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Abstract

Firms have to rethink what they see as their core competencies, as brand capital is becoming the main value creator in the 21st century, compared to physical capital in the 20th century. Red Bull is the world's largest energy drink manufacturer, the brand as a resource, is the source of sustainable competitive advantage for **Red Bull**, a strong brand is the main factor of differentiation within the energy drink industry. The core identity of the Red Bull brand is to give wings to both people and ideas. The brand meaning is value based, making it possible to successfully extend the brand far beyond the core business. Since its foundation Red Bull has successfully diversified into several sport sub-industries - as for example eSports, football and Formula 1 - generating high brand awareness. Red Bull's ownership strategy of sport teams, athletes and events, is significantly different from the strategy of their competitors, as well as other strong brands. Sport activities are guaranteed to create memorable experiences, and these experiences build and maintain Red Bull's strong brand, a brand which has achieved a truly loyal base of consumers. These consumers exhibit both behavioural and attitudinal loyalty. Red Bull is perceived to be **superior** to its competitors, as well as being a premium brand, generating several essential benefits for Red Bull. The high degree of brand awareness, as well as the emotional attachment generated by associating the Red Bull brand with sport activities, supports the utilization of the brand as a resource which is the source of a sustainable competitive advantage for Red Bull.

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Introduction

Introduction

Branding has become increasingly important, due to the value it creates. In 1985, firms market value started to rise above their book value, exemplified by Nestlé's takeover of Rowntree in 1988, where Rowntree was bought for six times its balance sheet value (Jobber & Fahy, 2009). To explain this phenomenon researchers became interested in brand theories. In order to understand this price difference brand equity had to be defined. Brand equity is divided into two dimensions, the financial and the emotional. The financial value can be found in the financial statements, while the emotional dimension explains the price phenomenon identified in the Rowntree example (Heding, Knudtzen, & Bjerre, 2009; Kotler, Keller, Brady, Goodman, & Hansen, 2012). Firms have to rethink what they see as their core competencies (Davenport, Leibold, & Voelpel, 2006) as brand capital is becoming the main value creator in the 21st century, compared to physical capital in the 20th century. According to the American Marketing Association (AMA), brand and branding can be defined as a customer experience, represented by a collection of images and ideas (American Marketing Association, 2018). According to Kevin L. Keller (2013), experiences can be used to build up strong brands. Red Bull has been doing this successfully for more than 30 years. The thesis will concern itself with Red Bull and how this company has diversified into the sport industry in order to build a strong brand.

Red Bull Gmbh

Red Bull is a privately owned Austrian energy drink manufacturer, founded in 1985 by Dietrich Mateschitz, an Austrian business man, who came across a popular local energy drink in Thailand called the "Krating Daeng" (Red Bull in Thai), he became fascinated by this energy drink and decided to bring it to Europe. In 1984, Mateschitz made a deal with the beverage manufacturer TC Pharmaceuticals. In exchange for a 49% share in his not yet existing Red Bull company, he would get the international rights of the Krating Daeng energy drink. Two years later the Red Bull energy drink was introduced with a catchy slogan, "Red Bull verleiht Flüüügel," later translated into English "Red Bull gives you wiiings" (Keller, 2008; Red Bull, 2018a). Around 6 billion cans of Red Bull are sold every year, with an estimated revenue of 6.4 billion USD. At the end of 2016, Red Bull had 11,865 employees and was sold in 171 countries. Red Bull possesses the largest global market share of all energy drink manufacturers (Red Bull, 2018a; Statista, 2017a). The largest competitors are Monster, who have an equity alliance with Coca Cola, and Rockstar Energy who have a strategic alliance with Pepsi (Coca-Cola, 2015; PepsiCo, 2009). Red Bull is vertically integrated, owning all activities from inbound logistic, to after sales service. Red Bull's headquarter is located in Fuschl am See close to Salzburg in Austria, they own one production site, that is located on the border between Austria and Switzerland (Red Bull, 2018a; Stausholm & Kristinsson, 2018b).

Red Bull runs its own media house, with over a thousand employees, who are responsible for building the brand and all other marketing activities (Red Bull, 2018a). The media house runs several branded entertainment channels, displayed in figure 1. Through the channel of printed material, The Red Bulletin an

active men's lifestyle magazine is for example, printed in 2.2 million copies monthly, making it one of the most circulated men's lifestyle magazines globally (Hudson & Hudson, 2006; Red Bull - MediaHouse, 2018). The Red Bull television stations, are used to broadcast their own branded content to a large group of audiences. Some of the broadcasted content is created through the sport activities

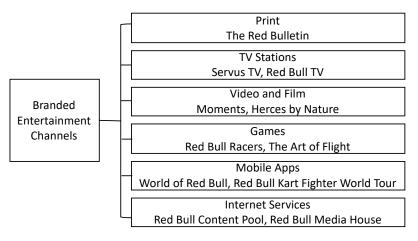


Figure 1 Media House communication channels

that Red Bull has diversified into (Red Bull - MediaHouse, 2018). Red Bull owns several sport teams, events and athletes, among the most well-known are the ownerships of the two Formula 1 teams, Red Bull racing and Torro Rosso (Burrows, 2017). They also own four football teams, competing in the first division in Austria, Brazil, Germany and USA (Keller, 2008; Red Bull, 2018a). Other examples of activities owned by Red Bull expand from sport, music, clubbing, festivals etc. (Ibid).

Sport milestones

Within the scope of this thesis, it is impossible to mention all the sport activities that Red Bull is a part of, Red Bull is involved in numerous sport activities owning and sponsoring events, teams, athletes and artists. In figure 2 and 3 some important sport milestones are mentioned, these milestones are presented in a timeline in order to present the development of the activities that Red Bull is involved in. In their early years Red Bull was mainly emphasising on sponsorships of extreme sports like the Dolomitenmann and Gerhard Berger the Austrian Formula 1 driver. Later they developed into mainstream sports like football, even though they still remain loyal to extreme sports and other non-mainstream sports activities as for example, their cooperation with the Austrian BASE jumper Felix Baumgartner. The sport activities are an important part of Red Bull's brand identity, affecting all the activities of the firm.

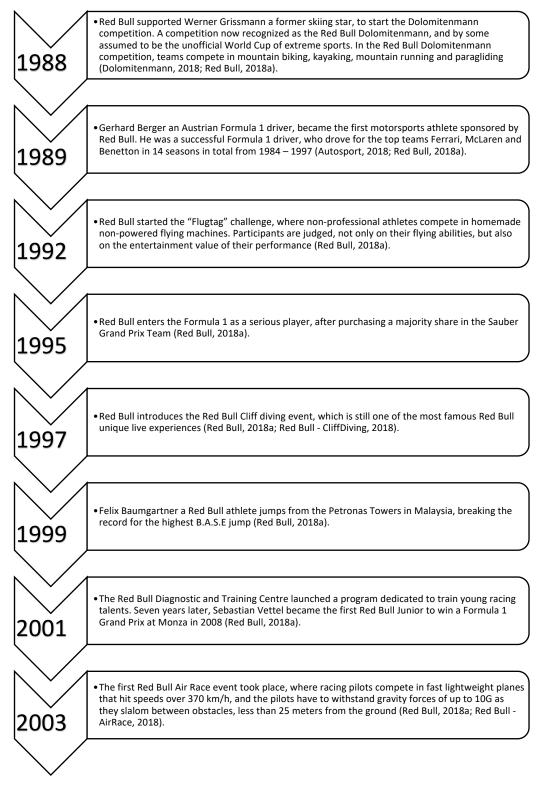


Figure 2 Sport milestones 1988-2003

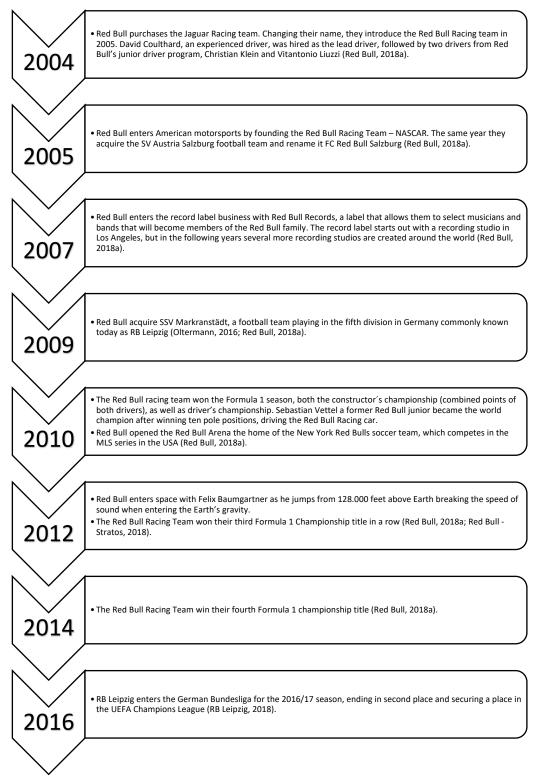


Figure 3 Sport milestones 2004-2016

Introduction

Problem identification

Red Bull is the world's largest energy drink manufacturer, selling approximately 6 billion cans of Red Bull energy drink a year, in more than 170 countries (Red Bull, 2018a). Within the energy drink industry, Red Bull is one of three big global players. Their two main competitors are Monster Energy and Rockstar Energy (Marketline Industry Profile, 2016). Among the competitors there are hundreds even thousands of small local competitors: State, Faxe Kondi Booster and Harboe X-ray are examples of popular Danish energy drinks; Nocco is a Swedish brand that has become quite popular in Scandinavian countries. These competing brands, however, are not measurable on a global scale (Stausholm & Kristinsson, 2017a, 2018b). Even though there is a lot of competition on the market both from local and global competitors, Red Bull is capable of selling their product at a premium price (Ibid). Red Bull has a long history of ownership and sponsorship of sport activities, at both the global and the local level. For example, At the present moment Red Bull has diversified into the football and Formula 1 industry. This strategical decision of diversifying into different sports industries seems to be significantly different from the strategies of other firms. The purpose of this thesis is to identify and analyse how this diversification into the sport industry creates value for Red Bull.

Research question

Based on the problem identification, the following research question was developed.

How does Red Bull build a strong brand by diversifying into the sport industry and does this generate competitive advantages?

The three following underlying research questions, were developed to analyse and provide answers to different parts of the research question. The three underlying research questions, will serve as a guideline throughout the thesis, in order to generate answers to the research question.

What characterizes the energy drink industry and what resources generate competitive advantages for Red Bull?

How does Red Bull's corporate strategy support their utilization of the competitive advantages? What are the benefits of a strong brand and does Red Bull possess them?

Introduction

Limitations

The limitations will focus on the choices that have been made regarding what topics to include and exclude throughout the thesis. The limitations are developed in order to focus the view, thus facilitating the development of an answer to the specific research question. Red Bull is not only active within the sport industry as pointed out in the introduction, Red Bull Media House also produces traditional promotional material, like TV commercials, posters and printed materials. The reason for that this thesis focuses on Red Bull's strategy of ownership of numerous sport events, teams and athletes, and excludes the traditional promotional material created by Red Bull Media House, is that prior research within the area appears to be limited. Since Red Bull is involved in countless varieties of activities, this thesis is limited to sport activities. Football, eSports and Formula 1 form the foundation for the industry analysis, even though examples of other activities are introduced when relevant. The thesis is built around evaluating the emotional part of brand equity, disregarding the financial evaluation of brand equity as this is irrelevant to the brand value that resides in the minds of the consumers.

Structure of the thesis

The structure of the thesis is graphically displayed in figure 4, the analysis chapter is located in the centre of

the model, as it relies on the theory to interpret the data collected, generating answers to the underlying questions. The data consists of primary data gathered with in-depth interviews and secondary data consisting of a presentation as well as articles, books and statistical material. The analysis chapter is divided into three sub-chapters, each sub-chapter provides an answer to one of the underlying questions. These answers will be summarized in the conclusion chapter, thus

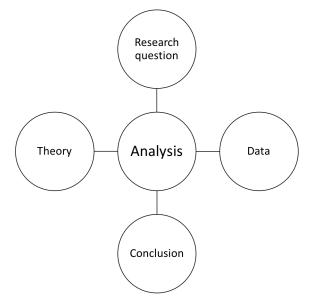


Figure 4 Structure of the thesis

providing an answer to the research question. Following the conclusion chapter there is a discussion chapter that evolves around topics that were not covered thoroughly in the analysis chapter. The next chapter within the thesis is the methodology chapter, that introduces the researchers' view of the world, which affects the interpretation of both theory and gathered data.

Methodology

The purpose of the thesis, is to analyse and end up with a conclusion based on the research question, as a guideline for the analyses, three underlying research questions have been developed. Within the next chapter, the method of choice applied in the thesis will be described and discussed. The method of choice will affect both how the theory, analysis and conclusion should be interpreted and developed.

Research philosophy

Before introducing the theoretical foundation of the thesis, the methodological basis must be established, as it effects the ontology and the epistemology. Guba & Lincoln (1994), define ontology as the form and nature of reality, as well as what can be known about the reality. Guba & Lincoln (1994), define epistemology as the relationship between the knower and what can be known. The nature of reality, affects how researchers define their true reality, while the relationship between the researcher and the knowledge, defines the true knowledge. The ontology and epistemology, are defined by the paradigm of choice.

"A paradigm is a set of assumptions consisting of agreed-upon knowledge, criteria of judgment, problem fields and ways to consider them." (Malhotra, Birks, & Wills, 2012, p. 60)

Within the research philosophy there are two separated dimensions of paradigms, positivism and interpretivism (Malhotra et al., 2012). Positivism has a conclusive design, and it is based on mathematical and logical reasoning. According to the positivist paradigm reality is objective, and true knowledge is created through empirical tests (Guba & Lincoln, 1994). Empirical tests and mathematical reasoning, fit well with a quantitative research design, that aims to come up with one true answer (Malhotra et al., 2012). Interpretivism fits the Red Bull case perfectly, as it has an explorative design. That means that the interpretivist approach aims to explain a phenomenon rather than coming up with one true answer. The reality within the interpretivist paradigm is subjective, since knowledge is interpreted (Guba & Lincoln, 1994). Researchers, must be aware of this subjectivity, and aim to provide a reality that is as objective as possible. Knowledge must be interpreted in order to come up with qualitative analyses and conclusions (Guba & Lincoln, 1994; Malhotra et al., 2012). The interpretivist paradigm has to be explained in relation to both data collection and method, this explanation will be done in the following chapters.

Data collection

This chapter will describe the process and the method of choice regarding the data collection, the thesis will consist of both primary and secondary data. Primary data has been collected through qualitative methods in form of an in-depth interview with an internal expert, and 15 in-depth interviews with international consumers. While the secondary data consists of qualitative data, for example a presentation held by an internal expert at CBS, and quantitative information gathered from databases, Statista and Marketline etc.

Primary data

Primary data is defined, as data collected for the sole purpose of answering the research question of this thesis. The purpose of the in-depth interview, with the internal expert, was to gather information about a specific field, from an internal point of view. Conducting an expert interview is a way to get the latest information regarding the problem at hand (Malhotra et al., 2012). Researchers, must be aware of the fact that when conducting an expert interview, it is the respondent and not the interviewer who is the expert within the field (Malhotra et al., 2012). Therefore, the interviewer must cautiously evaluate the information gathered, as it can be biased, by the agenda of the expert (Ibid). The expert in this case has an internal perspective, that has to be taken into account when evaluating the answers, as it can render the objective validity of the information uncertain. The interview was a semi-structured interview, with an open approach, providing the researchers with qualitative information from the expert's point of view. In order to obtain indepth knowledge regarding the specific topic, an interview guide (Appendix 1) was created. due to the semistructured design the researchers were allowed to ask follow-up questions (Malhotra et al., 2012). The purpose of the external in-depth interviews was to understand the judgements and the feelings of consumers towards the Red Bull brand. The interviews were structured in order to make it easier to compare the answers of the respondents (Keller, 2013; Malhotra et al., 2012). The interviews were only meant to gather qualitative data regarding the consumers perceptions of Red Bull and their sport activities. A pilot study was conducted in order to figure out if the questions were reasonable and understandable. During the pilot study it was recognised that a question regarding feelings and emotions, needed adjustments. In the beginning, the respondents did not understand the question and were unable to come up with an answer. To help the respondent come up with an answer, questions regarding the specific feelings and emotions that Red Bull has communicated by their marketing strategy were developed, in order to figure out if the respondents perceived the Red Bull brand identity as intended.

Expert interview

Kasper I. Kjempff has been a marketing manager at Red Bull, Denmark, for the last two years. Red Bull is the leading energy drink manufacturer both globally and within the Danish market. Kasper is responsible for managing the Danish team consisting of around 40 employees, divided into sport marketing, brand marketing, digital marketing and communication. An interview guide (Appendix 1) and summary of the interview (Appendix 2) is attached to the thesis as well as the recording of the interview.

Consumer interviews

The research question has a global foundation and therefore it was of importance that the respondents were from different nationalities, as this can affect the perception of the brand and the activities that the brand is related to (Keller, 2013; Malhotra et al., 2012). 15 structured in-depth interviews were conducted randomly with consumers of 8 different nationalities. All the interviews were conducted on the campus of Copenhagen Business School. The respondents were asked to participate and if they accepted they were handed the interview guide (Appendix 3), approximately 10 minutes prior to the interview. The reason for this, was that the respondent had to be prepared to answer the question about feelings and emotions towards Red Bull, since this seemed to be a rather difficult question to answer spontaneously. All interviews were conducted in English and a transcript of each interview is attached (Appendix 4). The beginning of the interview guide was constructed in a way that was intended to make the respondent feel comfortable, asking easy questions regarding age, nationality and gender to gather demographic information (Malhotra et al., 2012). The next two questions regarding awareness and consumption of Red Bull, were also easy to answer for all the respondents, and they provided the researchers with data regarding recognition and behavioural loyalty. The next question, was related to the consumer's perception of the mental and/or physical performance of the product, the respondents provided data regarding their judgements of the Red Bull energy drink. In order to figure out the respondent's perception of the Red Bull energy drink and/or the Red Bull brand, two questions were raised. Questions were asked to figure out if the Red Bull brand was associated with sport activities and if those activities were of interest to the respondents. Further questions were raised to figure out if the Red Bull brand was perceived as superior to their competitors and as well as a premium brand. This was done to figure out if the Red Bull brand is differentiated in the minds of the consumers. Four questions were asked in order to gather the respondents' feelings and emotions towards the Red Bull brand. After each question the respondent was asked to respond in more detail, while the two last questions were asked primarily to identify truly loyal consumers.

Secondary data

Secondary data is defined as data that is developed for a purpose other than providing answers to the research question at hand. Secondary data is an important source of information for the thesis. The secondary

data that has been collected, has been created both with qualitative and quantitative methods. The data is mainly used to establish the methodological and theoretical foundation for the thesis, additionally it is used in order to gather important statistical data used in the analysis. The strength of secondary data is related to how easy and fast it is to collect, while the researchers have to be aware of how other researchers, have manipulated or interpreted the data (Malhotra et al., 2012). The qualitative data gathered to answer the research question is from many different sources, for example books, articles, web-pages and a presentation from a Red Bull employee held at Copenhagen Business School. This presentation was recorded, a summary can be found in the appendix, as well as the full recording (Appendix 5). The presentation was focused on how Red Bull utilizes their sport activities to build a strong brand globally as well as locally. The presentation formed the foundation of the in-depth interview, conducted with the internal expert at Red Bull, Denmark. The quantitative data gathered is mainly from Statista and Marketline, two of the most reliable databases available. The gathered quantitative data was not standardised with respect to industry definitions, currency and markets. As this thesis mainly utilises US dollars in its data, data available in other currencies was adjusted, in order to make it comparable.

Validity and reliability

The data collection as well as the application is intended to be valid and reliable, to increase the validity the data has been gathered from both internal and external participants (Malhotra et al., 2012). Due to the subjective, explorative nature of the study, the reliability is always questionable as it may be impossible to generate the exact same responses, from a similar sample. The thesis aims to increase the reliability by comparing the findings to secondary data. The reliability of the structured in-depth interviews can be questioned, as the results are most likely biased, due to the fact that all of the respondents have a university degree or are in the process of acquiring one (Ibid). According to secondary data the more educated a person is, the less Red Bull they consume (infoscout, 2016), the responses gathered in this thesis, positively correlated with the secondary data. All the respondents, are students within the Copenhagen Business School, resulting in a very concentrated sample (Malhotra et al., 2012). The sample is skewed towards male participants, as only four out of fifteen participants were females. The interviews were conducted in English which might also affect the respondents' ability to answer, due to the fact that English might not have been their first language (Ibid). On the other hand, the educational background of the sample minimized the language barrier, so that the English language questions did not pose a problem for any of the respondents, even though they were not answering in their first language. Even though the sample is concentrated, and despite the fact that the interviews were conducted in English, the findings are still valid regarding the consumers perception of the Red Bull brand and can be used to answer the research question.

Theory

Theory

The theoretical foundation of the thesis will be introduced and discussed in the following chapter, in order to answer the research question and the underlying research questions. The theory chapter, will include three main topics, strategy, branding and network theory. In the end of each topic there will be a summary. Finally, the whole chapter will be summarized, in order to connect the three theoretical topics, before applying it to the analysis. Within the strategy chapter, Barney's (1991, 1995) resource-based view and the VRIO model, Porter's (1987) essential tests, the five forces model and the value chain will be introduced as well as the parenting advantages by Campbell et al. (1995). The branding chapter will introduce Keller's (1993, 2001), theory on brand equity, Oliver's (1999), and Day's (1969), brand loyalty theories, combined with the experience economy by Pine and Gilmore (1998). In the end of the brand chapter the brand architecture (Olins, 1990) and brand extension (Kapferer, 2008) is introduced. In the final chapter, the network theory by Granovetter (1973) and Burt (2004) will be introduced, while social media is presented as a new channel of communication.

Strategy

A company's strategy can be divided into two areas, business strategy and corporate strategy. The business strategy revolves around the question, "how the firm should compete?" (Grant, 2016). This question focuses on the competition within a particular market. The business strategy is also known as the competitive strategy as it concerns how to create competitive advantages, over the firms rivals within a specific market. The thesis will mainly focus on the corporate strategy, which revolves around the question of, "where the company should compete?" (Grant, 2016; Porter, 1987). The question where to compete successfully is affected by a number of factors. The first factor, is that competition only takes place on the business level, meaning that the corporate strategy should provide the necessary support to the competing business units, in order to make them competitive (Ibid). The second factor, is that corporate strategy adds cost and restrains to the business units, these costs can be reduced but not eliminated (Ibid). The third factor, relates to risk reduction and implies that firms can reduce risk, by diversifying into different industries (Ibid). It has been pointed out by several scholars, that this does not benefit the shareholders. The shareholders can do this on their own, by diversifying their portfolio of shares (Grant, 2016; Porter, 1979, 1987).

Corporate strategy is mainly focused on how to grow the focal firm, growth strategies revolve around diversification, or the strategic decision of varying products, operations, etc. The growth factor indicates that without the possibility of diversification, firms can become prisoners of their specific industry. Meaning that firms within an industry that is declining or stagnating, would be unable to move to other industries in order to continue growth (Porter, 1987). Porter (1987), identified various concepts of diversification, portfolio management, restructuring, transferring skills and/or sharing activities. The first two concepts do not require

any relationship to the business unit while transferring skills and/or activities relies on it (Porter, 1985, 1987). All the concepts will be further explained, even though the thesis mainly focuses on transferring skills and/or activities, as the portfolio management and restructuring are less likely to succeed in a developed economy (Ibid). Portfolio management is mainly based on diversification through acquisitions, meaning that the corporation buys attractive companies, where the management agrees to stay within the acquired firm (Porter, 1979, 1985). The acquired unit does not have to be in the same industry, even though the most successful portfolio managers usually limit themselves to specific industries, that are somehow related to their capabilities (Ibid). For portfolio management to be successful, the assumption is that the acquired company must be undervalued, as the acquirer only adds capital to the business unit. Portfolio management is no longer a successful model in the advanced economies, as attractive companies with good management, are likely to be sold with high acquisition premiums (Porter, 1985, 2008). The restructuring concept, is based on the assumption that the company is a restructuring of the new business unit, or the industry that the business unit is involved in. The restructuring strategy relies on the identification of unrealized potential within business units, or industries that are undeveloped, sick or threatened by industry changes (Ibid). Within the restructuring strategy, the company has to possess the abilities to utilize or exploit the potential of the business unit, to be able to profit. If the company succeeds, the results are a strengthened company, or a transformed industry. This strategy requires, that the company possesses detailed insights, regarding the business units and/or its industry. If the company can detect this opportunity, other firms are likely to be able to do the same and neutralize the potential profitability of the restructured business unit or industry (Porter, 2001, 2008). The concept of transferring skills and sharing activities, centres around the concept of synergies, or benefitting from the relationships between business units. Synergies between business units, can be recognized as what makes the company as whole create more value than the individual business units would be able to do on their own. Every business unit is a collection of different value creating activities. These activities can be identified with the value chain model, which will be described in detail later in the theory chapter. Synergies can be created in two ways, through transferring skills or knowledge and by sharing activities. Transferring skills or sharing activities, will only create value if the following conditions are met. First, the activities within the businesses must be similar enough to make the sharing meaningful. Secondly, the skills/activities transferred, must be the source of competitive advantages for the company and its business units. Other activities or skills can be transferred, but that should not be the basis for a diversification. The pitfall of transferring skills and activities, is evident in the difficulty of identifying of real synergies, as it is common that firms identify imagined synergies, or synergies that are not a source of competitive advantage (Grant, 2016; Porter, 1985, 1987). In order to identify the real synergies, this thesis will examine the corporate strategy from through the lens of the resource-based view, described further in the next chapter.

Resource-based view

In the early nineties Barney (1991), introduced the resource-based view (RBV), which soon became the dominant paradigm within strategic planning (Grant, 2016). This paradigm relies on two essential assumptions regarding the nature of resources. Namely, that resources are heterogeneous and immobile (Barney, 1991, 2001). The first assumption regarding heterogeneous resources, establishes that a firms' resources differ from each other. Indicating that firms that do not possess homogeneous resources, would not be able to implement the same strategy. As Barney (1991) explains, competitive advantages cannot exist within an industry with homogenous resources, as the assumption of firms possessing homogenous resources, would result in perfect competition. The second assumption of the RBV is regarding the immobility of resources. The assumption is that resources cannot be moved easily from one firm to another. This means that firms do not have the capability to replicate other firms' resources and are therefore unable to apply the same strategy and achieve the same results (Barney, 1991, 1995). Within RBV, resources are defined as assets that firms possess, while capabilities are what the firms are able to do with their available resources (Grant, 2016). Resources can be categorized as tangible, intangible and human (Ibid). Tangible resources are the resources that can be seen and easily valued, like cash, machines and other equipment. The intangible resources are usually difficult to value and identify, they include brands, culture, etc. Human resources, are the skills offered by the employees within the firms (Ibid). The RBV represents an internal view, focusing on the strengths and weaknesses of the firms and how to develop sustainable competitive advantages. These are further described in the VRIO chapter. The external view defined as the opportunities and threats of the firm's environment, will be examined using the essential tests and five forces introduced by Michael E. Porter, (1987).

Essential tests

To establish the conditions where a diversification can truly become profitable, Porter (1987) introduced three essential tests. These tests evaluate the attractiveness of the industry, the cost of entry and whether or not the firm will be better off after the diversification. For a diversification to create value, each test must be passed (Grant, 2016; Porter, 1987). The attractiveness test, examines if the industry is structurally attractive, or if the firm has the opportunity of making the industry attractive (Ibid). To pass the attractiveness test, the industry must have a favourable structure, that has the potential of creating a positive return for the firm, with respect to either economy, or resources that create sustainable competitive advantages (Grant, 2016). A firm can also create value by entering an industry that is not structurally attractive, as long as the firm possesses the capabilities needed to transform the industry's structure. A fast-growing industry, is not by definition an attractive industry, as diversifying firms have to examine, whether there will be a long-term potential for profit, as well as whether opportunities for obtaining resources that will be a source of sustainable competitive advantages exist (Grant, 2016; Porter, 1987). An industry's attractiveness can be

described and analysed through the five forces model, which will be described later on. To Pass the cost-ofentry test, the cost of diversifying into the industry must not exceed the possible future profit (Porter, 1985). The cost of entering a new industry is affected by how firms diversify. They can diversify with an acquisition or an alliance with an already existing player, or a start-up. To pass the cost-of-entry test with an acquisition or an alliance, the acquirer has to pay a price, that does not reflect the true value of the acquired unit (Ibid). Typically, the acquirer would have to pay a premium price for the unit, as the price reflects the future prospects of the unit, making it difficult for the acquirer to fully understand if it would be able to pass the cost-of-entry test. In start-ups, firms must overcome the barriers for new entrants. This will be examined in the chapter regarding the five forces. There are usually high entry barriers for new entrants to enter an attractive industry, as entry barriers are the main factor for profitability. An industry with low entry barriers will most likely have high competition, as numerous firms would have entered the industry, and this decreases profitability (Porter, 1979, 1985). For a firm to pass the better-off test, the firm or the new unit must achieve sustainable competitive advantages through the diversification. If the advantages are only short termed, the parent firm does not have any reason to keep ownership over the new unit, it would be better off divesting (Porter, 1979). The parent firm must be the best owner of the unit, if a better owner exists, this owner would be willing to pay a premium price for the unit and the parent firm should sell. To create parenting advantages there should be valuable synergies in at least one direction, providing the firms and/or the new unit with competitive advantages (Campbell, Goold, & Alexander, 1995; Porter, 1985). The achievement of competitive advantages within the relationship between the focal firm and the new unit, can be analysed through the theory of parenting advantages, which will be described in the next chapter.

Parenting advantages

Until now, diversification has been described as an opportunity for a firm to create value for themselves. Campbell et al., (1995), argues that a successful diversification is rather about the relationship between the business units, that together create a firm's value. In addition to Porter's (1987), better-off test, Campbell et al., (1995), argues that the parent firm should be capable of adding more value to the business unit than any other potential parent. Campbell et al., (1995), identifies four categories of value creation for the parent, stand-alone influence, linkage influence, central functions and services and corporate development. The stand-alone perspective describes that the parent will increase the performance of the individual business unit, by introducing resources that the parent possesses, but the business unit lacks (Campbell et al., 1995). The pitfall of this perspective, is that the parent may possess a valuable resource within a specific area, but lack knowledge within other key areas of the individual business unit. This can improve one specific area but destroy the performance within the remaining parts of the business unit (Grant, 2016). Therefore, the parent has to add resources that are of sustainable competitive advantage, to outweigh the lack of performance within other areas (Ibid). The parent creates value through the linkage influence, by connecting different business units, and thereby creating relationships that otherwise would not have existed. This makes it possible for the business units to exchange resources and capabilities, increasing their potential for creating competitive advantages. The linkage influence is driven by synergies between business units, identifying synergies can be difficult as they are often imagined or simply not a source of competitive advantages (Campbell et al., 1995; Grant, 2016). Central functions and services creates value for the business unit, as the parent provides the business unit with key functions/services, within the value chain of the business unit. This affects the efficiency of the parent, as excess capacity of a function/service can be allocated to the business unit. The function/service has to be competitive to external providers of the same function/service to create a true parenting advantage (Ibid). Corporate development creates value for the parent as they acquire business units, that the parent can improve. These business units are strengthened and then later divested with a margin or partially sold (spin off) (Campbell et al., 1995). Grant (2016), discusses the assumption of the internal capital and labour market, which is fundamental to the theory of parenting advantages. A diversified firm possesses an internal capital market that has two key advantages, the first one is the lower cost of capital, compared to the external market. The second key advantage is the access to information, diversified firms possess information that external markets may not have access to. The internal labour market of a diversified firm, has the capability of transferring employees and knowledge, with more efficiency than the external market. According to Grant (2016) the internal capital and labour market must be more efficient than the external market, for the parenting advantages to create value. The next part of the theory chapter introduces the five forces model which will be used to develop an answer to the attractiveness test, while the value chain model will be used to identify the key activities of the firm.

