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Case Study: Red Bull

Case study

This report is developed in the form of a case study. The case study is mainly aimed to examine the strategic business position of a company with the help of a case. For such purpose, Red Bull which is an energy drink producing company has been selected as a case study. The case study of Red Bull has provided a clear overview of the current strategic position of the company in the energy drink market. As per the case study of Red Bull, the company has been enjoying great success with the help of the selling non-alcoholic carbonated energy drinks. For the establishment of the worldwide forerunner of the energy drink category, the company has made great sales of about \$4.7 billion on annual basis. The company, since its introduction in the United States during 1997 has been retaining the leading position in the carbonated soft drink industry (The Red Bull cans, 2014). The company has been holding a good market share at the present date.

With the passage of time, several companies have been entered into the market of soft drinks which are sharing the lucrative market of Red Bull. The dominant market position hold by Red Bull has been challenged by some of the well established business organisations. For instance; Hensen's Natural Company the produced Monster Energy Drink and Rockstar Incorporation with produces beverages with the same name have been offering the beverages of the same category on the same prices. In addition to this, the other soft drink companies including Coca Cola and PepsiCo have also been posing significant degree of competition to Red Bull through increasing some share in the energy drink sphere.

In order to have significant market position and maintaining its market share the company has been producing its energy drink products with high quality and meeting all the standards of sustainability. The company has been making significant efforts to have minimisation of its business impact on the immediate environment because for the production and distribution of the energy drink products, the company has been using energy (The Red

Bull cans, 2014). In order to have maintenance of its supply chain practices, Red Bull has been implementing several effective techniques, and using its available resource in an optimum way. In order to minimise its carbon foot prints, Red Bull has been following “Wall to Wall” production approach and with the help of this technique the company has become enabled to save the high rate of transportation cost. The company has increased the use of renewable energy resources to more than 80%. With the help of “Wall to Wall” production approach the company has made its production process with minimum use of carbon dioxide (Wall-to-Wall production, 2014).

Table 1. Top 10 U.S. carbonated soft drink companies, 2004.

	Market Share	Cases (millions)	Volume % Change
Coca-Cola Corporation	43.1	4,414.8	(1.0%)
PepsiCo	31.7	3,241.7	+0.4%
Cadbury Schweppes	14.5	1,485.9	+2.3%
Cott Corporation	5.5	564.9	+18.2%
National Beverage	2.4	249.4	+2.2%
Big Red, Inc.	0.4	41.5	(0.5%)
Red Bull	0.3	30.0	+45.0%
Hansen's Natural	0.2	20.2	+56.6%
Monarch Beverage	0.1	9.8	+7.6%
Rockstar	0.1	9.7	+154.5%
Private label/other	1.7	171.5	(11.2%)
Total	100.0	10,239.4	+1.0%

Red Bull has been significantly managing its market share in the UK and trying to maintain its sales to a good level in the recent decade. Despite this the stiff competition posed by other energy drink companies and decline in the market share and impact of production process on the immediate green environment are the key strategic issues that company has been facing on regular basis to a certain extent. Both in the US market and UK market, the energy drink markets have been growing up to a rapid pace and thus it is a challenging situation for Red Bull to maintain its leadership position in the long run. In this way, this case study of Red Bull represents that Red Bull which is a leading business organisation in the

production of the energy drink products has to maintain its strategic leading position in the international market with adequate approaches to deal with the competitive forces, shared market, and sustainable business practices.

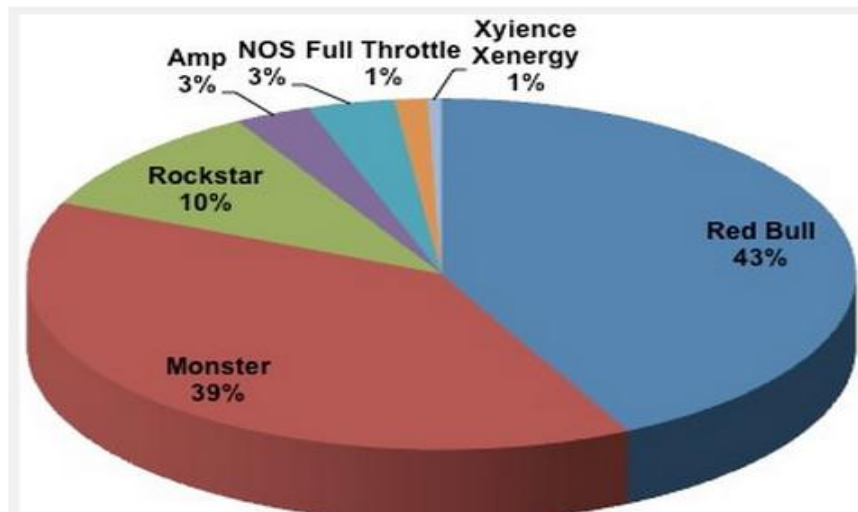
Defining the Business Issue: 600

The case study that has been presented above of the Red Bull company provides a clear picture of the strategic position of the company in the immediate market place. The case study on one hand reflects that Red Bull has been enjoying a leading business position in the immediate market has been having significant sales in the immediate market. However the case study has also shown that maintenance of the leading market position in the global energy drink industry the company has to deal with some significant strategic issues. The three key issues that are critical for the company for the company to maintain its market position are discussed below:

