Case study: will Red Bull keep its wings?

'Red Bull gives you wiings'[1]

Having now sold over 100 billion cans of its eponymous energy drink, Red Bull is firmly established as one of the world's most valuable brands (ranked number 60 on the Interbrand list of the most valuable brands, with an estimated brand value of $12.9bn). Red Bull is widely credited with inventing the energy drinks sector. Though the sector originated in the 1960s with established players like Lucozade, the success of Red Bull drove the ascendency of the market and, more importantly, fundamentally re-framed it.



The Red Bull story started when Austrian entrepreneur Dietrich Mateschitz encountered the Thai energy drink, Krating Daeng, during his travels in Asia. (The rough translation of Krating Daeng is 'red bison'.) Mateschitz was attracted by the drink's ability to cure his jet lag[2] and felt that its energy-boosting qualities, which were appreciated by many Thai workers on long shifts, had wider commercial potential.

Together with Krating Daeng's inventor Chaleo Yoovidhya, Mateschitz established Red Bull GmbH in 1984, with 49 percent of shares owned by Mateschitz and 51 percent owned by Chaleo Yoovidhya's business TC Pharmaceuticals. TC Pharmaceuticals had been producing Krating Daeng since the early 1970s. Mateschitz tinkered with the drink formula to orientate it towards a more Western target market, adapting it from a sugary tonic to a soft drink (Red Bull is carbonated, unlike Krating Daeng). Both drinks contain the chemical taurine (2-aminoethanesulfonic acid) as their main active ingredient. At the time, the only manufacturer of taurine, and the flavour used in Red Bull, was TC Pharmaceuticals, which has been owned by the Yoovidhya family since Chaleo Yoovidhya's death in 2012. Although Chaleo Yoovidhya and Dietrich Mateschitz founded Red Bull GmbH, it was in Mateschitz's care and he was given freedom to run the company.

[1] *The original Red Bull slogan 'Red Bull gives you wings' was dropped after an attempted lawsuit against the firm because of the claim.*

[2] *This is called 'scratching your own itch' – finding a solution to a challenge you personally face and then seeing commercial opportunities in promoting the solution to others in your segment.*

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The hungry years

Mateschitz successfully sought permission from the Austrian Ministry of Health to bring his new product to the market in his native country. Mateschitz had the resolve to ignore the initial field research on his new product, which concluded that people did not believe in its 'taste, brand name and logo'. Red Bull launched into the Austrian market in April 1987 (initially at ski resorts) in its now familiar silver-blue can.

From its early years, Red Bull had strong sponsorship ties with sports events and sometimes sportspeople, preferring this route over conventional advertising. Mateschitz had well-maintained connections with the Austrian sports community, counting many of the country's sporting elite as personal friends. The first Red Bull sports involvement was the 'Dolomitenmann' extreme multi-sport relay in 1988, which was won by a four-man team from Austria. This was followed by the 'Flugtag', an event in which individuals race in human-powered flying machines. Mateschitz's investment in Red Bull was estimated as $500,000 and represented his entire wealth. In the first two years, Red Bull lost $1m and it was not until 1990 that the organisation made it into the black.

Red Bull's first foray into motorsport started in 1989 with its sponsorship of the Austrian Grand Prix driver Gerhard Berger. Red Bull went on to sponsor the Sauber Formula One (F1) team in 1995. It is now famous for owning two F1 motor racing teams, Red Bull and AlphaTauri. The first, purchased in 2004, was formerly the Jaguar Racing Team; the second, acquired in 2006, was previously Minardi. While Red Bull's drinks business struggled to make money in its early years, the heavy investment in brand positioning that was happening in parallel built the foundation for what was to come. In 1994, Red Bull sponsored its first international athletes outside of motorsport – windsurfers Bjorn Dunkerbeck and Robby Naish.