Five forces of competition

The five forces framework was introduced by Porter (1979), in the late seventies, the model is commonly used to evaluate the attractiveness of an industry, the model can be seen in figure 5. The framework

incorporates five forces, and these forces are illustrated in a two-dimensional model. The horizontal axis includes competition from new entrants, substitutes and existing rivals. The vertical axis includes the power of suppliers and buyers (Grant, 2016). The threat of new entrants, is affected by the industry's profitability. If the industry is profitable it will attract new entrants in the form of start-ups and diversifying firms from other industries. The threat of new entrants constrains the companies within the industry to

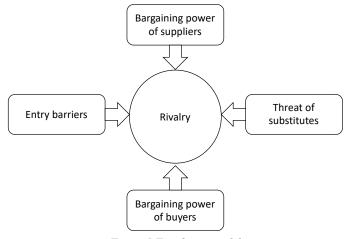


Figure 5 Five forces model

retain a competitive price (Grant, 2016; Porter, 1987). If there are no entry barriers, the profitability of the industry will tend to be low, even though the firms within the industry are few. Based on the assumption from the RBV regarding heterogeneous resources there will always exist entry barriers, as new firms that enter the industry do not possess the same or homogeneous resources. Industries with high entry barriers are likely to have a higher profit margin than industries with low entry barriers (Barney, 1991; Grant, 2016; Porter, 1987). Entry barriers can have many origins, the ones of most relevance to this thesis, will now be described. The capital requirements for a firm to establish itself within an industry can be so high that firms are unable to enter. Industries with high capital requirements often rely on economies of scale, as there is a high fixed cost related to investments in production facilities, research and development, marketing and so on (Ibid). If the output is high, the fixed cost can be allocated to a higher number of products, and therefore it may be difficult for newcomers to meet the industry's unit cost. In an industry where products are differentiated, new entrance can be difficult as established firms may have built up brand loyalty (Grant, 2016). New entrance requires a high marketing cost, that reduces the profit and consequently the attractiveness of the industry. Access to channels of distribution can be an entry barrier, as distribution networks are built over time. Within the distribution network there is a limited capacity for new products. In a global industry, governmental and legal barriers are common. These governmental and/or legal barriers can be both costly and time consuming for firms attempting to penetrate new markets(Ibid). The threat of substitutes, describes the competition from substitutable products outside the focal industry. The definition of a substitute is a product that can fulfil the same needs as the one the firm is producing. The existence of substitutes, lowers the switching cost for the buyers, making the demand elastic, with respect to price. A substitute does not have to be a perfect substitute, meaning that it can be a substitute only at a certain moment of need. If the substitution product is a perfect substitute, meaning that it provides the same performance, the elasticity of the demand is increased (Grant, 2016; Porter, 1979).

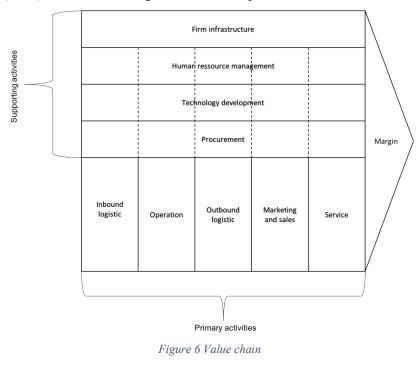
The rivalry within the industry, can be evaluated by looking at several factors which describe the interactions between the competing firms. Concentration, describes the number and size of firms within the industry, while the concentration ratio is the combined market share of a chosen number of leading companies (Porter, 1979, 1985). The fewer firms that are a part of the majority of the market share, the easier it is to keep the margin high and limit the rivalry. The diversity of competitors, describes the differences of the rivals' strategy, cost structure and management (Grant, 2016; Porter, 1979). If the firms are similarly constructed the rivalry is likely to be high. Product differentiation, describes the similarity of products offered by competing firms. If the differentiation is low, then the switching cost for the buyer tends to be low, meaning that the competition is likely to become price focused (Ibid). On the other hand, differentiation can be achieved by focusing on quality, brand and customer service. Excess capacity can increase the rivalry among firms, if the demand is lower than the industry's capacity, firms will offer price cuts to increase sale. Exit

barriers affect the profitability of the industry, high exit costs create an incentive for firms to accept lower profitability, firms might even accept a loss for a certain period of time (Grant, 2016; Zimmerman, 2016). The bargaining power of the suppliers, represents the input market for the industry. Input can be raw material, services, components and labour (Grant, 2016; Porter, 1987, 2001). The firms within the focal industry are defined as the buyers while the producers of the input are defined as suppliers. The switching cost for the firms affects the bargaining power of the suppliers. The easier it is to switch from one input supplier to another, the lower is the bargaining power of the suppliers. The suppliers of commodities usually lack supplier power, as the switching cost for the buyer is low (Ibid). Suppliers of complex input and rare resources have high supplier power, as the switching cost for the buyer is high. Bargaining power of buyers, represents the market for outputs, where firms within the focal industry sell their products and services. The buyers are the distributors, consumers and other manufacturers (Porter, 1979). Buyers price sensitivity is affected by their switching cost, the switching cost is defined as the total cost that the buyer incurs by changing a brand, supplier and/or products (Ibid). The more differentiated the product offered is, the lower is the bargaining power of the buyers. Finally, the competition within the focal industry affects the bargaining power as well. If the competition is high the bargaining power of the buyers becomes high as well (Grant, 2016; Porter, 1979).

Value chain

The value chain introduced by Porter (1985), can be seen in figure 6, is used to plot the firm's activities and

the corresponding capabilities. The model divides the activities into primary and supporting activities. The primary activities transform the input (material), to the output (product), while the supporting activities support the primary activities and can affect all of them simultaneously. The primary activities are, inbound logistics, operations, outbound logistics, marketing and sales and service (Have, Have, & Stevens, 2003; Porter, 1987, 2001).



Inbound logistics are the activities

that relate to the receiving of raw material. The operations are the activities where the raw material is

transformed into a product. The outbound logistics relate to the distribution of the end-product. Marketing and sales are the activities that affect the customers' buying decision process, including promotion and branding. Service relates to activities that take place after the sale, sometimes referred to as after-sales service (Porter, 1985). The supporting activities are procurement, technology development, human resource management and firm infrastructure. Procurement includes activities like the purchasing of raw material and negotiating with suppliers. Technology development refers to activities like research and development (R&D), product and process improvement, etc. Human resource management, refers to employee recruitment, training, talent identification and everything that relates to human capital. The firm's infrastructure relates to the general management, finance and all the firm's procedures in general (Ibid). The value chain is used to separate the firm's activities in order to determine the importance and performance of the individual activity. Each activity is constructed of both resources and capabilities that are evaluated with the VRIO model that will be introduced in the next chapter.

VRIO

Barney (1991), introduced the VRIN model, which was later developed into the VRIO model (Barney, 1995). The VRIO model introduces four questions that managers need to address regarding the importance of the firm's resources and capabilities, these are displayed in figure 7. The first question relates to the value of the resource, it evaluates if the firm's resources are adding value by exploiting opportunities and/or neutralizing threats (Barney, 1995). External environmental changes, like customer preferences, technology and industry structure, can affect the value of the resource. Major changes in the environment can result in the value of the resource becoming insignificant. But, it is not common that changes are that substantial, usually the changes are minor, slowly affecting the value of the resource. Resources are not inherently valuable, managers must evaluate them with regard to the opportunities and threats in the environment. These are detected by the use of the five forces model (Ibid). The second question relates to the scarcity of the resource and evaluates how many firms within the industry that possess the same resource. If the number of firms possessing a particular resource is less than the needed number of firms, to generate perfect competition, then the resource has the potential to generate a competitive advantage (Barney, 1991). Common resources may be vital for the focal firm's prosperity, even though they are not the source of competitive advantages (Barney, 1995). The third question relates to the imitability of resources. A resource can only be the source of sustained competitive advantage if competing firms cannot imitate the resource. Imitation can occur in two ways: duplication and substitution. Duplication occurs when the competing firm copies the resource that provides a firm with a competitive advantage. If a resource is substitutable by another resource, which is not uncommon, the original resource cannot be the source of competitive advantage. The reason why it is difficult to imitate some resources, can be categorized into three groups (Ibid). The first, relates to the firm's unique history, that provides the firm with valuable and rare resources,

obtained over time. The second, explains that it is complicated to imitate numerous small decisions, as they are implicit in nature and therefore difficult to imitate. The third, relates to the socially complex resources, that are dependent on organizational phenomena like culture, reputation and trust (Barney, 1991; Have et al., 2003). The fourth question, relates to a firm's ability to fully utilize the resource. Firms can have a resource that is a competitive advantage in the sense that it is valuable, rare and inimitable, but the firm may not be able to fully utilize the resource. To fully utilize the resource, the firm may have to possess complementary resources. Those complementary resources are not a source of competitive advantage on their own, but in combination with other resources they can generate sustainable competitive advantages for the firm (Ibid). In Barney's model, the competitive complications are interpreted depending on the answers to the four questions regarding if the resource is, valuable, rare, inimitable and can be exploited by the organization.

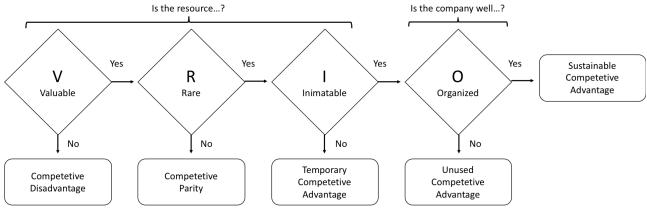


Figure 7 VRIO model

As can be seen, sustained competitive advantages are only obtained if the resource passes all four questions (Barney, 1991, 1995; Buckley, 2017; Have et al., 2003).

Summary on strategy

The strategy can be divided into corporate and business strategy. Corporate strategy is focused on where to compete while the business strategy focuses on how to compete. The main emphasis of this thesis is related to the corporate strategy which will be examined from the resource-based view. The resources are the firm's assets, while the capabilities are what the firm can do with their available resources. When deciding where to compete, diversification becomes relevant. In order to evaluate if a diversification has the opportunity to create value for the firm, Porter introduced the essential test. When evaluating the attractiveness of an industry, the five forces model can be applied, while the theory of parenting advantages evaluates if the diversification will make the parent and the business unit better off. The value chain is designed to blueprint the firm's activities in order to decide which activities are of most importance, while the VRIO model evaluates the resources. The VRIO model is designed to figure out what resources contribute sustainable competitive advantages for the firm.

Branding

The most simplistic way to define branding, is the process of distinguishing the firm's product from the competitor's product. The term brand derives from the old Norse word "brandr", which means "to burn". The word originates in the practise of burning or branding livestock to identify the animals owner (Keller, 2013). The classic definition of a brand from the American Marketing Association is:

"A name, term, sign, symbol, or design, or a combination of them which is intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors" (American Marketing Association, 2018).

More recent definitions of brand and branding, include internal organizational processes and are in generally broader as they aim to cover all the different aspects of the brand and its development over time (Heding et al., 2009).

"The firm's history shapes its current brand strategy, but market dynamics (...) creates pressure to harmonize branding across country-markets. Brand structure should be perceived as a living organism" (Douglas, Craig, & Nijssen, 2001).

Strong brands can deliver several benefits to the firm if they are correctly exploited. Brands can increase the firm's financial value, as firms might acquire other firms solely in order to exploit the acquired firm's brand or brands (Gromark & Melin, 2011). A strong brand can create loyalty, meaning that satisfied customers repurchase a favoured brand. Brands can create barriers to competition, as customers stay loyal to their preferred brand. A product combined with a strong brand can expect a greater profit margin as customers are willing to pay a higher price for a branded product (Keller, 2013). A strong brand provides a platform for brand extensions, where a related or unrelated product benefits from exploiting a strong brand (Jobber & Fahy, 2009).

Brand equity

Brand equity can be divided into two different perspectives, the financial perspective and the emotional perspective (Heding et al., 2009; Jobber & Fahy, 2009; Kotler et al., 2012). The financial understanding of the concept of brand equity, rests on an estimation off the value that the brand may hold. Even though these numbers are intangible they can be found in the financial records of the company, under entries like "goodwill" or "know-how". It is important for the firm to be able to evaluate its brand, especially in the case of mergers or acquisitions. The emotional perspective relates to the subjective understanding of the brand equity, that resides in the mind of the consumer (Heding et al., 2009; Keller, 2013). The thesis will have its emphasis on the subjective understanding of brand equity, i.e. the consumers' perception of the brand. David A. Aaker (1991), defines brand equity as,

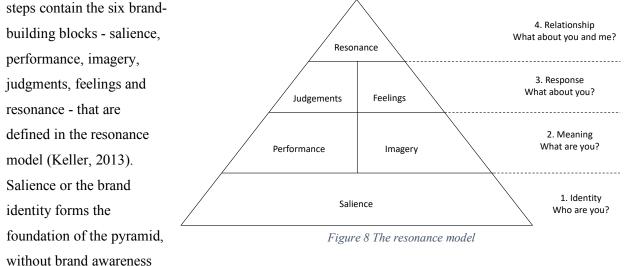
"a set of assets or liabilities in the form of brand visibility, brand associations and customer loyalty that add or subtract from value of a current or potential product or service driven by the brand." (D. A. Aaker, 1991)

and further explained by Kevin L. Keller (1993),

"a brand is said to have positive (negative) customer-based brand equity when consumers react more (less) favorably to an element of the marketing mix for the brand than they do to the same marketing mix element when it is attributed to a fictitiously named or unnamed version of the product or service." (Keller, 1993)

The customer-based brand equity (CBBE) model, referred to as the resonance model, was designed to provide answers to the questions regarding what makes a brand strong, and how to build a strong brand (Keller, 2001, 2013). The model explains what brand equity is and how it should be built, measured and managed. The model comprises four steps, and each step has to be completed before moving on to the next step. The first step revolves around awareness; The customers' ability to identify the brand and associate it with a specific product category or a need (Ibid). The second step relates to the development of the brand's identity, the brand identity is the brand meaning that the firm communicates towards its consumers. The third step revolves around how the consumers' response towards the brand is affected by the consumers' perception of the brand identity and the brand meaning. The fourth and final step highlights the importance of creating loyal customers, to reach the full benefits of a strong brand, or the high equity brand (Keller, 2001).

"To create brand equity, the brand must have strong, favorable, and unique brand associations – in that order" (Keller, 2001) Keller (2001), further explains that each step in the brand ladder represents a question that customers ask about brands, implicitly or explicitly. These questions can be seen on the right side, in figure 8. The four



there cannot be any brand equity. Brand awareness represents the consumers' ability to recall and recognize the brand. Brand recognition is the customers' ability to confirm prior exposure to the brand. The brand recall is defined as the customers' ability to connect the brand to a product category or a need fulfilment (Keller, 1993, 2001).

"The brand must not only be "top of mind" and have sufficient "mind share," but it must also do so at the right time and place." (Keller, 2001)

The second step of the pyramid, covers two brand-building blocks, the performance and the imagery, together they represent the meaning of the brand or the brand identity. The brand identity is the firms' intended meaning of the brand, that is communicated to shape the brand image which exists in the mind of the consumers. Those brand associations are created or formed with time, through the consumers's own experiences with the brand (Keller, 1993, 2001). The product itself is the core of the brand equity, meaning that it is the primary contributor to the consumer's experience. The performance of the product must fully satisfy the needs and wants of the consumer, otherwise successful marketing cannot be achieved (Keller, 2001).

"To create brand loyalty and resonance, consumers' experiences with the product must meet, if not surpass, their expectations."(Keller, 2001) Brand performance represents the way the product tries to meet or surpass the consumer's functional needs. As explained by Keller (2001), this building block consists of five significant types of attributes and benefits that often shape the brand performance.

- 1. Primary characteristics and supplementary features, describes the customer's beliefs regarding the specific performance of the product.
- 2. Product reliability, durability and serviceability: Product reliability refers to the performance over time. Durability relates to the expected lifetime or life expectancy of the product. Serviceability is an aftersales attribute, that refers to how easy it is to maintain the product if needed.
- 3. Service effectiveness, efficiency and empathy: Service effectiveness describes how well the brand satisfies the requirements of the consumer. Service efficiency is related to the speed and responsiveness of the service associated with the brand. Empathy is created when the service providers associated with the brand, demonstrate true customer interest and act with integrity from the customers' point of view.
- 4. Style and design: These refer to the consumers valuation the non-functional parts of the product related to the brand, and whether they are of such importance that it increases the perceived value.
- 5. Price: Price strategy can affect the consumers association towards the brand, in the mind of the consumer the price correlates with expectations (Keller, 2001, 2013).

The imagery building block represents the brand's effort to meet, the consumers psychological or social needs. There are four categories of brand imagery in this building block, that are of particular importance.

- 1. User profiles demographic factors, attitudes and opinions that relate to the mental image of actual users or ideal users.
- 2. Purchase and usage situation the type of channel, the ease of purchase or the associated award.
- 3. Personality and values this category refers to Jennifer Aaker's five dimensions of brand personality (J. L. Aaker, 1997). The five personalities are sincerity, excitement, competence, sophisticated and ruggedness. The personality traits for excitement are for example, spirited, imaginative and up to date, while the personality traits for competence are successful and reliable. The personality traits for ruggedness are outdoorsy and tough, while the personality traits for sophisticated are upper class and charming. (J. L. Aaker, 1997).
- History, heritage and experiences this category describes that a brand must consider the associations that already exist. These kinds of associations can be related to the consumers personal experiences with the brand (Keller, 2001, 2013).

The third step relates to how consumers respond to the brand identity and its marketing efforts. These brand responses can be categorized as brand judgements and brand feelings (Keller, 2001). Brand judgements are

the consumer's personal opinions regarding the brand, reflected in the performance and imagery associations built up in the consumer's mind (Keller, 2001, 2013). Brand feelings are the consumer's emotional responses, the feelings that the brand stimulates or evokes. The fourth and final step is the consumer-brand resonance, which focuses on the relationship between the brand and the consumer. The word resonance, suggests that the brand and the consumer should have a synchronized relationship. In other words, there should be a connection between the brand meaning and consumer identity to make the brand relevant for the consumer. Brand resonance is made up by four categories: the behavioural loyalty, the attitudinal attachment, sense of community and active engagement (Ibid). These four categories represent two dimensions, intensity and activity. The intensity is the attitudinal loyalty and a sense of community, while activity is the behavioural loyalty and the consumer's active engagement with the brand (Keller, 2013). In the following chapter, brand loyalty will be examined further as it is the main benefit of a strong brand.

Brand Loyalty

The concept of loyalty is intertwined with branding and the possible benefits of a strong brand. Branding revolves around creating loyal customers, since they can create entry barriers for new entrants, and increase market share and profitability.

"As the brand's percentage of loyal customers goes up, market share increases and the brand becomes more profitable" (Kotler & Keller, 2009).

Day (1969), introduces an emotional aspect of loyalty, later defined as attitudinal loyalty, explaining that there is more to loyalty than repurchase and increased market share. Jacoby, Chestnut and Fisher (1978), present the drivers of loyalty, while Oliver (1999) introduces his definition of brand loyalty, based on the researches by Jacoby, Chestnut and Fisher (1978), Oliver's (1999), definition is often referred to as the definition of true or ultimate loyalty.

"A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour." (Oliver, 1999).

According to the definition by Oliver (1999), the truly loyal customer will go beyond all reason to rebuy a certain brand. Researchers have agreed that the loyalty concept can be divided into two perspectives, behavioural loyalty and attitudinal loyalty. The repurchasing of a certain brand is defined as behavioural loyalty, while the attitudinal loyalty is the level of positive intangible commitments that the customer holds towards a certain brand (Chaudhuri & Holbrook, 2001; Jacoby, Chestnut, & Fisher, 1978). A customer who

only possesses behavioural loyalty, can easily be lost to a competitor's marketing efforts, while it is more difficult to capture the attention of a customer who possesses attitudinal loyalty (Day, 1969).

The benefits of loyal customers justify all the marketing efforts firms spend on creating and nurturing loyal customers. Several researchers have identified the benefits of having truly loyal customers (Chaudhuri & Holbrook, 2001; Dick & Basu, 1994; Muniz, Jr. & O'Guinn, 2001; Romaniuk & Nenycz-Thiel, 2013). The most significant benefits that these researchers have identified are listed below:

- Barriers to entry for competing firms
- The possibility to charge premium prices
- Reducing marketing cost
- Less difficulty to responding to the threats of competition
- Less sensitivity to the marketing efforts of competing firms
- Positive word of mouth
- Market share growth

Utilizing the benefits of loyal customers is of high interest for the firm. The next chapter will introduce and discuss the two elements of true loyalty, namely the behavioural and attitudinal elements.

Behavioural loyalty

The behavioural aspect of loyalty has been defined by several scholars. But, the definition from Bloemer and Kasper (1995), is the definition that will be applied throughout this thesis.

"...repeat purchasing behaviour is the actual rebuying of a brand. Only the behaviour of rebuying is important, regardless of the consumer's degree of commitment to the brand." (Bloemer & Kasper, 1995)

Day (1969), further describes the weakness of customers who only possess the behavioural aspects of the loyalty concept. Since these customers lack all attachments to the brand's attributes, they can easily be captured by another brand that might presents a superior offer or improves the visibility of their product. As described by Day (1969), a rational consumer will not skip any steps of the buying decision process. The formal consumer buying decision process, displayed in figure 9, demonstrates the steps consumers take before they buy a product or a service. After recognizing the need for something the information search begins. The consumer searches for products or services that fulfil the need that was detected earlier. When enough information has been gathered, the consumer evaluates the alternatives based on his criteria. Then, the consumer is ready to purchase. After the purchase, the consumer enters the post-purchase evaluation step,

where he evaluates the satisfaction of his purchase based on his prior expectations (Jobber & Fahy, 2009).

When consumers repurchase a product, based on a certain degree of satisfaction, they may, with time, skip the information search and the evaluation of alternatives, since they have already made this choice between competing brands before. This decision, to skip the information gathering

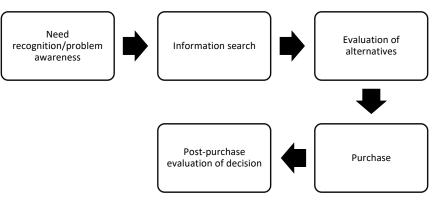


Figure 9 Consumer buying decision process

and pre-purchase evaluation steps, demonstrates behavioural loyalty, and affects the benefit of minimizing marketing costs from the firm's point of view. However, if the customer does not reach a certain degree of satisfaction, it can lead to a lower degree of repurchase. Firms do often reward their customers after each repurchase as a way to maximize their behavioural loyalty, since these rewards provide the customer with a higher degree of satisfaction. The main critique of behavioural loyalty is that is does not include the emotional part of loyalty. Therefore, a firm that focuses exclusively on behavioural loyalty might not be able to obtain the benefits regarding barriers to entry, premium pricing, etc. (Jacoby et al., 1978; Jacoby & Kyner, 1973).

Attitudinal loyalty

The attitudinal aspect of the loyalty concept revolves around the consumers' attitudes and/or feelings, opinions and beliefs towards the focal brand. Chaudhuri & Holbrook (2001) define attitudinal loyalty as,

"the level of commitment of the average consumer toward the brand...attitudinal brand loyalty includes a degree of dispositional commitment in terms of some unique value associated with the brand." (Chaudhuri & Holbrook, 2001)

Based on the quote from Chaudhuri and Holbrook, attitudinal loyalty can be described as the intangible part of the true loyalty concept. The commitment towards the focal brand has to be associated with some unique emotional values, in order to prevent the consumer from being rational, while encouraging them to be emotional in their purchasing behaviour (Chaudhuri & Holbrook, 2001; Romaniuk & Nenycz-Thiel, 2013; Thompson, Rindleisch, & Arsel, 2006). Even though it is almost impossible to measure attitudinal loyalty, it has been established that in order to build a long-term loyalty relationship, it must be built on attitudinal loyalty, as the intangible part of brand loyalty is more resistant to the marketing activities of the competitors (Chaudhuri & Holbrook, 2001). When the consumer holds attitudinal loyalty towards a certain brand he becomes less rational and more controlled by feelings when purchasing. This can affect the product's price, as it may become possible to charge premium prices (Ibid). Attitudinal loyalty has been criticized for not taking repurchase into account, since it is impossible for a firm to profit without it (García Gómez, Gutiérrez Arranz, & Gutiérrez Cillán, 2006). Further, it has been criticized for the fact that it is intangible by nature, and it is possible for consumers to have positive feelings towards the brand without it, as behavioural factors such as price and placement are missing, thus potentially leading to the consumer buying a competing brand instead (Delgado-Ballester & Luis Munuera-Alemán, 2001; B. Sharp & Sharp, 1997). In the next chapter experience economy, introduced by Pine & Gilmore (1998), will be described as a method to create attitudinal loyalty. Finally, experience economy will be described within the context of sport.

Experience economy

Creating memorable experiences is a way that firms can create attitudinal brand loyalty, since they are focusing on the intangible factors of the brand (Pine & Gilmore, 2014). These intangible factors can be activated by creating events that do not focus on the behavioural part of loyalty, but merely on the emotional part. Davenport et al., (2006) points out that brand capital, is the main source of differentiation for firms in the 21st century. Pine and Gilmore (1998), further describe how brand experiences are becoming increasingly important for firms, in order to obtain the benefits of both competitive positioning through differentiation and the benefit of premium pricing. According to Pine and Gilmore (1998), experiences can be categorized into four different groups: Entertainment, Educational, Esthetic and Escapist. These four groups can be plotted into a model based on two dimensions. The first dimension runs from absorption to immersion, while the second runs from passive to active participation (Pine & Gilmore, 1998). The Entertainment experience has a passive participation and is more absorptive from the consumer's point of view. The Educational experience is still absorptive, but the consumer is actively participating. Within the Escapist experience the consumer is an active participant and immersed into the experiences. If the consumer is immersed but not actively participating the experience is defined as Esthetic (Pine & Gilmore, 1998; Schmitt, 1997). According to Boswijk et al., (2007), it is important for the firm to create experiences where the content is co-created, meaning that the consumer should actively participate in the creation of the event. This co-creation will create a special commitment towards the brand and the experience at hand. These kinds of experiences can then be defined as Educational or Escapist (Pine & Gilmore, 1998). Other researchers point out that the experiences have to focus on the impression of the event, and particularly on how this perceived impression relates to the meaning of the brand (Brakus, Schmitt, & Zarantonello, 2009; Chaudhuri & Holbrook, 2001). The consumers perceived impression of the experience affects the evaluation of the brand, which can be either positive or negative, based on prior expectations. In order for these experiences to affect the growth of attitudinal brand loyalty, it is important that the specific event meets or exceeds the

consumer's expectations. How expectations affect satisfaction and loyalty, will be examined further in the chapters regarding customer satisfaction. Brakus et al., (2009) describes the difference between the evaluation process of a traditional product/service and an experience. The evaluation of an experience is a response to different brand stimuli defined as sense, feel, think, act and relate (Boswijk, Thijssen, & Peelen, 2007; Brakus et al., 2009; Pine & Gilmore, 1999). The sense stimuli describe the use of logos and other physical assets, that the firm is using. Sense stimuli have to be relevant for the consumers in order to create positive cues towards the brand meaning (Schmitt, 1997). The feel stimulus, relate to the emotions, and are an important part of creating attitudinal loyalty. Emotions towards a brand can be created through sports events; this will be described in more details later in this chapter (Kunz, Elsässer, & Santomier, 2016; Mahony, Madrigal, & Howard, 2000). The think and act stimuli, are related to the dimension of participation, an Educational experience has to stimulate the consumers mind in an analytic way to teach the participant something new (Doyle, Filo, McDonald, & Funk, 2013). The relate stimulus, describes how different contexts of consumption affect the consumer; different social settings affect the rules and norms applied. How to understand and apply the relate stimulus will be discussed further in the chapter on network theory. Sports events and experiences are a potent way to create attitudinal loyalty (Doyle et al., 2013; Gorse, Chadwick, & Burton, 2010).

"Engaging sport fascinate and attract people and have proven to be capable of transferring positive images and feelings." (Kunz et al., 2016)

The typical global sport event or experience can be plotted into the Entertainment group of experiences, as the consumers are spectators of the event, without participating on their own (Trail, Anderson, & Fink, 2005). Tsiotsou (2013), discovered a positive correlation between entering an event related to a sports team, and the attitudinal loyalty towards the team or brand. Sport experiences create attitudinal loyalty, because they provide the consumer/spectator an opportunity of self-expression and attachment towards a specific brand or sport team over a long period of time (H. Tsiotsou, 2013). Even though sports in general receive a high degree of attention, some niche sport communities are not covered as much by the media. This provides an opportunity for strong brands to exploit the missing link between different communities, in order to gain attention and consumer engagement (Kunz et al., 2016). This link will be described further in the chapter regarding network theory. In order to understanding how behavioural and attitudinal loyalty can be combined, the next chapter will introduce and describe the concept of true loyalty.

True loyalty

A truly loyal consumer possesses both the behavioural as well as the attitudinal aspect of loyalty. A truly loyal consumer possesses positive feelings towards a certain brand, and repurchases that brand when the need is detected, regardless of the marketing efforts of the competitors. Bloemer & Kasper (1995), define true loyalty as,

"a true brand loyal consumer is committed to his/her brand; because of this commitment, (s)he insists on buying the same brand the next time (s)he needs to buy the product again." (Bloemer & Kasper, 1995)

Based on the definition above, true loyalty must be related to the post purchasing evaluation step of the consumer buying decision process. since the consumer becomes so committed to the brand, that he insists on rebuying it next time, even though there could be other brands offering the service cheaper or at a higher quality (Bloemer & Kasper, 1995). A truly loyal consumer, will skip the decision and evaluation part of the buying process. This provides the firm with the benefits of lower marketing cost, premium prices and entry barriers for competitors, etc. When creating brand loyalty, firms must understand the relationship between satisfaction and expectations (Oliver, 1999). Therefore, the next section will explain further how customer satisfaction and expectations affect brand loyalty.

Satisfaction and expectation

Consumer satisfaction is recognized as a good indicator of the probability that a company may become or remain profitable in the future (Kotler & Armstrong, 2010). Satisfaction can be characterized as the post-purchase evaluation of the quality of a given product, in relation to the consumer's pre-purchase expectations (Ibid). The thesis adopts the definition of satisfaction from Oliver (1999), as it includes all the steps of the consumer buying process.

"...satisfaction is defined as pleasurable fulfilment. That is, the consumer senses that consumption fulfils some need, desire, goal, or so forth and that this fulfilment is pleasurable." (Oliver, 1999)

Oliver (1999), explains that it may be difficult to measure exactly how satisfied the consumer is at a given time. A firm may actually perform well, but the customer may not be fully satisfied, as his expectations have not been fully met. When the need is recognized in the first step of the consumer's buying process, prior experiences relating to different brands have shaped the consumer's expectations (Ibid). If the consumer's perception of the product's quality does not meet the prior expectations, the consumer will not be satisfied (Anderson & Sullivan, 1993). Expectations can therefore be seen as the foundation for satisfaction. If the consumers' expectations of the brand are low, then it may be easy to meet or exceed them. But, it may be

difficult to attract customers since the brand is not desirable. If the consumer's expectations are high then it may be difficult for the firm to meet or exceed them, therefore the firm might end up with unsatisfied customers (B. Sharp & Sharp, 1997). In the next chapter the relationship between satisfaction and loyalty, will be described further.

Satisfaction and Loyalty

Oliver (1999), describes six common perspectives on the relationship between satisfaction and loyalty, that

can be seen in figure 10. In the first perspective, satisfaction and loyalty are described as the same concept. It has been argued that satisfaction can be described as a fulfilment of the prior expectation, but loyalty relates to the customer's behavioural and attitudinal commitments towards the brand. Therefore, the first view can be dismissed. All other perspectives, except the final one, can also be excluded, as satisfaction is always part of loyalty, and never stands alone apart from loyalty. These perspectives cannot explain how a customer can be unsatisfied, but still loyal, and vice versa. The final perspective is the one that this thesis relies on, as it shows that satisfaction and loyalty can exist independently. In order to initiate the loyalty process, the consumer needs to be satisfied. This satisfaction is the foundation of a loyal relationship between the consumer and the brand. In the beginning of the relationship, satisfaction is an

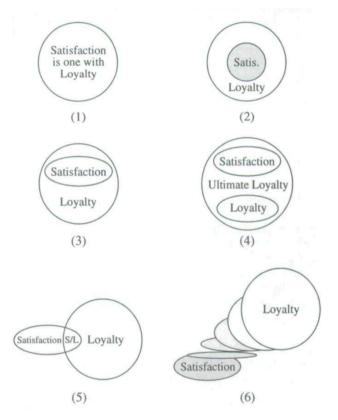


Figure 10 The relationship between satisfaction and loyalty

essential ingredient since an unsatisfied consumer will be aware of alternative brands. When the relationship has been founded, and has started to grow into loyalty, satisfaction becomes less important. Meaning that the brand will not always have to exceed the customer's expectations (Oliver, 1999). Now that the necessary components of a strong brand and true loyalty have been described, the next logical step is to figure out how firms can organize their brand portfolio.

