was becoming crowded (**Exhibit 2**) and Red Bull's share had dropped below 50% (**Exhibit 3**). Many of Red Bull's tactics, such as free giveaways and advertising via extreme sports,<sup>3,4</sup> had become commonplace among other energy drink brands, which also had similar packaging and content. Products proliferated as focused competitors—such as Monster and Rockstar—as well as carbonated soda leaders Coca-Cola and PepsiCo vied for a share of the market. Was Red Bull on its way back?

### Company History

Dietrich (Didi) Mateschitz, Red Bull's founder, had always been a great salesman. He recounted how he persuaded his mother to let him study at the university in Vienna, further away than the more logical town of Graz: “I chose the university for the city, not for the university. . . . But I could only find one course which wasn't available in Graz, which was ship construction. So I convinced her that I had only one desire in life, and that was to become a ship engineer.”<sup>5</sup> He liked Vienna, taking 10 years to complete his undergraduate studies while he worked as a ski instructor by some accounts, or tour guide and worker in a nearby steel mill by others. “Life as a student is enjoyable,” he quipped.<sup>6</sup>

Mateschitz began his career in sales and marketing. It was during one of his many business trips that he first noticed the potential of energy drinks. “One glass,” he said, “and the jet lag was gone.”<sup>7</sup> “The effect was sensational. Even after an 18-hour flight [you feel] immediately better.”<sup>8</sup> He soon began throwing “energy drink parties” with fellow road warriors.<sup>9</sup>

During a trip to Thailand, he met Chaleo Yoodvidhya, the reclusive son of a fruit seller,<sup>10</sup> whose company T.C. Pharmaceuticals had been experimenting with energy drink recipes and had launched *Krating Daeng* (“Red Gaur,” a bovine found in Southeast Asia). The non-alcoholic drink contained a high amount of sugar, taurine, and caffeine, and had become popular in Thailand in the 1970s.<sup>11</sup>

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In 1984, Mateschitz acquired the rights for *Krating Daeng* outside of Asia. (Only in 1988 did Red Bull take worldwide control of the brand).<sup>12</sup> He translated the name into English and used two clashing red bulls on a simple silver and blue can as a logo. But it took 18 months and about 50 proposals for him to pick the winning slogan: “Red Bull Gives You Wings.” The drink’s recipe had also been tweaked to better appeal to Western tastes.<sup>13</sup> According to Mateschitz, however, market research results were disastrous: “People didn’t believe the taste, the logo, the brand name. . . . I’d never before experienced such a disaster,”<sup>14</sup> though there was considerable variance in people’s reactions with some people even really liking it.<sup>15</sup> Despite the negative reactions, Mateschitz founded Red Bull Trading GmbH together with Yoodvidhya, each investing about \$500,000<sup>16</sup> for 49% of the company,<sup>a17</sup> with Yoodvidhya’s son owning the balance. In 1985, Mateschitz, by then 41 years old, quit his corporate job.

## Breaking Out

On April 1, 1987 Red Bull became available for sale in Austria after a long approval process.<sup>18</sup> The small size of the Austrian market made it a perfect setting for testing marketing concepts.<sup>19</sup> Sales were slow, however, and Red Bull’s financial situation looked dire. In 1987, revenues were around \$1.1 million,<sup>20</sup> which paled in comparison to the nearly \$1.4 million<sup>21</sup> spent, mostly on advertising.<sup>22</sup>

Things took off when bars and nightclubs realized that they could use Red Bull as a mixer. Partiers soon found that mixing alcohol (a depressant) with Red Bull (a stimulant) enabled them to get drunk, but not drowsy. After selling 1.2 million cans in 1988 and 1.7 million in 1989,<sup>23</sup> the company finally broke even in 1990.<sup>24</sup> Henceforth, Mateschitz would avoid bank debt<sup>25</sup> and use mainly the firm’s own capital to expand. Dr. Manfred Hückel, head of marketing, saw the firm’s approach of reinvesting profits into the brand as an advantage over competitors, especially publicly listed ones with quarterly reporting requirements.<sup>26</sup>