Competitive Force from Other Key Players: Red Bull has been offering its energy drink products to a good level, yet there are several other existing key players in the marketplace of the US and UK including Monster, Rockstar, PepsiCo and Coca Cola. All these key market players have been posing a stiff competition to the company and to keep its leading position among all these player is a key challenge for the company (The Red Bull cans. 2014).

Market Share Cutting: The other key players that some exist in the marketplace of energy drink products have been sharing a significant amount of market share of Red Bull. In the UK market, Rockstar and Monster having sharing a key volume of the market share of Red Bull. From the below graph it has been depicted that Monster has been sharing about 39% of the

market share of the energy drink product, while that of Rockstar has been sharing 10% of the market share of the energy drink products and Red Bull has been sharing 43% of the market share. The other company including PepsiCo and Coca Cola are also sharing good amount of market of the company (Top Selling Energy Drink Brands. 2014).



(Source: Top Selling Energy Drink Brands. 2014)

[Maintenance of the Sustainable Business Environment: From the case study, it is clear that minimising the impact of production process of Red Bull on the immediate green environment is a critical issue for the company as it has to make significant efforts to reduce carbon emission and minimising carbon footprints of its production process.

From case analysis three key questions are developed for these three issues as under:

Question 1: How critical is the challenge of competitive force faced by Red Bull in the global energy drink industry?

Question 2: What measures should Red Bull undertake to secure its market from companies sharing its market share to a significant level?

Question 3: How essential is it for Red Bull to maintain sustainable and socially responsible production processes?

Analysis:

The presented case of Red bull has revealed some of the critical strategic issues faced by the company. These strategic issues can be analysed with the application of three different strategic models and framework as below:

SWOT Analysis: Issue related with the company's inability to counter the intense competition can be reflected with the help of SWOT Framework. The SWOT framework for the company can applied as below:

1. Strength: Red Bull has been maintaining a strong brand Image in global market place and has been attaining competitive advantage over other key players. The brand Image and promotional strategies of the company have given it recognition as a synonym of energy drink product (The powerful sales strategy behind red bull 2014).
2. Weakness: The product portfolio of the company is weaker as compared to other soft drink companies as Red Bull holds limited range of product. The competitors of the company are offering varied of products with distinct flavour. The products of the company contain Caffeine and Taurin which are quite vulnerable to industry regulations. The company does not have sufficient patents of its products (Giving wings to people and ideas 2014)
3. Opportunities: The new emerging markets at global level are facilitating Red Bull with newer opportunities to establish new production facilities. The company have sponsorship in the new market of the US and UK. Red Bull has established its manufacturing units in Asian subcontinent, which is a huge business opportunities for the company to expand its business

(The powerful sales strategy behind red bull 2014). Threat: the company has been facing various constrain in different geogrphical markets. The market position of Monster in the UK market is a great threat for securing its market share by Red Bull. The promotional activities of the company are as much effective in mature markets like the UK. Increasing health concerns among customers and huge price competition in the market are also some major threatening factors in the market for the company (The Red Bull cans. 2014).

Porter's Five Force Analysis:

This model has been applied to evaluate the competitive position of Red Bull in Emery Drink Industry. This analysis can be done as below:

1. Threat of New Entrants:

The threat of new entrant in the global energy drink industry is quite high as this industry is quite lucrative for new business investors (Henry, 2011). However, the well established position of Red Bull has this threat only to a certain level as it holds a leading market position in the industry ((Boone and Kurtz, 2014).

2. Threat of Substitutes

There is a high threat of substitute beverage and drink products in external business environment of soft drink industry. The existence of these substitutes product can harm the market growth of Red Bull's energy drink products. The company needs to offer wider range of energy drink products to win competitive advantages over these products.

3. Bargaining Power of Buyers

The customers in the energy drink industry have their specific requirements from the products they consume regularly. The brand Image of the energy drink products is a key factor that induce customer to switch over other products and there are already several options of beverages products for the customers, and hence the bargaining power of customer in the industry is quite high (Boone and Kurtz, 2014).

