



Research Article

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Analysis of entrepreneurial marketing strategy on functional beverage based on the 4P theory in China: A case study on Red Bull

Hongtao Yang, Tingjun Ge and BaizhouLi

School of Economics and Management, Harbin Engineering University, Harbin, Hei Longjiang, China

ABSTRACT

Red Bull is a famous brand of functional beverage across the world, it is also the No.1 functional beverage in China. This paper used 4P marketing theory to analyze this world-famous beverage's marketing strategy in China. The paper studied Red Bull's successful factors in China from the view of marketing strategy, which provides advice to the broad and home functional beverages. It is of great significance to the functional beverage on expanding China's market.

Keywords: 4P theory; Functional beverage; Marketing strategy; Red Bull

INTRODUCTION

With the increasing consciousness of people's self health care, all kinds of health care functional beverages come into being. Now drinks are no longer just to quench thirst, people also drink them for meeting their various needs. For example, fruit juice beverage is to satisfy people's demand for nutrition and health; Tea beverage is to satisfy the people's need for culture and the rapid pace of life; Functional beverage is to meet the needs of trace elements. In the 21st century, the annual sales of functional beverage all over the world is more than 15 billion dollars[1]. At present, compared with the developed countries in the world, our country energy drinks per capita consumption is 0.5 kilograms each year, which is far from the world's seven kilograms per capita consumption. Therefore the function of the Chinese beverage market is huge. At present, the functional beverage market is mainly in North America and the Asia-pacific region. In recent years, the power of the Chinese beverage enterprises in continuously strengthening, the residents' consumption ability has improved, especially the rural residents, which will help to promote the growth of the beverage industry. With the improvement of health consciousness, the functional beverage needs to be related to health to attract consumers [2].

LITERATURE REVIEW

Benton studied ordering problem under the circumstance of more suppliers and resource constraints[3]. Banerjee discussed the design problem of the quantity discount from the perspective of supply chain, and gave the upper and lower bounds of discount, indicating that in the discount range if sellers increase their order to the optimal order, both sides will increase revenue from the common profit[4]. Timothy discussed the impact of quantity discount and transportation discount on decisions[5]. Khoujawill be gradually more discount way to deal with excess inventory and supplier offer quantity discounts, the combination of through joint decisions in order to realize the coordination of supply and demand[6]. Gao Jianxin and Liu Wei put forward the analysis framework of product structure based on

enterprise core competence from the product structure adjustment and enterprise core competitiveness theory[7]. Xie Aili, Zhou Guanghua argued that the traditional design of distribution place is based on consumer needs, which has not suited to the needs of the enterprise, suggesting establish distribution channels based on the consumers' preference[8][9].

RED BULL 4P MARKETING STRATEGY IN CHINA

McCarthy, a professor at the University of Michigan (Jerome McCarthy) first put forward 4P marketing theory in his "Basic Marketing which is published in 1960: the Product, Price, Place (distribution), and Promotion. McCarthy believes that marketing is to decide what product is to be produced, what price is the product, where and why to sell products and how to make product known, in order to meet customer needs and achieve the targets of the enterprise. Fig 1 is how the framework of 4P theory.

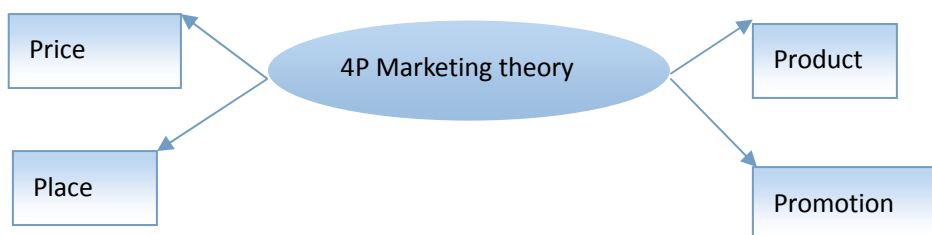


Fig 1. The framework of 4P theory

Product Strategy Analysis

A functional beverage is a drink product that is non-alcoholic and includes in its formulation ingredients such as herbs, vitamins, minerals, amino acids or additional raw fruit or vegetables. It often claims to provide specific health benefits. Under the category of functional beverage, red bull's function is to provide energy and revitalize the user.