Brand Architecture

It is very important for organizations to create a structure or a framework to organize their brand portfolio, in order to utilize their brand assets fully (Olins, 1990). Commonly three approaches or structures have been identified, the corporate or monolithic brand structure, the family or endorsed brand structure, and finally the product or branded brand structure. These three frameworks are not mutually exclusive or strictly defined (Heding et al., 2009; Olins, 1990; Tybout & Calder, 2010).

The corporate brand structure is the simplest of the three frameworks, as one brand dominates all the firm's brand activities. Firms are often attracted to the corporate brand framework, due to the efficiency that it provides. The corporate brand structure is less expensive and less time consuming, as it is simpler to build and maintain one brand instead of many (Tybout & Calder, 2010). The main difference between the corporate brand framework and the other two, is that the corporate brand structure addresses every area of the organization, both internally and externally. The strength of the corporate brand architecture, can be divided into two main ideas. According to Kapferer (2008), the external communication is concentrated around one brand message, avoiding random external messages to be spread. Secondly, the brand can easily be extended to new markets or products, as long as it is these are aligned with the core meaning of the original brand (Kapferer, 2008). This will be examined in greater detail in the chapter about brand extensions. The weakness of the corporate brand architecture, is the fact that there only is one brand, and if something goes wrong, recovery can be difficult and expensive (Ibid). The family or endorsed brand structure is a framework where the corporate, or the endorsed brand name, is combined with a more specific brand name (Tybout & Calder, 2010). The endorsed brand structure provides the firm with the possibility of sending different messages and a more specific meaning to the customer (Kapferer, 2008). Therefore, the image of the endorser is less affected by external communication than the corporate brand (Ibid). The brand or product branding structure is a framework where the firm holds many different unrelated brands, used to target different segments of consumers (Tybout & Calder, 2010). In this framework the consumers are not aware of the corporation which owns the brands. Each brand is perceived as a standalone corporation (Olins, 1990). Each brand is independent from the others, meaning that one brand will not be affected negatively or positively by another brand within the same portfolio (Kapferer, 2008). As mentioned earlier a strong brand can be extended further, as a way to create value for the firm. The next chapter will explain the concept of brand extension in more detail.

Brand Extension

A brand can be extended to new markets and/or new product categories. Extending the brand is a way to grow the brand equity and possibly add further brand meanings to the core brand (Heding et al., 2009). Extending a brand into new market areas can be seen as a diversification, and therefore a strategic decision (Kapferer, 2008).

"Brand extension relies on the ability to create a competitive advantage by leveraging the reputation attached to the brand name in a growth category, different from the brand's present categories." (Kapferer, 2008)

There are some assumptions, that can be used to evaluate the possibility of generating brand equity from extensions. First of all, the brand must possess valuable brand assets, these must have achieved consumer brand resonance, as described in the brand equity chapter. These assets have to be transferable and relevant to the extension (Kapferer, 2008). In the long run, the consumer must perceive the extension as superior to the competition (Ibid). The inner core of the brand must be respected and in line with the brand vision, for the extension to be able to create brand equity. If the extension does not relate to the core meaning of the brand, there is a risk that both brands will be weakened (Heding et al., 2009; Kapferer, 2008). The type of brand defines how far the brand can be extended (Ibid). Kapferer (2008), identifies five types of brands: product, know-how, benefit, personality and values. Tybout and Calder, (2010), identify three types of brands: functional, image and experiential. Kapferer's product and know-how brand types fit well within the functional category, while the benefit and personality brands fit well into the image category. Finally, the value brand is the same as the experiential brand. The functional category of brands focuses on the elements within the traditional marketing mix (Mccarthy, 1964). Within the functional category the basis for differentiation lies in superior performance, while the consumer has a relatively low involvement with the brand (Tybout & Calder, 2010). According to Kapferer (2008), functional brands cannot be stretched or extended far from the core meaning. The main problem for firms that have functional brands is that they must continuously perform superiorly within their core market, as they cannot diversify to new markets or products (Kapferer, 2008; Tybout & Calder, 2010). The image brands, focus on communicating the desirable image of the brand, as the foundation for differentiation. The image brand can be extended further from the core than the functional brand, it must remain relevant to the core meaning, in order to fit the desirable image. The experiential brand focuses on delivering a unique and engaging experience to the consumers. Consequently, the consumer engagement is high, but the challenge for the brand management is to maintain a balance between the customer expectations and the customers perceived expectations. The experiential brand category, can be extended far from the original brand. The reason for this is that the experiential brand is built up by values, that serve as a source of inspiration, rather than a physical product (Heding et al., 2009;

Theory

Kapferer, 2008; Tybout & Calder, 2010). Not all researchers agree that brand extensions can create value for a firm. If an extension is too far from the core meaning, then it may become irrelevant to the consumers and harm both the extension and the original brand. If the extension is too similar to the original brand meaning, the brand extension may cannibalize the existing brand (Ries & Trout, 1986; B. M. Sharp, 1993).

Summary on branding

A brand is a way for firms to differentiate their products from the competing products. Firms have different brand architecture, which affects how they handle the firm's brand strategy. From a customer-based point of view, the resonance model explains in four steps how to build a strong brand. The foundation for a strong brand is brand awareness, a strong brand must also live up to the consumer's expectations in order to create satisfaction that can be grown into loyalty. A strong brand gas generated a consumer base that can be defined as truly loyal, meaning that the consumers possess both behavioural and attitudinal loyalty. Behavioural loyalty describes the tangible part of the loyalty concept while attitudinal loyalty describes the intangible part. Attitudinal loyalty can be generated with memorable brand experiences, for example through sports events. The brand type affects how far the brand can be extended from its core meaning. The experiential brand can be extended the furthest, as it is build up by values.

Network Theory

Network theory was introduced in the early seventies by Granovetter (1973), and within the last decade research into network theory has grown. This growing interest in network theory is due to the increased researches in digital networks and the network effects that it generates (Borgatti & Halgin, 2011; Geoffrey G., Marshall W., & Choudary, 2016).

"Network theory refers to the mechanisms and processes that interact with network structures to yield certain outcomes for individuals and groups" (Borgatti & Halgin, 2011)

A network consists of three components: nodes, ties and structures (Granovetter, 1973). A node can be described as an actor that can be analysed on different levels, meaning that a node can be an individual, team, unit, firm, etc. As an example, within a firm a node can consist of all managers or all employees, it all comes down to the definition. A tie, forms a path from one node to another, this path or tie can be strong or weak. Different types of ties generate different networks, meaning that a tie can be a friendship, work-related, like or dislike, etc. Ties can be evaluated in terms of frequency, intensity and duration (Borgatti & Halgin, 2011; Granovetter, 1973). Borgatti and Halgin (2011), introduced premises on different types of ties.

"The first premise of the theory is that the stronger the tie between two people, the more likely their social worlds will overlap." (Borgatti and Halgin, 2011)

This premise builds on the assumption that people tend to have stronger ties with people that are similar to themselves. Ties can be seen as pipes that transfer resources between nodes (Borgatti & Borgatti, 2004).

"A bridging tie is a tie that links a person to someone who is not connected to his or her other friends." (Borgatti and Halgin, 2011)

This second premise states that a bridging tie or a weak tie is a potential source of new resources. A weak tie serves as a pipe of new information, that does not exist among the node's strong ties or close friends (Burt, 2004; Granovetter, 1973). A nodes position and its ties create the network structure, the nodes position within the network can create a structural hole (Burt, 2004). The structural hole can be found in a network where a node possesses a weak tie, meaning that this specific node will have access to a source of new information. A source that none of the other nodes in the structure possesses. Different structures exist within networks, within each structure there are nodes that all possess different ties. According to Burt (2004), some nodes have a better position than others, as nodes with weak ties can be positioned within structural holes, providing this node with more novel information.

In figure 11, node A will be more likely to access new information, as node A has a structural hole. Without

the link between A and G, the structure including A, B and C would not receive novel information from G's network. A's position is more valuable than B and C as A controls what information, is passed through to the other nodes. For example, in a business setting, node A could do business with B, C and G, while B could only do business with A

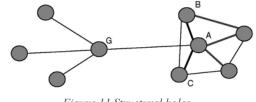


Figure 11 Structural holes

and C. As described by Porter (1987), the bargaining power of A is therefore higher than B and C. The movement of information through these ties has changed due to the evolution of social network sites. This which will be examined in the following chapter.

Social media

Social network sites (SNS), have created a new platform for firms to promote and increase the value of their brands (Weeks, Cornwell, & Drennan, 2008). Consumers, who before where passively engaged with the brand activities, can now be encouraged to become co-creators, as they can create and share branded content themselves (Toffler, 1981). Due to the introduction of social media sites, there has been a shift in the way firms communicate their brand identity (Hoffman & Novak, 2012). Firms must find a way to motivate the consumers in to participate in co-creation, which can prove difficult as there is an information overflow due to new media channels (Kunz et al., 2016).

"In branded entertainment, a brand (product or service) is no longer simply "placed" into existing content, but content is actually co-created by a brand." (Hudson & Hudson, 2006)

New media channels or platforms like for example, Facebook, Twitter, YouTube and Instagram provide the

firms with opportunities to engage the consumer in a new way (Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). In the past the flow of resources from node to node occurred through word-of-mouth communication, meaning that communication was mainly through strong ties (Mayzlin, 2006). With the introduction of social networks as a media channel, the flow of resources through the ties to the nodes has changed dramatically. The firms can now make sure that the consumer is exposed to relevant content at the correct time (Mangold & Faulds, 2009). The social network sites provide the firm with more weak ties, meaning that the content provided by the firm will be

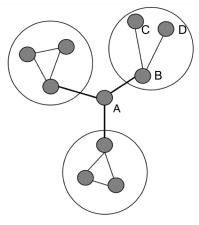


Figure 12 Network distribution

consumed by the consumers connected to the firm's network but also by nodes connected to the consumers' network (Filo, Lock, & Karg, 2015; Granovetter, 1973). In figure 12, node A is connected to node B, node B

Theory

is connected to A, C and D. Because of the ability of individual nodes to communicate with each other (Bernoff, 2011), the content distributed by A has the ability to be further distributed to C and D.

Summary on network theory

Networks consists of three components, nodes, ties and structure. The nodes can represent different levels of actors, while ties make up the connection and can be weak or strong. Within the structure different nodes can be better off, based on their position within structural holes. Social networks have changed the way firms communicate the brand identity. It has become easier for firms to engage large audiences. But, firms must be aware of the potential for information overload when communicating the brand identity.

Summary

The thesis will mainly focus on corporate strategy, which explains where a company should compete. For a firm to be competitive, it must possess sustainable competitive advantages, described within the VRIO model. These advantages will be analysed through the lenses of the resource-based view. According to this view, the resource must be heterogeneous and immobile. From a resource-based view the brand is a resource, that makes the firm capable of differentiating their products from competing products as a part of marketing and sale.

Firms have different brand strategies, that have to be in line with the brand architecture. The resonance model makes it clear that the foundation for a strong brand is consumer awareness, or the consumer's recall and recognition of the brand. Social network sites have created a new method, or a new channel, for firms to communicate their brand identity. Brand identity, together with brand performance, are parts of the second step of the resonance model. The third step of the model explains the consumer response to the brands marketing efforts. Sport events can be used to create memorable experiences, that the consumer will evaluate in a positive manner. Therefore, sport events, or experiences, are a good method to create attitudinal loyalty, described in the fourth step of the resonance model, referred to as the resonance building block. A strong brand will generate consumers that can be defined as truly loyal, as they possess both behavioural and attitudinal loyalty. When deciding where to compete, the type of brand affects how far from the core the diversification can be extended and still remain successful. The essential test, describes that the industry must be attractive, this can be determined by use of the five forces model. The theory on parenting advantages, evaluates whether the parent and/or the business unit will be better off after the diversification. A firm can become better off, if the parent or the business unit provides weak ties, that generate new resources, that would not have existed without the diversification.

Analysis

Three underlying question were introduced, in order to come up with an answer to the research question, "How does Red Bull build a strong brand, by diversifying into the sport industry, and does this generate competitive advantage?". Each underlying question has a dedicated part within the analysis chapter.

Competitive advantages

The first part of the analysis, will revolve around forming an answer to the underlying question, "What characterizes the energy drink industry and what resources generate competitive advantages for Red Bull?". In order to provide an answer to this question, the energy drink industry must first be analysed. The five forces of competition will be applied in the analysis, in order to understand the attractiveness of the energy drink industry and the factors that affect the industry's attractiveness. The value chain model is applied to separate the different activities within Red Bull, in order to evaluate the importance of each activity, as well as the resources needed to succeed. Each activity demands different firm resources, the VRIO model will be used to evaluate each resource, in order to figure out what resources generate sustainable competitive advantage for Red Bull.

The energy drink industry

The global beverage industry covers everything from water to packed tea. The value of the beverage market is currently rising from 1,612 billion US dollars in 2009 to a forecasted 2,246 billion in 2018 (PwC, 2018). Carbonated soft drinks and bottled water account for the largest market share within the non-alcoholic beverage and soft drinks industry (Canadean, 2018). The carbonated soft drinks account for 27.7% of the total world-wide non-alcoholic beverages and soft drinks sales in litres in 2015 (Zenith International, 2018). In 2015, the energy drink industry generated a total revenue of 51 billion US dollars, which is only approximately 2.6% of total beverage sales (Marketline Industry Profile, 2016). An energy drink is defined as a drink that incorporates energy enhancing properties, and which is usually carbonated (Ibid). Energy enhancing properties are defined as stimulants or a mixture of stimulants that are added to the drink. These stimulants are various in nature, but they can include: caffeine, taurine, guarana, etc. (Marketline Industry Profile, 2016; Red Bull, 2018a). According to Kasper Kjempff, the marketing manager of Red Bull, Denmark, an energy drink can be defined as a functional drink that contains caffeine over 22mg. per 100ml.

"We look at the energy drink as a functional beverage (...) adding caffeine in an amount above the 22mg per 100 ml." (Stausholm & Kristinsson, 2018b Min. 6:40) Kasper Kjempff further explains that cola drinks do not fall under the definition of energy drinks,

"take for example a cola it will probably have around 10 or 11mg caffeine per 100ml." (Stausholm & Kristinsson, 2018b Min. 7.00)

Kasper Kjempff describes, the definition of energy drinks, that Red Bull chooses to use, in order to evaluate their competitors.

"We define energy drinks as the functional drinks that contains caffeine, so if it does not contain caffeine it is not an energy drink." (Stausholm & Kristinsson, 2018b Min. 7:20)

According to the five forces model, Red Bull, as a manufacturer of energy drinks, is a player within the energy drink industry Red Bull's suppliers can be defined as the producers of input, in the form of raw materials, supplied to the players within the industry (Grant, 2016; Porter, 2008). The buyers can be defined as the retailers of the energy drink, due to the fact that, the players do not sell directly to the end-consumers themselves. Supermarkets form the largest group of buyers, as they distribute 51% of the total energy drink market, while convenience stores and other general retailers account for around 13% (Marketline Industry Profile, 2016). Within each force in the five forces model, the key factors will be evaluated on a scale from zero to five, where zero indicates no effect on the force; one and two indicate weak/low effect; three indicates a medium effect; while four and five indicate high/excessive effect on the force. In the summary of the five forces of competition, each of the five forces will be evaluated and graded on the scale from zero to five, in order to identify the attractiveness of the industry.

Entry barriers

The entry barriers within the energy drink industry are affected by several factors. The most significant factors are: market growth, market profitability, capital requirements, economies of scale, access to distribution network, product differentiation, brand strength, heterogeneity of resources and governmental and legal barriers (Barney, 1991; Grant, 2016; Porter, 1987). The market value of energy drinks has experienced an average annual growth rate of 10.1%. The forecasted future value growth indicates, that the market will continue to grow at an average of 10.3%, at least until the year 2020 (Marketline Industry Profile, 2016). When an industry experiences moderate to high growth over several years, it tends to attract new players (Grant, 2016). Profitability within the energy drink industry is high, as energy drinks carry a margin of around 40% margin. For this reason, new players are frequently attracted to the industry on local or regional level, without succeeding in becoming global players (Porter, 2008; Trefis Team, 2014). The energy drink industry is fairly capital intensive, even though players can enter through different methods, as

for example with either full ownership of the value chain, or through alliances with bottling partners. The least capital-intensive method is to enter in an alliance with a bottling partner and only producing the concentrate. While this method requires less capital than the alternative, it is still fairly capital intensive and can this can prove a significant entry barrier for new entrants (Marketline Industry Profile, 2016; Porter, 2008). The energy drink industry, relies on economies of scale, as the fixed cost of the production and the investment of entering, can be allocated to a higher number of produced units (Grant, 2016; Zimmerman, 2016). Economies of scale affects the profitability of the new entrants, since they will not be able to compete with the already established players with regard to pricing. It can be assumed from Monster Energy sales figures (Statista, 2018), and their cost of goods sold (Orbid, 2017), that the price of producing one unit decreases significantly, when the production increases within the energy drink industry. The numbers shown in figure 13, indicate that the benefits of the economies of scale becomes significant when the players can produce more than 2.25 billion units a year. Furthermore, figure 13 shows that when manufacturing one

billion units, the production cost per unit is 0.48 USD. This figure is lowered to 0.36 USD when producing over three billion units, meaning that the cost per unit is lowered by 25%. It is rather unlikely that a new player will be able to distribute this number of units, and thereby overcome the entry barriers generated by economies of scale (Zimmerman, 2016).

The access to a distribution network is

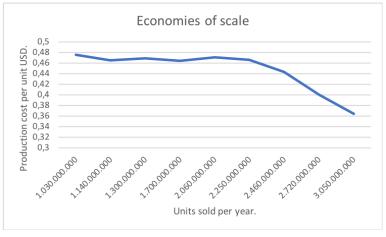


Figure 13 Economies of scale

a rare resource that not many possess. However, new players need access to a distribution network in order to sell their products. The biggest players within the industry are Red Bull, Monster and Rockstar Energy. These companies distribute their products within up to 170 countries (Monster Energy, 2018; Red Bull, 2018a; Rockstar Energy, 2018). Red Bull owns a distribution network, while Monster has an equity alliance with The Coca Cola Company and Rockstar Energy has a non-equity alliance with PepsiCo regarding access to a global distribution network (Coca-Cola, 2015; PepsiCo, 2009). Accessing or building a global distribution network is highly capital intensive, as not many firms possess the capability of a global distribution (Barney, 1991). Access to a local or a regional distribution network is less capital intensive, therefore the entry barriers at local or a regional level are not as significant as on a global level. This results in many local or regional attempts to enter the industry, but few succeed to expand globally (Keller, 2008). Finally, the big players have managed to create a pull effect, where the end-consumers demand the availability of a certain product carrying a certain brand, even though the product that is produced within the

industry is homogeneous and the product differentiation in relation to flavour and function are fairly low (Jobber & Fahy, 2009; Keller, 2013). The differentiation within the industry therefore mainly relies on brand strength, and this poses a major entry barrier for new entrants, as it is both costly and time consuming to build a strong brand, since a brand is a heterogeneous resource (Barney, 1991). The new player might therefore, not be that attracted to the industry, unless they already possess a brand that can be extended to the energy drink industry (Keller, 2013; Olins, 1990; Stausholm & Kristinsson, 2018b). The energy drink industry is highly regulated, creating entry barriers for new players. Promoting energy drinks was banned in the Scandinavian countries prior to 2008, it was not even allowed to sell energy drinks in some European countries until after 2009 (Berg & Aanensen, 2009; Keller, 2008; Medical News Today, 2004). In Latvia, the consumers must be 18 years old to buy an energy drink. The EU as well as other countries outside the EU are considering introducing the same regulation (Associated Press, 2016; Pogson, 2012; The Local Austria, 2015). The energy drink industry is relatively young, and is therefore still developing regarding governmental, legal and other environmental factors. Red Bull was the first player within the energy drink industry, creating the product category of functional drinks (Keller, 2008). Kasper Kjempff explains this in the following way.

"Red Bull was the first beverage out there being an energy drink (...) we were opening the doors regarding everything from tax, to legal barriers, defining what is allowed and what is not allowed." (Stausholm & Kristinsson, 2018b Min. 10:30)

Red Bull, as a first mover and the biggest player within the industry, may have shaped the legal environment of the industry. The industry's legal environment is still developing, creating challenges for both new and existing players (Pogson, 2012; The Local Austria, 2015). The entry barriers for new entrants to the energy drink industry in general, can be evaluated as medium to high as displayed in figure 14. Even though the

market growth and the market profitability, attracts new entrants, the limited access to a distribution network, as well as the legal barriers restrain new

Factor	Grade	
Market growth	1	Market growth
Market profitability	1	Govermental and Market legal barriers 4 profita bility
Capital requirements	3	Biolitability
Economies of scale	3	Hetereogeneity of Capital
Access to distribution network	4	resources requirements
Product differentiation	3	
Brand strength	5	Economies of
Hetereogeneity of resources	2	Brand strength scale
Govermental and legal barriers	4	Product Access to
		distribution differentiation network
Average	3,7	I ELWORK

Figure 14 Entry barriers

entrants. This is particularly an

issue for players that want to expand globally. The strength of the already existing brands, creates an excessive entry barrier for new entrants.

Threat of substitutes

It has already been explained that a substitute is a product within another industry, that can fulfil the same needs as the product within the energy drink industry. Therefore, the threat of substitutes is affected by two main factors: the number and performance of the substitutes, and the switching cost for the buyers (Porter, 1987). The possible substitutes must be examined individually, in order to come up with one general conclusion regarding the threat of substitutes. Kasper Kjempff points out, that a potential substitute is affected by the consumer's moment of need, indicating that some products can be substitutes under certain circumstances, but not necessarily always.

"We talk about what we call moments of need (...), a moment of need is when you will actually need the functional beverage" (Stausholm & Kristinsson, 2018b Min. 7:45)

The first potential substitute is coffee, as it contains a similar amount of caffeine as energy drinks and would therefore have the potential to generate the same functional effects.

"Coffee is a substitute, in some moments of need (...), for example, it will not be a substitute right after training but in the evening or after dinner it would maybe be a substitute for a Red Bull. But Red Bull contains also a lot of other stuff as taurine and sugar" (Stausholm & Kristinsson, 2018b Min. 8:20)

As coffee is a fairly common and inexpensive substitute, it is a threat at a certain time of the day, for certain moments of need, for example in the morning. The switching cost for the end consumer is low, and therefore the threat of coffee as a substitute is high in the morning, or after dinner. But as Kasper points out, there is a low threat of substitution right after training. Energy drinks are also carbonated and contain sweeteners and stimulants, which increases the switching cost for the end-consumer. Another potential substitute for the energy drink industry, are energy shots. Kasper Kjempff explains that,

"energy shots are very popular with the athletes, because it is without the carbonation. It's much easier to use (...) it is a niche market, and it became more a medical product than a functional beverage" (Stausholm & Kristinsson, 2018b Min. 9:10)

In some industry definitions, energy shots are included within the energy drink industry, in the definition applied within this thesis, the energy shots are excluded from the definition of the energy drink industry.

Energy shots are evaluated as substitutes in some moments of need, Kasper Kjempff makes the distinction that,

"energy shots are a part of the energy drink category, but not the functional energy drink industry." (Stausholm & Kristinsson, 2018b Min. 9:45)

The threat of energy shots as a substitute for energy drinks is generally evaluated as low, as it is only consumed in few moments of need, and mainly by athletes. Energy shots do not provide the same refreshment as an energy drink, and consequently the switching cost for the end-consumer is high. The market share of energy shots within the beverage industry is declining, as the product is not mainstream and only consumed by a small number of consumers (Statista, 2017a; Stausholm & Kristinsson, 2018b). Other substitutes can be sport drinks, juices and/or other soft drinks, such as cola. Sport drinks are usually non-carbonated and lack high amounts of caffeine. Other soft drinks contain caffeine, but in smaller amounts. They are, however, commonly carbonated and sugared, and can therefore substitute energy drinks in some moments of need. For example, as an alcohol mixer, or a refreshment drink (Grant, 2016; Statista, 2017a). Even though there are many substitutes in many different moments of need, the switching cost affects the elasticity of the demand, meaning that the end-consumer is willing to pay premium price for the product (Grant, 2016; Zimmerman, 2016).

The threat of substitutes can be evaluated as low to medium, this is displayed in figure 15. There are many potential substitutes within different

moments of need, but

Factor	Grade	Buyers willingness
Buyers willingness to switch	2	to switch
Number of substitutes	4	4
Performance of substitutes	2	3
		Performance of Substitutes
Average	2,7	

Figure 15 Threat of substitutes

none of the possible substitutes have the same performance. Therefore, the switching cost for the buyer is relatively high, meaning that the buyers will have a fairly low incentive to switch.

Rivalry

The degree of rivalry is affected by several factors: the number of players, the size or market share that the largest players possess, the similarity between players, product differentiation, switching cost for buyers and the exit cost (Porter, 1987). The global energy drink market is fragmented, as the largest global players do not possess a large share of the total market, due to a number of local and/or regional rivals. Red Bull is the biggest player, based on sales from 2015, with a 24.4% market share of the global energy drink industry (Euromonitor, 2018). The three largest players, Red Bull, Monster and Rockstar Energy, possess around 36% of the total market share (Table 1).

Firm	Sales 2015	Market share
	(Billion USD)	(%)
Red Bull	12.46	24.4%
Monster	4.77	9.4%
Rockstar Energy	1.09	2.1%
CR3	18.32	35.9%
Total	51.00	100%

Table 1 Market share global energy drink industry (Euromonitor, 2018; Statista, 2017)

The remaining 64% of the market share is distributed between numerous regional and/or local players, that individually possess less than 1% of the global market share. Kasper Kjempff from Red Bull, explains that one of the reasons for this high market share compared to the other global players, may relate to the first mover advantage.

"in most markets we are in, we are the category leader. Because we were also the first product there." (Stausholm & Kristinsson, 2018b Min. 11:00)

The rivalry within the industry should be high, due to the low market share of the leading players. Because of the fierce rivalry, players should be competing on prices, thus affecting the profit margin within the industry. Another factor that affects the rivalry, is the similarity between players and how they differentiate their product (Grant, 2016).

Kasper Kjempff at Red Bull explains how they differentiate from other players within the energy drink industry.

"Red Bull compared to the big competitors out there globally, like Monster and Rockstar, and locally Faxe Kondi Booster. We are building another company where the core competencies more relate to the brand, instead of focusing on price or distribution or any other key metrics in the value chain." (Stausholm & Kristinsson, 2018b Min. 11:10)

Kasper Kjempff explains, how Red Bull has a marked emphasis on building the Red Bull brand, instead of focusing on price and distribution like their competitors.

"not saying that there is something wrong in building a business around that, we see that in those markets we are, there are no other energy drinks that are buildings its brand as Red Bull, maybe besides the US because it is such a huge market." (Stausholm & Kristinsson, 2018b Min. 11:30)

The similarity of players within the industry, affects the profitability of the industry, if the players are strategically similar, then the differentiation is low. Due to low differentiation, rivalry is likely to be high, resulting in a low profit margin (Grant, 2016; Porter, 2008). As mentioned earlier there are two main strategies applied within the industry. Red Bull is vertically integrated, while Monster and Rockstar Energy have formed alliances with other firms, that possess the distribution network and the bottling services (Coca-Cola, 2015; PepsiCo, 2009; Red Bull, 2018c). Vertically integrated firms own the complete value chain, for example the production site where the concentrate is produced, the bottling facility and the distribution network, as well as all other activities (Grant, 2016). The alliance strategy, means that firms can form an alliance with other players to outsource certain activities within the value chain. The bottling and distribution activities have commonly been outsourced by players within the industry, as it is not the core competencies of the firms within the industry (Barney, 1991). This is confirmed by the words of Kasper Kjempff at Red Bull, as he explains that the main value creation lies within the brand, even though Red Bull is a vertically integrated player.

"We need to have the production, and the distribution but the key value lies in the brand." (Stausholm & Kristinsson, 2018b Min. 12:00)

The main product differentiation within the industry, relies on the brand strategies of the competing players, since the production of an energy drink is fairly simple, and does not require any special knowledge. Therefore, one might assume that the energy drink industry would have a low product differentiation, meaning that the players would compete on prices (Grant, 2016). On the contrary, the profitability of the industry is high. It is estimated that the energy drink industry's profit margin is about 40%, while the average industry profit margin in the US is around 10% (Porter, 2008; Trefis Team, 2014). The high profitability of the energy drink industry, can be explained from the high brand differentiation. The brand differentiation increases the consumer's willingness to pay, moving the players strategy from priced focused towards differentiation. This creates an opportunity for the players to charge premium prices (Grant, 2016; Porter, 1985, 2008). The brand's strength affects the buyers switching cost. It can be difficult for the buyers to switch between players, if the player possesses a strong brand, that has a significant pull effect, meaning that the end-consumer demands the buyers to offer a specific brand (Ibid). The exit cost is estimated to be rather low in the energy drink industry, but to some extent it depends on the players strategy. The players that are vertically integrated have a higher exit cost, meaning that they might have incentives to lower the profit margin in order to avoid exiting (Porter, 2008). The players that have an alliance with other firms have a lower exit cost and are unlikely to accept decreasing profit margins (Grant, 2016). The degree of rivalry among the players within the energy drink industry is evaluated high as can be seen in figure 16, as the

industry is fragmented with many small players. The functionality of the product is fairly similar between the players, and the products are mainly differentiated by the

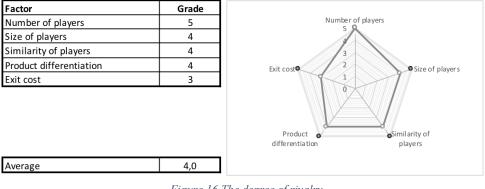


Figure 16 The degree of rivalry

means of branding. The players within the industry also highly similar, and the exit cost is medium.

Bargaining power of suppliers

There are several factors that affect the bargaining power of the suppliers: the number of suppliers compared to the number of players, the switching cost for the players, the possibility of forward/backward integration, the differentiation of the input and the importance of the input (Porter, 1987). The input, or the raw materials, for the energy drink industry consists of: caffeine, guarana, ginseng and other stimulants, as well as flavourings, sweeteners and water (Marketline Industry Profile, 2016). Most of the raw materials can be provided by numerous suppliers and are categorized as commodities. Other of the materials, for example the guarana stimulant, can only be provided by few suppliers. There are, however, many substitutable inputs. For example, taurine can be a perfect substitute for stimulants like guarana as well as ginseng (Marketline Industry Profile, 2016; Statista, 2017a). If the player is not fully vertically integrated, another necessary input

is the bottling activity (Marketline Industry Profile, 2016; Porter, 2008). As there is a growing demand for innovative and environmentally friendly bottling solutions, the supplier power is increasing. The reason for the increased supplier power within bottling, is that there are few suppliers able to provide the environmentally friendly bottling service that is demanded by the players (Ibid). The switching cost for the players is low for the commodities, as they can easily switch from one supplier to another, without affecting the production (Porter, 1987, 2008). The bargaining power of suppliers that offer stimulants is also low, as they can easily be substituted, without affecting the quality of the production. As the suppliers of environmentally friendly bottling services are few, the suppliers bargaining power will increase as the switching cost for the players will become higher. It is possible for the players or the suppliers to integrate both forward and backward. The players can integrate backwards, by producing their own input or raw materials. The incentive to do that is low as most of the input is commodities, and the supplier power is relatively low. The suppliers can also integrate forward, thereby producing their own energy drink. The incentives for the suppliers to integrate, seem to be more appealing as the energy drink industry is more profitable (Porter, 2008). This is unlikely to happen though, as the core competence of the raw material suppliers is not building strong brands. This lack of brand building competencies, limits the possibility of making the industry profitable for a new entrant (Barney, 2001). The bargaining power of the suppliers is evaluated to be low, displayed in figure 17, as the main input can be supplied by numerous suppliers and is

categorized as commodities. The switching cost for the players is low, as there are many potential providers of the input. The differentiation of the input is medium, due to the fact that not

Factor	Grade	
Amount of suppliers	1	Amount of
Switching cost for the players	1	suppliers 5 9
Possibility of forward integration	2	Importance of the 3 Switching cost
Possibility of backward integration	3	input 2 switching cost
Differentiation between input	3	Pt &
Importance of the input	2	
		Differentiation between input
		Possi bility of
Average	2,0	backward integration

Figure 17 Suppliers bargaining power

all bottlers can provide environmentally friendly bottling services. Both players and suppliers have the opportunity of integrating into each other's industry, but it is unlikely to happen as the industries are unrelated in relation to resources and capabilities.