Red Bull's geographic expansion started in the 1990s, with Hungary as the first export market, followed by Germany and the UK. National launch promotions centred on students who were persuaded to drive around in branded Minis and VW Beetles, each fitted with a massive Red Bull can on its roof. The now-famous 'Red Bull gives you wings' slogan was invented by one of Mateschitz's friends.

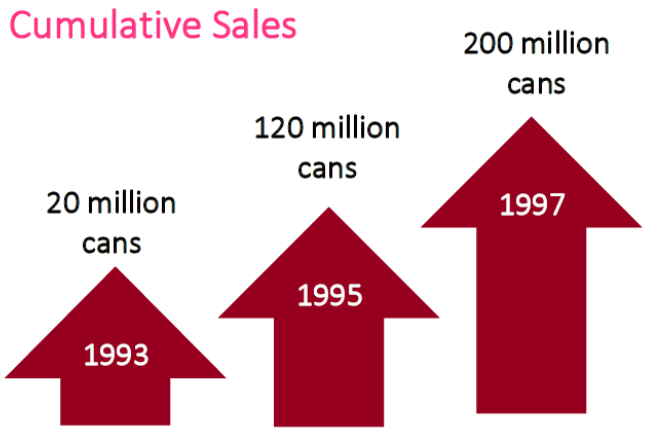
Red Bull has always been unconventional in its marketing approach, spending much more than is typical in the soft drinks industry, and also spending in a different way. The route-to-market development involved introducing the drink to clubs and selected bars, with limited availability and a comparatively high price, creating an 'edgy persona' and a buzz of interest. Red Bull recruited

influential students in universities and clubs to be brand ambassadors and seed the product. When it had been established, months – even years – later, the product was introduced to the conventional wholesale/retail network to widen its accessibility and build on the demand that had been created. Its popularity in Germany exceeded expectations and Red Bull struggled to cope with demand. Up to 1993, Red Bull had cumulative sales of 20 million cans. By the end of 1995, sales were six times that figure.

Now it is a global brand

Red Bull's entry into the US market (the home patch of the Coke and Pepsi brands) repeated its now-proven formula. Rather than tackle the entire country, Red Bull initially tightly focused its resources. Its US debut was in Santa Monica, California, selected because of the perceived openness of West Coast consumers to new ideas and because of the area's outdoor lifestyle. Red Bull supported (and consequently branded) the Red Bull Huckfest, a skiing and snowboarding competition in Utah, and the Red Bull Music Academy, a world- travelling series of music workshops and festivals. The Academy's launch event in New York featured 60 DJs from around the world. Shortly afterwards, the Red Bull Records music label was founded.

As Red Bull's geographic markets grew, so did its consumer segments. The product is now readily consumed by students, white-collar workers and athletes. By the turn of the millennium, Red Bull was selling 260 million cans a year and achieved cumulative sales of one billion cans. (It had taken until 1997 to sell its first 200 million cans.) In 2000, Red Bull started selling in countries in the Middle East and, one year later, expanded into South Africa and Brazil.



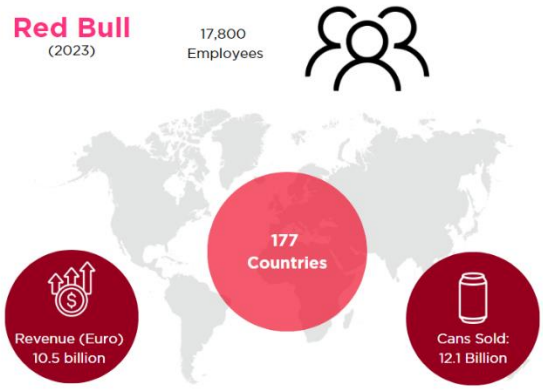
For many years, Red Bull was made in only one area, in Vorarlberg in Austria, by Rauch, Austria's largest soft drinks producer. Rauch was the only production and bottling company willing to take on Red Bull at the start. The two factories, located close by and either side of the Swiss border, have can and drink production facilities adjacent to each other, with a conveyor belt linking them. And just as the drink is distinctive, so is the can – with its tall and slim 'athletic' shape and its proportionately lower amount of aluminium. In 2019, Red Bull announced the building of its first production plant outside of Europe, in Arizona, USA, which was a joint venture between Red Bull, Rauch and the Ball Corporation.