4. Bargaining Power of Suppliers

The Bargaining power of suppliers in the energy drink industry is low as there are several suppliers who provide raw material and other services to energy drink producing companies. In order to use specific ingredients in its energy drink products, the company needs to pay high prices to the suppliers (Ma, 2014).

5. Rivalries

The threat of rivalry is quite in the energy drink industry as there are available several competitors in this industry at global level. The main competitors of the company are PepsiCo, Monster, Rockstar, and Burn (Berg and Pietersma, 2014). The competitors pose great threat for the market share and leading position of the company in this industry (The Company behind the can. 2014).

PESTLE Analysis:

For the purpose of analysing the company's strategic orientation in the new and existing market place, there is a need of having thorough analysis of the related market place. In the regard, PESTLE framework can be considered quite crucial. This framework reflects some crucial factors related to external marketing environment. Some of the crucial external marketing environment can be elaborated as below:

1. Political factor:

Political Factors of the country direct impact on the business position of the companies operating in that country. In this regard, political stability of major economies including the US and the UK has direct impact on Red Bull's business. The Food and Beverage regulations are very strict in the UK and even customers in the UK are quite aware about their health aspects. The Use of Caffeine has also been banned as an ingredient in the production of energy drinks products by the UK government. The government of the UK has been controlling sales of energy drinks through monitoring the use of harmful ingredients in

the product of energy drink ((Henry, 2011). Thus, Political conditions are very essential to be followed by the company to maintain its sustainable business position.

2. Economic environment:

The global Soft drink industry has significant contribution of Energy drink companies in the economic growth of the related country. In the year 2009-2010, the growth of the UK's economy was 7%, which help Red Bull to earn profit amount of US\$ 30 Billion. The company has also hold a leading market position with its sales growth in the UK market in the year 2012, when the company earned £ 2145.46 Billon (The powerful sales strategy behind red bull, 2014). In this way, the economic conditions of an international market are very important for the company to maintain its sustainable position in the global Energy drink Industry.

3. Social Environment:

There are some critical social factors that can be considered quite vital for the company. In the context of Red Bull, it can be considered that nowadays, people have become quite attentive towards their health and social prestige. Energy drink products have positive and high social values. The products offered by the company are considered as symbol of social prestige and status symbol (The powerful sales strategy behind red bull, 2014). In this regard, positive social perspective of the people regarding soft and energy products have created a positive and opportunistic business environment for Red Bull in the long run. However, the increasing concern of people on the health and related aspects also enhances the pressure over company to make changes in its product offerings (Henry, 2011).

4. Technological factors:

In order to attain sustainable position, all the companies in the energy drink industry have been adopting new and advanced technologies. In order to improve its production process, Red Bull also needs to implement highly advanced technologies to survive in the

changing competitive business environment. the company take use of ‘Wall to Wall’ production technology for developing and manufacturing of freeze bottle (Wall-to-Wall production, 2014).

5. Legal factors:

There are some critical legal implications that have made the beverage and energy drink industry more regulated in existing time period. Within the country, there are certain legal and ethical guidelines for the purpose of ensuring healthy composition of energy drink products. The legal authorities of the county have directly banned some crucial ingredients such as Caffeine and Taurin (Dietrich Mateschitz, 2014). In addition to this, from the perspective of environment safety also there are several laws and legal guidelines that affect the company’s manufacturing, packaging and distribution process in the most effective manner.