Bargaining power of buyers

There are several factors that affect the bargaining power of buyers: the number and size of buyers and players, the buyers switching cost, product differentiation, price sensitivity and buyers/players possibility of integration (Porter, 1987). The main distribution channels for the energy drink industry are the supermarkets

and convenience stores. Supermarkets account for around 50% of the total distribution, while convenience stores account for around 13% (Marketline Industry Profile, 2016). The average buyer is relatively large, which increases the buyer power, as the buyer commands a good negotiation position (Porter, 2001). Large retailers, for example supermarkets, can make large purchases, thereby affecting the production price, and thus increasing their bargaining power. The brands pull effect, decreases the bargaining power of the buyers, as the end-consumer demands a specific energy drink brand to be available at the buyer's convenience stores (Porter, 2008). The buyers are competing for the end-consumers, therefore they will accept a lower producer surplus in order to attract customers demanding certain brands (Grant, 2016). The buyer's switching cost is estimated to be high, as the strength of the brands within the industry creates a strong pull effect, meaning that the buyers willingness to switch is low (Ibid). If the buyers do not supply the end-consumers with the demanded brands, the end-consumers might take their business elsewhere (Grant, 2016; Kotler et al., 2012). The number of energy drink brands available in supermarkets, or convenience stores, are limited. But, reports claim that supermarkets are expanding the shelf space allocated to energy drinks (Trefis Team, 2014). It can therefore be stated that the buyer's bargaining power towards small players is relatively high, as the limited shelf space available today is already occupied by the strong global brands that the endconsumers demand. The buyer's price sensitivity is low, as the end-consumers' willingness to pay is high, meaning that the price is elastic (Grant, 2016; Zimmerman, 2016). The price elasticity decreases the bargaining power of the buyers, as the players within the industry can demand premium prices for their products (Grant, 2016). Both players and buyers have the opportunity of integration. The players can forward integrate by selling their product directly to the end-consumers, while the buyers can integrate backwards by producing their own energy drink. It is unlikely that the players will forward integrate, as the buyers' industry is fragmented. Some of the largest buyers are already backward integrated, offering private label energy drinks that do not possess any pull effect, but are being pushed towards the end-consumer (Amazon, 2018; Coop, 2018; Kotler et al., 2012). The bargaining power of buyers is evaluated as medium, as displayed

in figure 18. The number of buyers compared to the number of players is fairly high and the average buyer is relatively large,

Factor	Grade	The amount of
The amount of buyers	3	buyers
The size of buyers	4	Possibility of
Buyers willingness to switch	2	backward • 3 0 • • • • • • • • • • • • • • • • •
Product differentiation	3	integration 2
Price sensitivity	2	Possi bility of
Possibility of forward integration	3	forward • Buyers willing ness
Possibility of backward integration	4	integration
Average	3,0	Price sensit ivit

affecting their

Figure 18 Bargaining power of buyers

bargaining power positively. The buyers'

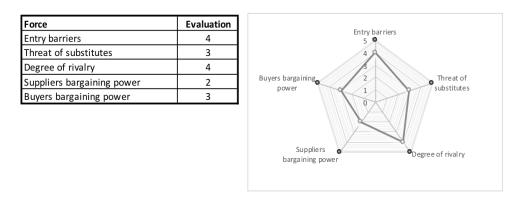
willingness to switch, is affected by the pull effect that the brands have attained, lowering the buyers

bargaining power. Some of the larger buyers have already introduced private label energy drinks, without affecting the strong brands within the industry.

Summary on the energy drink industry

The energy drink industry is structurally attractive, providing the players with high profitability as can be seen in figure 19. The entry barriers are high, mainly due to the limited access to distribution channels and

the strength of the existing brands within the industry. The growth and the profitability of the industry attracts new entrants, but only few have been able to become global players. The





threat of substitutes is medium, there are many available substitutes, but few have the same function. The buyers have low incentives to switch, as the performance is not equivalent. The degree of rivalry is high as the industry is fragmented, with many similar small players. The products functionality is very similar from one player to another, meaning that the product differentiation is low, increasing the degree of rivalry. Players mainly differentiate through branding strategies, as strong brands create pull effects from the end-consumers, thereby decreasing the buyers bargaining power and increasing the entry barriers for new entrants. The suppliers bargaining power is low, as the main inputs can be provided by many suppliers. Some of the stimulants are only supplied by few suppliers, but they can easily be substituted with other stimulants, providing the same performance. It is more attractive for the supplier to integrate downstream, than for the players to integrate upstream. The bargaining power of the buyers is medium, the buyers are large which should strengthen their bargaining power, but due to the strong brands that the players possess the bargaining power is levelled out.

Red Bull's value chain

In the previous chapter, the five forces of competition were applied to analyse the energy drink industry. In this chapter, Red Bull's value chain will be analysed. The value chain separates the activities of Red Bull, in order to figure out the main activities of the firm. The analysis will be divided into supporting and primary activities and then summarized in order to provide an overview of the findings.

Supporting activities

The supporting activities, support the primary activities of the firm. The supporting activities are: infrastructure, human resource management, technology development and procurement. These activities can affect all the primary activities simultaneously and are meant to support the main value creation.

Infrastructure

Dietrich Mateschitz is the founder and managing director of Red Bull, he is also the majority owner of the Red Bull firm (Bloomberg, 2018). The Red Bull firm's core product is the energy drink, but the firm produces media and entertainment content as well.

"We are aiming to be the number one in the beverage and media business" (Stausholm & Kristinsson, 2018b Min. 58:15)

The organisational structure is divided into two main divisions, the beverage and the media/entertainment. Within the media/entertainment division (The Media House), there are four different departments: brand, sport, communication and production. As explained by Kasper Kjempff,

"...a brand department, a sport department, that takes care of all our athletes, we have the communication department and then we have the production department." (Stausholm & Kristinsson, 2018b Min. 31:40)

The corporate strategy of Red Bull is ownership focused,

"it's not a Red Bull strategy if we do not own it, it's not Red Bull to sponsor a football or formula 1 team, we grow it up from the bottom" (Stausholm & Kristinsson, 2018b Min. 59:10)

The ownership strategy, or the fact that Red Bull chooses to own all the activities within the value chain, can be observed in all their activities. Red Bull owns the bottling activity, as well as the production of concentrate and the distribution network. Red Bull owns several sport teams, athletes and events all around the world. Red Bull also owns all the human capital that is needed to compete within the energy drink

industry, as well as within the entertainment industry. Athletes, trainers, marketers, etc., are all Red Bull employees.

"Everyone who works within our football and formula 1 and so on, they work for Red Bull" (Stausholm & Kristinsson, 2017c Min. 4:00)

This ownership of athletes, trainers, and so on, affects the complexity of the human resource department. This will be described in the next chapter.

Human resource management

Red Bull's human resource department is responsible for attracting and developing the needed human capital. As Kasper Kjempff explains,

"Taking talent giving them wings to the next step, that's the idea." (Stausholm & Kristinsson, 2017c Min. 39:45)

The departments complexity is affected both by its global existence, as well as the diversity of the human capital. For example, the department is responsible for employees working in the manufacturing facility, employees within sales and marketing, as well as football and Formula 1. This means, that the department is responsible for ensuring that the sport teams have a sufficient amount of talent to perform at a certain level.

"We need to make sure that we have a continuous flow of talented athletes coming up" (Stausholm & Kristinsson, 2017c Min. 39:50)

The department is also involved in athletic facilities, that are developed for training and growing talent within different sport activities. One of these, is a training facility called The Red Bull Diagnostic and Training Centre, which was founded in 2001 and dedicated to training young racing talents. Red Bull also owns other facilities that are constructed around the needs of young talents within other entertainment activities (Stausholm & Kristinsson, 2018b).

"It took a lot of time to create the athlete program we have today, you can talk about how to treat athletes, and how to manage them and their performance." (Stausholm & Kristinsson, 2018b Min. 24:50) Building this talent program has been an investment for Red Bull. Today this is one of Red Bull's strengths, as they are able to attract and grow the best available talents, within the sport and entertainment industry in general.

"Of course, we have a global network, that makes us more valuable, for example if we are going to attract a Danish talent, then he is thinking, okay then I can maybe go and play for one of the big teams, in Germany, US or somewhere else." (Stausholm & Kristinsson, 2018b Min. 32:47)

The human resource department is of high importance to the value creation within the entertainment activities of Red Bull, but attracting talent is also important for Red Bull's existence within the energy drink industry. The differences between the importance of talent as a resource within the two different industries, will be examined further within the chapter regarding the VRIO model.

Technology development

There is a need for technology, software support and development within all primary activities of Red Bull, but the value creation within the primary activities of Red Bull is not dependant on the latest technological developments. Red Bull lacks capabilities within technology development in order to, for example produce a motor for a racing car. Even though Red Bull has won the Formula 1 world championship several times, both the driver and the constructors title, they do not produce or develop any technology needed to succeed in a high technology sport like Formula 1 themselves (Raconteur, 2016; Statista, 2017d). Red Bull has chosen to outsource and form alliances with technology firms, as this is not within their core competences (Ibid). In order to succeed in highly technology driven sports, like Formula 1, an efficient procurement department is needed.

Procurement

The procurement department handles all external contracts, relating to both suppliers and buyers. The bargaining power of the suppliers is low within the energy drink industry, positively affecting the negotiation position of the procurement department. The procurement department must also negotiate with suppliers within the racing and other sports industries. Here, Red Bull carries a low bargaining power, due to the low number of suppliers, and the differentiated input within these industries.

Primary activities

The primary activities are those activities that directly affect the value creation within the company. These activities are: inbound logistics, operations, outbound logistics, marketing and sales and service. Inbound logistics, operations and outbound logistics are defined as the upstream activities, while marketing, sales and service are defined as the downstream activities. The definition is based on the assumption that the closer the activity is to the end-consumer, the further downstream it is.

Inbound logistics

The necessary raw materials for the manufacturing of the Red Bull energy drink are among others; water, sweeteners, flavouring, aluminium and stimulants like taurine, caffeine, ginseng etc. (Red Bull, 2018a; Statista, 2017a).

"There have been hundreds attempts to find places to produce elsewhere, because it is not economical rational to produce everything in the middle of Europe and then ship it to everywhere in the world. But it's simply because the owner is so keen on the alpine water (...) Basically, if we are going to have production somewhere he should accept the water quality, and that has not happened yet." (Stausholm & Kristinsson, 2018b Min. 2:50)

For Red Bull the Alpine water is an important raw material, as it is a part of their brand's identity. Red Bull purchases the taurine stimulant from TC Pharmaceuticals in Thailand, which holds a 49% share of the company, even though the raw material needed to produce the energy drink is a commodity and can be supplied by multiple suppliers (Keller, 2008). The inbound logistics is not a major part of the value creation for Red Bull, even though it provides the operations with the necessary raw materials to produce the energy drink.

Operations

In 2016, Red Bull sold 6.1 billion cans worldwide, these cans were all produced in their plant on the border between Austria and Switzerland (Red Bull, 2018a). Red Bull has implemented an operations system they refer to as the wall-to-wall system. That means, that all the manufacturing processes take place within this one plant (Red Bull, 2018c). The main operations are the manufacturing of the concentrate, the bottling process, as well as the manufacturing of the can itself. The Red Bull can is 100% recyclable. Red Bull is continuously developing the can, in order to decrease the usage of raw material, using less aluminium without affecting the quality (Red Bull, 2018b). Due to the fact that the cans are produced within the same plant in which production of the concentrate, as well as the bottling takes place, Red Bull claims to save 12,700,000 km of truck travel yearly (Ibid). In 2016, approximately 3.6 billion cans were distributed directly

to the buyers from the plant in Austria/Switzerland, while 2.5 billion cans were distributed to distribution centres in for example the U.S. and Asia (Red Bull, 2018c). As described by Kasper Kjempff, manufacturing in a single plant in Europe carries with it both advantages and disadvantages (Stausholm & Kristinsson, 2018b). There are economies of scale by having only one production site, as it reduces the unit cost. Conversely, it may negatively affect the transport cost, of those cans that are shipped to the U.S. and Asia. While the European market accounts for 24% of the total energy drink market, the Asian market accounts for 38% and the U.S. market accounts for 30% (Marketline Industry Profile, 2016). Red Bull's geographical position within Austria and Switzerland may not be optimal, in order to serve the two largest markets. However, to reach economies of scale within the production of energy drinks, a production site must manufacture more than 2.25 billion cans per year. Based on the total number of cans distributed outside Europe, Red Bull may not distribute enough cans to reach the benefits of economies of scale, if it were to open a new production plant in the US or Asia. The production cost within Austria and Switzerland is high, due to high salaries. Switzerland pays one of the highest salaries in the world (Numbeo, 2018). Moving the production site to a lower wage area, as for example Eastern Europe might be economically beneficial; even though moving the plant from Red Bull's home market in Austria, might negatively affect the home market, as well as the Red Bull brand. Red Bull uses their geographical position, to guarantee the premium manufacturing quality of the product. As they state, that the quality of the Alpine water is the highest in the entire world (Red Bull, 2018a).

Outbound logistics

Red Bull is available in 171 countries, while the main competitors Monster and Rockstar Energy are only available in less than 60 countries (Monster Energy, 2018; Red Bull, 2018a; Rockstar Energy, 2018). Red Bull owns its own distribution network while their competitors have an alliance with the soda giants The Coca-Cola Company and PepsiCo (Coca-Cola, 2015; PepsiCo, 2009). Since Coke and Pepsi can be found in more than 200 countries, Monster and Rockstar have the potential to be distributed to a larger number of countries (PEPSICO, 2018; The Coca-Cola Company, 2018b). The reason for the plant being located on the border between Austria and Switzerland, is explained by Kasper Kjempff through the lens of outbound logistics,

"it's one plant on the border between Austria and Switzerland (...) it is a side-story but it's more in terms of one country is in the EU the other one is not, regarding if you want to export things, inside and outside EU." (Stausholm & Kristinsson, 2018b Min. 1:50)

Austria is a part of the EU, providing access to the free trade within EU, while Switzerland is a part of EFTA, thus providing free trade with countries outside EU (EFTA, 2018).

Marketing and sales

From the foundation of Red Bull in 1985, marketing has been an important part of the value chain. The marketing activities of Red Bull have evolved around content marketing, by having the right person consume, or hold, the Red Bull energy drink, at a certain moment (Stausholm & Kristinsson, 2017a).

"When it comes to Red Bull we have been doing what is called content marketing since 1987" (Stausholm & Kristinsson, 2017a Min. 4:08)

Today, content marketing is so much more, from Red Bull's perspective. Content marketing revolves around creating the Red Bull experience, "giving wings to people and ideas". Content marketing is a part of the promotion portfolio, but as Kasper Kjempff points out, there is so much more to content marketing than what the consumer observes.

"This content marketing is only the tip of the iceberg, (...) we are not producing any of these things because we think it's funny, there's a lot of business behind, there's a lot of strategy behind" (Stausholm & Kristinsson, 2017a Min. 17:00)

To take care of the production and utilize the value of the content created, Red Bull decided to develop their own media house.

"Eleven years back Red Bull Media House was founded, that means owning TV stations, radio, newspaper, magazines everything..." (Stausholm & Kristinsson, 2017c Min. 6:55)

The Red Bull Media House runs all of Red Bull's communication channels and employs over a thousand individuals. As stated by Kasper Kjempff, most of the marketing activities take place within the activities of the Media House. The Red Bull Media House is described as,

" a multi-platform media company with a focus on sports, culture, and lifestyle. As an umbrella brand, we offer a wide range of premium media products and compelling content across media channels as diverse as *TV*, mobile, digital, audio, and print." (Red Bull - MediaHouse, 2018)

The Red Bull TV station, broadcasts live events, as well as highlights from specific events. The content broadcasted within this media is not mainstream, it is content that is aimed at a certain target group, a good example might be snowboarding enthusiasts. The Red Bull radio also broadcasts content that is not considered to be mainstream. The content is adjusted to different music genres and other categories, allowing

the listener to access music on demand, interviews with influential artists from over 100 countries, as well as live radio broadcasts (Red Bull - MediaHouse, 2018). The print media covers different magazines. The largest one is a men's lifestyle magazine, The Red Bulletin, which is printed in 2.2 million copies monthly (Red Bulletin, 2018). The vision of The Red Bulletin is to,

"feature breath taking stories from the World of Red Bull and it's playgrounds" (Red Bulletin, 2018)

The media house has been developed through several acquisitions since 2006. These acquisitions were financed with the profit from the energy drink manufacturing.

"the beverage pays for the early media house investment" (Stausholm & Kristinsson, 2018b Min. 58:30)

The Media House is now able to generate revenue from the content that they produce, as other broadcasting firms are interested in buying their content, to broadcast on their channels (Stausholm & Kristinsson, 2017c).

"The media house, is an entity within Red Bull (...) it's also a business that runs on its own, but it's also building up the beverage brand." (Stausholm & Kristinsson, 2018b Min. 58:00)

The media house generates much of its content through Red Bull's sport activities. Red Bull's strategy of diversifying into several sport activities, has created a platform for content creation, distributed within the channels of the Media House, as well as on the social media platforms.

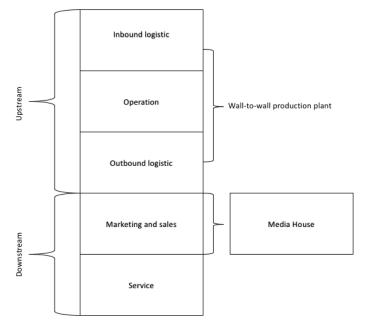
Service

After sales service is not a large part of the value chain for Red Bull, as further services are not required when producing energy drinks. Red Bull has a customer service centre that supports the buyers, regarding shipping status, returns, claims as well as reimbursement. Through the company's webpage there is a possibility for the end-consumer to get in touch with Red Bull (Red Bull, 2018a).

Summary on value chain

The value chain describes and separates the firm's activities. Red Bull's infrastructure is a part of the supporting activities within the value chain, while the corporate strategy of owning, instead of outsourcing/sponsoring, has developed Red Bull into a fully vertically integrated firm. The human resource management department is responsible for attracting and developing human capital. Being vertically integrated increases the complexity for the human resource management department, as they are responsible for developing and attracting athletes, marketing employees as well as top management. Red Bull does not possess a strong technology department as this is not their core competence. The procurement department handles all external contracts in relation to buyers and suppliers. The primary activities can be divided into upstream and downstream activities (Figure 20), the upstream activities are the inbound logistics, operation

and outbound logistics, while the downstream activities are the marketing, sales and service. The inbound logistics are responsible for purchasing the raw materials needed for the production, this input is mainly commodities. The operation activities are responsible for transforming the input to a product. The wall-to-wall system operated by Red Bull, has both advantages and disadvantages. The main advantage is the economies of scale. The main disadvantage on the other hand is the high production cost due to the location in Austria and Switzerland. The operation activities can be organised in different





ways, as some competitors have chosen not to own the bottling activity, due to the fact that the bottling industry has an under average profitability. The outbound logistic activity relates mainly to the distribution of the product. Red Bull owns the distribution network, while the main competitors have chosen to form an alliance to get the access to distribution networks. Red Bull's distribution network covers 171 countries. Even though their competitors' distribution networks cover more than 200 countries, their products are only available in less than 60 countries. The marketing and sales activities are handled by the Red Bull Media House, that has more than a thousand employees. The Media House uses the sport activities owned by Red Bull, among other activities, to create content that is distributed through different media channels. The service activity is minimal due to the nature of the product.

The resources

Analysing Red Bull's value chain and the energy drink industry, the activities needed to succeed within the energy drink industry have been detected. This chapter will identify what resources are needed to achieve these capabilities, and further evaluate the identified resources, in order to figure out what resources generate sustainable competitive advantage for Red Bull.

The key resources

In order to enter the energy drink industry, a player must possess financial resources to be able to compete. To produce energy drinks, the player must have access to: raw material, a plant that transforms input or raw material into a product, and a distribution network. For a player to become profitable within the energy drink industry there is a need for differentiation. The main players within the industry differentiate through their strong brands. For a player to achieve profitability the player must also attract and develop human resources, and their infrastructure must support their primary activities. The key resources detected are therefore, financial resources, raw material, production site, distribution network, a strong brand and human capital.

The evaluation

In the five forces framework, the need for access to financial resources were detected, as the industry was evaluated as medium capital intensive. According to the VRIO framework, the financial resources are valuable, as the industry requires a medium amount of capital in order to enter and compete. The financial resources, however, are rare, since the number of firms within the energy drink industry that possess the resource, are less than the needed number to generate perfect competition. Even though the resource is vital for the players existence within the industry, it is only a source of temporary competitive advantages, as it is imitable. Financial resources can be obtained from many sources, and a developed financial system provides firms with many opportunities to access the financial resources needed.

Raw materials are also needed, in order to produce an energy drink. Therefore, access to raw material is a valuable resource for the players within the industry. Of the raw materials needed, those categorized as commodities are not rare, as they can be obtained from many suppliers, generating perfect market conditions. Some of the stimulants needed in the production are only available from a few suppliers. They are not rare though, as they can be substituted by other resources that are available within a market that contains perfect competition. The access to water at a certain quality is valuable even though it can be substituted with water of lower quality. Therefore, the access to raw materials is evaluated as a competitive parity.

The plant is a valuable resource, as it is the activity that transforms the input into a product. This activity can be divided into manufacturing of the concentrate and the bottling activity. There exists a perfect competition within the manufacturing of both concentrate and bottling service. This resource is therefore not rare, creating a competitive parity for the players within the industry.

The access to a distribution network is a valuable resource, as it is a fundamental resource to gain global existence and economy of scale. A global distribution network is rare, as it creates entry barriers due to the fact that not many possess this resource. The size of the distribution network affects the buyers bargaining power. The larger the network the larger the number of potential buyers, thereby decreasing the bargaining power of the buyers. The distribution network is a source of temporary competitive advantage, as the distribution network can be substituted or imitated, with distribution networks generated to distribute different kinds of products within supermarkets and convenience stores.

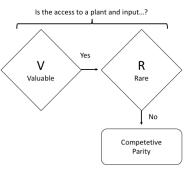
The products within the energy drink industry are mainly differentiated through their brands. A strong brand is therefore a valuable and necessary resource for the players to profit within the industry. A strong brand is rare, as fewer possess strong brands than needed to create perfect market conditions. A strong brand is inimitable and cannot be substituted; strong brands are built over time and create pull effect from the end consumer. The players that possess strong brands can charge premium price and become more profitable than those who do not possess a strong brand. Building a strong brand involves taking numerous small decisions, over a long period of time. Decisions that have to be supported by the organizational structure and culture. If the firm possesses the organisational capabilities to utilize the strong brand, the brand resource will create a sustainable competitive advantage.

The access to talent is a valuable resource, as the talent creates an opportunity for the firm to create value. Attracting the most talented employees is important, as talent is a rare resource. Access to managers and other employees is imitable, as it is possible to substitute one employee for another. Therefore, talent within the energy drink industry can only create a temporary competitive advantage.

Applying the VRIO to Red Bull

Red Bull has access to the needed raw material, as they have an agreement with TC Pharmaceuticals regarding the supply of the taurine stimulant, which is a perfect substitute for guarana. TC Pharmaceuticals is a long-time partner, as they own 49% of the Red Bull company, and since they founded the original Red Bull

drink, called Krating Daeng. Red Bull has access to quality water from the Alps, but as their competitors also have access to water, this resource only creates a competitive parity (Figure 21). Red Bull owns a sophisticated plant, that can create some logistical advantages through the wall-to-wall system. This resource is not rare, as it can be outsourced to many possible suppliers of the bottling service. The Coca Cola Company is the largest soda manufacturer in the world, successfully outsourcing all of its bottling services (The Coca-Cola Company, 2018a). Therefore, even with the advantages of the wall-to-wall system, the plant can only





create a competitive parity for Red Bull (Figure 21). Red Bull possesses the financial resources needed to

compete within the energy drink industry. The players within the industry have different financial structures. Red Bull and Rockstar are privately owned while Monster is on the stock market and has formed an equity alliance with The Coca-Cola Company. Due to the fact that financial resources can be obtained through various methods, it is only a temporary competitive advantage for Red Bull (Figure 22). Red Bull own their

distribution network, unlike their main competitors, who have formed alliances to access distribution networks. Red Bull's distribution network is valuable and rare, as it is a fundamental resource for the global existence of Red Bull. It creates a temporary competitive advantage, with regard to local and regional players, as it creates entry barriers due to economies of scale. Even though the distribution network is valuable and rare, it can be substituted by other distribution

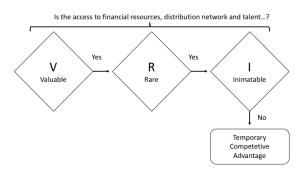


Figure 22 Temporary competitive advantage

networks and therefore it only provides temporary competitive advantages (Figure 22). The access to talented employees within the energy drink industry is valuable and rare, as managers, marketers and other employees can create temporary competitive advantages. Human capital can be substituted with similar individuals without a substantial decrease in performance, therefore this resource will not generate a sustainable competitive advantage within the energy drink industry (Figure 22). Within the sport industry, and the entertainment industry in general, the talent resource is inimitable, and therefore of higher importance than within the energy drink industry. Red Bull has developed their infrastructure and human resource department in order to support their entertainment activities. Within the entertainment industry, Red Bull's organisational structure supports the utilization of this resource. This is evident from the fact that Red Bull has developed several talent academies in order to grow and attract the best athletes, musicians and other talented people within the entertainment industry. Kasper Kjempff explains how Red Bull is organized in order to attract and develop talent within various sport activities.

"What we try to do in eSports, is to build talent academies, working with the people that are not pros yet, that it is the same way we went into, football, ice hockey, formula 1, etc." (Stausholm & Kristinsson, 2018b Min. 28:10)

Within the entertainment industry talent cannot be substituted, based on the assumption that a firm wants the best or the most popular performer to represent the brand. Red Bull's strong brand helps it attract the best potential talents within the entertainment industry, and, it benefits the core product. The Red Bull energy drink is premium priced due to the differentiation that is provided by the strong brand. Their brand resource

is valuable, rare and inimitable. Red Bull is also organised in order to fully utilize their brand resource, making the brand a sustainable competitive advantage (Figure 23). As shown by analysing the energy drink industry, a strong brand is the main factor for creating entry barriers and generating profit for the players.

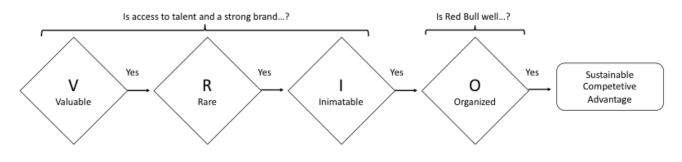


Figure 23 Sustainable competitive advantage

Summary on resources

In order to stay competitive within the energy drink industry, players need access to financial resources, raw materials, a production site, distribution network, talent and a strong brand. The access to raw materials and a production site are essential for the player, in order to produce the energy drink. The raw material can be categorized as a commodity, as many suppliers can provide them, while access to a production site can be outsourced. Consequently, these two resources can only generate a competitive parity, within the energy drink industry. Access to financial resources, a distribution network and talent, only creates temporary competitive advantages within the energy drink industry, due to the fact that these resources are available from many different sources. Access to a strong brand is a source of sustainable competitive advantage within the energy drink industry. In the entertainment industry, it is the force that attracts talented athletes. Access to talent is also a source of sustainable competitive advantage within the energy drink industry. In the entertainment industry, it is the force that attracts talented athletes. Access to talent is also a source of sustainable competitive advantage within the entertainment industry, as it is a scarce resource that cannot be substituted.

Summary

This chapter has concentrated on answering the question "What characterizes the energy drink industry and what resources generate competitive advantages for Red Bull?". It has been possible to identify the resources of sustainable competitive advantages for Red Bull, by analysing the industry's attractiveness, Red Bull's value chain and evaluating the resources needed to compete within the energy drink industry. Even though there is a high degree of rivalry, due to the fragmented energy drink industry, the industry is still structurally attractive, as it is profitable and growing. The growth and profitability attract new entrants, but the limited access to distribution networks, as well as the strong brands within the industry, create high entry barriers. There is a medium threat of substitutes, due to the lack of products with similar function, even

though there are a high number of potential substitutes. The attractiveness of the industry is affected by the low bargaining power of the suppliers, as most of the raw materials are available from many suppliers. The buyers bargaining power is medium, as it is affected by the pull effect created by the strong brands within the industry. Red Bull owns all the activities within their value chain, making them a fully vertically integrated firm. The firm's infrastructure and human resource management are the key supporting activities within the value chain. The primary activities can be divided into upstream and downstream activities, and the main value creation for Red Bull is generated by the downstream activities of marketing and sales. The Red Bull Media House is responsible for all marketing activities, including different media channels like TV, radio and printed materials. Much of the content created within the Media House is originated within the entertainment activities owned by Red Bull, some of which are eSports, Formula 1 and football. The key resources needed to succeed within the energy drink industry are: access to financial resources, raw materials, a production site, distribution network, talent and a strong brand. Raw materials and a plant are a valuable resource that creates a competitive parity. The financial resource, distribution network and talent are valuable and rare, creating temporary competitive advantage. The talent i.e. human capital is a source of sustainable competitive advantage within the entertainment industry. A strong brand is valuable, rare and inimitable. Red Bull is organizationally capable of utilising this resource, thereby generating a sustainable competitive advantage. The next chapter will revolve around the brand as a source of sustainable advantage, exploring how Red Bull's corporate strategy, supports the utilization of the brand as a resource.

Utilizing the brand

This chapter is developed to provide answers to the second underlying question, "how does Red Bull's corporate strategy support the utilisation of the competitive advantages?". Red Bull is involved in numerous marketing activities, organised by the Media house. The remainder of this thesis will be focusing on the entertainment activities of Red Bull. This chapter will focus on the attractiveness of the sport sub-industries that Red Bull has diversified into. Furthermore, the chapter describes how Red Bull is building and utilizing the brand, recognised as Red Bull's sustainable competitive advantage within the energy drink industry. Within this chapter Red Bull's corporate strategy and utilization of the brand will also be analysed through the lens of experience economy and network theory.

The sport industry

In line with Porter's arguments the diversified industry should be structurally attractive, for the firm to profit from the diversification strategy (Porter, 1987). Red Bull has diversified into the entertainment industry, and within the entertainment industry there are sub-industries like music, sport, media, etc. This chapter is strictly focused on analysing Red Bull's diversification within the sport industry. In 2015 the value of the global sport industry was estimated to be around 1.5 trillion U.S. dollars (Bradbury & O'Boyle, 2017). The sport industry can be defined as,

"...the market in which the products offered are sports, fitness, recreation or leisure activities and may be activities, goods, services, people, places, or ideas." (Bradbury & O'Boyle, 2017, p. 185)

According to the five forces model, Red Bull as owner of several sport activities, teams and athletes, can be defined as a player within the sport industry. The suppliers are defined as the governing bodies, or the organizer/owners of sport events, for example FIFA¹, NBA², IOC³, etc. The buyers are defined as the broadcasting firms bidding for the broadcasting rights, as well as the end-consumers buying tickets for the live events. The evaluation of the industry's attractiveness is based on industry analysis of three sport industries. These three industries were hand-picked due to their importance to Red Bull and due to their different characteristics. The industries chosen are the football, Formula 1 and eSports industries. The reason for choosing those industries are as follows. The football industry, because it is a mainstream sport with more than 4 billion viewers worldwide (Total Sportek, 2018; World Atlas, 2018). The Formula 1 industry, because it is one of the first activities that Red Bull participated in, with a viewership in 2016 of

¹ Fédération Internationale de Football Association

² National Basketball Association

³ International Olympic Committee

approximately 0.4 billion viewers (Sylt, 2017). The eSports industry, because while it is not a mainstream sport activity, it is growing rapidly with similar demographics as the extreme sport activities that Red Bull themselves identify as core users of the brand (PwC, 2016; Statista, 2017b; Stausholm & Kristinsson, 2017a, 2018b).

