Red Bull:

Marketing Strategy and Brand Equity

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1. Describe Red Bull's sources of brand equity. Do these sources change depending on the market or country?

Red Bull, quite literally, was like nothing the world had ever seen. Essentially the creator of the functional beverage market ("pioneer" would be a brazen understatement), Dietrich Mateschitz introduced his Thai inspired drink in 1985 as a revitalization of body and mind. Insistent to note its distinct differences with close cousins in the soft drink beverage market (also providing caffeinated, carbonated offerings), Red Bull maintained its product was intended to be consumed for energy, not enjoyment, purposes—a crucial positioning tactic that would later justify its medicinal flavor (Keller, 2008, p. 73). Three thousand pages of scientific documentation supported claims about purported performance benefits such as the improvement of physical endurance and mental alertness. This miracle beverage—ascertaining, it would seem, though possibly not inadvertently, a position as a saleable 250 ml fountain of youth—was incredibly unique and versatile.

According to Keller (2008), "The product itself is at the heart of brand equity, because it is the primary influence on what consumers experience with a brand, what they hear about a brand from others, and what the firm can tell customers about the brand in their communications" (p. 64). Because of its exclusivity—crafting an implicit need based on consumers unexpressed desires—Red Bull solely controlled consumers' perceptions of the energy drink market. The beverage maker, effectively and single-handedly, determined points of parity across the soon-to-be burgeoning product category. With an emphasis on the product—its benefits and its source characteristics—Red Bull not only formed difficult to attain consumer expectations for competitors but criteria that would later and ultimately galvanize their market leader position.

The ability to deliver on these necessary criteria in a product category one creates is an obvious competitive advantage. Being first to market by being the first in a brand new product category also builds significant brand equity. According to Keller (2008), "Red Bull had the advantage of originating the energy drink category in most markets it entered, and could therefore establish the brand's prominence on its own terms" (p. 85). A functional product with superior performance, the distinctively formulated elixir was keen to capitalize on perceptions of infallible execution. With a value proposition of providing sustained energy and nourishment, Red Bull, and its "gives you wiiings" tagline, constituted a desirable brand image it could feasibly support. In tandem with its earned premium price point and sleek (almost sterile) product design, Red Bull credibly built expertise in the energy drink arena for their efficient and effective (clinically exacting) offering. In short, they were the undisputed, idealized, and premier functional beverage of choice.

With its broad interpretation of usage occasions and limitless target demographics (additional sources of brand equity), Red Bull was well equipped to transcend international markets and position themselves globally. Using devices such as humor in its advertising communications, and adhering to the essence of its core message of vitality, Red Bull allowed consumers of all backgrounds access to and retrieval of cues stored in its brand equity. According to Keller (2008), "Not only did the colorful images travel well, but also the simple execution and universal concepts of the ads ensured that they would cross cultural boundaries easily" (p. 79). Consistent treatment of these communicative elements have not only contributed to the ongoing development of consumer knowledge structures but also provide an effective future blueprint for the brand.

2. Analyze Red Bull's marketing strategy in terms of how it contributes to the brand's equity. Discuss Strengths and weaknesses.

Red Bull's marketing strategy was unconventional to say the least. But an unconventional product calls for an equally inventive pursuit in approach. With a yet undeveloped functional beverage market, and with a corresponding lack of consumer knowledge to match, Red Bull sought to build awareness of its brand. However, instead of a more traditional approach where advertising spending and impressions are somehow subjectively correlated, Red Bull sought to create interminable buzz.