In 1992, Red Bull launched in Hungary, its first foreign venture. In 1994, Mateschitz got the green light from the German health ministry. During its first three months in Germany, Red Bull sold 33 million cans. Production could not keep up. Revenues that year reached €70 million. The marketing budget for Germany for that first year was around €7.5 million.<sup>27</sup>

## Marketing

To establish its brand, Red Bull associated with people who embodied its values—the bold, the daring, and the athletic. Red Bull started promoting extreme events and signed up athletes such as snow boarders and motocross riders as brand representatives (**Exhibit 4**).<sup>28</sup> The company created the so-called “Red Bull *Flugtag*,”<sup>b</sup> at which participants tried to fly their own home-made (creative) flying machines off a pier, catapulting themselves into the sea.<sup>29</sup> Red Bull also sponsored Red Bull Air Race, with pilots flying around a sky “track” as fast as possible.<sup>30</sup> There was even a paper plane competition: Red Bull Paper Wings. “That’s how serious Red Bull is about pushing that simple marketing message,” a journalist mused.<sup>31</sup> And when rumors started circulating that one of its main ingredients, taurine, was made from a bull’s testicles, the company did not deny it, a move that Mateschitz later claimed to be intentional: “In the beginning, the high-school teachers who were against the product were at least

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<sup>a</sup> Apparently, that were Mateschitz’ entire personal savings at the time (Fürweger, p. 16).

<sup>b</sup> Flugtag means ‘Fly-day’ in German.

as important as the students who were for it.”<sup>32,c</sup> Later, doctors would warn against mixing Red Bull with alcohol after two people died in Sweden, though Red Bull denied any link.<sup>33</sup>

As Red Bull built up its market, it became a force in the world of sports.<sup>34</sup> Formula One World Champion Sebastian Vettel was already on the payroll as a 21-year old.<sup>35</sup> Red Bull purchased two Formula One teams (Red Bull Racing in 2004 and Scuderia Toro Rosso in 2005), five soccer clubs (Red Bull Salzburg, Red Bull Leipzig, Red Bull New York, Red Bull Brasil, and Red Bull Ghana), and various sporting events such as the Bull Air Race. It also made media investments such as Servus TV (a TV station in Salzburg), the Red Bulletin<sup>36</sup> (a monthly magazine, first distributed at the Monaco Grand Prix in 2005),<sup>37</sup> and the mobile TV broadcaster Red Bull TV.<sup>38</sup> In 2006, Red Bull started sponsoring NASCAR,<sup>39</sup> and acquired a hockey team (EC Red Bull Salzburg).<sup>40</sup> It also owned Red Bull BC One (a breakdancing venue) and Red Bull Art of Motion (free-running).

The company’s philosophy was to promote the brand—not itself or its founder.<sup>41</sup> Mateschitz was considered a marketing genius, but like his Thai partner, avoided publicity and was very private.<sup>42</sup> Apart from being flamboyant and private, Mateschitz had the reputation of being a challenging but supportive leader, who paid market salaries,<sup>43</sup> supposedly gave company cars to its cleaning staff,<sup>44</sup> and maintained great loyalty among his top lieutenants.<sup>45</sup> Rumor also had it that, when one of the firm’s veterans was diagnosed with cancer, the company made sure that she had access to the best care, and continued to pay her salary long after she was unable to work.<sup>46</sup> Finally, there was no dress code, and English was the lingua franca.<sup>47</sup>

## Conquering America

By 1997, Red Bull was launching almost monthly into a new market.<sup>48</sup> That year Red Bull chose California as its beachhead for the US, a country hooked on sugary drinks and high energy life styles.<sup>49</sup> Even though Red Bull was expensive – at \$2 for two thirds the volume of a Coke – US consumption of energy drinks would climb to 1.2 billion liters within a decade, an almost 40% compound annual growth rate (**Exhibit 5**).<sup>50</sup>