Entry barriers

The entry barriers are evaluated as high (Appendix 6), this evaluation is based on several factors: capital requirements, governmental and legal barriers, market growth and profitability. It is highly capital intensive to enter the sport industry at the highest level (Dawson, 2017; Statista, 2017b). But, it is less expensive to enter a non-mainstream sport than a mainstream one. For example, it is more capital intensive to enter football than eSports (Statista, 2017b, 2017c). It is also more expensive to enter a mature sport sub-industry, than entering a sub-industry in the growth stage of the industry life cycle. For example, it is more expensive to enter Formula 1 than eSports (Grant, 2016; Raconteur, 2016; Statista, 2017b). Acquiring special knowledge, in order to become competitive within the sport industry, is likewise highly capital intensive, as talent is an intangible resource that only few possess (Barney, 1991). Attracting talented athletes is capital intensive as the demand for talent is higher than the supply (Dawson, 2017; Raconteur, 2016; Statista, 2017b). Within the sport industry there are governmental and legal barriers limiting the number of competing teams on the highest level. Within Formula 1, only ten teams are allowed to compete. Therefore, the only way to enter is to buy a team that is already competing within the sub-industry (Formula One, 2017; Pijetlovic, 2015). The sport industry has an average market growth of 8%, while the future outlook is around 6% market growth (Dellea, 2017). Due to this market growth, new players should be attracted to the industry (Grant, 2016), even though the operating income or profitability within the sub-industries analysed is low. Most of the competing teams within Formula 1 and football have negative returns, even though the revenue is high and growing. The reason for this can be traced to the nature of sports, meaning that all competing teams want to win, increasing the cost for the needed talent (Bradbury & O'Boyle, 2017; Raconteur, 2016; Statista, 2017b).

Threat of substitutes

The threat of substitutes is medium to high (Appendix 6), mainly due to two factors: the number and performance of potential substitutes and the buyer's switching cost (Grant, 2016). The number of potential substitutes for sport entertainment like Formula 1, eSports and football is high. In general, all other entertainment, broadcasted on TV or experienced live can substitute sport entertainment. The most common substitutes for the sports entertainment are: reality TV, music videos and all kinds of material available on the internet, for example on YouTube, Netflix, etc. (Dellea, 2017). The switching cost is affected by the relationship between the end-consumers and the broadcasting firms. The broadcasting firm is bound by

contracts, both between the players on the market as well as towards the end-consumers. The effect of this is that the switching cost for the broadcasting firms is high. The switching cost for the end-consumer, on the other hand, is low, as the end-consumer can easily decide to consume other entertainment. If the sport industry does not fulfil the end-consumers expectations, the industry loses its pull-effect, thus reducing the switching cost for the broadcasting firms (Bradbury & O'Boyle, 2017; Grant, 2016). Formula 1 is a mature sub-industry that appears to be losing its pull-effect, while the eSports sub-industry is in its growth stage beginning to gain some pull-effects (Burrows, 2017; Statista, 2017b). The overall assessment regarding the switching cost is medium therefore it can be argued that the threat of substitutes in general is medium to high.

Rivalry

The degree of rivalry within the sport industry is evaluated as high (Appendix 6), due to the competitive nature of sports and several other factors; the number of players, similarity of players, access to talented athletes and exit cost. The sport industry is fragmented, as there are many players within the industry. The market share of the four largest players within the sport industry in 2017 was merely one percent (Badenhausen, 2017; Bradbury & O'Boyle, 2017).

Player/Team	Value (Billion	Market share
	USD)	(%)
Dallas Cowboys	4.20	0.28%
New York Yankees	3.70	0.25%
Manchester United	3.69	0.25%
Barcelona	3.64	0.24%
CR4	15.23	1.02%

Table 2 Market share of players (Badenhausen, 2017; Bradbury & O'Boyle, 2017)

Even though the Dallas Cowboys are by far the world's most valuable sports team, and they only possess 0.28% of the total market share (Table 2). The players within each sport sub-industry are similar, providing the same product, fighting for the attention of the end-consumers. There is differentiation from one sport sub-industry to another. For example, between Formula 1 and football, a large consumer of one sport is likely to consume other sports as well, affecting the degree of rivalry within the sport industry (Funk & James, 2004). The limited broadcasting time, compared to the amount of potential sport activities that could be broadcasted, increases the degree of rivalry. Viewer awareness is higher towards teams/athletes that perform well, generating pull-effects that provide these players with more broadcasting time (Burrows, 2017). Sport consumers want to watch the best players perform, not the average players, in order to fulfil

their expectations. It is for this reason that the best performing teams, within for example football, receive a bigger share of the TV rights capital (Burrows, 2017; Statista, 2017c). Due to this importance of talent, the players are competing fiercely for the most talented athletes. As talented athletes are a scarce resource, this increases the degree of rivalry within the industry (Barney, 1991; Grant, 2016). The exit cost can be evaluated as high, because the willingness to invest in talent in order to win within the sport activities, is usually stronger than the need to profit. This is exemplified in the Formula 1 sub-industry. In this industry eight out of ten players are either engineering companies or car manufacturers, whose goal it is to showcase their ability in engineering, rather than profit from the industry⁴.

Bargaining power of suppliers

The suppliers bargaining power is evaluated high (Appendix 6), due to the fact that the suppliers set the rules, thus affecting the switching cost for the players so that it becomes extremely high. The strong brands within the sport industry can lower the bargaining power of the suppliers, due to the pull effects that the strongest brands create. Therefore, the bargaining power of the suppliers is excessive towards smaller players, while it is high towards the larger players. Within the football sub-industry some large players have threatened to form new governing bodies, thereby decreasing the bargaining power of the suppliers (Pijetlovic, 2015).

Bargaining power of buyers

The bargaining power of buyers is evaluated to be medium (Appendix 6). There are several factors that affect the bargaining power of buyers: the number of buyers compared to the number of players, the switching cost for the buyers, and the player's brand strength. There is a higher number of players than buyers, meaning that the buyers are able to choose what content, created by the players, to broadcast or consume. This indicates that the buyers should possess high bargaining powers, but due to the players brand strength, which creates pull-effects that reduces the bargaining power of the buyers to medium, as their switching cost is increased. If a TV station decides to switch from one content to another, that TV station is likely to lose audience or end-consumers who are interested in that specific content. As an example, a Formula 1 enthusiast within the Formula 1 community, is likely to switch to a TV station that broadcasts the entertainment that he/she finds interesting (Burrows, 2017).

⁴ Haas, Williams, McLaren Honda, Force India, Sauber -> Engineering. Ferrari, Mercedes, Renault -> Car manufacturers. Red Bull, Torro Rosso -> Energy drinks.

Summary on the sport industry

The sport industry is not a structurally attractive industry, as displayed in figure 24, even though the entry barriers are high indicating that the industry should be profitable. (Porter, 2001). The threat of substitutes and the buyers bargaining power

is medium, while the suppliers bargaining power and the degree of rivalry is high. The degree of rivalry, and the suppliers bargaining power, limit the profitability of the industry. There is more focus on competing

Forces	Evaluation	
Entry barriers	4	
Threat of substitutes	4	
Degree of rivalry	4	
Suppliers bargaining power	4	Buyers bargain
Buyers bargaining power	3	power



Figure 24 The sport industry

within the specific sport rather than generating profits. Many of the players generate large revenues, while investing heavily in talented athletes, in order to stay competitive. The question remains, why does Red Bull diversify into an industry that appears to be unattractive, as displayed in figure 24. In order to form an answer, the brand as a resource, identified as a sustainable competitive advantage for Red Bull, must be analysed further.

The Red Bull brand

In order to build a strong brand, the marketing activities must be carefully designed and supported by the corporate strategy. The reason for building a strong brand, all comes down to exploiting the benefits of a loyal customers (Keller, 2013). Kevin Lane Keller, explains that a successful marketing plan must be relevant and unique in order to build and maintain strong brands.

"a well-integrated marketing program, carefully designed and implemented to be highly relevant and unique, is likely to achieve a greater return on investment from marketing program expenditures" (Keller, 2013, p. 129)

Within Red Bull, the marketing plan is finalised one year before its implementation, and a draft is sent from the regional marketing managers to the global headquarter in Austria. In order to make the marketing activities relevant and unique, the marketing activities are localised to fit each local market.

"We are now in January 2018, in a month I have to hand in my draft regarding our plans in 2019" (Stausholm & Kristinsson, 2018b Min. 13:10) Some parts of the marketing plan are even organized up to five years before they are executed. These activities are usually large global events, that need legal approvals and detailed planning.

"It's quite a long process, having 40-50,000 in front of the opera in Copenhagen it takes quite a while to plan, regarding approvals and other legal stuff (...) of course we have as well the 3-5 years planning, because some events are so big that you cannot plan it and execute it within a year." (Stausholm & Kristinsson, 2018b Min. 12:45)

The corporate strategy of Red Bull supports the marketing activities, that build and maintain the brand, even though all marketing activities cannot be measured to have had a positive impact on the brand strength and/or sales. Red Bull follows a path dependent strategy planning, Kasper Kjempff explains why Red Bull's marketing plan continuously revolves around creating activities.

"From day one, there have been a clear idea about that this works, and we believe in the strategy. We will continue with that, then sales can go up and down, brand strength can go up and down, but we believe this is the right path" (Stausholm & Kristinsson, 2018b Min. 39:10)

As explained in the theory chapter, the resonance model describes how firms can build and maintain a strong brand. This chapter examines how Red Bull's brand strategy fits the building blocks of the resonance model, salience, performance, imagery, judgments and feelings. The final step, resonance, will be examined further in the final chapter of the analysis section.

Salience

The first step of the resonance model revolves around the brand's awareness within its target group. Below, it will be shown how Red Bull creates brand awareness, through diversification within the sports industry. Network theory will be applied to fully understand the brand awareness and why Red Bull has diversified into the sport industry, even though it was previously described as unattractive. Red Bull's brand strategy is path dependant, but they constantly evaluate new markets and new sub-industries to enter, in order to increase brand awareness.

"Then we have an internal guideline focusing on how much time we have to spend on our core markets, like snowboarding or surfing, that we have done for 30 years, and are known to do well, but also adding on new markets or new sports." (Stausholm & Kristinsson, 2018b Min. 13:50) When deciding which sub-industry to diversify into, Red Bull evaluates several parameters that are generally not considered when analysing an industry's attractiveness.

"We look at several parameters, but in general it can be divided into two, is there a moment of need within this sport for energy drinks and how far is it from the Red Bull brand and can we make it something that is RedBull-ish." (Stausholm & Kristinsson, 2018b Min. 22:00)

Kevin L. Keller (2013), explains that the marketing activities must be relevant, and Red Bull appears to be aware of this fact, when deciding if a sub-industry is relevant to the target group. During the interview with Kasper Kjempff, the question was raised regarding why Red Bull was not diversifying into handball, as it is of high interest among Danish sport consumers. Kasper Kjempff explains,

"...if we want to talk to the 16-18 years old, we don't want to talk to them through handball, maybe they are playing handball, but they are not identifying themselves with handball. We want to figure out how we can catch the interest of this specific audience." (Stausholm & Kristinsson, 2018b Min. 23:00)

As Kasper Kjempff points out, young people do not identify themselves with handball, therefore diversifying within handball is not attractive for Red Bull. For a sport industry to become attractive to Red Bull, it must be relevant to the Red Bull consumer. Furthermore, it must be highly competitive, to increases the consumer's engagement and excitement regarding the sport (Burrows, 2017). In order for Red Bull to exploit the potential of different sport activities, the activities are created to fit specific audiences or segments. Within a specific target group of sport enthusiast, the density of the network has a high impact on rules, norms and understanding of the marketing activities. Meaning that content of interest for this small community, has a higher impact on those nodes within the community, than the corporate marketing material provided by other strong brands, as for example Coca-Cola (Coleman, 1990; Kunz et al., 2016; White, 2016). Kasper Kjempff explains,

"We need to create experiences that move people a lot more. We need to create experiences that moves the entire world. Everything we do is created towards a specific target group, segment, or whatever you call it" (Stausholm & Kristinsson, 2018b Min. 6:20)

Red Bull's cooperation with the snowboarder Travis Rice is a good example of how Red Bull develops marketing material towards a specific community. They created a film, named The Fourth Phase, which demonstrates a snowboarder following the hydrological cycle. Even though it was four years in the making,

Analysis

the creation of this film had a huge impact on the snowboarding community. As Kasper Kjempff explains in relation to the film,

"...this meant a lot to the snowboard community, it was a way to reach out to all snowboarders, doesn't matter if you're in Austria, Canada or New Zealand" (Stausholm & Kristinsson, 2017a Min. 9:38)

The Red Bull Media house generates different content based on the activities that Red Bull is diversified into. This content is distributed among different sports communities, for example eSports, football, Formula 1, extreme sports, etc. All of those sport activities, can be seen as nodes from the perspective of network theory, as displayed in figure 25. These nodes have ties to Red Bull Media house as well as to different

teams or activities. The athletes within the different teams can be defined as influencers (Bradbury & O'Boyle, 2017; Gladden & Funk, 2001). Coleman (1990). explains that an influencer has the opportunity to create a more satisfied end-consumer, due to the fact that the end-consumer and the influencer are likely to share common norms and rituals. The satisfied endconsumer is more willing to share experiences or content with other nodes within his network, thereby increasing brand awareness among potential end-consumers within a specific community. The three

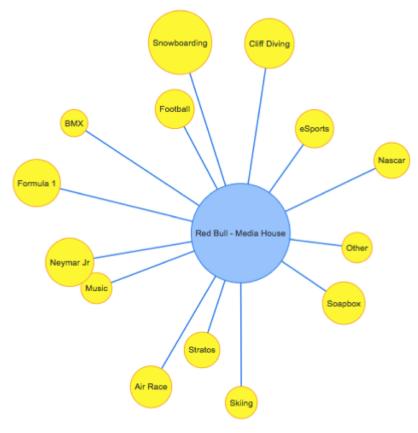


Figure 25 The network of Red Bull

sports that were analysed to evaluate the attractiveness of the sport industry, will now be analysed further in order to figure out how they generate value for Red Bull, despite having been evaluated as unattractive previously. The eSports sub-industry is in the beginning of the growth stage within the industry life-cycle, signifying that it is a fast-growing industry. In 2016 eSports already possessed an audience size of 281 million viewers, which is expected to grow into 557 million viewers in 2021. Around half of those viewers can be defined as frequent viewers or enthusiasts, while the other half are defined as occasional viewers

(Newzoo, 2018). The eSports viewers do not use the traditional media channel's to consume eSports. Only 32% view eSports on paid television channels like ESPN, TNT, etc (Magid Associates, 2016). The conventional way of consuming eSports is through the internet, streaming the various events through services such as Twitch.tv or LoLEsports.com (Ibid). The live eSports events are also consumed by an audience at the stadium, similar to traditional sports. 44% of eSports consumers have attended at least one live eSports event (Magid Associates, 2016; Statista, 2017b). Around 85% of eSports consumers are male, approximately half of the consumers are between 18-24 years old, while almost a quarter of the audience is between 25 – 34 years old (Super Data Research, 2016, 2017). According to a study conducted by the eSports Ad Bureau in 2017, 38% of the consumers want brands, such as Red Bull, to provide exciting content (eSports Ad Bureau, 2017). This large, and growing, audience generates a good foundation for Red Bull, on which they can build awareness among consumers that fit the characteristics of the typical Red Bull consumer with regards to age and gender (infoscout, 2016). How Red Bull creates exciting content will be described further in the chapter regarding image. The football sub-industry is still in the growth stage of the industry life-cycle model, even though the football sub-industry has a rather long history compared to eSports (Statista, 2017b, 2017c). The football sub-industry's revenue, in Europe alone, rose from approximately 27 billion dollars in 2015 to over 30 billion dollars in 2016. This growth is mainly due to the opening of new markets outside Europe (Statista, 2017c; Total Sportek, 2018). Football is a mainstream sport with approximately 4 billion viewers worldwide, making it the largest sport sub-industry based on the size of the audience (Total Sportek, 2018). Red Bull owns four football clubs, that are placed in the top leagues in Brazil, the U.S., Austria and Germany. On average, 41,500 consumers attend RB Leipzig's⁵ matches, while they have an average TV audience of 600,000 in Germany alone (Meedia, 2017; Weltfussball, 2017). The RB Leipzig team plays 19 home games in the German football league, in addition to different national and international tournaments, for example the UEFA Champions league and the UEFA Europa league. The UEFA Champions league finals were viewed by 380 million viewers in over 200 countries in 2014 (Ashby, 2014).

⁵ RB Leipzig is playing in the German football league

Even though football is a mainstream sport, the audience size is attractive to Red Bull, as it can be utilized to create high brand awareness. The network structure of the RB Leipzig athletes is graphically illustrated in figure 26. The blue node in the middle represents the RB Leipzig football club, RB Leipzig, that has ties to

all of its 24 players, who are illustrated with yellow nodes. Each player has a tie to his home country, the home country is represented as a red node. Within the RB Leipzig football club, there are athletes from 12 different nationalities. There are seven players from Germany, three each from Switzerland, France and Austria, a single player each from Brazil, Guinea, Denmark, Sweden, Portugal, England, Hungary and Slovenia. Half of these players have been chosen to represent their country in their national team.

Having an athlete that represents his

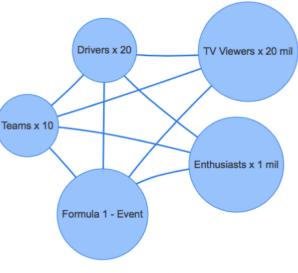


Figure 26 Network structure RB Leipzig

country increases the exposure of the Red Bull brand, since these athletes have a similar status as celebrities within their nation's sport community (Gladden & Funk, 2001). Each red node has a number that shows its market potential with regard to the country's population. Those 12 nationalities represent a market of approximately 480 million potential consumers of the Red Bull brand. The Formula 1 sub-industry does not create profit on its own for Red Bull. In fact, it generated a loss of 14 million US dollars in 2016 (Forbes, 2017). But, diversifying into the Formula 1 sub-industry positively affects Red Bull's brand awareness. Through the lens of network theory, the Formula 1, as well as other sub-industries, can be defined as a structure, which includes a large number of nodes. In the case of Formula 1, the nodes represent 10 teams, 20 competing drivers of various nationality, 20 different events at different locations, 20 million enthusiast that attend the events, and roughly 400 million TV viewers (Burrows, 2017). The events all around the world are described as different structures of nodes, that are all linked to different network structures. The structure of one such event is illustrated in figure 27 (Lorentzen, 2009). Out of the roughly 400 million viewers, defined as nodes within the Formula 1 structure, 98% recognize the Red Bull brand, while 91% recognize the Torro Rosso (Red Bull in Italian) racing team (Statista, 2017d). Some of the drivers that have been signed to drive for Red Bull and Torro Rosso, come from large markets, like Germany and Australia (Raconteur, 2016).

According to Burrows (2017), the popularity of a driver positively affects the brand awareness within the

driver's home country. A good example of this effect, is the German four-time champion Sebastian Vettel, who positively grew the awareness of the Red Bull brand among German Formula 1 consumers (Burrows, 2017). Another example is the Australian driver Daniel Ricciardo, who is currently driving for the Red Bull racing team, who also had a positive effect on his home market, as Red Bull has become the most recognised brand among Formula 1 consumers in Australia (Ibid). Nodes representing a team, or an activity, have ties to athletes with many





nationalities. For example, the Torro Rosso racing team has two drivers, one from Spain and one from Russia. Due to their nationality, and the fact that they are especially talented within their specific

community, they are seen as influencers possessing ties with large groups of endconsumers. Figure 28, displays a simplified structure of the awareness that Red Bull's Formula 1 teams builds. The Formula 1 node has a tie to both Red Bull Racing and Torro Rosso. Red Bull Racing has ties to the drivers Max Verstappen from Belgium and Daniel Ricciardo from Australia, while Torro Rosso has ties to the drivers Carlos Saints from Spain and Daniel Kvyat from Russia. These drivers are influencers within different countries, generating immense brand exposure in their home markets. Researchers state, that it would be more expensive for Red Bull to obtain this high brand awareness through the traditional promotional methods - like advertising in TV, radio

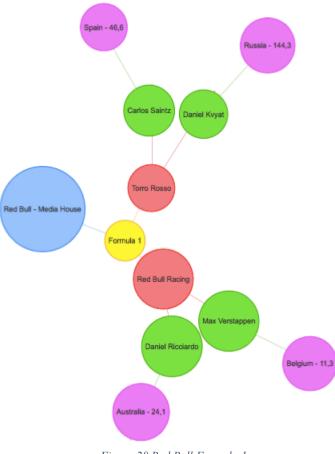


Figure 28 Red Bull Formula 1

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and printed media (Johnson, 2002; Kunz et al., 2016). Even though the largest player within the beverage industry, The Coca-Cola Company, generates high brand awareness through these more traditional marketing methods. The Coca-Cola Company's marketing strategy within the sport industry is mainly sponsorship, as they sponsor big events like the Olympic Games and the Super Bowl, to name a few (Bradbury & O'Boyle, 2017). The Coca-Cola Company spends around 4 billion dollars per year on marketing, while Red Bull spends around 2 billion dollars (Benkirana, 2014; Russo, 2012; The Coca-Cola Company is spending twice as much on marketing activities, while generating a revenue of around 42 billion dollars. In comparison, Red Bull generates a revenue of approximately 6 billion dollars. As Kunz et al. (2016), points out, the content created within the premises of the sport industry is not perceived as a corporate promotional advertisement, but more as entertainment.

"In most cases, because the promotional integration is not always obvious, the consumer does not perceive that the content is branded. Sport content is predestined for branded entertainment." (Kunz et al., 2016)

The end-consumer views and even distributes the branded content on social media. This means that the network effects created by the exposure on social media, increases the awareness of the Red Bull brand among nodes that originally did not have a tie to Red Bull (Kunz et al., 2016; Muniz, Jr. & O'Guinn, 2001). As an example, content created for the Formula 1 enthusiasts, gain the opportunity to reach a larger audience due to content sharing on social media, since the enthusiasts are likely to have ties to nodes that do not already have a tie to Red Bull. As stated by Kasper Kjempff, and in line with Kevin Lane Keller's theory (2013), the content created by the Media House must be relevant and unique for the nodes. This is necessary since relevant and unique content increases the nodes willingness to share the content within their network.

"The world of social media today, maybe that guy, has a stronger reach within his niche. So, if we support an athlete then we are going into his community" (Stausholm & Kristinsson, 2018b Min. 50:00)

Red Bull spends a lot of effort on the social media platforms in order to gain awareness. As explained by Kasper Kjempff, when Red Bull supports or sponsors an athlete, they gain access to the athlete's community, providing Red Bull with many new potential consumers. Even though this community is a niche community, Red Bull has gained the potential to connect nodes, or structures, with the same interest - nodes that before had been unable to connect due to geographical obstructions - as a consequence of their use of social media and the internet in general. The internet is most frequently used to search for information, facts and figures. The second largest use of the internet is social media; 82% of all internet users use social media. The sixth largest use of the internet is sports. 32% of internet users use the internet to consume sports content (ComScore, 2015). Red Bull has a Facebook account with approximately 50 million followers, making them

the fifth largest corporate Facebook brand. Red Bull continues to grow in popularity, gaining 700.000 new followers in the six-month period from October 2017 – March 2018 (Socialbakers, 2018). Only Facebook, McDonalds, Disney and KFC have a higher number of followers (FanPageList, 2018). One or two updates are posted on the Facebook page every day, with the focus on exciting content, rather than the Red Bull energy drink itself (Moth, 2013; Soni, 2015). Red Bull only posts content that represents the vision of Red Bull, giving wings to people and ideas. As a result, the Red Bull content has generated immense engagement; Red Bull is number three in likes, shares and comments on Facebook (Moth, 2013; Washenko, 2012; Yuki, 2016). Red Bull has also created dedicated Facebook pages for each of its major activities, like the RB Leipzig football, The Red Bull Racing team, Red Bull Surfing, etc. Each of these dedicated pages have their own followers. There are, for example, almost 9 million Facebook users, following the Red Bull Racing page, which on average posts new content daily. The content posted on the Red Bull Racing page is dedicated to the racing community, it provides the racing enthusiast with exciting content and information regarding the motorsport. The number of consumers using social media is growing. This trend is affecting TV viewership, as TV viewership is now skewed towards the older generation (50+), while the younger

generation (18 - 29)prefers to consume their content through internet channels (Wang, 2016). Figure 29 illustrates the potential that can be reached through social media. The purple nodes represent people that already have a tie with the Red Bull activity, while the orange nodes represent the potential of consumers that can be reached through weak ties. Therefore, the social media platforms are

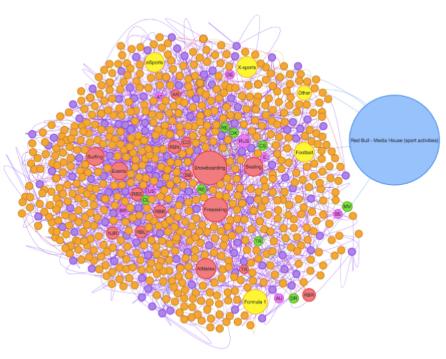


Figure 29 Network effects

an optimal location for Red Bull to engage with their target group. As has been shown, the sport industry in general has the potential to generate high brand awareness, based on the athletes' ties to different communities. The content, however, must be both exciting and relevant, in order to obtain the wanted network effects.

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Summary - Step 1

Salience is the first step of the resonance model. This step revolves around the identity and the awareness of the Red Bull brand among its target group. Awareness is the foundation for building a strong brand. And, even though esports, football and Formula 1 were identified as unattractive industries, network theory explains how these industries can generate brand awareness for Red Bull. The brand awareness is created through relevant sport content, that is distributed by Red Bull Media House. The network structure of the Media House includes Red Bull athletes, that are perceived as influencers within their home country and specific sport community. The eSports industry is in the growth stage of the industry life cycle, with an audience size of 281 million viewers in 2016, that is expected to grow to 557 million viewers in 2021. The football industry is at the end of the growth stage, with approximately 4 billion viewers worldwide. Making it the largest sport industry based on number of viewers. The Formula 1 sport industry is in the declining stage of the lifecycle, with roughly 400 million viewers around the world. It has been shown that 98% of the Formula 1 viewers recognise the Red Bull brand, making the sport industry predestined to generate brand awareness. Sport content is not perceived as a corporate promotion or advertisement, positively affecting the consumers' willingness to share branded content on social media. Red Bull is the fifth largest corporate brand on Facebook, with around 50 million followers. If the content distributed on social media is perceived relevant to the consumer, there is a potential to increase brand awareness immensely.

Performance and imagery

The second step of the resonance model revolves around how to build up the brand's identity. Brand performance, measures how well the functionality of a product meets the consumer's expectations, while imagery represents how well the brand meets the psychological and social needs of the consumer. It will be shown how Red Bull builds its brand's identity by generating different consumer experiences. The framework from Pine and Gilmore will be applied to understand how Red Bull can utilise the awareness that they possess, to build and maintain a positive brand identity in the minds of the consumers.

Performance

Red Bull's vision is centred around the idea of giving wings to people and ideas. According to Red Bull, the energy drink increases performance, concentration and reaction time; it also improves vigilance and the consumers emotional status, while it stimulates the body's metabolism (Red Bull, 2017). Red Bull claims that their Alpine water is of highest quality, and that this ensures the consistency of the energy drink (Ibid). The main ingredients of the Red Bull energy drink are: caffeine, taurine, B-vitamins and sugars (Red Bull, 2018a; Whiteman, 2015). Caffeine is known as a stimulant affecting the cognitive functions of the brain. Furthermore, it increases concentration and alertness (Ibid). Taurine is a natural amino acid stimulant, that can be found in poultry, fish and most infant formulas. B-vitamins are essential to the function of the energy

drink as they contribute to mental performance and reduce tiredness; they also contribute to the function of the nervous system (Forbes, Candow, Little, Magnus, & Chilibeck, 2007; Whiteman, 2015). The sugar added to the energy drink comes from sugar beets and is equivalent to the amount of sugars in fruit juices (Ibid). According to studies on the effect of the Red Bull energy drink on human performance, both mental and physical, it can be measured that the energy drink causes a significant improvement in mental and physical performance (Alford, Cox, & Wescott, 2001; Forbes et al., 2007). Alford et al. (2001), explains the function of the Red Bull drink,

"it significantly improved aerobic endurance and anaerobic performance, significant improvements in mental performance including choice, reaction time, concentration and memory." (Alford et al., 2001)

According to the World Health Organization, energy drinks, in general, pose a threat to public health. The World Health Organization claims, that energy drinks negatively affect heart rate and blood pressure. An energy drink consumer will feel the caffeine enter the bloodstream 10 to 15 minutes after consuming the drink, causing an increase in heart rate and blood pressure (Whiteman, 2015). After approximately 15 to 45 minutes, the caffeine level peaks, and the consumer experiences improved concentration. After 30 to 50 minutes, the caffeine is fully absorbed. This causes the liver to increase the level of sugars in the bloodstream (Ibid). After one hour the consumer will experience a sugar crash and start to feel tired. This will affect the consumers need for sugars, as he desperately looks for a new energy source. It will take the body up to two weeks to clean out the remains of the energy drink (Whiteman, 2015). This shows that the Red Bull energy drink is a functional drink, which causes a significant increase in the consumer's performance, both physical and mental, within an hour of consumption. The brand performance meets the consumers' functional needs, as the primary characteristic of the consumers beliefs is that the product will increase physical and mental performance at the moment of need. The product is reliable in the minds of the consumers, as the product's performance does not change over time. The Red Bull energy drink satisfies the consumers requirements towards the brand, as the perceived performance of the drink fits with the expected performance of the brand.

Imagery

To meet the consumer's psychological and/or social needs, Red Bull has introduced numerous events and consumer experiences. Kasper Kjempff, explains that Red Bull's marketing plan is all about creating experiences, in line with Pine and Gilmore (1998), who explain that in order for firms to differentiate, they must create memorable brand experiences.

"When talking about content marketing we talk about experience, it's all about creating an experience, when we decide on our marketing plan, we are deciding on which kind of experiences we are going to create" (Stausholm & Kristinsson, 2017a Min. 4:35)

Kasper Kjempff explains, that the experiences created by Red Bull, must fit the local needs within a certain demographic.

"Everything starts locally in terms of events, (...) we are building a marketing plan based on the local needs, and if there is part of the brand that we have to focus on (...) then if it is a success, maybe it will be introduced somewhere else" (Stausholm & Kristinsson, 2018b Min. 13:12)

Red Bull possesses a huge amount of data regarding the execution of events and customer experiences. This data has been gathered over a long period of time in many different markets around the world, and it provides Red Bull with superior knowledge regarding how to execute different kinds of events. Kasper Kjempff explains, how the colleagues share data and information regarding events and experiences.

"We have close contact with our network (colleagues) in other markets, we have these meetings once a year where the different departments from different locations meet to transfer ideas, influencing each other. Everything is then gathered in a big database within Red Bull, called Red Bull sports nest." (Stausholm & Kristinsson, 2018b Min. 14:00)

Gathering data regarding awareness is important, because awareness is the foundation from which Red Bull can profit on the event or experience. The event is not always profitable on its own but creating a memorable brand experience for as many consumers as possible is of value to Red Bull, as it creates positive clues towards the brand (Pine & Gilmore, 1998; Schmitt, 1997). The brand value resides in the mind of the consumer and must be associated with positive clues in order to obtain the benefits of a strong brand. Due to Red Bull's long history of creating experiences, Red Bull has almost developed a manual or a handbook regarding how to utilize and execute different types of events. Kasper Kjempff, explains how Red Bull is able to take an event from one country to another.

"Taking an event from Japan and then executing it in Denmark, there is more or less a book written about how to do that. Then we have what we call world series, like cliff diving, if you want to have an event like that, you are simply adding a stop to the world series." (Stausholm & Kristinsson, 2018b Min. 14:40) Some of the most popular events created by Red Bull, are series of competitions held in different locations around the world. These events can attract large groups of audience and generate media exposure. Because of Red Bull's ownership, they can add these events to markets where it is relevant, for example in new markets where Red Bull lacks awareness. A good example is the Red Bull 3style World DJ Championship, a very popular DJ event, where DJ's from 24 different countries compete. This event travels around the world but in 2016 the final night was in Santiago, Chile. Chile was a new market for Red Bull and this competition was relevant for this specific market. In 2017 Red Bull experienced a 28% growth in market share in Chile due to several events and the experiences they created (Marketline Industry Profile, 2016; Orbid, 2017). Kasper Kjempff, defines three types of events or three types of possible connections to an event,

"we have three types of events, starting from the bottom we have third parties' events... what we do here is to support with tools and products. Then we have our own events, where we define the event. Then there is the last part for example x-games, it's not our event but 60% of the athletes there are our athletes" (Stausholm & Kristinsson, 2018b Min. 33:30)

Red Bull can support an event where Red Bull only supplies tools and products, for example supporting a local marathon run with a finish line with the Red Bull logo on, in order to make the event look and feel more professional to the audience and the participants. Red Bull is also connected to several events through the athletes that they employ or sponsor. Within these events, Red Bull provides special services focused on increasing the quality of the event, in order to increase the attractiveness for both consumers and athletes. Kasper Kjempff, explains that even though Red Bull does not own these third-party events, they generate an awareness with little effort from Red Bull's marketing team.