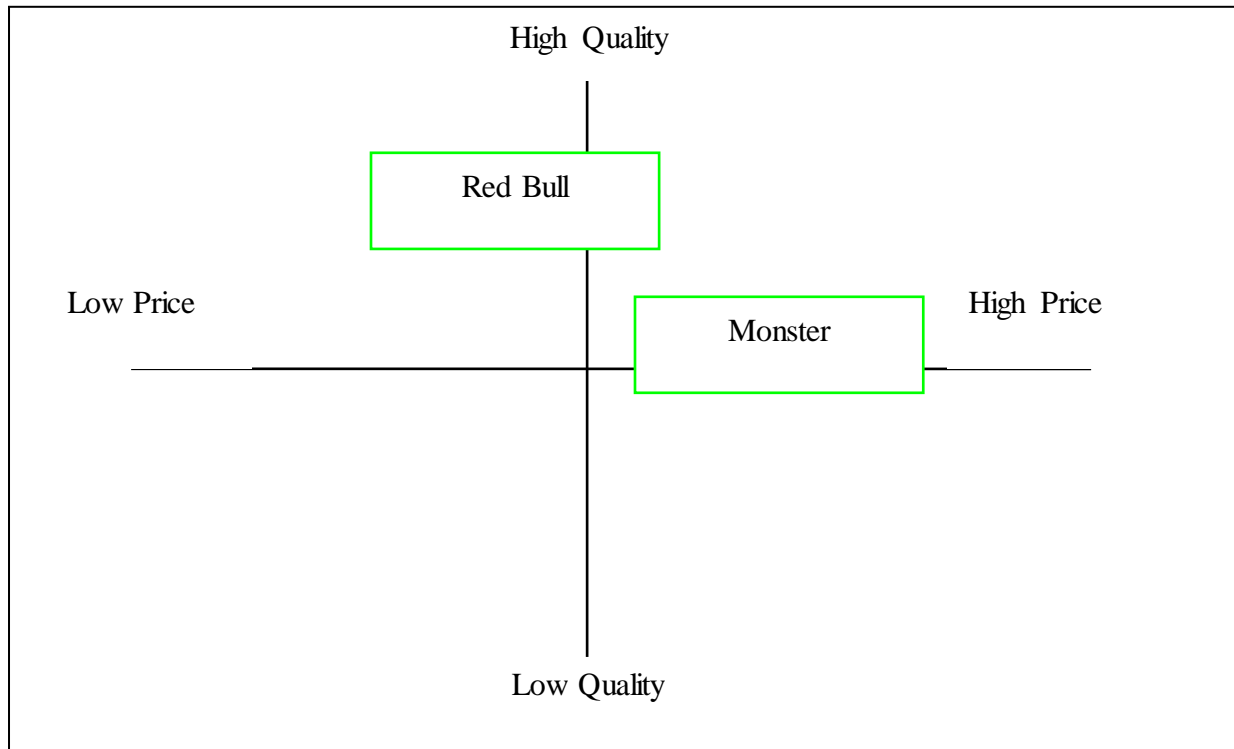
6. Environmental Factors:

Along with other external business environmental factors, environmental concern among people can also be counted as one the critical business factor that can affect the operations of the company in the most effective manner. Growing concern towards environment safety among people has induced the company to adopt green production process. In the packaging of the product also some crucial changes in the company’s operational process can be seen. For instance, the company has started to use recyclable can and packaging material for making the product more environmental friendly (The Company behind the can. 2014).

Positing Map:

In order to reveal strategic position of the company in the market place in terms of product’s perceived quality and price range, Position Map framework can be used in the most explicit manner ((The Company behind the can. 2014). As per this framework, there is a need

of exploring position of competitors in the market and measure the relative position of the organization in the existing market. The specific position map for Red Bull in the market can be presented as below:



In this way, on the basis of the analysis of different strategic models in the section, it can be cleared that for the company it is essential to company to address some of the strategic threat that can harm the overall sustainability of the company in existing highly competitive marketplace.

Strategic Direction:

On the basis of the analysis of case and business issues with the help of different strategic model, it can be considered that different business issues faced by the company are quite strategic by nature and for the business organisation to undertake some crucial strategic direction. In this regard some specific business and strategic directions for the company can be presented as below:

- In order to overcome the threat of competition, Red Bull should make the immediate patent of its products in order to secure the products ideas to a significant level. With such a process, the company would be enabled to keep its production process unique and differentiated in the new market. The company in order to win the competition, the company should cater new untapped markets so that it can have balanced market position and extra earning from the varied new markets (Berg and Pietersma, 2014). With such a process the company will be able to reduce the threat of competitive force on the part of the rivalries to a certain extent.
- In order to keep its market share stable and increased, Red Bull should undertake some significant measures. The Company at present has very limited product portfolio due to which the other companies have been sharing and cutting its market to a certain extent. For such purpose, the company should extent it product portfolio by increasing its product line to a certain extent. With such an initiation the new product of the company will also help it to attract new customers and improving the sales ratio for the existing customers. The new products will also help the company to cater new emerging international markets (Codita, 2011). This approach will help the company to secure and improve its market share in the near future to a significant level.
- In order to secure its sustainable position and to overcome the impact of its business process on the immediate environment, the company should adopt new and advanced technologies through which it can reduce carbon emission from its manufacturing and production plans. The company should also use renewable resources in its production and packing process in order minimize the waste from its production process which harms the natural environment and even affect the health aspect of the immediate community. In addition to this, to maintain its sustainable business position the company should also follow all the government regulations very strictly so that it can maintain a sustainable legal business position through having abidance with all the production and manufacturing regulations set by the

governments of the related countries (Dent, 2011). With such a process, the company can deal with the critical issue of maintaining and securing its sustainable business position in the long run.

In this way, all these proposed strategic directions for Red Bull's future business are very much supportive and significant for the future business of the company to proceed without any strategic issues or problems. Though the existing strategic issues identified from the case study are not much critical for the company but they can be prospective issues for the company in the near future.

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