
Section 2

THANKS FOR THE IDEA

Red Bull

Taste doesn't always matter

A FIZZY ENERGY DRINK IN A SLIMLINE CAN HAS JUGGERNAUTED its way to beverage superstardom. Launched in 1987 in Austria, Red Bull now sells more than 1.9 million cans of sweet, caffeine-packed energy drink in over seventy countries around the world each year. Red Bull is enjoying up to 90 percent share of the energy drink market in countries where it is sold.

The man behind the brand is tan, tall, and media-shy Austrian billionaire Dietrich Mateschitz—a former toothpaste salesman and marketing executive for German company Blendax, later acquired by multinational food company Proctor & Gamble. It was Mateschitz who took a Thai drink favored by blue-collar workers, students, and drivers and turned it into a global phenomenon.

While working in Asia, Mateschitz came across caffeine-filled energy drinks on sale throughout the region. Often foul-tasting, the drinks typically contained exotic ingredients that promised to remedy ailments from flu to impotency. They were sold at a premium price in tiny bottles or vials. According to company history, Mateschitz got the idea for his business while sitting in the Mandarin Hotel in Hong Kong in 1982, sipping on such a drink.

Mateschitz started investigating the potential for energy drinks and began hearing about the fortunes being made from selling them locally. He set about finding a formula he could take back to Austria. The answer was Krating Daeng, Thai for “red water buffalo.” The Thai version of Red Bull is a non-fizzy drink containing synthetic taurine (an amino acid), caffeine, sugar, and glucuronolactone, a substance that is claimed to give its drinkers increased stamina,

enhanced mental alertness, and physical endurance. Krating Daeng had been created by Thai Chaleo Yoovidhya's TC Pharmaceutical Company in 1978. Chaleo Yoovidhya happened to be a Blendax licensee in Thailand, and met with Mateschitz in Bangkok and struck a deal so that Mateschitz could license the drink in Austria. "I eventually managed to convince him," says Mateschitz. Both Yoovidhya and Mateschitz own 49 percent of Red Bull, and Yoovidhya's son has the other 2 percent. They each initially invested \$500,000 of savings in the deal.

Mateschitz then spent three years analyzing the market, working on the new formula, developing a marketing strategy, and finalizing the design of the can (smaller than a Coke can but more expensive for consumers to buy) before he finally got approval from Austria's Ministry of Health. Mateschitz founded Red Bull GmbH in 1987 in Fuschl, Austria, near Salzburg. Mateschitz says he spent millions developing the product for the western market but won't disclose where he found his backers.

Mateschitz took a health tonic, made it less syrupy, gave it more fizz, put it into a sleek, slim can, and turned it into a "smart drink" that claims to enhance performance. He was not deterred by terrible market research that told him his drink was truly disgusting. It is made primarily from synthetic ingredients, many of which are supplied by pharmaceutical companies. The debut of Red Bull in 1987 was an enticing market proposition at a time when a new wave of sports drinks were taking off in the Western market.

Red Bull had a positive response from the market. It was first launched outside Austria in Hungary and then gradually throughout Europe. Red Bull took on the U.S. market in 2001 and, after a slow start, sales are now booming. "When we first started, we said there is no existing market for Red Bull. But Red Bull will create it. And that is what finally became true," says Mateschitz.

Part of Mateschitz's genius is how he has positioned Red Bull in the marketplace. He built Red Bull's reputation away from the

mainstream, connecting the drink to a world far from ordinary, to extreme sports, the hippest bars, vintage airplanes, and aerobatics teams, to every kind of motor racing and adventure, to Flugtag (a daredevil competition where people build their own flying machines), and even to a wacky cartoon version of Leonardo da Vinci, who stars in many of Red Bull's advertising campaigns.

Mateschitz puts the success of Red Bull down to marketing: "It is essential that one develops a unique communication and advertising strategy, above and below the line, a campaign that combines body and mind in a very non-conformist way. The image of Red Bull is definitely nothing to do with any food product, but has a luxury, lifestyle identification."

The brand is all about mystique (and you thought it was just a drink). The company devised tactics such as recruiting teams of cool college students to act as "consumer educators." They take cases of Red Bull to the "right" parties to create a buzz about it, rather than trying to promote the product through traditional channels. Red Bull has fleets of custom-built cars driving around city streets promoting the brand, and then there has been the supporting role of celebrities such as Madonna, Britney Spears, and Demi Moore, snapped by paparazzi drinking their afternoon Red Bull pick-me-up as part of their so-called normal daily lives. Through these channels, the company has created a brand associated with a life less ordinary—a world away from the other type of Red Bull drinkers: those working away in a call center, office, or study, needing a kick-start.

The Red Bull marketing campaign has not been cheap to pull off. *Sports Illustrated* magazine estimates that, in 2002, Red Bull spent \$80 million on sponsoring extreme sports events such as the Flugtag human flying competitions and kite-boarding from Miami to the Cuban coastline (without shark nets). Red Bull sponsors up to five hundred extreme athletes and has a motor racing academy in Austria for studying and developing the athletic potential of

motor racers. The greatest publicity triumph so far has been a Red Bull-sponsored crossing of the English Channel by Austrian Felix Baumgartner, who jumped from a plane 9,000 meters above Dover and glided across the Channel aided only by carbon-fiber fixed wings, to land in Calais six minutes later. Mateschitz also has a Formula One racing team. Overall, an estimated 30 percent of revenue is spent on marketing the product.

The real threat to the continued success of Red Bull is from a health perspective. Critics argue that Red Bull has introduced a new generation to caffeine addiction. The drink has already been banned in Canada, Denmark, Norway, and France. The company itself recommends drinking no more than eight cans per day.

Mateschitz shies away from the media, preferring the brand to take center stage. He is known as a bit of a playboy, likes extreme sports, and owns a Fijian island. He has built an office in Fuschl in the shape of two volcanos. With an estimated fortune of \$2 billion, he can easily afford an aircraft hangar that houses his collection of sixteen priceless aircraft. Mateschitz is also building a motor sport and aviation theme park in Austria. Mateschitz has no plans at this stage to sell the business that he sees is still all about reaching new markets. Sales have already reached \$2 billion and the company is now looking to Mexico, Russia, and the Middle East to start drinking the sugary, caffeinated Red Bull. Mateschitz can be confident that a few more priceless airplanes are not going to break his bank.

NOTES

- “**When we first started...**” Gschwandtner. “The Powerful Sales Strategy behind Red Bull,” *Selling Power*, p. 60, 9.04.
- “**I eventually managed . . .**” Kositchotethana, Boonsong. “Austrian Marketing Mogul Puts Stamp on Thailand’s Original Red Bull Drink,” Marketing section, *Bangkok Post*, 8.29.03.
- “**It is essential that . . .**” Kositchotethana, Boonsong. “Austrian Marketing Mogul Puts Stamp on Thailand’s Original Red Bull Drink,” Marketing section, *Bangkok Post*, 8.29.03.