Red Bull now sells in 175 countries and its prices are typically at least 10 percent higher than its rivals. Its mission is 'to spread our wings over the world', which chimes with its founder's 2010 assertion that 'Red Bull isn't a drink; it's a way of life'. It is a privately owned business, so publicly available financial

data is limited, but its global revenue in 2023 came to €10.6bn, with its highest growth recorded between 2020 and 2023..

Trouble around the corner?

Extreme sport remains part of the Red Bull recipe and brand persona, from F1, downhill mountain bike racing and aerobatics to cliff diving, which was introduced in 1997. The F1 programme delivered constructors' and drivers' championships in the four years from 2010 to 2013. This kudos and brand promotion were the result of an estimated $1.2bn commitment to F1 over the decade. The brand's interest expanded to sponsoring football (soccer) teams in the USA (buying the New York Red Bulls in 2006) and Europe (FC Red Bull Salzburg, who play at the Red Bull arena). Red Bull Media House, its multi-platform media company, was launched in 2007, and media channels like Red Bull TV add to the brand's reach and positioning. Red Bull sponsored 60 worldwide events in 2017 alone. Its most audacious event was probably the Red Bull Stratos mission to the edge of space in 2012, featuring Austrian skydiver Felix Baumgartner. There have been criticisms that its footprint on sport has become too 'mainstream' and moved too far away from the brand's edgy roots.



Ageing demographics are a continual problem for Red Bull. Its founder is on record as saying that it needs 'to get a new generation of 16-year-olds on board every year'. In 2010, Red Bull forayed into the then relatively new arena of e-sports. Its League of Legends became widely known as the largest e-sport and now has a global player base of 180 million people in its five-player/two-team format. League of Legends' viewership for the world championship finals was 6.4 million in 2023, which made it the most watched e-sports tournament. . Red Bull has sponsored Cloud9 and TSM, two of North America's largest League of Legends teams. Red Bull has also entered the European League of Legends Challenger Series (the second tier in the competition) with its own 'Team Red Bulls'.

The Red Bull organisation generates income from some of these non-drink activities – for example, around €324m from Red Bull Racing (F1 sponsorship, prize money, promotional income), and anything between €3,000–7,000 from Red Bull TV for each video posted on its YouTube channel, which has 15.6 million subscribers.

Red Bull's attempts to broaden its product portfolio have met with mixed results. The brand extension into sugar-free Red Bull and Red Bull Zero Calories has worked. Red Bull Sugarfree, introduced in 2003, was the first global energy drink to address the consumer need for a sugar-free/diet version. Red Bull Sugarfree contains some (albeit very few) calories; hence the product range was expanded with Red Bull Zero Calories – containing no sugar or calories. Red Bull is currently offering different interpretations of its original drink, called Red Bull editions. In total, its 2023 portfolio comprised nine

variants, including the red, green, pink and blue (watermelon, cactus, forest fruit and juneberry) editions. However, its Red Bull energy shot and Red Bull's cola product, Simply Cola, encountered difficulties.

Red Bull's energy shot was launched in 2009. The energy-shot market, while buoyant for a time, shrank slightly, and Red Bull's shot product was withdrawn from the significant US market in 2011 after it failed to make an impression on the market leader, 5-hour Energy. It is no longer produced.