"What we get back from being a part of a third party's event is that we are seen as being part of lot of things, without changing or physically doing something. In the beginning it's probably us adding more value to the scene or the event, but we off course invest in something that can grow, where then in the end it will add value to us" (Stausholm & Kristinsson, 2018b Min. 36:00)

The last type of connection to an event is through ownership. These are the events where Red Bull controls the content and the experience created. Red Bull has three different categories of events within the ownership type. These events are global events, unique live experiences and productions. In 1999, Red Bull began to work with the Austrian skydiver Felix Baumgartner, who broke the record for the highest base jump when he jumped from the Petronas tower in Malaysia the same year. In 2005, Red Bull launched the Stratos space diving project with Felix Baumgartner. Seven years later, Baumgartner broke several world records when he jumped from a helium-filled balloon in outer-space (Red Bull - Stratos, 2018). Kasper Kjempff,

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explains that global events take a long time in planning and are maybe not the best way to make an impact on the Red Bull consumers.

"Global events are extremely hard to plan and to execute (Baumgartner 7-year plan) We may not decide to do it again. Did It really have an impact on you, honestly, really?" (Stausholm & Kristinsson, 2017a Min. 5:10)

According to Pine and Gilmore (1998), the Stratos event can be categorized as an Entertainment experience

for most consumers, since they have a passive participation, with no effect on the content created, as can be seen in figure 30. Most of the consumers view the event through the TV or internet channels, meaning that the consumer is not immersed into the event (Pine & Gilmore, 1999). For a small group of enthusiasts, the event might have been Educational and/or Esthetic, as the enthusiast might have witnessed the balloon rising from the ground, or the landing of Baumgartner himself, thus

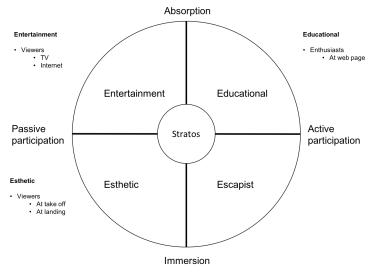


Figure 30 Red Bull Stratos event

making the experience Esthetic. The enthusiasts that entered the Red Bull Stratos web page, in order to obtain further information and who actively participated in the discussion regarding the event prior to and after the jump itself, have participated in an educational experience.

Football and Formula 1 are similar experiences from the consumers point of view, as can be seen in figure 31. Football and Formula 1 are mainly consumed through the TV, where the consumer has no effect on the sport. On average, 600,000 German consumers experience RB Leipzig performing through TV, categorizing the experience as Entertainment. 41,500 experience the live event at the stadium meaning that

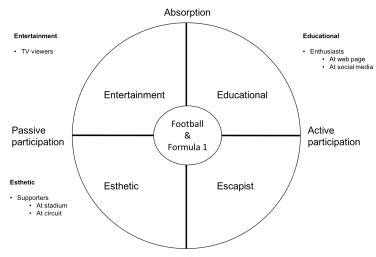


Figure 31 Red Bull football and Formula 1

they are fully immersed without active participation, thereby defining the experience as Esthetic (Pine & Gilmore, 2014; Statista, 2017c). Formula 1, possesses around 20 million TV viewers per event around the world. These 20 million viewers are experiencing Entertainment. Around 200.000 consumers experience the event live throughout the week as an Esthetic experience (Burrows, 2017). Some of the football and Formula 1 fans will also have an Educational experience, as they search for additional information and data on Red Bull's social media pages as well as other dedicated fan pages. The co-creation of the experience relies on the consumers' willingness to share or participate in discussions around a certain topic, Red Bull provides the platform and topics of interest for the enthusiastic fans to engage in an Educational experience. According to Boswijk et al. (2007), active participation is the most important dimension with regards to the creation of a valuable brand experience. Kasper Kjempff appears to agree with Boswijk et al. (2007) when he explains the unique live experiences created by Red Bull.

"On one side, we got spectator events... on the other we have participating events, which is actually the strongest type of events we have. The strongest experiences are what you experience live. It doesn't have to be cliff diving, it's more about integrating your brand and your product in an amazing way, it's about how to take our brand and turn it into experiences that can actually excite and engage." (Stausholm & Kristinsson, 2017a Min. 10:50)

The participation events, are the strongest type of events, when it comes to creating memorable experiences. Pine and Gilmore (1998), categorize experiences with active participation as either Educational or Escapist.

Neymar Jr's Five⁶, is a five-a-side football tournament. In 2017 it was held in 61 different countries, with over 100.000 participants. The participants are all active, affecting the creation of the experience, as they are fully immersed in the event, this means that they are categorized as Escapists, as displayed in figure 32 (Pine & Gilmore, 1998, 1999). The active participation affects the consumer in a profound way, creating a long lasting positive experience towards the Red Bull brand

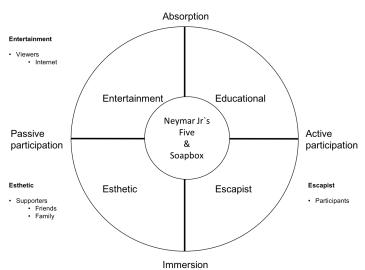


Figure 32 Neymar Jr's Five & Soapbox Race

⁶ Neymar Jr. is a world famous football celebrity from Brasil, currently the most expensive football player in the world.

(Schmitt, 1997). The Red Bull Soapbox Race is another participation event, where amateur drivers race in homemade "soap box crafts". Red Bull started this event in the year 2000 and has since held over 100 events around the world. Kasper Kjempff, explains the true value of participation events or true live experiences, such as the Soapbox Race and Neymar Jr's Five.

"That really showcased the second part of the live experience, where you can have people take your brand and your products and you create that experience, together with their friends and their families. This is something they will remember, and if you then manage to put your brand or your product in the right occasion then you have a really strong case." (Stausholm & Kristinsson, 2017a Min. 14:00)

The third category within the ownership type of experiences, that Red Bull uses to generate the brand identity, is productions. The productions are often referred to as branded entertainment within the category of content marketing. Red Bull generates a production when they work together with athletes or influencers, such as Travis Rice⁷, in order to create content of interest to a certain community. Kasper Kjempff, talks about the production part of the Red Bull experiences.

"That's maybe what we are most known for, that when we work with athletes, and they work together with us, creating something that talks to a core scene of his fans, It probably only makes sense for the core community" (Stausholm & Kristinsson, 2017a Min. 15:00)

The Red Bull Media House generates the production targeted at certain communities within the Red Bull sport portfolio. This content is of Educational and Entertainment value to the members of a certain community, but it is of little interest to those consumers who are not members of the specific community. The film "The Fourth Phase⁸" was of immense educational value to the members of the snowboarding community. They were inspired by the film and used it to become better snowboarders themselves. Viki Gomez is an influential BMX⁹ rider, and a former world champion within his sport. In collaboration with Red Bull he produces content that is viewed by members of the BMX community. This content generates an Educational experience for the members of the community, as they consume the content in order to learn new tricks and become better at BMX. Even though it is a small community, this influencer is affecting more than 100.000 enthusiast around the world. The Red Bull brand is perceived differently from one community

⁷ Travis Rice is a professional, influetial snowboarder from the USA.

⁸ The Fourth Phase, film by Red Bull in cooperation with Travis Rice.

⁹ BMX is acronym for Bicycle Moto Cross

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to another. Kasper Kjempff, explains how each event is designed to fit a certain community or a target group,

"when we plan an event, we then are looking at subgroups within the segment we want to do something for, then we combine up to three audiences where we can do a difference for the segment, as we want to reach their interests" (Stausholm & Kristinsson, 2017b Min. 1:00)

Neymar Jr's Five tournament was targeting the segment of males, at the age of 16 - 25 years old, with an interest in football. To make the event relevant to the audience, Red Bull made the rules different in order to speed up the game and increase the excitement. Red Bull decided to play in small pitches five against five, for each scored goal the opponent loses one player until all players are out or ten minutes have passed (Red Bull, 2018a; Stausholm & Kristinsson, 2017a, 2017c). Red Bull aimed to engage their consumers with a polarizing way of playing a football tournament. In Denmark the pitches were inside abandoned warehouses, while they played on beaches in Brazil (Ibid). By doing this Red Bull made sure that this event was relevant to the brands identity and not aimed at the mainstream football player, but rather the 16 - 25 years old males, who do not necessarily play or train within organized football associations. Red Bull blends together segments, interests and different audiences, to make the experiences relevant to the specific group of consumers they want to communicate with. In order to communicate with the 16 - 25 years old men, who have an interest in sport and in participating in tournaments, Red Bull figured out that this tournament had to be polarizing and not mainstream (Stausholm & Kristinsson, 2017a, 2017b, 2017c). There is high supply of content for the mainstream football enthusiast, therefore Red Bull differentiated in terms of making the event less mainstream. Kasper Kjempff explains, how Red Bull identifies the audience they want to target.

"The new thing is really that the matrix we work with has both segments and interest. A segment could be like age group or female, on the other hand we have interest like the different moments of need. We have 36 different audiences, within those moments, an audience can be strong is the new beautiful" (Stausholm & Kristinsson, 2018b Min. 46:00)

Red Bull has recognised that in order to grow, they must increase their consumer base and one way of doing that is to target women directly. According to studies women prefer coffee over energy drinks (The Brand Strength Monitor, 2016). Men consume 50% more Red Bulls than women (infoscout, 2016), even though women have a higher brand awareness than men when choosing consumer goods (Statista Survey, 2016). Kasper Kjempff explains the new segment,

"the segments we are looking into now is the age from 18 to 29 and females because we have to put focus on females to grow. Maybe we are targeting a certain subgroup of females who are interested in Red Bull. If we want to grow even more, we may have to target something that are not within the Red Bull brand yet. But it still has to be credible, maybe we can go in to street dance" (Stausholm & Kristinsson, 2018b Min. 51:50)

In 2017 Neymar Jr's Five street football tournament is also open to women, as Red Bull has added a new audience defined as "strong is the new beautiful", that easily could be combined with an interest in sport. Kasper Kjempff explains, how Red Bull uses their brand to cover the business need.

"We have a business need and then we decide which kind of the brand mix we put on top of that, to make sure that the business need is covered" (Stausholm & Kristinsson, 2017a Min. 18:40)

The business need, in this case is to increase awareness among women, to get women to become part of the main consumers on an equal level with the men. Adding new influencers, like Red Bull has done with Lindsay Vonn¹⁰, makes the Red Bull brand relevant to the specific audience, as they introduce new personality traits to the brand identity. The Red Bull brand identity can be described with the brand personalities of excitement, ruggedness and competence introduced by Jennifer L. Aaker (1997). Kasper Kjempff explains, that Red Bull uses different personality traits to build their brand identity.

"Let's find that audience where we can make a difference, on top of that we put some brand identity... we have 21 identity traits as we call it, we try to mix at least 2 or 3 but often there are up to 5 or 6 into one thing" (Stausholm & Kristinsson, 2017a Min. 40:40)

The personality traits that are related to excitement, are communicated through Red Bull's media channels, as they are up to date and innovative in regard to the activities they participate in (Keller, 2008; Red Bull, 2018a). Within the productions Red Bull is imaginative when creating content that no one has dared to produce, like "The Fourth Phase" with Travis Rice, or "Flying with the Starlings" featuring Horacio Llorens paragliding with thousands of starlings in Denmark (Red Bull - MediaHouse, 2018). Red Bull's brand personality of ruggedness is communicated through their presence within extreme sports. Red Bull is associated with the toughest outdoor sports. Sports that are viewed as impossible, dangerous and mentally challenging (Ibid). The brand personality of competence is related to Red Bull's strategy of sponsoring, or owning, the best talent within a certain sport community, this associates the Red Bull brand with winning or being number one (Burrows, 2017). The Red Bull brand reflects the ideal self of the consumer, defined as

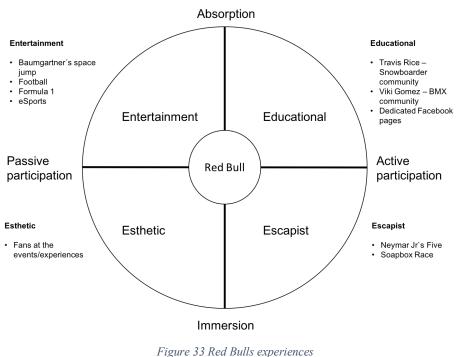
¹⁰ Lindsey Caroline Vonn is an American alpine ski racer, four time World Champion.

the one that the consumer wants to become (Malär, Krohmer, Hoyer, & Nyffenegger, 2011). Within for example the snowboarding and eSports communities, Red Bull has become a part of the community and is perceived as norm, meaning that the members of these sub-cultures express their self-identity by consuming Red Bull (Heding et al., 2009).

Summary - Step 2

Performance and imagery make up the second step of the resonance model, that revolves around how Red Bull communicates the brand's identity. Red Bull states, that the energy drink is a functional drink that increases performance, concentration and reaction time. It is proven, that the Red Bull energy drink significantly increases the consumers performance, both physical and mentally within an hour of consumption, mainly due to caffeine and sugar. The World Health Organisation claims, that energy drinks, in general, are a threat to public health, due to their negative effects on heart rate and blood pressure. Red Bull creates memorable events, in order to communicate positive clues, regarding the brand's identity. Red Bull identifies three types of connections to events; supporting, through athletes and by ownership. Within

ownership Red Bull has global events, unique live experiences and productions. Each activity can be related to the model developed by Pine & Gilmore (1998). To create the strongest brand experience, Red Bull is involved in all of the four realms of experiences (figure 33). Researchers, and Red Bull themselves, argue that participating events that fall under the



Escapist realm are the strongest type of events, if the object of the event is to generate memorable experiences. Most of the awareness that Red Bull generates can be categorized within the realms of Entertainment and Esthetic.

Judgements and feelings

The third step of the resonance model revolves around how the consumer responds to the brand communication. This step consists of two building blocks: the judgements and feelings. Judgements describe the consumer's personal perception of the energy drink and the Red Bull brand, as well as the activities associated with the brand. Feelings are the consumer's emotional response towards the detected brand personalities of excitement, ruggedness and competence. The chapter describes how different Red Bull sport activities, generate different personality traits or feelings towards the brand. The findings from the consumer research will be applied, to establish the consumers response regarding the Red Bull energy drink and the brand in general.

Judgements

Giving wings to something means that the consumer will experience increased performance, concentration and reaction time. This means that the consumer's perception of the performance of the Red Bull drink is dependent on the consumer's own experience. All of the respondents knew the Red Bull energy drink, and the majority of the respondents that had consumed the energy drink believed that it worked. 10 out 15 had consumed the energy drink and 9 out of those 10 consumers believe that the energy drink increases their performance. Only 2 out of the 5 respondents that had not consumed the Red Bull energy drink, believed that it works, i.e. that it increases physical or mental performance (Appendix 4).

"The caffeine will of course affect your physical performance which is scientifically proved. But I think the mental effect is almost as big as the physical or maybe more for some people." (Stausholm & Kristinsson, 2018a Respondent 3)

It is scientifically proven that the Red Bull energy drink significantly improves the consumers physical and mental performance, for a short period of time (Alford et al., 2001; Whiteman, 2015). As described by one of the respondents, the Red Bull energy drink will affect a peak in performance within 15 - 45 minutes after consumption, due to the caffeine and sugar content. After approximately an hour the blood sugar level crashes, and the performance drops even lower than before the consumption of the energy drink.

"I think it wakes you up both physically and mentally but only for a short time, and then my performance drops even lower." (Stausholm & Kristinsson, 2018a Respondent 6)

According to the research, 11 out of 15 respondents perceived the quality of the Red Bull energy drink to meet or exceed their expectations, satisfying their functional needs. The consumers' perception of Red Bull

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affects the brands credibility. According Kasper Kjempff, Red Bull is aware of this and they measure their credibility regarding the experiences they create.

"We measure how credible we are" (Stausholm & Kristinsson, 2017a Min. 34:20)

Kasper Kjempff explained, that the Red Bull brand should not be perceived as mainstream, since it is of particular importance to Red Bull that they are perceived either positively or negatively, Red Bull refers to this as being polarizing (Stausholm & Kristinsson, 2017c). The research divides the credibility between the brand and the product, meaning that the respondent can like the brand even though he/she dislikes the product and vice versa. The reason for this is that the consumers can be behaviourally loyal, without possessing positive feelings towards the brand, generating attitudinal loyalty and the other way around (Keller, 2013; B. Sharp & Sharp, 1997). The answers from the respondents correlate with Kasper Kjempff's explanations regarding their polarizing strategy. 6 out of 15 respondents have a negative impression of the Red Bull energy drink.

"I don't like the taste and the smell is disgusting" (Stausholm & Kristinsson, 2018a Respondent 3)

On the other hand, 8 out of 15 respondents have a positive impression of the Red Bull energy drink. Combined, 14 out of the 15 respondents have an either positive or negative opinion on the product.

"Good when you want to feel more energetic" (Stausholm & Kristinsson, 2018a Respondent 14)

Due to the polarizing strategy of Red Bull, only one of the respondents did not have an opinion regarding the Red Bull energy drink.

"I don't necessarily think of Red Bull as either good or bad." (Stausholm & Kristinsson, 2018a Respondent 2)

According to Kasper Kjempff, it is more desirable to have a negative impression on some people than having no impression. This might be due to awareness. As explained by Kevin L. Keller (2013), awareness is the foundation of building a brand; without awareness there is nothing. It follows from this that negative impressions affect the consumers, inspiring them to talk about the product, creating two groups or communities that either consume the energy drink or not. Contrary to the negative impression of the product, the brand is perceived very positively. 12 out of the 15 respondents express that they like the brand.

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"Yeah, I like the Red Bull brand, it carries positive energy." (Stausholm & Kristinsson, 2018a Respondent 6)

The positive impression of the Red Bull brand is related to the experiences that Red Bull creates, generating memorable experiences in the minds of the consumers.

"The brand does some pretty cool stuff, for example Felix Baumgartner." (Stausholm & Kristinsson, 2018a Respondent 8)

All respondents associate Red Bull with different sport activities. The respondents mentioned a wide variety of sport activities, from mainstream sports as football and Formula 1, to sports like snowboarding and surfing that are less common.

"Yeah, they are within so many different sport activities, Soccer, Formula 1, Snowboarding, Surfing, Bicycling and then for example cliff diving as well." (Stausholm & Kristinsson, 2018a Respondent 15)

The most frequently mentioned sport activity associated with Red Bull, was extreme sports. 8 out of 15 respondents mentioned this activity. Other unusual sport activities were also mentioned, for example the Soapbox Race, where non-professional athletes compete in homemade race-cars.

"Extreme sports and weird sports activities like the run with homemade wooden cars" (Stausholm & Kristinsson, 2018a Respondent 3)

The respondents also mentioned that due to Red Bull's large portfolio of non-mainstream activities, or less known sport activities, the consumers have the opportunity to experience something new that they would not have been able to experience without Red Bull. This can be explained as a weak tie from the perception of network theory, as Red Bull provides the consumer with new information in the form of new experiences.

"I think it's interesting to see sports activities that you were not aware of existed." (Stausholm & Kristinsson, 2018a Respondent 3)

Most of the respondents positively relate to the sport activities that Red Bull is associated with, therefore they associate positive feelings towards the Red Bull brand. Red Bull is considered credible for consumers with different interests, due to the large portfolio of different activities. As consumers with interest in for example music find Red Bull relevant, as they have introduced platforms to help upcoming artists. "I am huge fan of the platforms Red Bull provides for upcoming music artists, and the music venues they engage in. Personally, I am very engaged about discovering and listening to upcoming artists. Thus, I have great respect for Red Bull in this particular setting" (Stausholm & Kristinsson, 2018a Respondent 9)

Only 2 out of 15 respondents do not positively relate to the sport activities that they associate with the Red Bull brand. These respondents are both female, indicating that Red Bull's activities are less credible for women. The respondents' perception of the superiority of the Red Bull brand was significant, as 14 out of 15 respondents believe that the brand is superior to its competitors.

"In terms of energy drinks, I would perceive Red Bull as being superior to its competitors." (Stausholm & Kristinsson, 2018a Respondent 9)

Even though Monster is a well-known brand the Red Bull brand is perceived as superior, meaning that the Red Bull brand is unique and better than its main competitor, as customers believe that it offers advantages that the competitors cannot offer (Keller, 2013).

"Yes, I consider Red Bull's only real competitor to be Monster and I don't perceive them to be anywhere equals near Red Bull." (Stausholm & Kristinsson, 2018a Respondent 7)

For some consumers, the Red Bull brand is so superior, that the consumers refer to energy drinks as Red Bulls. Only extremely superior brands have this effect, the best example of it might be Google, since people refer to search for information on the internet as googling.

"Definitely, people are not saying they want an energy drink, they say, I want a Red Bull!" (Stausholm & Kristinsson, 2018a Respondent 3)

Red Bull is perceived as a premium brand by 14 out of 15 respondents. Premium brands are more expensive than other brands, increasing the consumers' expectations. As one respondent answered when asked if he perceived Red Bull as a premium brand,

"absolutely, Red Bull is by far the most expensive energy drink. Compared to what you can get at your local supermarket for less than half of the price, Red Bull is absolutely a premium brand, which I believe is also a main contributor to the attractiveness of Red Bull." (Stausholm & Kristinsson, 2018a Respondent 7) One of the strengths of a premium brand is the brand's promise of a high quality or an exclusive experience. This attracts the non-consumers because they believe that the brand provides them with the best possible experience. As a female non-consumer explained when asked if she perceived Red Bull as a premium brand.

"I guess. If I needed to buy an energy drink, I would not buy any other brand." (Stausholm & Kristinsson, 2018a Respondent 14)

The second building block within the third step of the resonance model, relates to the consumers' response towards the imagery building block. This will be described in the next chapter.

Feelings

The brand feelings refer to the consumers' emotional responses towards the brand. Red Bull's polarizing strategy, is a way to generate feelings towards the brand, as the experience must be on the edge, in order to generate excitement. Kasper Kjempff explains,

"it's about excitement and experiences, creating exciting experiences, to do so you need to be relevant." (Stausholm & Kristinsson, 2017a Min. 37:50)

The feelings that the respondents mentioned most frequently were energy, power, excitement, happiness and success. Most respondents associate the Red Bull brand with the feeling of excitement. This is true for 10 out of the 15 respondents. This is mainly due to Red Bull's association with extreme sports.

"Yes. They are connected to extreme sports" (Stausholm & Kristinsson, 2018a Respondent 11)

As explained in the previous chapter the Red Bull's brand identity, can be described with the personalities of excitement, ruggedness and competence. When Felix Baumgartner jumped from outer-space, it generated an association between the Red Bull brand and the feeling of excitement, as one of the respondents explains,

"...when that guy jumped from outer space, when a person decides to jump from that height, it involves a certain amount of danger and uncertainty, along with the added suspense of breaking records, it will get most people a little excited." (Stausholm & Kristinsson, 2018a Respondent 2)

Some of the respondents, 5 out of 15, did not connect the Red Bull brand with the feeling of excitement. As explained by one of the respondents,

"I think Red Bull activities are fun to watch but I wouldn't call it excitement." (Stausholm & Kristinsson, 2018a Respondent 3)

Even though 5 respondents did not associate Red Bull with excitement, they did associate Red Bull with other personality traits or feelings. One of the respondent that did not associate Red Bull with excitement, associated Red Bull with being tough.

"For sure! I don't think Red Bull is using their bull logo to show weakness." (Stausholm & Kristinsson, 2018a Respondent 3)

Other respondents also associate Red Bull with the feeling of being tough. As one of the respondents explains,

"Yes, especially the tough part as they engage in 'tough' things such as extreme sports and underground music." (Stausholm & Kristinsson, 2018a Respondent 9)

Tough and outdoorsy are defined as the personal traits for ruggedness, explained by Jennifer Aaker, (1997). The respondents perceive the Red Bull brand as outdoorsy due to their presence within different outdoor activities, as explained by one of the respondents when asked if he associates Red Bull with the feeling of outdoorsy.

"Yes. Because they also have motocross and BMX under their brand, and those are both tough and takes place outdoor." (Stausholm & Kristinsson, 2018a Respondent 6)

They are associated with adventurous activities that often take place in harsh environments outside the comfort of cities or urbanization.

"They do sometimes have "adventurous" activities, like mountain climbing, so I guess. Mountains are outside, so the brand seems "outdoorsy"." (Stausholm & Kristinsson, 2018a Respondent 8)

Another reason that Red Bull is perceived as outdoorsy and tough, is their presence within snowboarding. The production of The Fourth Phase, that Red Bull produced with Travis Rice, is an example of Red Bull content that is perceived as tough and outdoorsy. "Yes. Snowboarding and motocross are tough and outdoorsy in my mind!" (Stausholm & Kristinsson, 2018a Respondent 12)

Most people can participate in mainstream sport activities on their own terms, as for example Sunday league football or tennis with a friend. An extreme sport is impossible to replicate for the consumer, meaning that Red Bull's extreme sport activities are perceived as impossible, dangerous and extremely challenging (Keller, 2008). The Red Bull brand's communication is associated with the feelings of success and reliability, due to their vision statement of giving wings to people and ideas. One of the respondents explains that he perceives the Red Bull slogan to be connected with success and reliability, just as the brand wants to be perceived.

"Yes. There is a certain "rawness" to the Red Bull brand, and that paired with the "Red Bull gives wings" slogan, it feels like the message that Red Bull is trying to push is that those who drink it will become more successful/reliable." (Stausholm & Kristinsson, 2018a Respondent 7)

The feeling of success is as well related to the sport activities that Red Bull participates in, as explained by one of the respondents,

"Successful, yes! They are doing something extreme that works, performing something dangerous on motorcycle for example something you think is simply impossible to do." (Stausholm & Kristinsson, 2018a Respondent 11)

Performing something at that level, must be related to success, since most consumers would not succeed in doing those things on their own. The mainstream sports that Red Bull participates in, have not only created awareness, as the success of for example RB Leipzig, they have also generated associations between the Red Bull brand and the feeling of success and reliability.

"They are doing incredible well in all the sport activities they participate in, RB Leipzig is a great success in the German Bundesliga for example." (Stausholm & Kristinsson, 2018a Respondent 12)

Extreme and untraditional sports activities are important for the Red Bull brand as they are perceived as exciting, tough and outdoorsy, while the mainstream sports, such as football, create high awareness and are associated with success and reliability. Therefore, it is of importance for Red Bull to possess activities that are associated with all the different personality traits, in order to become relevant for all potential consumers and create the intended brand image

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Summary – Step 3

Judgments and feelings make up the third step of the resonance model, this step describes the consumers perception of the communicated brand identity. Judgments refer to the consumer's evaluation of the Red Bull energy drink, brand and activities that are associated with Red Bull, while feelings refer to the consumer's emotional perception of Red Bull. The majority of the consumers believe that the Red Bull energy drink increases their mental and/or physical performance. Most of the consumers are satisfied with the Red Bull energy drink, as they perceive the quality to meet or exceed their expectations. However, Even though most of the consumer perceive the brand positively, many have a negative impression of the Red Bull energy drink. Most consumer have an opinion on Red Bull, as it is a polarizing brand that consumers either love or hate, Red Bull claims that negative impression is better than no impression. Consumers generally associate Red Bull with sport activities, and even though Red Bull participates in many sport activities, most consumers associate the Red Bull brand with extreme sports. Most consumers perceive the brand as superior and premium, compared to its competitors, increasing the consumers' expectations. Most consumers associate the brand with excitement due to the extreme sport activities, outdoorsy and tough due to the production. While the association with the feeling of success is due to the slogan, the presence of Red Bull in mainstream sports and their achievements within the sport activities.

Summary

This chapter provides answers to the question, "How does Red Bull's corporate strategy support the utilization of the competitive advantages?". The corporate strategy of Red Bull has been to diversify into different sport industries, a general sport industry analysis was conducted to evaluate the attractiveness and the characteristics of the industry. Because the sustainable competitive advantage for Red Bull has been identified as the brand resource, the resonance model was used to analyse the different building blocks of a strong brand. The sport industry is not structurally attractive even though the high entry barriers indicate that the industry should be profitable. The rivals within the industry are focused on winning or achieving good sport results. Many of the players within the industry generate large revenues but invest heavily in talented athletes in order to stay competitive, rather than generating financial profits. Awareness is the foundation for building a strong brand, even though the sport industry, on its own, was identified as unattractive, the industry has the potential to generate high brand awareness for Red Bull. The sport industry is characterized by having an immense number of emotionally attached viewers. It follows that the sport industry is predestined to generate brand awareness, as the consumer does not perceive the content as corporate promotional material. The sport content distributed by Red Bull is relevant to a specific community, as the members of those communities are more willing to share the branded sport content within their networks, thereby generating weak ties to an immense number of potential consumers. Red Bull's brand identity relates to giving wings to people and ideas, thus claiming to increase both the physical and mental performance of

the consumer. Red Bull utilises its presence within the sport industry to generate memorable experiences, in order to generate positive associations to the brand in the minds of the consumers. Red Bull owns several teams, athletes and events, both global and local, each activity is a part of utilising the brand, as a sustainable competitive advantage. The majority of the consumers believe that the Red Bull energy drink positively increases their physical and/or mental performance. Generally, consumers associate Red Bull with sport activities and the feeling of excitement, toughness and success. The corporate strategy of diversification into the sport industry, positively affects the building blocks needed to build a strong brand, by generating awareness and providing positive brand associations in the mind of the consumers.

Benefits of a strong brand

The final step of the resonance model, consists of the resonance building block, which describes the relationship between the brand and the consumer. The ideal relationship between the brand and the consumer consists of both behavioural and attitudinal loyalty. A consumer that possesses both elements of loyalty can be defined as a truly loyal consumer, that generates important benefits for the firm. The chapter will evaluate if Red Bull possesses a strong brand and it will examine the benefits of a strong brand.

Resonance

Red Bull defines loyalty by two elements the "can love" and the "brand love", the can love represents the tangible or the behavioural element of true loyalty, while the brand love represents the intangible or the attitudinal element of true loyalty.

"In Red Bull we have two parameters one we call brand love and one we call can love." (Stausholm & Kristinsson, 2018b Min. 39:40)

The two elements of true loyalty will be studied further, in order to answer the question regarding the benefits of a strong brand, and in order to examine whether Red Bull consumers exhibit both elements of loyalty.

Behavioural loyalty

Behavioural loyalty refers to the repurchase of the brand, a behavioural loyal consumer may lack all emotional attachment towards the brand. Behavioural loyalty is the tangible part of true loyalty. Firms are able to measure the degree of behavioural loyalty, simply by measuring sales, market share, etc. Kasper Kjempff explains, how Red Bull measures behavioural loyalty,

"we measure on can love that is more about the usage of the product, how often do you use, in what moment of need do you use it." (Stausholm & Kristinsson, 2018b Min. 41:13)

Red Bull measures the "can love" or the repurchase based on the market size, and the number of units sold in each market. Every market has a score that Red Bull benchmarks against in order to evaluate their performance, as Kasper Kjempff explains.