At the time of Red Bull’s entry, the US non-alcoholic beverage market was relatively slow. In 1995, US beverage sales increased only 1.5% over the previous year to reach \$169.3 billion. Coca-Cola was the world’s largest producer of soft drinks with a 43% market share,<sup>51</sup> a marketing budget of almost \$1.6 billion,<sup>52</sup> and a brand value estimated at over \$65 billion.<sup>53</sup> Coke’s nation-wide network of franchised bottlers had about 100 bottling plants, each of which could cost \$40 million to \$70 million. The bottlers’ scale allowed them to deliver Coke’s soft drinks directly to retailers’ shelves – Direct Store Delivery (DSD) – securing shelf space, stocking them, and setting up displays. (See **Exhibit 6** for distribution channels.) Coke also contributed to retailers’ marketing budgets in exchange for premium shelf space at stores. PepsiCo was in second place, with more than 30% market share and a \$1.9 billion marketing budget.<sup>54</sup> (See **Exhibit 7** for market shares in 2007/2008 and **Exhibit 8** for selected financials.)

The market had been changing prior to Red Bull’s entry, as the major beverage producers had started emphasizing higher-energy carbonated sodas. In fact, the fastest-growing brand in the mid-1990s, and the leading “non-cola,” was Pepsi’s Mountain Dew.<sup>55</sup> It contained 55mg (milligrams) of caffeine per 12 fluid ounce can, about half of Red Bull’s 80mg of caffeine per 8.4 oz can.<sup>56</sup> In 1997, Coke launched Surge, a bright-green citrusy soda to compete with Mountain Dew.<sup>57,58</sup> It was based on a Norwegian soda called Urge, and known internally as MDK – “Mountain Dew Killer.”<sup>59</sup> In the mid-

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<sup>c</sup> Much later, Red Bull would state on its website that the taurine in its product was made synthetically, but it would still fail to mention that it was in fact a fairly common organic chemical that could be found in eggs, meat, and the human body.

1990s Pepsi also launched Josta, the first real energy drink by a major soft drink producer, but it was discontinued in 1999 when it failed to catch on among young consumers.

Red Bull grew rapidly in the US, using the same product giveaways and direct marketing that had made it a success in Western Europe. It hired college-aged field marketing teams to distribute free samples<sup>60</sup> while selling its drink to bars and clubs frequented by that same demographic. An observer noted: “Volkswagen Beetles with huge Red Bull cans strapped to their backs showed up at the beach, at colleges, gyms, office buildings or construction sites with free samples where people might need a boost.”<sup>61</sup> Red Bull sales people, called Musketeers, also offered “free coolers to bars and soon bar tenders learned that this drink was a money machine.”<sup>62</sup> Bars in Los Angeles charged \$10 for the drink—in Miami, \$16.<sup>63</sup> In order to further grow its nightlife popularity, Red Bull increased its sponsorship of large club events and opened a month-long DJ school in New York City in 1998 called the Red Bull Music Academy.<sup>64</sup>

The company also promoted a sense of scarcity and tried to create the perception of Red Bull as a cool and elite product by limiting distribution at first to select venues. Only when demand reached a certain level did Red Bull start to distribute to convenience stores and gas stations.<sup>65</sup> It would then also launch localized television and print advertising campaigns to grow demand in a given market.<sup>66</sup> Red Bull set up the Red Bull Distribution Company as a direct Red Bull subsidiary, which became the largest distributor of Red Bull in the US,<sup>67</sup> but it also partnered with local distributors such as the Beverage Works (New York and New Jersey)<sup>68</sup> and the Burke Distributing Corporation (New England),<sup>69</sup> among others. (See **Exhibit 9** for distribution channels.) However, all Red Bull cans were produced and bottled in two plants in Austria and Switzerland and, from there, transported around the world.<sup>70</sup>

Driven by its success in the US, Red Bull global sales doubled in 1999.<sup>71</sup> By 2003 Red Bull had a 67% share of the US energy market and sold 500 million cans in that country alone.<sup>72</sup> Mateschitz thought Red Bull could reach 1 billion cans per year.<sup>73</sup> The company claimed not to worry about competitors, confident that it would maintain its dominant position through more clever marketing.<sup>74</sup>