From its product position, we know that most red bull beverage users should be the ones who work long nonstop hours and consume large amount of energy. Also, the groups that stay late entertaining and then need to get up working studying are target customers of Red Bull drink, too.

Back to the early time, labels of Red Bull is on the paper package, with brand name and logo in the middle. The red label is prominent in the blue color background. Apart from the basic information (logo, volume, expiration day), every Red Bull can details the ingredients and user's manual of its function, appropriate users, users caution and the food certificate.

Nowadays, increasing attention is paid on food security by consumers; therefore, being responsible for the security of the product and the health of consumers is the key to sustain one brand. The functional feature of Red Bull (with its caffeine ingredient) could put an obstacle when it is marketed to the youngsters, the senior and the pregnant. Thus, it is a smart way to acknowledge the consumers more in advance to gain credibility.

Price Strategy Analysis

Red Bull, as one of the earliest functional brands, has the largest market occupancy in functional beverage section in the world level. However, after so many years of building its market share in China, Red Bull's performance is not very satisfying. It does a pretty good job compared with other local brands, but still far from what it achieved in European and North America markets. One of the problems is its price position.

The most common Red Bull drinks in China are Red Bull Classic, a wider gold can with a volume of 250ml, priced around 5.5 yuan and Red Bull Extra, a tall and slim blue-silver can with volume of 250ml, priced around 7.5 Yuan. Regardless of its product variety, compared with the 3.5 yuan of health drink Wang Laoji and the same price of energy drink Ji Huo and Scream, Red Bull definitely loses a lot of consumers because its high price.

It can be seen that the potential users of Red Bull are from various walks of life including but not limited to students, specialists, drivers, white collars. However, the retail price is out of reach for most students and drivers who usually prefer cost efficient drinks. Therefore, targeting a wide range of consumers is not compatible with the high price. If Red Bull expects to enlarge its market share, it better provide more varieties of product combinations.

Place Strategy Analysis

For functional drinks, grocery stores are the main channel, where the largest transactions are seen. Second channel are the supermarkets, with less frequent purchases but usually more units per transaction. In addition, gym and other

sports court are ideal place which are always neglected. With its energy refilling function, convenience is considered as an essential factor. Provide the consumers who just sweat all over and eager to regain energy is one of the priority of the sales channel.

Promotion Strategy Analysis

Emphasizing its heritage

The functional or energy drinks are hardly seen in Chinese market when Red Bull first launched its products in China. As many foreign brands who just entered the Chinese market, Red Bull put a lot effort describing its heritage, making consumers believe it is a high-end western brand barely having connections with Thailand.

Mass Media Coverage

Red Bull began its continuous advertising on CCTV channel since Spring Gala of 1995. Its slogan such as “Red Bull is now in China” “Cars need fuel, I need Red Bull” and “Thirsty, tired, and sleepy, get a Red Bull can” are well accepted among the consumers. Large sections of advertising with the competitive sales channel coverage in grocery and supermarkets, Red Bull became the No.1 functional drink brand in China.

Word of Mouth Marketing: Sponsoring Sports Events and Extreme Sports

As the GDP of China rapidly grows along with the higher consumption capability of Chinese people, Red Bull began introducing its unique word of mouth campaign. Since 2000, Red Bull consistently sponsors “three on three” teenagers basketball competition, nurturing followers of the brand among the youngsters, who are the potential consumers of the brand. In 2004, Formula 1 came to China for the very first time, and spontaneously, after so many years promoting this sport all over the world, Red Bull functioned as one of the main sponsors of the event. After that, Red Bull steadily applies its international approach of marketing through promoting the development of sports event and extreme sports in China market and established its vigorous image[10].

CONCLUSION

After more than ten years of development, Red bull has possessed half share of functional beverage in China. This paper introduced the famous 4P marketing strategy theory, and explaining that effective product, pricing, channel, promotion strategies will help enterprises to win the market and consumers. Red bull company has become a household name, many consumers gradually accept the brand, or even love this brand. The authors hope that this paper can provide some suggestion and experience to other functional beverage both from home and abroad about how to establish their own competitive advantage and excellent marketing strategy.

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