"That is can love, people who are actually drinking the product, here of course we measure on frequency we measure something we call PCC (per capita consumption) in every market we have a score, so it's not about how many cans we sell but it's about how many cans we sell compared to the size of the market." (Stausholm & Kristinsson, 2018b Min. 43:30)

Even though Red Bull measures the frequency of purchase, they evaluate a loyal consumer based on the community that he belongs to. Therefore, Red Bull defines a loyal consumer in different ways. For example, a consumer within the eSports community will on average have a higher degree of consumption than a consumer within the fitness community. This means that a consumer within the eSports community must consume a higher number of Red Bull energy drinks, in order to be evaluated as a loyal consumer, than a member of fitness community. In the words of Kasper Kjempff at Red Bull,

"A loyal customer is different depending on which segment he is in, a loyal eSports customer may drink 15-20 Red Bulls a year, a loyal fitness customer may only drink 5 Red Bulls. If there is a strong moment of need, then we expect loyal customers to consume more products. Different needs, make different scales, but we measure on frequency." (Stausholm & Kristinsson, 2018b Min. 44:25)

In the consumer research conducted, 10 out of 15 respondents exhibited behavioural loyalty, even though none of the respondents were frequent users. Red Bull's premium price strategy affects consumers that only possess behavioural loyalty, as rational consumers will choose the less expensive alternative. A rational consumer will not skip any of the steps of the buying decision process, meaning that every time there is a moment of need for an energy drink, this consumer will search for information and evaluate the alternatives before purchasing. Red Bull must create an emotional attachment towards the brand, in order to force consumers to skip the steps of information search and evaluation of alternatives. This is achieved by generating attitudinal loyalty, which is the topic of the next chapter.

Attitudinal loyalty

Attitudinal loyalty refers to the consumer's emotional attachment towards the Red Bull brand. An attitudinal loyal consumer may lack the behavioural element, meaning that they like the Red Bull brand, but do not consume the Red Bull energy drink. Attitudinal loyalty is the intangible part of the loyalty concept, and it is defined as "brand love" within the Red Bull company. A consumer who possesses an emotional attachment to the brand but lacks behavioural loyalty can be seen as a potential for growth.

"Yes, the brand love is our potential, we are building a lifestyle brand. Potentially we could grow our can love because the brand love is already strong enough. A lot of the things we do is of course towards the ones who love our brand, while we hope we can grow them into customers." (Stausholm & Kristinsson, 2018b Min. 56:40) This potential consumer, can be grown into a truly loyal consumer, as he/she already possesses the requisite emotional attachment. There can be many reasons that consumers lack behavioural loyalty; for example, the price, as explained by two of the respondents in the consumer research.

"Occasionally, however I often opt for cheaper alternatives." (Stausholm & Kristinsson, 2018a Respondent 7)

and

"I think it's good but the price tag is high." (Stausholm & Kristinsson, 2018a Respondent 6)

Other tangible elements that affect the lack of behavioural loyalty can be, placement and the product's taste.

"I think mostly bad, to me it seems very synthetic" (Stausholm & Kristinsson, 2018a Respondent 4)

Red Bull's marketing strategy, creating experiences through sport is a good way to create attitudinal loyalty. But, as Kasper Kjempff points out, it is not possible to argue for all the events in economic terms, since the value is intangible and impossible to measure.

"If we were measuring ROI every time, then we could not continue with content marketing, or whatever you call it, where we focus on the brand love. Because in the end we cannot measure how the effect is." (Stausholm & Kristinsson, 2018b Min. 38:40)

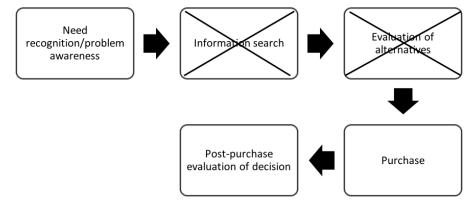
Most of the respondents in our consumer research, or 14 out of 15 respondents, exhibit attitudinal loyalty towards the Red Bull brand. All of them associate sport activities with the brand, indicating that the attitudinal loyalty rests on associations with sport activities. According to Gladden & Funk (2001), there is a positive correlation between those who favour a certain sport team or athlete, and the degree of attitudinal loyalty towards the specific team or athlete. For example, Red Bull Racing is the favourite team of 14% of all Formula 1 viewers, thereby creating a large number of attitudinal loyal consumers (Burrows, 2017; H. Tsiotsou, 2013). The fans of the Red Bull Formula 1 team will develop a psychological commitment, and they will generate positive associations towards the brand. Due to the psychological commitment, a fan of the Red Bull Racing team is more likely to purchase a can of Red Bull energy drink than the competing brands (Bradbury & O'Boyle, 2017; H. Tsiotsou, 2013). When Red Bull collaborates with influential athletes, like the snowboarder Travis Rice, it is another way of creating attitudinal loyalty, since the snowboarding community is emotionally affected by the actions of Travis Rice. When Red Bull is associated with an influential character like Travis Rice, the consumer will also grow emotionally attached to the Red

Bull brand (Boswijk et al., 2007). Attitudinal loyalty is necessary to generate emotional consumers who do not act rationally and will skip the search for information and the evaluation of alternatives when purchasing energy drinks. The attitudinal loyalty on its own, is not valuable for Red Bull. This will be examined further in the next chapter.

True loyalty

A consumer that possesses both behavioural and attitudinal loyalty, can be defined as a truly loyal consumer. A truly loyal consumer has an emotional commitment to the brand, and he/she repurchases the brand. The Red Bull brand has passed through all the steps of the resonance model, meaning that Red Bull possesses a strong brand. In the consumer research 9 respondents out of 15, exhibit both behavioural and attitudinal loyalty towards Red Bull. These findings correlate with the theoretical foundation regarding building a strong brand. Due to Red Bull's strong brand their truly loyal consumers, go beyond reason to purchase their brand. These loyal consumers skip two of the steps in the buying decision process, shown in figure 34. A

loyal Red Bull consumer will skip the information search, as the perception of the consumer is that he possesses perfect product information. As a consequence of attitudinal loyalty, the consumer becomes emotional. The emotional consumer ignores the information search when the need is recognised.





In the mind of the truly loyal Red Bull consumer, an evaluation of alternatives is not needed, due to the prior experience that the consumer already possesses with regard to the Red Bull brand. As described in the theory chapter, a strong brand generates several benefits that create value for the firm, these benefits will be described in the following chapter.

The benefits of a strong brand

In the theory chapter seven possible benefits of a strong brand were recognized; barriers to enter for competing firms, the possibility of charging premium prices, reduced marketing cost, less difficult to respond to the threats of competition, less sensitive to the marketing efforts of the competing firms, positive word of mouth and market share growth. The Red Bull brand creates entry barriers for new entrants to the energy drink industry, as the perceived quality of the Red Bull brand is higher than all of their competitors.

In the industry analysis, the evaluation of a strong brand as an entry barrier was 5, on the scale of 0-5, meaning that it has an excessive effect. A truly loyal consumer is unlikely to switch from the Red Bull brand towards another brand, as the strong brand creates a high switching cost, in the minds of the loyal consumers. The benefit of being able to charge premium prices, means that Red Bull is always able to charge higher prices for their products than the competitors. The willingness to pay is higher for a can of Red Bull, than it is for a can from one of the competitors. Prices from the retail market indicate, that Red Bull is considerably more expensive than the competing products. The retail price for a 0.44l can of Red Bull at a supermarket in the United Kingdom is approximately 2.7 US dollars, while the 0.51 can of Monster is around 1.4 US dollars (Supermarket, 2017). Equivalent results were found in Denmark (Coop, 2018). The findings from the energy drink industry analysis indicate that there is a low product differentiation, meaning that Red Bull is only able to charge a premium price because of the strong brand they possess. The consumer research correlates with these findings, as taste was not the primary factor for the consumption of the Red Bull energy drink. The Red Bull brand possesses loyal consumers, who skip two of the steps in the buying decision process, thus reducing the marketing cost. As Red Bull owns several sport teams, athletes and events, it is impossible to compare their marketing cost to their competitors, as Red Bull's marketing expenditures also create assets, like ownership of football teams, that can be sold and/or have the opportunity of generating profit or loss on its own. According to Johnson (2002), it would be more expensive for Red Bull to generate their brand awareness through the traditional marketing channels, than through the ownership of sport activities. The fourth and fifth benefits describe how a strong brand can easily respond to the threats of competition, making the consumer less sensitive to competitors' marketing efforts. Even though the competitors lower their prices or introduce some kind of an offer or a new product, the loyal consumers do not evaluate them as alternatives. The attitudinal loyalty, or the emotional attachment, that the consumer holds towards the brand, creates a high switching cost for the consumers, making it more difficult for the competing brands to affect the consumers. Positive word of mouth is another benefit that strong brands possess, as the consumers increase the awareness of the Red Bull brand. This is exemplified in the answer of one the respondents from the consumer research. When asked if he ever talked about Red Bull, he answered,

"Can you avoid that? I think everyone knows Red Bull and somehow have a connection with the brand, either if you disgust it or you are a Red Bull'holic" (Stausholm & Kristinsson, 2018a Respondent 3)

Most of the respondents explain that when they talk about Red Bull it is regarding the activities that Red Bull is associated with. This indicates that the Red Bull brand possesses the word of mouth benefit, even though it is mainly due to the sport activities that Red Bull participates in.

"Sometimes, maybe more the activities of Red Bull." (Stausholm & Kristinsson, 2018a Respondent 12)

and

"Only their activities. But I do that often" (Stausholm & Kristinsson, 2018a Respondent 15)

Finally, a strong brand possesses a constant market growth. Red Bull has experienced market growth since it was founded in 1985. One of the reasons for this constant growth is their ability to extend their brand further. As explained by Kapferer (2008) and Tybout and Calder (2010), Red Bull can be defined as a value/experiential type of a brand. This type of brand has the opportunity to be extended far from the core meaning of the brand. The vision statement of Red Bull is to give wings to people and ideas, meaning that the brand serves as a source of inspiration rather than representing the physical product itself. The Red Bull has been able to extend its brand credibly to music, extreme sports, eSports, mainstream sports and innovative productions. Giving wings to athletes, musicians or adventurous innovative people wanting to experience something new, exciting and daring, adds value to the Red Bull energy drink (Stausholm & Kristinsson, 2018b). Brand extensions can also be seen as diversifications and are therefore a strategic decision. The success of a brand extensions relies on the ability to generate parenting advantages, meaning that a successful diversification is about creating value for Red Bull due to the synergies from one business unit to another (Campbell et al., 1995). Red Bull must add more value to the individual business unit than any other potential parent, in order to pass the better off test (Campbell et al., 1995; Porter, 1979).

"It is the same recipe in every sport we are entering, we know exactly what to do when we enter into a new sport scene. We know how we want to be perceived and we know how we want to do. Basically, the recipe of finding the right credible partner that has the same idea, is the same." (Stausholm & Kristinsson, 2018b Min. 30:00)

From a standalone perspective, Red Bull adds value to the business unit by providing access to a strong brand. From a linkage perspective, the previous experience provides the business units with connections to resources and capabilities, that otherwise would not have existed. In Red Bull's case the parent possesses the capability of utilizing a strong brand to attract talent, which was recognised as the sustainable competitive advantage within the sport industry.

"What happens in football is actually built on what happened in Formula 1... owning a club, a youth academy and supporting club." (Stausholm & Kristinsson, 2017c Min. 02:00)

Each business unit is better off after the diversification, as explained by Kasper Kjempff,

"they are actually making money, by saying that red bull is sponsoring them, because then people know that this is something that will be done seriously, of course, there are synergies. There are synergies in the tools we are using for example the technical facilities, we have music studios all over the world." (Stausholm & Kristinsson, 2018b Min. 31:00)

The strong brand that Red Bull possesses creates value for the business unit, because the perception of the Red Bull brand is relevant for the sport activities, as it is associated with competence, excitement and ruggedness, which increases the perceived quality of the business unit. This means that Red Bull possesses the organizational capability needed for the individual business unit in order to utilise their potential sustainable competitive advantage.

Summary

This chapter provides answers to the question "What are the benefits of a strong brand and does Red Bull possess them?". Truly loval consumers are the main benefit of a strong brand. Lovalty can be divided into behavioural loyalty, referred to by Red Bull as "can love", and attitudinal loyalty, referred to by Red Bull as "brand love". A truly loyal consumer skips the information search and the evaluation of alternatives steps in the buying decision process. More consumers possess attitudinal loyalty towards the Red Bull brand than behavioural lovalty, meaning that the consumers do not necessarily buy the Red Bull energy drink, even though they like the brand. Red Bull's diversification into the sport sub-industries, mainly affects the attitudinal element of the truly loyal consumer. This indicates that Red Bull has a potential to grow the behavioural element and by that increase their market share. The brand is a sustainable competitive advantage for Red Bull, and it is positively affecting the different sport sub-industries. Red Bull is perceived as a premium brand, and as being superior to their competitors, in the minds of their consumers. Red Bull is a strong brand providing the firm with the benefits of entry barriers for new entrants, the possibility of charging premium prices, reducing marketing cost, generating positive word of mouth and market share growth. The Red Bull brand is a value/experiential type of brand, meaning that the brand can be extended far away from the core meaning of the brand. Red Bull's success, with regard to brand extensions, relies on the ability to generate parenting advantages. Red Bull possesses the organizational capabilities of utilizing a strong brand, and due to this parenting capability both Red Bull and each business unit are better off, after the diversification.

Conclusion

Conclusion

Red Bull has a long history of ownership within the sport industry, their diversification strategy is significantly different from other firms, and it seems like Red Bull benefits immensely from the brand's associations with sport activities. Therefore, the purpose of this thesis has been to generate an answer to the research question, "How does Red Bull build a strong brand by diversifying into the sport industry and does this generate competitive advantages?". Red Bull is a privately owned Austrian energy drink manufacturer. Founded in 1985, Red Bull's core product is an energy drink, selling approximately six billion units per year, in more than 170 countries. The energy drink industry is structurally attractive due to its high profitability and growth. The players within the energy drink industry are similar, producing similar products that possess the same functionality. The bargaining power of the suppliers is low, as the raw materials needed to produce the energy drink is available from many providers and categorized as commodities. The buyers bargaining power is medium, mainly affected by the existence of strong brands. In order for a player to differentiate their product, a strong brand is a source of sustainable competitive advantage for the players within the energy drink industry. Red Bull is vertically integrated, and the main value creation for Red Bull is generated by the downstream activities of the value chain, especially within marketing and sales, where the Red Bull brand identity is created. The Red Bull Media House is responsible for building and maintaining the Red Bull brand, and most of the branded entertainment content produced and distributed by Red Bull, is created through sport activities, e.g. eSports, Formula 1 and football. The sport industry is structurally unattractive. For even though it generates high revenues, the profit is low due to the players focus on sport results, rather than on profit. The sport industry is characterized by having an immense number of emotionally attached viewers, meaning that the sport industry is predestined to generate brand awareness, as the consumer does not perceive the branded content as corporate promotional material. The sport content that Red Bull generates is relevant for a specific community of consumers. This community of consumers share the branded content within their own network, creating weak ties to an immense number of potential consumers. The structure of the Red Bull Media House incorporates athletes of many different nationalities, that are perceived as influencers within their home countries and specific sport communities. Red Bull's presence within the sport industry generates positive associations in the mind of the consumers, as the brand identity is communicated with memorable experiences, that support the utilization of the brand as a source of sustainable competitive advantage. The corporate strategy of diversifying into the sport industry positively affects the brand image, as the majority of the consumers believe that the Red Bull energy drink increases their physical and/or mental performance, as well as associating Red Bull with the feeling of excitement, toughness and success. According to Pine and Gilmore (1998), Red Bull's sport activities fall under all of the four realms of experiences, even though the majority of Red Bull's sport activities can be categorised as Entertainment. The strongest experiences involve active participation and a fully immersed consumer. Red Bull is aware of this, and is focusing on generating participation events, for example the Neymar Jr's Five.

Red Bull possesses a strong brand, with truly loyal consumers who possess both attitudinal and behavioural loyalty. The Red Bull brand possesses a higher degree of attitudinal loyalty than behavioural loyalty, meaning that some consumers like the brand, even though they do not purchase the energy drink. Red Bull's strong brand generates several benefits: entry barriers for new entrants, the possibility of charging premium prices, reducing marketing cost, positive word of mouth and market share growth. Red Bull is perceived as superior to its competitors, as well as a premium brand, meaning that Red Bull is able to charge premium prices for its core product, even though the competitors offer similar products with the same functionality at a lower price. Red Bull has successfully extended its brand, far from its core meaning. This has been possible as a result of Red Bull's ability to generate parenting advantages. Red Bull's strong brand and the fact that the individual business unit adds value to the brand strength, makes both Red Bull and the sport business unit better off after the diversification.

Discussion

This chapter will introduce other perspectives, that could have been considered within the thesis, the first topic that will be examined is the ownership strategy of Red Bull versus the sponsorship strategy of the competitors, and how this can affect the creation of a doppelgänger brand. The second topic that will be examined is the possible changes in competition, with regard to The Coca-Cola Company's investment in the energy drink industry. This change is caused by the change in consumption behaviour, especially among the younger generation.

Ownership vs. Sponsorship

It has been established that owning an event, team or an athlete introduces many positive associations. Mainly in relation to brand awareness and the consumers emotional attachment towards the brand. Ownership establishes a close control of the experiences that create the brand associations, meaning that Red Bull owns all content created within a specific experience (Heding, Knudtzen, & Bjerre, 2009; Pine & Gilmore, 1998). Sponsorship on the other hand does not include any kind of control over the experience, meaning that a sponsor will not be able to affect the content and make it relevant to their specific brand meaning (Ibid). A sponsor can only act as a passive participant in the content creation, while the owner can affect the creation of the content due to their active participation. As stated earlier in the thesis, active participation is the strongest technique that can be used to make the experience relevant to the core meaning of their brand. The ownership strategy is more capital intensive. This is exemplified by Red Bull's ownership of two Formula 1 teams. The average yearly cost of running a Formula 1 team is around 210 million USD, while a top sponsorship agreement is around 20 million USD a year (Raconteur, 2016). It can be stated that to gain awareness the sponsorship strategy is more cost effective than ownership. On the other hand, the

sponsorship strategy can only increase awareness with the sponsor as a passive participant who does not affect the experience. This means that the sponsor is unable to build any brand identity through the sponsorship. So, while the ownership strategy is more capital intensive, it also gives the Red Bull the ability to build the firm's brand identity, as well as increasing the awareness. But, the ownership strategy can also negatively affect the brand image, as is exemplified with the creation of a Red Bull doppelgänger brand.

Doppelgänger brand

Red Bull's ownership of sport teams, events and athletes has created a doppelgänger brand, meaning that

some consumers use Red Bull's vision and logo to make a negative versions of the brand, thereby affecting other consumers (Heding et al., 2009). Figure 35, exhibits a typical doppelgänger brand where Red Bull's logo has been modified to represent two dead bulls.

Consumers that relate the brand to an unhealthy lifestyle might distribute this image in their community, creating a negative awareness within their network structure. A

doppelgänger brand can undermine the consumers perception of the brand, generating negative associations in the minds of the consumer (Keller, 2013; Thompson, Rindleisch, & Arsel, 2006). Red Bull's ownership of the two football clubs in Europe, Red Bull Salzburg and RB Leipzig has generated a certain amount of negative brand associations. The majority of football is organised within non-profit grassroot organizations. Therefore, some football fans have not accepted the entrance of the commercial players like Red Bull. Football enthusiasts have generated negative images based on Red Bull's brand identity, as displayed in figure 35. During a qualification game in the UEFA Champions league, between Red Bull Salzburg and the Swedish team Malmö FF, stores located in Malmö removed the Red Bull energy drink from their shelves. This, not only affected the brand image negatively, it also directly affected the sales. A statement from a store in Malmö, figure 36, shows the exact wording from a store manager, explaining why the decision was taken to remove the Red Bull drink from the shelves. The existence of this doppelgänger brand, correlates

with Red Bull's polarizing brand strategy. That is, Red Bull wants the consumers to form an opinion on the brand i.e. like or dislike. As explained by Kraihamer, the Global director of marketing and sales "We need people to hate us. As soon as we run out of haters, we have to create a foundation for haters because we lose our sharp image." (Keller, 2008). Kasper Kjempff, marketing manager of Red Bull Denmark, agrees with his colleague. When asked about people who express



Figure 36 Malmö store



Figure 35 Doppelgänger brand

Discussion

negative emotions towards the Red Bull brand, he answered "That's perfect!" (Stausholm & Kristinsson, 2017 Min. 1:22). Kasper Kjempff further explains that even though some may express negative emotions regarding Red Bull's presence within German football, there are also the RB Leipzig fans, and for them Red Bull is the best thing that could have happened.

"For the fans of Red Bull Leipzig 40-50,000, this is the best thing that could happen" (Stausholm & Kristinsson, 2017 Min. 3:00)

The polarizing strategy, therefore, generates network effects that both create positive and negative associations towards the Red Bull brand. Sponsorship is less likely to generate a doppelgänger brand, as the sponsor is not actively participating in the creation of the experience. For example, The Coca-Cola Company sponsors big events like the Olympic Games and the FIFA World Cup, and even though soda drinks possesses many of the same health issues as energy drinks, the amount of negative associations towards Coca-Cola's sponsorships is less likely to create a doppelgänger brand (Heding et al., 2009; Johnson, 2002; Kunz, Elsässer, & Santomier, 2016).

Change in competition

According to numbers from the US market, the carbonated soft drink industry is declining (Beverage Marketing Corporation, 2018). This is the most common reason for firms to diversify into new industries (Grant, 2016; Porter, 2008). The U.S. carbonated soft drink market has been declining since 1998. That year the average American drank around 213 litres of soda annually, while the average consumption in 2014 was down to approximately 160 litres annually (Hsu, 2014; Statista, 2017). The energy drink industry on the other hand has experienced an annual growth rate of around 10%, as well as carrying a high profit margin of up to 40% (Marketline Industry Profile, 2016; Trefis Team, 2014). According to Martin Lindstrom (Appendix 7), the average age of a Coca-Cola drinker is 56 years old, indicating that the typical soda consumer is growing older, as the younger generation seems to be more attracted to the energy drinks. The equity alliance between The Coca-Cola Company and Monster Energy is destined to accelerate growth for both companies. Monster will get access to the world's largest beverage distribution network and an international bottling network, while The Coca-Cola Company intends to absorb Monster's knowledge of the energy drink market (Hsu, 2014; Trefis Team, 2014). According to Stifel¹¹ the alliance is crucial for Coca-Cola's growth, after the alliance Monster's share prices have gone up from around 22 USD in 2014 to over 60 USD in first quarter of 2018 (Hsu, 2014; NASDAQ, 2018; Trefis Team, 2014). The Coca-Cola Company

¹¹ Stifel is a full service brokerage and investment banking firm, listed on the New York Stock Exchange.

possesses financial resources, access to raw material, production sites around the world, a global distribution network and the capability of building and maintaining strong brands. The increased interest of The Coca-Cola Company in the energy drink industry, is a major threat to the Red Bull company, since The Coca-Cola Company possesses the necessary resources to compete. The Coca-Cola brand identity is associated with the emotion of happiness and optimism. This brand identity is not relevant to the energy drink industry, and therefore The Coca-Cola Company has introduced a new brand called Burn to represent the energy drink portfolio. Since the alliance with Monster Beverage Corp was established, the Burn brand has been a part of Monster's portfolio. The Red Bull firm must be aware of the threat that this alliance produces. Monster Energy now incorporate all the necessary resources to compete on global scale. Even though Monster's market share is growing in the US, their home market, Red Bull is still able to charge premium price compared to Monster, as a can of Red Bull costs twice as much as a can of Monster (Meyersohn, 2018).

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Appendices

Appendix 1 – Interview guide

Questions for Kasper I. Kjempff - Interview January 10, 2018, 09.00.

Intro

Can you just briefly introduce yourself?

What are your responsibilities within Red Bull?

Strategy

How do you define the energy drink industry? What are the main substitute products for energy drinks?

What are the core competences of Red Bull? What are the competitive advantages?

How is the decision made, regarding what local events to enter?

Is there a formal process?

Is this process global or does it vary between countries? How does Red Bull evaluate the attractiveness of each industry they enter? (For example, why are they not diversified into handball in Denmark?)

How does Red Bull add value to local events (experiences)?

(What resources does Red Bull possess, that benefit events) Are there synergies between managing different events? (For example, between Neymar Junior Five and Cliff Diving)

How do events create value for Red Bull?

Does an activity (like the soapbox event in Aarhus) increase the sales volume and/or price of the energy drink

and/or does it create value in another way?

Brand

How would you define Red Bull's target groups? (In relation to audiences, and personality traits)

How does Red Bull benefit from its brand? Is brand loyalty measured?

Appendix 2 - Summary of Interview with Kasper Kjempff

Recording attached on USB "Interview Kasper Kjempff"

Intro - Production

Basically, its producing a soft drink, so that's just how it is... 1.41

It's one plant on the border between Austria and Switzerland... it is a side-story but its more in terms of one country is in the EU the other is not, regarding if you want to export things, inside and outside EU. 1.50

There have been hundreds attempts to find places to produce elsewhere, because it is not economical rational to produce everything in the middle of Europe and then ship it to everywhere in the world. 2.40

But it's simply because the owner is so keen on the alpine water 2.50

Basically, if we are going to have production somewhere he should accept the water quality, and that has not happen yet.

Can you briefly introduce yourself?

Kasper Kjempff, Marketing Manager of Red Bull Denmark... 4.10

What are your responsibilities then as Marketing Manager?

I have around 40 people in the team, 17-18 of them sit here at the office, which is our sport marketing, cultural marketing, brand marketing and digital and communication which is our production unit. And then under the brand team we have something we call consumer collectors. 4.50

How do you define the Energy drink industry?

We look at the energy drink as a functional beverage... adding caffeine in an amount above the 22 mg per 100 ml.

6.40

Take for example a Cola it will probably have around 10 or 11 mg caffeine per 100 ml 7.00

We define energy drinks as the functional drinks that contains caffeine, so if it does not contain caffeine it is not an energy drink.

7.20

Energy can come from sugar, or every other source, but when we look at competition we look at products that contains caffeine

7.25

What are then substituting products?

We talk about what we call moments of need... a moment of need is when you will actually need the functional beverage...

7.45

Coffee is a substitute, in some moments of need 8.00

For example, it will not be a substitute right after training but in the evening or after dinner it would maybe be a substitute for a Red Bull. But Red Bull contains also a lot of other stuff as taurine and sugar. 8.20

There are certain times of the day where coffee is a substitute and certain times where it is not.

8.30

energy shots are very popular with the athletes, because it is without the carbonation. It's much easier to use. 9.10

It is a niche market, and it become more a medical product than a functional beverage. 9.35

Energy shots are a part of the energy drink category, but not the functional energy drink industry 9.45

What do you see as the core competences of Red Bull, within the energy drink industry?

Red Bull was the first beverage out there being an energy drink 10.30

We were opening the doors regarding everything from tax, to legal barriers, defining what is allowed and what is not allowed.

10.50

That off course means that in most markets we are in, we are the category leader. Because we were also the first product there. So that is a legacy that we build on in terms of competencies. 11.00

Then you can say, that Red Bull compared to the big competitors out there globally like Monster and Rockstar, and locally Faxe Kondi Booster. We are building another company where the core competencies more relate to the brand.

11.10

Instead of focusing on price or distribution or any other key metrics in the value chain 11.25

So not say that there is something wrong in building a business around that, we see that in those market we are, there are no other energy drink that are buildings its brand as red bull, maybe besides the US because it is such a huge market.

11.30

We need to have the production, and the distribution but the key value lies in the brand. 12.00

How is the decision process regarding which sport events to enter?

It's quite a long process, having 40-50.000 in front of the opera in Copenhagen takes quite a while to plan. Regarding approvals and other legal stuff. 12.45

We are now in January 2018, in a month I have to hand in my draft regarding our plans in 2019 13.10

Everything start locally in terms of events... we are building a marketing plan based on the local needs, and if there is part of the brand that we have to focus on. 13.12

Then we have an internal guideline focusing on how much time we have to spent on our core markets, like snowboarding or surfing, that we have done for 30 years, and are known to do well, but also adding on new markets or new sports.

13.50

There is no writing rule about how to do, but what we do is to send this draft (marketing plan) to our global head quarter, where we have a global team.

14.50

It starts always in one market, then if it is a success, maybe it will be introduced somewhere else. 15.00

We have close contact with our network in other markets 15.40

We have these meetings once a year where the different departments from different locations meets to transfer ideas.

Appendices

15.50

We then transfer experiences and ideas. Influencing each other and everything is then gathered in a big database within Red Bull, called Red Bull sports nest.

16.00

Where we are measuring key parameters like how many people attend, success factors and problems, so if you want to replicate, you have a lot of important information. 16.10

Taking an event from Japan and then executing it in Denmark, there is more or less a book writing about how to do that.

16.20

Then we have what we call world series, like cliff diving, if you want to have an event like that you are simply adding a stop to the world series. 16.40

Off course we have as well the 3-5 years planning, because some events are so big that you cannot plan it and execute it within a year.

18.45

How do you evaluate the attractiveness of the different sport industries?

We look at several parameters, but in general it can be divided into two, Is there a moment of need within this sport for energy drinks. And how fare is it from the red bull brand. And can we make it something that are "redbulish".

22.00

if we want to talk to the 16-18 years old we don't want to talk to them through handball, maybe they are playing handball but they are not identifying themselves with handball. We then want to figure out how we can catch the interest for this specific audience.

23.00

it is not about your actual age its more about how you feel about yourself, we always say that everyone wants to be 22

24.00

If we cannot build the feeling within a sport, then it's not the right sport for us. 24.30

If the audience is growing so big, then maybe moving into football in Germany is the right move, as the mainstream consumers as well is a key consumer for Red Bull. 24.50

If we don't see that we fit in in a credible way, we know that we would have to make so many sacrifices on behalf of the brand, and this is our key value and competencies, so if we have to make too many sacrifices then we don't go there.

26.00

How does Red Bull add value to the local/global sport events?

9,9 out of 10 firms who enter espors buy a team or sponsor a team, but that does not add any value to the team.

28.00

What we try to do in espors is to build talent academies, working with the people that are not pros yet, and it is the same way we went into, football, ice hockey, formula 1 etc. 28.10

Instead of the push effect then rather we create the pull. 28.40

It is the same recipe in every sport we are entering, we know exactly what to do when we enter into a new sport scene. We know how we want to be perceived and we know how we want to do. 30.00

Basically, the recipe of finding the right credible partner that has the same idea, Is the same. 30.30

Appendices

They are actually making money, by saying that red bull is sponsoring them, because then people know that this is something that will be done seriously. 30.50

off course, there are synergies. There are synergies in the tools we are using for example the techichal facilities, we have music studios all over the world. 31.00

We can send our athletes to our common facilities, where we have the best physicians, the best physiologist, the best mental coaches.

31.10

All our athletes go down there every year, to be tested and to work out a plan with some experts. To support their development and results.

31.40

We give the talent the opportunity to take his sport more seriously and teach him how to get the best route to success.

32.00

Off course we have a global network, that makes us more valuable, for example if we are going to attract a Danish talent, then he is thinking, okay then I can maybe go and play for one of the big teams, in Germany, US or somewhere else.

32.47

How does the sport activities create value for red Bull?

We have three types of events, starting from the bottom we have third parties' events... what we do here is to support with tools and products. Then we have our own events, where we define the event. Then there is the last part for example x-games, it's not our event but 60 % of the athletes there are our athletes. 33.30

What we get back from being a part of a third parties event is that we are seen as being part of lot of things, without changing or physically doing something. 36.00

In the beginning its probably us adding more value to the scene or the event, but we off course invest in something that can grow, where then in the end it will add value to us. 37.21

We don't measure 100 different things 37.35

we do one survey every year, it is the same survey all over the world, where we measure the brand strength. 38.10

If we were measuring ROI every time, then we could not continue with content marketing, or whatever you call it, were we focus on the brand love. Because in the end we cannot measure how the effect is. 38.40

From day one, there have been a clear idea about this works and we believe in the strategy, and we will continue with that then sales can go up and down brand strength can go up and down but we believe this is the right path

39.10

How do you measure brand strength?

In Red Bull we have two parameters one we call brand love and one we call can love. 39.40

How much do you love the brand, that's all about the traditional awareness, and interest 40.00

we measure on can love what is more about the usage of the product, how often do you use, in what moment of need, do you use it. 41.13

Fitness is most likely one of the most competitive markets, because there you have all kinds of hybrid products.

41.55

The biggest data pool and the biggest value we get is actually the network of people, that are comparable. 42.30

What is a loyal customer for Red Bull?

That is can love, people who are actually drinking the product, here of course we measure on frequency we measure something we call PPC (per capital consumption) in every market we have a score, so it's not about how many cans we sell but it's about how many cans we sell compared to the size of the market. 43.30

A loyal customer is different depending on which segment he is in. 44.25

A loyal esports customer may drink 15-20 red bulls a year, a loyal fitness customer may only drink 5 red bull.

44.39

If there is a strong moment of needs then we expect loyal customers to consume more products. 45.00

Different needs, makes different scales, but we measure on frequency. 45.15

How do you define your different target groups?