## Competition

### *Coke and Pepsi*

Red Bull’s success did not go unnoticed. In 2000, PepsiCo bought SoBe and introduced SoBe Adrenaline Rush to compete with Red Bull.<sup>75</sup> The next year, it launched AMP Energy and expanded into sports drinks by buying Gatorade.<sup>76</sup> By 2002, Pepsi’s Adrenaline Rush and AMP had respectively 11.4% and 10.9% market share but then stalled, falling to a combined share of 12.4% by 2006.<sup>77</sup>

Coke was also moving into the energy drink space. In fact, an analyst report noted at the time that Coca-Cola was restructuring itself in order to promote innovation, setting up innovation centers to link creative thinkers and to improve time to market for new products.<sup>78</sup> Coca-Cola introduced its first energy drink, KMX, in 2001. Focused on regions with many college students, such as Boston and New Orleans,<sup>79</sup> the launch was fairly low key. In fact, the can for KMX did not even reference Coca Cola.<sup>80</sup> KMX achieved a 7.2% market share by 2002 but then started to fade, and had almost disappeared by 2006.<sup>81</sup>

### *Anheuser-Busch*

Anheuser-Busch (the brewer of Budweiser) was the market leader in the US beer market. It had a national network of over 600 independent wholesalers and in-house company distributors<sup>82</sup> to distribute its products to bars, groceries stores, convenience stores, liquor stores, and gas stations.<sup>83</sup> In 2005, after noticing the popularity of cocktails and other mixers that combined alcohol with energy drinks, Anheuser-Busch launched Tilt and B-to-the-E—products that contained caffeine, ginseng,

guarana, and an alcohol content of between 4% and 6.6%.<sup>84</sup> It quickly followed up with Bud Extra (a spiced beer/energy drink hybrid) and 180 Blue (a non-alcoholic energy drink with Brazilian acai berries).<sup>85</sup>

### *Monster*

Hansen Natural Corporation, from Corona, California, had been selling fruit drinks and sodas with natural ingredients when it saw an opportunity in a very different part of the market.<sup>86</sup> In 2002 – with Red Bull’s US sales at around 300 million cans<sup>87</sup> – it launched Monster Energy, with the slogan “Unleash the Beast.” The Monster Energy can was nearly twice the size of a Red Bull can, at the same price. It was black – an unusual color for a food product – garishly slashed by a neon green claw mark, and clearly listed its ingredients on the collar of the can: taurine, ginseng, L-Carnitine, and B-vitamins (**Exhibit 10**). The drink, the company claimed, “pack[ed] a vicious punch.”<sup>88</sup>

Monster’s marketing was both similar to, and different from, Red Bull’s. Like Red Bull, it had both sport sponsorships and field marketing teams—with Monster Girls—giving away free product samples. But whereas Red Bull spent a third of its revenue on marketing, often creating its own events and investing heavily in traditional advertising, Monster spent only about 8% of revenue on marketing, with almost no traditional advertising and focused predominantly on sponsoring individual athletes.<sup>89</sup> Moreover, whereas Red Bull liked to associate with extreme and niche sports, Monster focused more on rebellious athletes. Mark Hall, President of Monster Beverage Company, commented on Monster’s positioning relative to Red Bull. “I viewed Red Bull as being a white-collar, yuppie drink.” he commented, “I wanted to be an aggressive, blue-collar drink [like] the guy with the tattoos.”<sup>90</sup>

Monster quickly expanded its energy drinks product line. In 2004, it introduced a line of carbonated energy drinks (under the Lost brand name) and carbonated energy juice (Rumba), meant as a morning substitute for coffee and orange juice. In 2005, it launched the Joker Mad Energy line, followed in 2008 by the Monster Hitman Energy Shooter (a line of 3-ounce energy shots designed to compete with energy drink brand 5-Hour Energy).<sup>91</sup> Beyond conventional energy products, the company also sold, among others, Java Monster Coffee and Monster Rehab Tea.<sup>92</sup>

In 2008, Monster had over \$1 billion in gross sales for the first time in its history (**Exhibit 11**) and surpassed Red Bull as leader in the US energy drink *retail* market by volume, allegedly prompting the resignation of Red Bull USA’s manager.<sup>93</sup> Red Bull, however, also had an estimated third of its sales *on-premise* – i.e., in bars and nightclubs as opposed to through retail stores – where Monster was almost absent.<sup>94</sup>