Introduced in 2008, Simply Cola is a premium product made entirely from natural ingredients (phosphoric acid, for example, is a standard addition to conventional colas). Although clearly identifiable as a Red Bull product, it was not an energy drink, although its caffeine concentration, from coffee beans, exceeded that of both Coke and Pepsi. Red Bull attempted to distribute it worldwide, only to pull out of many markets two years later to focus on Austria and Germany. Simply Cola survived a 'cocaine' scandal in 2009, when German scientists discovered trace amounts from coca leaf extracts in the beverage.

Red Bull's closest rival in its core business is Monster Monster was launched in 2002 by Hansen Natural and, while younger than Red Bull, its strategy benefitted hugely from an alliance with Coca Cola. Coca Cola's own strategy plays to its strength as promoting brands rather than originating them. There are few places in the world where Coke is not the number-one-selling carbonated soft drink, and Coca Cola's peerless worldwide distribution network and marketing heft are now available to Monster. Coca Cola took a 17 percent stake in Monster and transferred its own energy drink brands – Relentless and Burn – to Monster as part of the deal. Red Bull is still the leading energy drinks brand in the US market, with a 39 percent share. Monster is in second place, with 29 percent share. Monster has consistently experimented with new flavours and styles to bring more variety and dynamism to its brand and compete against Red Bull.

The third biggest player in the global energy drinks market is Rockstar, which was acquired by Pepsi-Co in 2020 for $3.85bn.

TC Pharmaceutical's original product,Krating Daeng – in its squat gold can and with a modest price point – is market leader in Southeast and East Asia. TC Pharmaceuticals is one of Thailand's leading food and beverage companies. In the last few years, it has established two new production bases in China and Nepal, as well as a new office in Malaysia.

Future challenge for Red Bull comes from a new style of energy drinks, usually at premium price points, focused on the needs of sports people and containing ingredients considered 'good' for the body. Such ingredients (for example B vitamins, Ginseng, Guarana) bring a new sophistication to the top tier of this market. Brands like Prime, Bang (now acquired by Monster), Zoa and Celcius not only bring fresh value propositions, but often use web-based marketing channels, engaging readily with younger consumers.

According to research by Euromonitor, the global soft drinks sector is forecast to continue to grow, albeit in low single-digit figures.[3] Sales of bottled water are increasing at a much faster rate. Unsurprisingly, the non-sugar segment of the soft drinks market is growing significantly faster than full-

[3] The global energy drinks market is presently valued at around $90.5bn and predicted to double over the next decade, fuelled by the sport industry specifically.

sugar equivalents, as consumers are made more aware of the links between sugar and obesity issues. Sugar taxes loom large on the horizon in many parts of the globe, and Red Bull's 'extreme energy' brand ethos finds itself at odds with an increasingly health-concerned world.

In light of concerns about the safety of some ingredients in energy drinks, some governments have moved towards regulating how energy drinks are marketed towards children and young people. The caffeine content of Red Bull, although much higher than that of cola, is similar to that of coffee. Back in 2001, the Swedish National Food Agency was one of many organisations that initiated investigations when people died after drinking Red Bull mixed with alcohol. In 2017, the trade body Energy Drinks Europe issued a Code of Practice prohibiting the selling of energy drinks mixed with alcohol, and Denmark has taken the step to ban energy drinks. However, the European Union has declared Red Bull 'safe'.

Red Bull's more broad-based rivals have begun to trade in some of their energy drink equity for healthier offerings – for example, Coca Cola's 2007 purchase of Glaceau Smartwater. Six years before this, Red Bull heralded the launch of LunAqua, a colourless, water-based energy drink that 'draws its energy from the moon', only bottled on the 13 annual occasions when there is a full moon (it is available in Austria). Though its growth rate is fast, the market for so-called 'functional waters' – water enhanced by supplementary ingredients such as herbs and antioxidants – is yet to fully take off.

2023 onwards

In 2023, Red Bull generated nearly €10.5bn in revenue, sold 12.1 billion cans and had over 17,800 employees. Asia-Pacific is expected to be the fastest growing market in the energy drinks sector over the coming years, and Red Bull is looking to focus on these growth markets, alongside its core markets of Western Europe and the USA.