The new thing is really that the metrics we work with has both segments and interest. A segment could be like age group or female, on the hand we have interest like the different moments of need. We have 36 different audiences, within those moments. 46.00

when we plan an event, we then are looking at subgroups within the segment, we want to do something for, then we combine up to three audience where we can do a difference for the segment. 47.40 The world of social media today, maybe that guy, has a stronger reach within his niche. So if we support an athlete then we are going into his community. 50.00

The segments we are looking into now is the age from 18 to 29 and females because we have to put focus on females to grow.

51.50

Maybe we are targeting a certain subgroup of females who are interested in red bull 53.30

If we want to grow even more we may have to target something that are not within the red bull brand yet. But it still have to be credible, maybe we can go in to street dance. 53.40

Is It possible to have a loyal customer that does not consume red Bull?

Yes, the brand love is our potential, we are building a live style brand. Potentially we could grow our can love because the brand love is already strong enough. 56.40

a lot of the things we do is of course towards the one who loves our brand, while we hope we can grow them into customers.

57.30

The media house, is an entity within red bull... its also a business that runs on its own, but its also building up the beverage brand.

58.00

We are aiming to be the number one in the beverage and media business 58.15

The beverage pay for the early media house investment 58.30

There is a synergy between the media house and the beverage

59.00

Its not an red bull strategy if we do not own it, its not red bull to sponsor a football or forula 1 team. We grow it up from the bottom.

59.10

Appendix 3 – Interview guide, consumer interviews

Intro Age: Nationality: Gender:

Do you know Red Bull?

Do you consume the Red Bull energy drink?

Quality

Do you think Red Bull increases your mental or physical performance?

Creditability

What do you think of Red Bull? (Is it good, is it bad) Do you like the Red Bull brand? Do you connect the Red Bull brand with any sport activities? Are those activities of interest to you?

Consideration

Do you feel Red Bull is superior to their competitors? Is Red Bull a premium brand?

Feelings

What feelings or emotions do you connect to Red Bull?

Does Red Bull or their activities give you a feeling of excitement? How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? How, can you describe in more detail?

Attitudes

Do you ever talk about Red Bull? Are you interested in learning more about Red Bull?

Appendix 4 – Transcript of consumer interviews

Consumer 1

Intro

Age: 21 Nationality: Swedish Gender: Female

Do you know Red Bull? Yes Do you consume the Red Bull energy drink? No

Quality

Do you think Red Bull increases your mental or physical performance? None of the options

Creditability

What do you think of Red Bull? (Is it good, is it bad)

Red Bull is an energy drink with a lot of sugar and caffeine. Not of my interest.

Do you like the Red Bull brand?

I don't like the brand because they try to sell a product that turns out to be something different than it really is. They advertises the product as a drink that improve a performance, but it is really just a soda drink. Do you connect the Red Bull brand with any sport activities?

Extreme sport- because they are the sponsors behind a lot of these activities.

Are those activities of interest to you?

No

Consideration

Do you feel Red Bull is superior to their competitors? No. I know a lot of people there are drinking Monsters instead of Red Bull

> Is Red Bull a premium brand? No

Feelings

What feelings or emotions do you connect to Red Bull?

Energetic and sparkling

Does Red Bull or their activities give you a feeling of excitement?

No

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

No

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable?

No-on the contrary

How, can you describe in more detail?

As I stated in the start I think that they try to sell a product that turns out to be something different than it really is. And therefor I think they are UNreliable

Attitudes

Do you ever talk about Red Bull?

No Are you interested in learning more about Red Bull? No thanks

Consumer 2

Intro

Age: 21 Nationality: Swedish Gender: Female

Do you know Red Bull? Yes Do you consume the Red Bull energy drink? No

Quality

Do you think Red Bull increases your mental or physical performance? None of the options

Creditability

What do you think of Red Bull? (Is it good, is it bad)

Red Bull is an energy drink with a lot of sugar and caffeine. Not of my interest.

Do you like the Red Bull brand?

I don't like the brand because they try to sell a product that turns out to be something different than it really is. They advertises the product as a drink that improve a performance, but it is really just a soda drink.

Do you connect the Red Bull brand with any sport activities?

Extreme sport- because they are the sponsors behind a lot of these activities.

Are those activities of interest to you?

No

Consideration

Do you feel Red Bull is superior to their competitors?

No. I know a lot of people there are drinking Monsters instead of Red Bull

Is Red Bull a premium brand?

No

Feelings

What feelings or emotions do you connect to Red Bull?

Energetic and sparkling

Does Red Bull or their activities give you a feeling of excitement?

No

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

No

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable?

No-on the contrary

How, can you describe in more detail?

As I wrote in the start I think that they try to sell a product that turns out to be something different than it really is. And therefor I think they are UNreliable

Attitudes

Do you ever talk about Red Bull? No Are you interested in learning more about Red Bull? No thanks

Consumer 3

Intro Age: 25 Nationality: France Gender: Male

Do you know Red Bull? Yes Do you consume the Red Bull energy drink? Only together with alcohol ;)

Quality

Do you think Red Bull increases your mental or physical performance? The caffeine will of cause effect your physical performance which is scientifically proved. But I think the mental effect is almost as big as the physical or maybe more for some people

Creditability

What do you think of Red Bull? (Is it good, is it bad) I don't like the taste and the smell is disgusting

Do you like the Red Bull brand?

I think Red Bull is an inspiring brand with an insanely strength to growth and I deeply respect their marketing department

Do you connect the Red Bull brand with any sport activities?

Extreme sports and weird sports activities like the run with homemade wooden cars

Are those activities of interest to you?

I think it's interesting to see sports activities that you were not aware of existed

Consideration

Do you feel Red Bull is superior to their competitors?

Definitely, people are not saying they want an energy drink, they say "I want a Red Bull"

Is Red Bull a premium brand?

Within the "energy drink world" it might be a premium brand. But I don't see Red Bull as a premium brand.

Feelings

What feelings or emotions do you connect to Red Bull?

Power, strength, "do it yourself felling", active, explore,

Does Red Bull or their activities give you a feeling of excitement?

I think Red Bull activities are fun to watch but I wouldn't call it excitement

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

For sure!

How, can you describe in more detail?

I don't thing Red Bull is using their bull logo to show weakness.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable?

I don't. But I'm sure a lot of consumers are looking up to all the extreme sport professionals

How, can you describe in more detail?

Attitudes

Do you ever talk about Red Bull?

Can you avoid that? I think everyone knows Red Bull and somehow have a connection with the brand, either if you disgust it or you are a Red Bull'holic.

Are you interested in learning more about Red Bull?

I would like to know how they succeeded in expanding their business from 0 to 100 in no time so I can do it myself

Consumer 4

Intro

Age: 24 Nationality: Icelandic Gender: Female

Do you know Red Bull? Yes Do you consume the Red Bull energy drink? No

Quality

Do you think Red Bull increases your mental or physical performance? Possibly mental performance, I think it might lengthen the time you can performe

Creditability

What do you think of Red Bull? (Is it good, is it bad)

I think mostly bad, to me it seems very synthetic

Do you like the Red Bull brand?

Yes

Do you connect the Red Bull brand with any sport activities?

Yes

Are those activities of interest to you? No

Consideration

Do you feel Red Bull is superior to their competitors?

Yes

Is Red Bull a premium brand? Yes I think so.

Feelings

What feelings or emotions do you connect to Red Bull?

I don't really connect any feelings to the brand - when I think of Red Bull I think of gaming (esports),

snowboarding etc., and partying. And I think of guys/men as consumers...

Does Red Bull or their activities give you a feeling of excitement?

No, not really

How, can you describe in more detail?

I can see how it may be related to excitement for others, but as I am not really into the activities I connect with Redbull, it doesn't bring excitement out in me...

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

No, even though I think of Xgames, I don't.

How, can you describe in more detail?

I connect Redbull more with gaming, and to me that is not very tough.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? I do not think I will become successful from drinking it, but I think Redbull as a brand is successful. I am not sure I consider the product reliable though, but that is because I do not really consume energy drinks.

How, can you describe in more detail?

See above

Attitudes

Do you ever talk about Red Bull? No Are you interested in learning more about Red Bull? Not really.

Consumer 5

Intro Age: 25 Nationality: Danish Gender: Male

Do you know Red Bull? Yes Do you consume the Red Bull energy drink? Yes, but very rarely.

Quality

Do you think Red Bull increases your mental or physical performance? No

Creditability

What do you think of Red Bull? (Is it good, is it bad) Fine with vodka. But as an energy drink it is way to synthetic

Do you like the Red Bull brand?

Yes, I like the way they engage in a lot of extreme sports Do you connect the Red Bull brand with any sport activities? Extreme sport and some football clubs.

Are those activities of interest to you?

Yes, most football but I like to watch extreme sport

Consideration

Do you feel Red Bull is superior to their competitors?

Yes in marketing and market share but not in quality.

Is Red Bull a premium brand?

Yes it is expensive compared to other synthetic energy drinks

Feelings

What feelings or emotions do you connect to Red Bull?

A short rush of energy. I like the branding part.

Does Red Bull or their activities give you a feeling of excitement?

Only the extreme sport engagement.

How, can you describe in more detail?

I think it is cool that they do so much for extreme sport. They give the opportunity for a lot of people

to express their sport and provide attention.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? No, more just extreme.

How, can you describe in more detail?

In do not think of Red Bull in the sense of like a big tough lumberman, but more like extreme in doing crazy, cool and weird thinks.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable?

No.

How, can you describe in more detail? No I don't.

Attitudes

Do you ever talk about Red Bull? No. Are you interested in learning more about Red Bull? No.

Consumer 6

Intro Age: 25 Nationality: Danish Gender: Male

Do you know Red Bull? Yes Do you consume the Red Bull energy drink? Yes, but very rarely.

Quality

Do you think Red Bull increases your mental or physical performance? No

Creditability

What do you think of Red Bull? (Is it good, is it bad)
Fine with vodka. But as an energy drink it is way to synthetic
Do you like the Red Bull brand?
Yes, I like the way they engage in a lot of extreme sports
Do you connect the Red Bull brand with any sport activities?
Extreme sport and some football clubs.

Are those activities of interest to you?

Yes, most football but I like to watch extreme sport

Consideration

Do you feel Red Bull is superior to their competitors? Yes in marketing and market share but not in quality.

> Is Red Bull a premium brand? Yes it is expensive compared to other synthetic energy drinks

Feelings

What feelings or emotions do you connect to Red Bull?

A short rush of energy. I like the branding part.

Does Red Bull or their activities give you a feeling of excitement?

Only the extreme sport engagement.

How, can you describe in more detail?

I think it is cool that they do so much for extreme sport. They give the opportunity for a lot of people to express their sport and provide attention.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? No, more just extreme.

How, can you describe in more detail?

In do not think of Red Bull in the sense of like a big tough lumberman, but more like extreme in doing crazy, cool and weird thinks.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? No.

How, can you describe in more detail?

No I don't.

Attitudes

Do you ever talk about Red Bull? No. Are you interested in learning more about Red Bull? No.

Consumer 7

Intro

Age: 18 Nationality: Danish Gender: Male Do you know Red Bull? Yes Do you consume the Red Bull energy drink? Occasionally, however I often opt for cheaper alternatives.

Quality

Do you think Red Bull increases your mental or physical performance? I am of the belief that Red Bull doesn't directly increase mental nor physical performance, the attractiveness of Red Bull - for me - is the caffeine contents.

Creditability

What do you think of Red Bull? (Is it good, is it bad)

My general perception of Red Bull is good.

Do you like the Red Bull brand?

Red Bull is a multi-national and well-established brand that sponsor a lot of interesting events.

Do you connect the Red Bull brand with any sport activities?

My associations pertaining to Red Bull are mainly sport activities.

Are those activities of interest to you?

I do find the activities interesting, however I am mostly inclined to the winter sports.

Consideration

Do you feel Red Bull is superior to their competitors?

Yes, I consider Red Bull's only real competitor to be Monster and I don't perceive them to be anywhere equals near Red Bull.

Is Red Bull a premium brand?

Absolutely, Red Bull is by far the most expensive energy drink. Compared to what you can get at your local supermarket for less than half of the price, Red Bull is absolutely a premium brand, which I believe is also a main contributor to the attractiveness of Red Bull.

Feelings

What feelings or emotions do you connect to Red Bull?

Euphoria and fearlessness

Does Red Bull or their activities give you a feeling of excitement?

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

Absolutely

How, can you describe in more detail?

All Red Bull athletes and events connected to their brand is outdoorsy and can be put in the category of extreme (or tough) outdoor sports.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable?

Yes.

How, can you describe in more detail?

There is a certain "rawness" to the Red Bull brand, and that paired with the "Red Bull gives wings" slogan it feels like the message that Red Bull is trying to push is that those who drink it will become more successful/reliable.

Attitudes

Do you ever talk about Red Bull?

Not as a sole topic of conversation, but Red Bull will however sometimes be part of a discussion or conversation.

Are you interested in learning more about Red Bull?

Not in particular but I do look forward to see what they have in store for us next.

Consumer 8

Intro

Age: 18 Nationality: Denmark Gender: Non-binary (male)

Do you know Red Bull? Yep

Do you consume the Red Bull energy drink?

Nope

Quality

Do you think Red Bull increases your mental or physical performance? Nope

Creditability

What do you think of Red Bull? (Is it good, is it bad) I personally do not love it, but it is alright.

Do you like the Red Bull brand?

The brand does some pretty cool stuff (for example Felix Baumgartner)

Do you connect the Red Bull brand with any sport activities?

Extreme sports in general

Are those activities of interest to you? I would not want to practice them, but they are cool to look at

Consideration

Do you feel Red Bull is superior to their competitors?

In some perspectives they are superior (for example in marketing), but in taste there are some energy drinks that are better.

Is Red Bull a premium brand?

Yep

Feelings

What feelings or emotions do you connect to Red Bull? I do not really have any emotional connection to the brand, or the drink.

Does Red Bull or their activities give you a feeling of excitement?

It is cool to look at, but I do not feel any excitement or adrenaline.

How, can you describe in more detail? Nope

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? They do sometimes have "adventurous" activities, like mountain climbing, so I guess.

How, can you describe in more detail?

Mountains are outside, so the brand seems "outdoorsy".

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? Nope.

How, can you describe in more detail?

I do not do the activities myself, thereby I do not feel successful, just by watching a video.

Attitudes

Do you ever talk about Red Bull?

Nope.

Are you interested in learning more about Red Bull? Nope

Consumer 9

Intro

Age: 24 Nationality: Australia Gender: Male

Do you know Red Bull? Yes. Do you consume the Red Bull energy drink? On very rare occasions. Once or twice a year.

Quality

Do you think Red Bull increases your mental or physical performance?

Not at all. It gets my energy level up for a short period of time but not in a way where I feel comfortable in my body.

Creditability

What do you think of Red Bull? (Is it good, is it bad)

I like the taste of Red Bull but as aforementioned it makes me feel uncomfortable.

Do you like the Red Bull brand?

Yes, in my opinion they do a great job in the markets they position themselves. In particular Red

Bull Music and their different activities within sport.

Do you connect the Red Bull brand with any sport activities?

Yes. Football, extreme sports and Formula 1.

Are those activities of interest to you?

Football is one of my greatest interests. Formula 1 to some extent.

Consideration

Do you feel Red Bull is superior to their competitors?

In terms of energy drinks I would perceive Red Bull as being superior to its competitors. However, Monster should not be underestimated in this context.

Is Red Bull a premium brand?

Compared to its energy drink competitors, yes.

Feelings

What feelings or emotions do you connect to Red Bull?

Energy and tiredness at the same time, uncomfortable, unnecessary.

Does Red Bull or their activities give you a feeling of excitement?

How, can you describe in more detail?

I am huge fan of the platforms Red Bull provides for upcoming music artists, and the music venues they engage in. Personally, I am very engaged about discovering and listening to upcoming artists. Thus I have great respect for Red Bull in this particular setting.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

How, can you describe in more detail?

Yes, especially the tough part as they engage in ''tough'' things such as extreme sports and underground music.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? Yes, especially successful.

How, can you describe in more detail?

- 1. They are superior in terms of energy drinks.
- 2. Red Bull is the first brand that comes to my mind in terms of extreme sports.
- 3. Red Bull is the first brand that comes to my mind in terms of local music venues in Copenhagen.
- 4. Red Bull is the first brand that comes to my mind in terms of brands really getting engaged in football clubs.

Attitudes

Do you ever talk about Red Bull?

Yes i do. Primarily in terms of their energy drink and their music venues.

Are you interested in learning more about Red Bull?

Yes. Their music activities in particular.

Consumer 10

Intro

Age: 18

Nationality: Icelandic Gender: male

Do you know Red Bull? Yes! Do you consume the Red Bull energy drink? Yes, occasionally!

Quality

Do you think Red Bull increases your mental or physical performance? Yes

Creditability

What do you think of Red Bull? (Is it good, is it bad)

Tastes good, very sweet!

Do you like the Red Bull brand?

No!

Do you connect the Red Bull brand with any sport activities?

Yes, football

Are those activities of interest to you?

Yes!

Consideration

Do you feel Red Bull is superior to their competitors? Have only tasted Red Bull.

Is Red Bull a premium brand? Popular brand

Feelings

What feelings or emotions do you connect to Red Bull?

Nothing!

Does Red Bull or their activities give you a feeling of excitement? No

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? No! How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? No! How, can you describe in more detail?

Attitudes

Do you ever talk about Red Bull? No! Are you interested in learning more about Red Bull? Sure!

Consumer 11

Intro

Age: 22 Nationality: Iceland Gender: female

Do you know Red Bull? Yes! Do you consume the Red Bull energy drink? No!

Quality

Do you think Red Bull increases your mental or physical performance? No!

Creditability

What do you think of Red Bull? (Is it good, is it bad)

It is unhealthy

Do you like the Red Bull brand?

Sure!

Do you connect the Red Bull brand with any sport activities?

Yes, skiing!

Are those activities of interest to you?

Yes!

Consideration

Do you feel Red Bull is superior to their competitors? Yes, absolutely!

Is Red Bull a premium brand? Yes!

Feelings

What feelings or emotions do you connect to Red Bull? Happiness! Does Red Bull or their activities give you a feeling of excitement? Yes!

How, can you describe in more detail? They are connected to extreme sports.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? Yes, because of skiing!

How, can you describe in more detail?

They are performing things that I cannot do.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? Successful, yes -

How, can you describe in more detail?

They are doing something extreme that works, performing something dangerous on motorcycle for example something you think is simply impossible to do.

Attitudes

Do you ever talk about Red Bull? No! Are you interested in learning more about Red Bull? No!

Consumer 12

Intro

Age: 23 Nationality: UK Gender: male

Do you know Red Bull? Yes! Do you consume the Red Bull energy drink? Yes, occasionally!

Quality

Do you think Red Bull increases your mental or physical performance? Yes!

Creditability

What do you think of Red Bull? (Is it good, is it bad) It tastes good!

Do you like the Red Bull brand?

Yes, I think the brand is cool. Do you connect the Red Bull brand with any sport activities?

Yes, football and Formula 1

Are those activities of interest to you?

Yes!

Consideration

Do you feel Red Bull is superior to their competitors? Yes, absolutely!

Is Red Bull a premium brand? Yes!

Feelings

What feelings or emotions do you connect to Red Bull? Success and excitement

Does Red Bull or their activities give you a feeling of excitement? Yes How, can you describe in more detail? They are doing things that others would never do.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? Yes! How, can you describe in more detail? Snowboarding and motocross are tough and outdoorsy in my mind!

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? Successful

How, can you describe in more detail?

They are doing incredible well in all the sport activities they participate in, RB Leipzig is a great success in the German Bundesliga for example.

Attitudes

Do you ever talk about Red Bull? Sometimes, maybe more the activities of Red Bull. Are you interested in learning more about Red Bull? Not maybe Red Bull but rather the activities they participate in.

Consumer 13

Intro Age: 25 Nationality: US

Gender: Male

Do you know Red Bull? *Yes* Do you consume the Red Bull energy drink? *Yes (Approximately twice a month with alcohol)*

Quality

Do you think Red Bull increases your mental or physical performance? Yes (to get energized while drunk)

Creditability

What do you think of Red Bull? (Is it good, is it bad) *Good*Do you like the Red Bull brand? *Yes*Do you connect the Red Bull brand with any sport activities? *Yes*Are those activities of interest to you? *Yes*

Consideration

Do you feel Red Bull is superior to their competitors? Yes

Is Red Bull a premium brand? Yes

Feelings

What feelings or emotions do you connect to Red Bull? None

Does Red Bull or their activities give you a feeling of excitement? No

How, can you describe in more detail? I see Red Bull as a major energy drink company who are prior to all their competitors because of better branding.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? *Yes*

How, can you describe in more detail? Extreme sports

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? No

How, can you describe in more detail? I see them as a company who sponsors large events or sports teams.

Attitudes

Do you ever talk about Red Bull? Yes Are you interested in learning more about Red Bull? No

Consumer 14

Intro

Age: 23 Nationality: Norway Gender: Female

Do you know Red Bull? Yes. Do you consume the Red Bull energy drink? Sometimes, but only mixed with either Vodka or Jägermeister.

Quality

Do you think Red Bull increases your mental or physical performance? I think, that drinking Red Bull gives you more energy.

Creditability

What do you think of Red Bull? (Is it good, is it bad)

Good when you want to feel more energetic, but all in all I think it is unhealthy because of the amount of sugar.

Do you like the Red Bull brand?

I think it is fine. I really never think about it.

Do you connect the Red Bull brand with any sport activities?

Soccer, Formula 1 and diving.

Are those activities of interest to you?

I sometimes watch Formula 1, but Red Bull is not the reason for this. I would also like to watch one of the diving competitions.

Consideration

Do you feel Red Bull is superior to their competitors?

In my opinion yes. But I have experienced some people choosing for example Monster. But I guess Red Bull is superior which is probably because it's been around for a longer period of time.

Is Red Bull a premium brand?

I guess. If I needed to buy an energy drink, I would not buy any other brand.

Feelings

Appendices

What feelings or emotions do you connect to Red Bull?

Happiness and energetic.

Does Red Bull or their activities give you a feeling of excitement?

Maybe a very tiny bit of excitement.

How, can you describe in more detail?

For me the excitement shows because Red Bull sponsors many sports teams. When I think of Red Bull, I think of being active.

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy? Not tough, but sometimes outdoorsy I guess.

How, can you describe in more detail?

Outdoorsy because of the diving events they throw.

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable?

Successful - no. Reliable - Reliable in the way, that I know what I get

How, can you describe in more detail?

Attitudes

Do you ever talk about Red Bull? In general – no.

Are you interested in learning more about Red Bull? Nope.

Consumer 15

Intro Age: 25 Nationality: Danish Gender: male

Do you know Red Bull? Yes. Do you consume the Red Bull energy drink? Approximately once a year in combination with alcohol

Quality

Do you think Red Bull increases your mental or physical performance? I think so, yes. Due to caffeine and sugar it must have some kind of effect, in the short run.

Creditability

What do you think of Red Bull? (Is it good, is it bad)

I don't think its doing anything good for me, but compared to other carbonated drinks there is no difference.

Do you like the Red Bull brand?

I like the Red Bull Brand way more than I like the energy drink itself.

Do you connect the Red Bull brand with any sport activities?

Yeah, they are within so many different sport activities, Soccer, Formula 1, Snowboarding, Surfing,

Bicycling and then for example cliff diving as well.

Are those activities of interest to you?

I sometimes watch the RB Leipzig soccer team playing, as well as a lot of Red Bull content about the other stuff on social media.

Consideration

Do you feel Red Bull is superior to their competitors?

I think so, I would never consider to buy a Monster, that once a year experience with energy drinks, has to be a Vodka Red Bull, or Jägerbombs with Red Bull.

Is Red Bull a premium brand?

I think so, just look at the price of a Red Bull compared to their competitors its insane how big a difference there is.

Feelings

What feelings or emotions do you connect to Red Bull? Success, Activity and excitement.

Does Red Bull or their activities give you a feeling of excitement?

The sport activities of Red Bull creates this excitement, due to the fact that the sport is so competitive.

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being tough or outdoorsy?

I think some of the Red Bull activities would be both tough and outdoorsy, while others would be only one of them. This short but extremely tough run up a mountain side is a great example I think.

How, can you describe in more detail?

Do you connect the Red Bull brand or their activities with the feeling of being successful or Reliable? Definitely, all the athletes or teams they are working with within their sport activities are successful, they are only working together with number one, and if not number one, then that one guy or team that they can bring to the top.

How, can you describe in more detail?

Attitudes

Do you ever talk about Red Bull? Only their activities. But I do that often Are you interested in learning more about Red Bull? No, not really. But to a certain degree learning more about the activities within for example soccer.

Appendix 5 – Summary of presentation from Kasper Kjempff

Recording attached on USB "Presentation Kasper Kjempff, Parts 1,2 and 3"

Content marketing

When it comes to Red Bull we have been doing what is called content marketing since 1987 4.08 red bull part 1

When talking about content marketing we talk about experience, it's all about creating an experience, when we decide on our marketing plan, we are deciding on which kind of experiences we are going to create. 4.35 red bull part 1

3 levels of experiences

Global events: extremely hard to plan and to execute (Baumgartner 7 year plan)

We may not decide to do it again. did It really have an impact on your, honestly really?

5.10 red bull part 1

We need to create experiences that move people a lot more, we need to create experiences that moves the entire world 6.20 red bull part 1

everything we do is created towards a specific target group, segment, whatever you call it

6.26

This meant a lot to the snowboard community 9.38 (video with travis something – 4 years to execute)

It was a way to reach out to all snowboarders, doesn't matter if you're in Austria, Canada in New Zealand 10

Unique live experience

The strongest experiences are what you experience live. 10.50

It doesn't have to be cliff diving, its more about integrating your brand and your product in an amazing way 11.00

It's about how to take our brand and turn it into experiences that can actually excite and engage 11.10

On one side, we got spectator events... on the other we have participating events, which is actually the strongest type of events we have.

12.00

that really showcased the second part of the live experience, where you can have people take your brand and your products and you create that experience, together with their friends and their families. This is something they will remember, and if you then manage to put your brand or your product in the right occasion then you have a really strong case.

14.00

Productions

That's maybe what we are most known for, that when we work with athletes, and they work together with us 15.00

Let's create something that talks to a core scene of his fans 16.00 (about the free ski man)

It probably only makes sense for the core community of free skiers 16.48

Strategy

This content marketing is only the tip of the iceberg 17.00

We are not producing any of this thing because we think it is funny, there is a lot of business behind, there is a lot of strategy behind

17.30

It took a lot of time to create the athlete program we have today, you can talk about how to treat athletes, and how to manage them and their performance. 24.50

Mission vision what you like to call it, giving wings. We always have to ask are this giving wings to something

25.00

We measure how credible we are 34.20

It's about excitement and experiences, creating exciting experiences, to do so you need to be relevant $37.50 - (\text{talking about internal people have to learn about what they are doing, playing esport if they are going to promote for esports)$

What happen in football are actually build on what happened in Formula 1... owning a club, a youth academy and supporting club. 02.00 red bull part 3

Why should an energy drink know a lot about racing? 3.40 red bull part 3

Everyone who works within our football and formula 1 and so on, they work for red bull 4.00 red bull part 3

They go for the same training, they use the same HR system, we have the same marketing. 4.10 red bull part 3

We are both 6.44 red bull part 3 (question on being an energy drink producer or a sport producer (brand)

11 years back Red Bull media house was founded that means owning tv stations, radio, newspaper, magazines everything...

6.55 red bull part 3

We will not be able to run the whole media thing without selling the can 7.00 red bull part 3

Taking talent giving them wings to the next step, that's the idea... We need to make sure that we have a continues flow of talented athletes coming up 39.45 red bull part 3

Brand

We have 20 different mix of the brand 18.20

We have a business need and then we decide which kind of the brand mix we put on top of that, to make sure that the business need is covered. 18.40

We work within red bull today with 36 audiences, an audience can be strong is the new beuatifull, another audience could be soccer. 39.00

we want to reach their interest 40.20

Lets find that audience where we can make a difference, on top of that we put some brand identity... we have 21 identity traits as we call it, we try to mix at least 2 or 3 but often there are up to 5 or 6 into one thing 40.40

Anti branding Doppelgænger

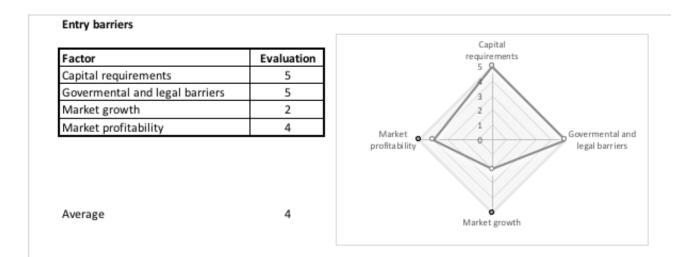
That's perfect 01.22 red bull part 3 (about people hating red bull)

For the fans of Red Bull Leipzig 40-50.000, this is the best thing that could happen... 3.00 red bull part 3 (about people hating red bull)

Denmark

Split into a brand department, a sport department, that takes care of all our athletes, we have the communication department and then we have the production department. 31.40

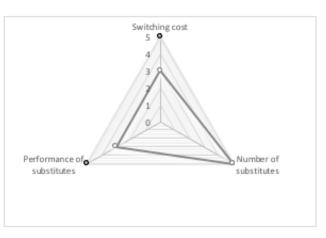
Appendix 6 – Evaluation of the sport industry



Threath of Substituting products

Factor	Evaluation
Switching cost	3
Number of substitutes	5
Performance of substitutes	3

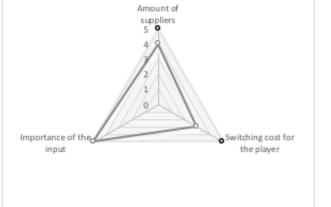


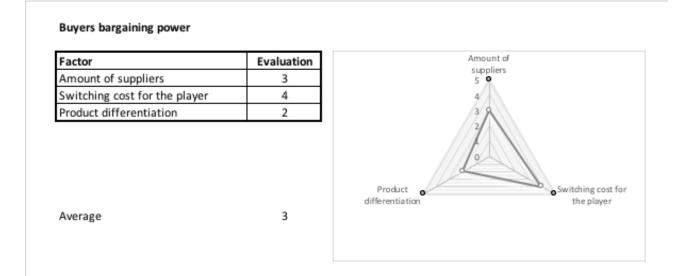


The degree of rivalry Factor Evaluation Number of players Number of players 5 5 Size of players 5 Similarity of players 3 3 2 Access to talent 4 Size of players Exit costo 1 4 Exit cost ő Simil arity of 4,20 Access to talen Average players

Supliers bargaining power

Factor	Evaluation
Amount of suppliers	4
Switching cost for the player	3
Importance of the input	5





Appendix 7 – The dirty marketing secret Coke and Pepsi don't want you to know (email)

"Coke and Pepsi are guarding a secret that could destroy their brands."

If I were to tell you that, what would you think the secret was? Maybe you would guess it had to do with sugar content, obesity rates maybe,... or something more sinister... like carcinogens.

But Pepsi and Coca-Cola have successfully shrugged off those concerns for years. This secret is much more dangerous to their future. Despite their glitzy ads and youthful spokespeople, the secret is that young people don't drink soda. In fact, several years ago my research showed the average age of a Coca-Cola drinker was 56.

For brands that succeed by making their consumers feel cooler and younger, this is a BIG problem, but it's only the beginning.

Coca-Cola has succeeded for 130+ years by thriving as a generation-to-generation brand. For decades, parents have given their children these sodas as a treat, typically after formative moments like a school concert or sporting event. For years, this small gift of a normally forbidden object has represented a symbolic

leap into adulthood and the communal bond it established between parent and child also created lifelong brand loyalty to the soda. After all, 40-year-olds don't usually wake up and change soda brands.

But more recently that trend has ended. These communal moments have disappeared as family meal time has shrunk and screens have taken primacy over face-to-face interactions. Now that they aren't building a bond in childhood, how can these brands attract younger customers?

It's likely already too late for Pepsi and Coke to win the youth over. The younger generation also has a different taste profile than older generations and neither brand can change their formula to appeal to them without losing their older customers.

That's why there are all these new Coca-Cola flavors and why Coca-Cola has started to use their brand as an umbrella for the rest of their products.

These are brands that we think of as perfect, but they have massive challenges.