Monster outsourced production to third party bottlers, mostly through month-to-month contracts.<sup>95</sup> At first, it had distributed Monster via many different distribution agreements, but in 2006, it partnered with Anheuser Busch for retail distribution in certain markets.<sup>96</sup> A year later, the agreement was expanded to on-premise distribution. In the second half of 2008, Monster also entered into a distribution arrangement with Coca-Cola and some of its major bottlers. The deal did not affect its agreement with Anheuser Busch, which retained about half of the distribution.<sup>97</sup>

### *Rockstar and Others*

Monster was far from the first competitor to follow Red Bull. Rockstar Energy Drink, for example, had launched a 16 ounces energy drink – double Red Bull’s size at the same price – in 2001. The company had experimented with over 700 formulas before launching its drink.<sup>98</sup> From 2001 to 2005, Rockstar Inc. achieved triple-digit annual growth.<sup>99</sup> By 2008, it offered consumers ten separate products, from Rockstar Energy to Rockstar Juiced Pomegranate and Rockstar Energy Shots. The company also followed the “non-traditional” marketing strategy pioneered by Red Bull, using field marketing teams, sports sponsorships, social media advertising, and concert series, spending about 4% of sales on marketing.<sup>100</sup> In 2005, the company announced an agreement with Coke to distribute Rockstar Energy Drink “in all of its territories covered in the distribution agreement in the US and Canada, except the Northwest and Northern



California divisions."<sup>101,102</sup> The relationship with Coke was contentious, however. "They kept trying to make their own energy drinks," Rockstar's founder and CEO, Russ Weiner, commented, "We'd fight with each other, scream at each other."<sup>103</sup> Rockstar also entered into an agreement with Jet Blue Airline in 2008 through which it became the only energy drink to be offered onboard the carrier's planes. Although sales dropped 2.7% in the first nine months of 2008, it still held on to its number three spot by the end of the year, with 14% of the US energy drink market.<sup>104</sup>

Monster and Rockstar were able to gain share despite Red Bull being focused on the US, with half of its employees based there.<sup>105</sup> Moreover, competition also came from other angles. Four former employees of Red Bull's US subsidiary<sup>106</sup> for example, launched Roaring Lion, an energy drink very similar to Red Bull, but cheaper and available in 12- and 16-ounce cans, 16.9-ounce re-sealable plastic bottles, and "Bag-In-Boxes" bar- and restaurant-friendly packaging.<sup>107</sup> Its pitch to bar owners was pricing: "at \$1.33 per can, the market-leading energy drink is your most expensive non-alcoholic mixer...Roaring Lion saves you 80 cents per 8.3 ounces." For a bar using 50 cases a month, the savings added up to more than \$10,000 per year. But a beverage executive noted "Red Bull keeps soaring, Roaring Lion is still snoring."<sup>108</sup>

## Red Bull Fights Back

Red Bull responded with increased advertising, product innovation, and litigation. The company increased its spending on placements in magazines, national radio, and syndicated and cable TV,<sup>109</sup> and announced that it was teaming up with videogame developer FreeStyleGames to create several "AAA titles"<sup>d</sup> based on the Red Bull brand.<sup>110</sup> In 2007 and 2008, Red Bull also introduced larger can sizes, adding a 355-milliliter and a 473-milliliter can – the same size as the Monster can.<sup>111</sup> But Red Bull's response was not limited to marketing. The company also started filing lawsuits against some nightclubs that substituted cheaper beverages when patrons specifically requested Red Bull.<sup>112</sup> In 2007 and 2008, for example, Red Bull won lawsuits against four nightclubs, with some having to pay over \$500,000 in damages.

