

Price Analysis: Red Bull

School of Business, Technology, and Health Care Administration, Capella University

BUS-FPX3030: Fundamentals of Marketing and Sales

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Red Bull: Coffee-Flavored Energy Drink

Pricing decisions play a pivotal role in determining the financial and strategic success of organizations. Once a product or service is created and the distribution method is identified, choosing an appropriate pricing structure becomes crucial. From a marketing perspective, pricing strategies assist businesses in achieving their financial objectives, as pricing is a revenue driver (Anonymous, 2015). Pricing decisions are influenced not only by internal needs and targets but also by the competitive environment in the market industry, which determines the positioning of products and services relative to competitors (Lamb, Hair, & McDaniel, 2021).

Red Bull's Pricing Strategy and its Impact on Business Success Competitive pricing is well-suited for Red Bull's coffee-flavored energy drink, aligning with the nature of the product (Lamb et al., 2021). Red Bull products are categorized as convenience goods, characterized by low emotional involvement and low-impact decision-making. While not considered necessities, convenience goods like energy drinks are widely available. Red Bull operates in a medium-level competitive market environment, comprising several major players and numerous smaller competitors (Rose, 2022). According to the product life cycle model, the market is currently in its growth stage, with established brands enjoying stable reputations and market share. Notable competitors for Red Bull in this market include Monster Beverage and PepsiCo, Inc. (Rose, 2022).

Considering this industry landscape, Red Bull's current pricing approach reflects a competitive pricing strategy for its regular and sugar-free energy drink products. Adopting competitive pricing is crucial for Red Bull to establish a competitive position in the energy drink

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market (Burnett, 2011). This pricing approach aligns with the company's retail objectives of maintaining market share and generating positive financial results through revenues and sales (Rose, 2022). By employing competitive pricing, Red Bull has effectively leveraged its brand equity and value alongside other energy drink brands in the market.

Price represents the value, function, or benefit obtained in exchange for money (Lamb et al., 2021). It reflects the net worth of a product or service. Several essential elements, such as brand, quality, accessibility, competitive value, and available options, must be considered when setting prices for a specific product (Burnett, 2011). Pricing strategies should directly relate to the offerings, promotions, and distribution strategies of the organization, ensuring consistency between the value customers are willing to pay and the market cost of the product or service (Anonymous, 2015). As pricing strategy drives revenue, companies must carefully evaluate how market competition levels influence the overall competitive position of their products or services.

Red Bull's competitive pricing strategy for its coffee-flavored energy drink aligns with the market's life cycle and similar products in the industry. The primary competitor in this segment is Monster, which already boasts an extensive portfolio of coffee-flavored energy drinks. Given the growth stage of the energy drink market, prices have become relatively stable (Lamb et al., 2021). With multiple competitors already present, there is high availability of energy drink products. By adopting competitive pricing for its new energy drink line, Red Bull can capitalize on economies of scale, particularly as its regular and sugar-free energy drinks are widely available through traditional retail channels, aligning with the company's distribution strategy.

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For Red Bull's coffee-flavored energy drinks, profit maximization, customer satisfaction, and return on investment are among the business objectives that the company aims to fulfill through its pricing strategy. Although the coffee-flavored energy drink is a new addition to Red Bull's product portfolio, it is not considered an innovative or novel product due to existing coffee-flavored energy drinks offered by other brands (Lamb et al., 2021). The market has already welcomed competitors, resulting in a high supply availability of energy drink products. By adopting competitive pricing for its new line of energy drinks, Red Bull can maximize its economies of scale, primarily as its regular and sugar-free energy drinks are widely available among traditional retail channels including supermarket and convenience stores; therefore, this is also aligned with the distribution strategy of the company.

For Red Bull's coffee-flavored energy drinks, profit maximization, customer satisfaction, and return on investment are only some of the many business objectives that the company aims to fulfill through its pricing strategy. Although Red Bull's coffee-flavored energy drink is a new addition to the firm's product portfolio, it is not considered an innovative or novel product because there are already coffee-flavored energy drinks sold under different brands (Lamb et al., 2021). The challenge for Red Bull is to adopt a pricing strategy aligned with the company's brand equity and product image while maintaining a competitive position in the market (Burnett, 2011). A competitive pricing strategy is recommended for Red Bull because it can aid in the product's growth in the market and in the generation of revenue to ensure positive profit for the company.

Synthesis

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Competitive pricing is recommended for businesses that sell products or services with direct substitutes available in the market. Red Bull's core products are highly substitutable, thereby making competitive pricing appropriate for the company's new products. Competitive pricing supports Red Bull's financial and strategic targets, aided by the company's equity and brand, enabling the company to generate a healthy level of revenue to secure positive profits. Because Red Bull operates in a competitive market that is currently in its growth stage, positioning the products in a competitive light can help strengthen the company's brand in the energy drink market. Competitive pricing is also a critical facet of Red Bull's continued market success and growth which can contribute to the entity's stable market share. The selected pricing strategy for Red Bull's coffee-flavored energy drink leverages the firm's existing distribution channels for its regular and sugar-free energy drink products, leading to economies of scale in the firm's supply chain.

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