

Company Watch: Red Bull on a hiding to nothing with cola entry

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Red Bull is the undisputed champion of the energy drinks market, but, warns Euromonitor International, its proposed entry into the cola category could prove a costly mistake.

Brand heritage is crucial in the beverages industry and companies need to be very astute when they start messing with the wires that make it work. In the case of Red Bull, its brand heritage – that part of Red Bull that consumers relate to and that gives it the competitive edge – is inextricably tied up with the dynamics of the energy drinks sector. Whether we mix our Red Bull with vodka on a night out, or drink it at work to keep us sharp, we do so because that is the way the brand has evolved in our consumption culture. The problem is that if you try to piggyback this culture by segmenting out into a different category, you run the risk of undermining the very essence that has made the brand tick. At the very least you risk causing confusion over where the brand's strategic heritage really lies. This is the problem that is likely to be faced by Red Bull Simply Cola, the new natural 'non functional' cola that is set to roll out in the US, frontrunner of the world's energy drinks market, later this year.

If Red Bull Simply Cola is going to be successful, it will first need to attract fans of its flagship energy drink brand and secondly, entice new consumers who are adverse to the energy drinks concept. You need to keep in mind that energy drinks comprise a unique devil-may-care category in the world of soft drinks (See Euromonitor International comment piece 22nd February 2008) and, as such, many of the consumers fuelling its fast-track growth are not always in happy allegiance with traditional sectors of the industry. In simple terms, you could argue that many people buy an energy drink for the very reason that it is different from the mainstream. Will these consumers be tempted towards a low-caffeine natural flavour cola that has no functional benefits? It is a big ask. Equally, if Red Bull drinkers do come on stream, there is surely the danger that volume will be cannibalised from the flagship brand. Either way, this is a hazardous commercial course to navigate. And the brand heritage issue kicks in just as strongly when approached from the other side. Specifically, those consumers who shun energy drinks (and there are many) are unlikely to be convinced by a new product that so brazenly plays on its energy drink profile.

The powers-that-be at Red Bull must have considered these potential risks. They are set to monitor activity in a handful of pilot US cities, starting with Las Vegas, and will no doubt take the lead from there. In fact, it is indicative of the bold nature of the energy drinks market that Red Bull is making a play in the cola category at a time when cola carbonates is manifestly under-performing. Investors will tell you that the best opportunities often arise when markets are in correction. So it might be that the time has never been better to invest in the cola carbonates category. The issue is less to do with whether or not cola is the right place to be, and more to do with whether or not Red Bull should be flexing its muscles there. A better and arguably bolder route might have been to develop a cola brand under a completely different brand name. Indeed, any brand from the Red Bull stable, whatever the name, would get easy access into mainstream distribution channels. The difference is that if the brand had been called Simply Cola, rather than Red Bull Simply Cola, and packaged in a new-look metal can that is distinguishable from the famous Red Bull slimline can, it just might have given the product some value-added independence from its roots. Time will tell, but at first sight Red Bull Simply Cola looks like a flop waiting to happen. This would be bad news for a company accustomed to success, but it could get much worse if any such failure impacts on consumers' perception of Red Bull energy drink. The company, of course, would only have itself to blame. When you are the number one player in the fastest growing sector of the soft drinks market, you need to keep thinking smart and if your brand heritage is working you should run with it, not fool around with it. For further information regarding Soft Drinks Research please [click here](#). Related research reports

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