In the spring of 2008, Red Bull attacked Coca-Cola and Pepsi directly by launching its own cola. Its sales pitch "Strong and natural" was designed to underline that, unlike its larger cousins, Red Bull Cola had a strong vanilla taste and contained only natural ingredients – no preservatives, artificial colorings, or phosphoric acid.<sup>113</sup> The drink had a higher concentration of caffeine than its more traditional rivals, as well as a higher price point.<sup>114</sup> Unlike Coke, Red Bull Cola actually contained coca leaves and kola nuts extracts. (See **Exhibit 12** for Red Bull's 2007 income statement.)

## Outlook

Meanwhile, in the fall of 2008, while the global economy was grinding to a halt, Coca-Cola introduced Burn. It had taurine and caffeine, a sweetish taste evocative of Red Bull, but a red can, and it was designed to make its consumer "hot." It was launched at food fairs with erotic allusions.<sup>115</sup>

Around the world, Red Bull had spawned over 150 competitors. Everywhere, the energy drink market attracted a lot of attention, and not simply from the major beverage companies. Many of them attempted to ride the coattails of Red Bull's popularity by introducing drinks such as Blue Ox, Red Devil, and Red Stallion, whose names evoked the industry leader.<sup>116</sup>

In the face of Coke and Pepsi's aggressive moves, Monster's growth, and the mass of competitors vying for some share, Mateschitz had to decide how to respond. Should Red Bull defend its market share more aggressively, for example by cutting price, or should it trust its advertising and promotions? Were there other paths? Or should it have reacted earlier?

<sup>d</sup> Triple A (AAA) titles were video games developed for multiple platforms with major budgets.

**Exhibit 1** Red Bull Campaign Car

Source: [http://commons.wikimedia.org/wiki/Red\\_Bull#mediaviewer/File:Red\\_Bull2.jpg](http://commons.wikimedia.org/wiki/Red_Bull#mediaviewer/File:Red_Bull2.jpg), accessed June 2014.

**Exhibit 2** New Energy Drink Product Releases in the US, 2001–2006

	#	Change #
2001	64	
2002	88	24
2003	75	-13
2004	104	29
2005	151	47
2006	191	40

Source: "Energy Drinks – US – March 2007," Mintel Group Ltd, accessed June 2013.

**Exhibit 3** Market Share in the US Energy Drink Market by Sales, 2006 to 2008  
(in % of value)

Brand	Company	2006	2007	2008
Red Bull	Red Bull GmbH	43.9	39.3	45.5
Monster	Hansen Natural Corp	13.6	22.8	22.9
Rockstar	Rockstar Inc	11.2	9.1	14.0
SoBe	PepsiCo Inc	8.6	7.2	3.0
Full Throttle	Coca-Cola Co.	6.8	7.3	4.4
AMP	PepsiCo Inc	3.8	5.9	6.1
Others	-	12.1	8.4	4.0
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Casewriter estimates from 2007–2009 reports, Snapdata International Group, Snapshots Report: US Energy Drinks, accessed via Mintel, February 24, 2014.

Note: Data by brand aggregates various product versions, including regular and diet brands.

**Exhibit 4** Red Bull Motocross and Flugtag



Source: Manuel Velasquez, Getty Images.



Source: Marco Di Lauro, Getty Images.



**Exhibit 5** US Energy Drink/Shots Sales by Category, 2006–2008 (in millions)

Category	2006	2007	2008
Energy Drinks/Shots	\$5,919	\$7,754	\$8,530

Source: “Functional and Natural Ready-to-Drink Beverages in the U.S.,” *Packaged Facts*, May 2011, p. 60, accessed via Marketresearch.com Academic, accessed February 2014.

**Exhibit 6** US Refreshment Beverages: Share of Industry Volume, 2005

	Super- markets	Convenience & Gas	Super- centers <sup>a</sup>	Mass Retailers <sup>a</sup>	Club Stores <sup>a</sup>	Drug Stores	Fountain and Vending	Total
Share of industry volume <sup>b</sup>	31%	15%	9%	4%	4%	3%	34%	100%

Source: David B. Yoffie, “Cola Wars Continue: Coke and Pepsi in 2006,” HBS No. 706-447 (Boston: Harvard Business School Publishing, 2009, p. 21.

