

Red Bull plans Asian expansion

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Red Bull plans Asian expansion: prospects and problems, by Euromonitor International

Red Bull aims to strengthen its global position by expanding its presence in Asia. While its ambitions for the region are unquestionable, the probability of success in Japan is uncertain.

Red Bull's rapid international expansion has earned it the undisputed number one position in the world's energy drinks market, according to Euromonitor International. In the face of growing competition from rival brands such as Hansen Natural Corp's Monster in the US, Red Bull is planning a more aggressive assault on Asia.

In Asia-Pacific, Japanese brands have traditionally led the regional rankings table. However, stagnant domestic demand and the slow or non-existent overseas expansion of Japanese brands have led to poor share gain at regional level. In contrast, Red Bull is more aggressive in terms of geographical expansion and recorded strong volume growth in China, Hong Kong, India, the Philippines, Azerbaijan and Pakistan over the past few years. Red Bull overtook Otsuka Co Ltd's M brand in 2005 and took the lead in the category with a retail volume share of 13% in the Asia-Pacific region. However, Red Bull's leading position is not yet well established, and this is reflected in the marginal gap between itself and the second and third ranked brands, M and Otsuka's Oronamin C with respective shares of 12.1% and 11.7%.

Promising market supported by large youth population

Asia is Red Bull's priority market in terms of expansion. Red Bull's prime consumers are in their 20s and the large youth population in the region can potentially become energy drinks consumers in the long term. India boasts the highest number of 20-24-year-olds at 98 million, followed by China with 82 million and Indonesia with 21 million. The liberalisation of the Chinese and Indian economies is set to raise living standards and improve levels of disposable incomes, which will benefit sales of highly valued consumer products. Along with total increases in consumption of soft drinks, China, India and Indonesia will continue to see high sales growth of energy drinks in years to come, implying optimistic business prospects for Red Bull.

Can Red Bull succeed in Japan?

Euromonitor International believes that Red Bull needs to think harder before expanding its operations in Japan. With a per capita consumption of 1.7 litres, Japan has a highly concentrated energy drinks market, with Otsuka's Oronamin C brand and the Coca-Cola Company's Real Gold together accounting for over 70% of the market. The two top brands have their own strong consumer base and it would be very costly for a new brand to fight for the shrinking consumer base in the face of declining birth rates and a rapidly ageing population. In fact, energy drinks players have failed to find new consumers and total consumption has declined consistently since the late 1990s, and this trend is expected to continue in years to come.

Red Bull is known for being aggressive in marketing terms but cautious in terms of product development. Its unwillingness to modify the product format and the taste of the drink may not be attractive to young Japanese consumers, who typically flirt with new products and are quick to change brands. In the competitive Japanese soft drinks market, even established brands need to be revamped regularly to cater for ever-changing preferences and fads. On the top of this, the new consumer trend favouring natural ingredients may well work against Red Bull.

Nevertheless, Japan is a wealthy country and the ready ability to pay for premium drinks is in no doubt. Red Bull may stand a chance of winning over young Japanese consumers if it manages to carve itself a niche in the on-trade channel, which currently records negligible sales of energy drinks. Success may be more likely if Red Bull partners local players such as Suntory, which has experience in distributing international brands and operates a large number of vending machines across the country. Suntory's expertise and its connection with on-trade channels for both alcoholic and soft drinks would help Red Bull to quickly penetrate the market.

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