

## Chapter 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, today more than 3 billion cans of sweet, caffeine-packed Red Bull are sold in over 130 countries around the world each year. Red Bull is enjoying up to a 80 per cent share of the energy drink market in every country where it is sold.

The man behind the brand is tanned, tall and media-shy Austrian billionaire Dietrich Mateschitz, a former toothpaste salesman and marketing executive with multinational food company Unilever, who took a Thai drink favoured by blue-collar workers, students and bus 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 contain exotic ingredients that promise to remedy ailments from flu to impotency. They are sold at a premium price in tiny bottles or vials. According to company history, Mateschitz got the idea for his business whilst 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. In 1983 Yoovidhya and Mateschitz met in Bangkok and struck a licensing deal for Mateschitz to produce and sell the drink in Austria. Yoovidhya and Mateschitz each own 49 per cent of Red Bull and Yoovidhya's son has the other 2 per cent. They each initially invested \$500,000 in the deal. Mateschitz took the health tonic, made it sweet and fizzy, put it into a sleek, slim can and turned it into a 'smart drink' that is claimed to enhance performance. It is made primarily from synthetic ingredients, many of which are supplied by pharmaceutical companies.

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

The debut of Red Bull was an enticing market proposition at a time when a new wave of sports drinks, even long-serving Lucozade, were taking off in the Western market.

Red Bull debuted in 1987 to a positive response. It was first launched outside Austria in Hungary and then gradually throughout Europe. Red Bull took on the US market in 2001 and, after a slow start, sales are now booming.

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, to the hippest bars, to vintage airplanes and aerobatics teams, to every kind of motor racing, to 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 Red Bull's advertising campaign. 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 daily lives. Through these channels, the company 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 centre, office or study, needing a kick-start.

The Red Bull marketing campaign has not been cheap to pull off. *Sports Illustrated* magazine estimates that even back 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 300 extreme athletes, a Formula One racing team 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 in 2003 by Austrian Felix Baumgartner, who jumped from a plane 9000 metres above Dover and glided across, aided only by carbon-fibre wings, to land in Calais six minutes later.

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.

The super-fit Mateschitz, who reportedly does drink eight cans of Red Bull a day and loves black coffee, shies away from the media, preferring to let the brand take centre stage. He is known as a bit of a playboy, clearly likes extreme sports and owns a Fijian island and an Austrian soccer team. He has a collection of priceless aircraft and is building an aviation theme park in Austria. Red Bull's most recent acquisition is a \$100-million major league baseball team. At this stage Mateschitz has no plans to sell the business that he sees is still all about reaching new markets. In 2006 annual sales reached \$3.5 billion and the company is now looking to Mexico, Russia and the Middle East to start drinking sugary, caffeinated Red Bull. With an estimated fortune of \$3 billion behind him, Mateschitz is now in the process of launching another health drink. Wonder if it tastes any nicer than Red Bull?

#### NOTES

'It is essential that . . .', Boonsong Kositchotethana, 'Austrian marketing mogul puts stamp on Thailand's original Red Bull drink', *Bangkok Post*, Marketing section, 29.8.03