Under Mateschitz, Red Bull structured around four divisions:

1. Events: this includes competitions for professionals in F1, soccer, aerobatics, freestyle skiing, snowboarding, parcours, climbing, cliff diving, skydiving, BMX, motocross, cycling, rallying, volleyball and kitesurfing, and amateurs, which may be physical, such as freestyle rap, dance, racing your own soapbox or launching home-built flying machines, or digital. Campus Crush is a team videogame competition that tours university campuses worldwide and Home Ground features young teams fighting for the Valorant world title. All of these are available to view live on the Red Bull Twitch Channel.
2. TV: Red Bull TV generates original content (often from its own events) for distribution via its own YouTube channel (with 15.6 million subscribers) or sold to traditional broadcasters such as Sky Sports and Netflix.
3. Athletes: the company manages many of the professional stars competing at Red Bull events and showcased on Red Bull TV.
4. Products: the energy drink is now offered in a variety of flavours, sometimes as limited editions. Within the portfolio, the drinks business accounts for around 90 percent of Red Bull GmbH's revenue. The football and F1 teams now have their own ranges of clothing in sports,

street world and fashion wear and the company has moved into travel (Destination Red Bull) and music, with its own band, label and online Sound Supply, offering backing tracks for podcasts, voiceovers and videos. The company opened its latest Gaming Sphere – a hub for digital content creators and a venue for hackathons, pro masterclasses and e-sport tournaments – in Aarhus, Denmark, following the success of its centres in London, Tokyo and Stockholm. It also launched Red Bull Wingfinder, an online 'personality assessment that focuses on your strengths, the things that you're naturally inclined to be good at, and gives you the tools and coaching to be even better.'

In addition, the Red Bull Foundation company has offered long-term support for medical research into spinal cord injuries (the Wings for Life project) and organises fundraising events, such as The World Run, where sponsored amateurs run as far as they can until the catcher car reaches them.

Will Red Bull keep its wings?

There is little doubt that the Red Bull story is one of fantastic success, perhaps against the initial odds. Possibly the greatest challenge facing the company is the loss of its charismatic co-founder Dietrich Mateschitz. At the time of his death, in October 2022, he was the 71st-richest person in the world, with a personal fortune in excess of $20bn. A fiercely private man, he deliberately maintained a low profile, shunned cameras and rarely granted any interviews. He visited the F1 paddock infrequently despite owning both the Red Bull and AlphaTauri teams and was content to live quietly in the picturesque Salzkammergut region of Austria, close to his businesses. In 2003, he bought an island in Fiji, Laucala, and turned the 2,950-acre island into a super-high-end luxury resort, with just 25 villas on the island. For complete privacy, Mateschitz liked to go once or twice a year for weeks at a time. In 2013, *Forbes* reported that Mateschitz spent $1.7m on an extreme submarine for his guests at Laucala to use. Back in Austria, he also owned Hangar-7, an event centre located on the grounds of Salzburg Airport that houses his historic aircraft collection, the Flying Bulls.

Mateschitz never married but is survived by one son (Mark) who inherited his father's 49 percent share of the company.[4] The shareholders have divided the management duties among a handful of executives, all from within the Red Bull organisation. This effectively puts distance between the company's day-to-day leadership and its founder's family. One executive heads the global beverage business, another the Foundation and the media projects, and a third is in charge of investment and sports activities, including Red Bull's F1, soccer and ice hockey teams.

It has been said that Red Bull played everything by the book, and when there was no relevant chapter, it wrote one. What started as a cure for jet lag morphed into a global powerhouse brand, driving a diverse but integrated portfolio. Under new leadership however, will this extrovert and adventurous approach to enterprise remain? What might the next chapter be?

[4] *The inheritance made Mark Mateschitz Europe's richest millennial.*