A classic example of a pull strategy, the beverage company looked to build demand for its product by first seeking adoption in selective (pre-screened) locations. According to Keller (2008), "Red Bull strove to build buzz about the product through its 'seeding program,' where the company micro-targeted 'in' shops, clubs, bars, and stores. This enabled the cultural elite to access the product first and hopefully influence consumers further down the pyramid of influence through word-of-mouth" (p. 77). In an area where the product had yet to be distributed and was not readily available for consumption, anticipation for Red Bull grew. Not only were consumers exceedingly aware of the product but they were now begging to try it. Indeed, the logic behind this vast word-of-mouth network was largely to encourage trial. Confident that the product would achieve on all its brand promises, Red Bull professedly reckoned that trial would inarguably lead to adoption. After all, if notables had tried and reportedly liked the beverage, what reason did the average individual have in procuring impenetrable doubt? This group favored the judgments of powerful opinion leaders, and therefore trusted that there was little perceived risk in testing the new drink. Any reservations they might have had were effectively discredited.

An inherent strength of this strategy, and one that allowed the brand to build and defend equity, was in the exclusive reveal itself. Initial limited availability supported notions of fashionable intrigue. Paired with a price tag owing of its premium characteristic, the discerning arrival spawned idealized and aspirational consumer associations. Red Bull was hip, cool, and selfishly craved. The marketing strategy therefore not only contributed to but complemented the desired brand image.

A second strength of this non-traditional strategy as a contribution to brand equity was in its ability to regularly redefine appropriate usage scenarios. According to Keller (2008), "Whereas traditional beverage marketers attempt to reach the maximum numbers of consumers with a sampling, Red Bull sought to reach consumers only in ideal usage occasions, namely when the consumer needed or wanted a boost" (p. 80). Red Bull ambassadors would show up unannounced at events and locations as diverse as concerts, sporting competitions, highway rest areas, and campus libraries to effectively illustrate not only the appeal of the drink among a diverse audience but also the variety of acceptable product uses available. In fact, regardless of the activity (arduous or intellectual), consumers were being conditioned to recall Red Bull as an effective and efficient remedy to their ruinous deprivation of energy. An array of sponsorships—from extreme athletes to well-groomed celebrities—only further enhanced broad associations of utility. This element of the marketing program was especially designed to demonstrate the flexibility in usage occasions across markets.

Of course, an obvious potential weakness or pitfall in sequentially (and narrowly) releasing product is an observed gap in market penetration. Red Bull's persistence of a high-demand, low-supply economic model might have encouraged a price premium for their product. However, it might also have just as easily given opportunity to competitors to undercut Red Bull's global intentions and make inroads on market share. The danger is in the impression of a perceived low supply, feigning abundant inventory to drive up costs. Targeting yet untapped locales seeking participation in the functional beverage market, the competition could altogether diminish Red Bull's premium image by attempting to contest on price. This proposed rival brand would, in effect, stand to provide value to consumers more cheaply and easily.

3. How can Red Bull maintain its marketing momentum? Would you recommend that Red Bull develop any brand extensions? If so, what would they be? Would you use the same marketing strategy?

Red Bull can best maintain its marketing momentum in full utilization of these unique event and celebrity partnerships. Attention-getting campaigns in stunts like the most recent Stratos project continue to develop buzz for the beverage company while leveraging necessary brand associations of innovation, stimulation, and individuality. Cutting through the traditional advertising noise and engaging consumers in an interactive manner will only help build awareness and encourage trial of the product.

I would not recommend and, in fact, would strongly advise against any brand extensions for Red Bull. A more competitively priced beverage alternative would almost certainly cannibalize the premium positioning of Red Bull original. Also, any devotion to various alternatives would likely jeopardize hard-fought brand equity and the affinity consumers have for the authentic product. As Red Bull's Group Marketing and Sales Director Norbert Kraihamer contested, "This is one of the reasons we are not at all afraid of the big companies, the Coca Colas and the PepsiCos and the Cadbury Schweppes of this world. They'll find it difficult to put the same kind of focus and dedication into one product, one item, because they are spreading their marketing across a whole range" (p. 80). Indeed, if Red Bull wishes to remain the "pre-eminent" brand in the functional beverage market, they need to be sure focus is on the effective points of difference conveyed. They cannot over extend themselves or else believability in providing the proposed brand benefits can sway. A premium product such as Red Bull ought to go untouched or else risk significant competitive advantage to inferior brands.

References

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