<sup>a</sup> “Supercenters” include Wal-Mart Supercenter stores and similar outlets. “Mass Retailers” include standard Wal-Mart stores, Target stores, and the like. “Club Stores” include Sam’s Club, Costco, and similar membership-based retailers.

<sup>b</sup> Figures here and below refer to the entire refreshment beverage industry, encompassing CSD and non-carb beverage volume.

**Exhibit 7** Top Soft Drink Companies by Market Share (based on cases sold), 2007–2008

	Top Brands	2008	2007	2008	2007
		Market Share (% cases sold)	Market Share (% cases sold)	Cases Sold (millions)	Cases Sold (millions)
1	Coca-Cola	42.7	42.8	4,107.6	4,241.1
2	Pepsi-Co	30.8	31.1	2,960.4	3,082.8
3	Dr. Pepper Snapple	15.3	15.0	1,471.2	1,491.3
4	Cott Corp.	4.7	4.8	448.0	476.6
5	National Beverage	2.6	2.5	247.5	243.9
6	Hansen Natural	0.8	0.8	79.0	76.5
7	Red Bull	0.7	0.6	67.2	63.9
8	Big Red	0.4	0.4	43.6	42.4
9	Rockstar	0.4	0.4	40.2	41.0
10	Private Label & Other	1.6	1.6	156.3	160.3
	Total Industry	100.0	100.0	9,621.0	9,919.8

Source: Adapted from “Top-10 CSD Results for 2008,” *Beverage Digest*, March 30, 2009, [http://www.beverage-digest.com/pdf/top-10\\_2009.pdf](http://www.beverage-digest.com/pdf/top-10_2009.pdf), accessed March 3, 2014.

**Exhibit 8** Select Competitor Revenue Operating Income, select years (2001, 2006-2008), (in millions)

	2001	2006	2007	2008
<b>Coca-Cola Co.</b>				
Revenue	17545	24088	28857	31944
Operating Income	5353	6497	7252	8796
<b>Dr. Pepper Snapple Group Inc.</b>				
Revenue	N/A	4700	5695	5710
Operating Income	N/A	1013	1015	973
<b>Monster Beverage Corp.</b>				
Revenue	81	606	905	1034
Operating Income	6	162	241	163
<b>PepsiCo Inc.</b>				
Revenue	23512	35137	39474	43251
Operating Income	4023	6502	7284	7502

Source: S&P Capital IQ, accessed March 2017.

Note: 1) All fiscal years end on December 31st, except for PepsiCo which end on resp. Dec. 29, 30, 29, and 27.  
 2) Pre-tax 2008 WACC for Coca Cola Co., PepsiCo Inc., and Monster Beverage Corp. were estimated at resp. 13.6%, 13.2%, and 22% (Source: casewriter analysis, based on Bloomberg).

**Exhibit 9** Estimated US Sales of Energy Drinks by Channel, 2006 (percent of dollar sales)

Supermarkets	Convenience Stores	Mass Merchandisers	Club Stores	Drug Stores	On Premise	Other <sup>a</sup>
8%	46%	12%	3%	2%	20%	9%

Source: Casewriter estimates based on Beverage World, "State of the Industry Report '08," *Beverage World*, April 2008, <http://www.nxtbook.com/nxtbooks/idealmedia/bw0408/>, accessed March 2014; Britvic Group, "Soft Drinks Report 2010," Britvic Group, 2010, <http://softdrinksreport2010.britvic.com>, accessed March 2014; Dolcera, "Sports & Energy Drinks Market in Australia," Dolcera, [http://www.dolcera.com/wiki/index.php?title=Sports\\_%26\\_Energy\\_Drinks\\_Market\\_in\\_Australia](http://www.dolcera.com/wiki/index.php?title=Sports_%26_Energy_Drinks_Market_in_Australia), accessed March 2014; Packaged Facts, "Energy Drinks and Shots in the U.S.," *Packaged Facts*, January 2013, accessed January 2013; Packaged Facts, "Energy Drinks in the U.S.," *Packaged Facts*, December 2007, accessed January 2013.

<sup>a</sup> Other includes health clubs, sports stores, online sales, etc.

**Exhibit 10** Red Bull, Monster, and Rockstar Product Comparison, 2005–2006

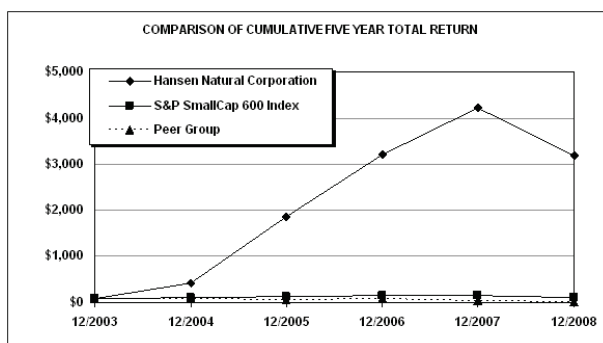
Company	Red Bull	Monster	Rockstar
Price	\$2.00	\$2.00	\$2.00
Size	8.3 fl oz	16 fl oz	16 fl oz
Ingredients	caffeine, glucuronolactone, inositol, taurine	caffeine, carnitine, glucuronolactone, guarana, inositol, panax ginseng, taurine	caffeine, taurine, guarana, ginseng, ginkgo biloba, milk thistle
Calories	110	200	280
Slogan	"Red Bull Gives You Wings"	"Unleash the Beast"	"Party Like a Rockstar"

Source: "Nutrition & Health Info Sheet," University of California, Davis, [ucanr.org/freepubs/docs/8265.pdf](http://ucanr.org/freepubs/docs/8265.pdf); "Monster v. Red Bull," *The Daily Beast*, March 19, 2006, [www.thedailybeast.com/newsweek/2006/03/19/monster-vs-red-bull.html](http://www.thedailybeast.com/newsweek/2006/03/19/monster-vs-red-bull.html); "The Soda With Buzz," *Forbes*, March 28, 2005, [www.forbes.com/free\\_forbes/2005/0328/126.html](http://www.forbes.com/free_forbes/2005/0328/126.html); *Rockstar Energy Drink Review*, May 14, 2006, <http://energy-drink-ratings.blogspot.com/2006/05/rock-star-energy-drink-review.html>, accessed June 2013; Kristie Leong, "Rockstar Drink Ingredients: Is This Energy Drink Safe?" Yahoo! Voices, December 27, 2009, <http://voices.yahoo.com/rockstar-drink-ingredients-energy-drink-safe-5084785.html?cat=5>, accessed on June 19, 2013; Hansen Natural, *Bloomberg BusinessWeek*, June 5, 2005, <http://www.businessweek.com/stories/2005-06-05/hansen-natural>, accessed June 2013.

**Exhibit 11a** Monster Energy Inc. Financial Data (2004–2008), (in \$ thousands except gross profit)

	2008	2007	2006	2005	2004
Net Revenues	\$1,033,780	\$904,465	\$605,774	\$348,886	\$180,341
Gross Profit	\$538,794	\$468,013	\$316,594	\$182,543	\$83,466
Gross Profit (% of Net Sales)	52.10%	51.70%	52.30%	52.30%	46.30%
Operating Income	\$163,591	\$230,986	\$158,579	\$103,443	\$33,886
Net Income	\$108,032	\$149,406	\$97,949	\$62,775	\$20,387

Source: Adapted from Monster Letter to Stockholders, 2008.

**Exhibit 11b** Hansen Natural Corporation Returns (2003–2008)

Source: Monster Letter to Stockholders, 2008.

**Exhibit 12** Red Bull Income Statement, 2007 (in millions)

<b>Company</b>	<b>Euro</b>	<b>USD</b>
Revenues	1,939	2,714
Cost of goods and services	539	755
Personnel	90	125
Depreciation	25	35
Other expenses	977	1,367
Operating Income	309	432
<b>Net Income</b>	<b>235</b>	<b>328</b>
 <b>Invested Capital</b>	 <b>723</b>	 <b>1,012</b>

Source: Red Bull GmbH, 2008, 2007 Jahresabschluss, Fuschl am See: Red Bull GmbH 2008.



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