

**SOS POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION**

MBA FA 405

SUBJECT NAME:

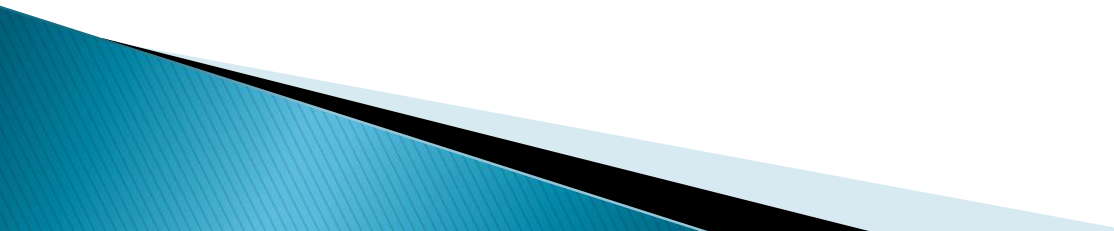
STRATEGIC MANAGEMENT

TOPIC NAME: ENVIRONMENTAL APPRAISAL



- ▶ Over the past couple of years, Red Bull has become a favorite drink for many people. There is a big number of people who do not favor beer as refreshing drink, but prefer energy drinks such as Red bull instead. Throughout recent years, it has gained over 80% market share in the world which is mainly attributed to the fact that it helps people to perform work more effectively due to boos of the energy they gain from the drink. For example, players who take a can of Red Bull before their matches are able to play better. Therefore, its significance in the soft drinks market cannot be overlooked. Hence, Red Bull is the main product for marketing in the United Kingdom owing to absence of health effects and enhancement of people's live through energy boost. Fundamentally, the drink is a stimulant that emphasizes on increasing physical endurance, concentration, speed and improved reaction of the consumer.

ENVIRONMENTAL APPRAISAL:

- ▶ There are several macro-environmental and micro-environmental factors that enhance its suitability, and make it an appealing product to market in the United Kingdom. Such factors will enable it to gain a competitive advantage and increase its market share in the United Kingdom. Undoubtedly, these factors will be a clear indication of the potential success of Red Bull in the U.K.
- 

MACRO ENVIRONMENT:

1) Political – Description Of The System:

- ▶ Current political structure in the United Kingdom might favor the success of Red Bull. There are serious political considerations that need to be addressed before any crucial step is taken to impede the marketing of Red Bull as an energy drink in the United Kingdom (Data monitor 2009). The United Kingdom government would not want to have strained relationships with the government of Austria since the latter banned the sale of Red Bull on its territory. Thus, the former will have to tread carefully in terms of political decisions.
- ▶ Furthermore, over the past couple of years, despite fierce political battle between members of the Labor and Conservative Party, the government of the United Kingdom has been characterized by stability. This has made the country governable; hence, adding to its stability. Therefore, the United Kingdom is a conducive environment to market Red Bull.
- ▶ On the other hand, the government might decide to take a crucial step that may obstruct efforts to market the product in the United Kingdom. For example, it may enact new health regulations that restrict the use of certain elements in drinks. In such case, it may blacklist one of the elements used in Red Bull; hence, hamper the marketing efforts.

2) Economic Statistics And Descriptions:

- ▶ The current economic situation in the United Kingdom may have a critical impact on the success of a business. Even though, London is the financial capital of the world, it is still recovering from the financial depression that rocked many countries in 2009. This resulted to slumps of economic activity that affected spending behaviors of consumers. However, more people are now becoming economically empowered; thus, can spend money on luxuries. (Red Bull 2012).
- ▶ Various aspects of the economy have considerably increased over the past couple of years. These include personal income per capita, average family income and distribution of income. This has been reflected by the improved economic status of many people. Thus, they have more disposable income to use for purchasing desired products. As such, the disposable income can be spent on purchasing several cans of Red Bull for family and friends. In addition, the current inflation rate is relatively low; hence, the prices on drinks would not be affected. Besides, this means that the disposable income of consumers will considerably increase due to moderate inflation levels. This will favour the sale of Red Bull in the United Kingdom as many consumers will have sufficient disposable income to buy their favourite energy drink.

3) Social-Cultural:

- ▶ Various types of religions such as Christianity, Islam or atheism are represented in the United Kingdom. Nonetheless, the most important factor is that none of these prominent religions prohibits consumption of energy drinks owing to the fact that energy drinks do not contain alcohol, which is prohibited in religious teachings. Therefore, it would become easy to market Red Bull to people of different religious backgrounds without being censured. In addition, the main official language in the United Kingdom is English. Thus, the Red Bull company would have to use English language on its labels in order to increase the sales. If it uses another language, there is a high probability, many people will ignore the product and not purchase it. This will, certainly, affect the sales targets of the company.
- ▶ Current economic situation in the country allow its citizens enjoy paid yearly holidays. It is likely that during his holiday one would enjoy the fruits of his/her labor. This includes purchasing various goods, foodstuffs and drinks. Hence, positioning Red Bull as a drink for enjoyment will definitely boost sales of the product (Garden-Robinson and Medenwald 2009).

4) Technology:

- ▶ The existing technological factors in the United Kingdom can have a positive impact on success of Red Bull. United Kingdom is one of the countries that has recorded increased Internet usage. Nearly 95% of the population receives the latest updates on current trends via the Internet. This presents another opportunity for advertising Red Bull via the internet. Therefore, when one is viewing his or her favorite blog or news website, he or she will often come across a Red Bull advert, which entices the customer to purchase the product. For example, if the product is promoted in a popular and trustworthy blog, consumers will treat the product as a must-have; hence, purchase it straightaway (Peterson 2007).

5) Demographic:

- ▶ The United Kingdom has a population of more than 65 million people. Out of this population, the highest number of people is between the age of 15 and 49. This should be the target market for Red Bull. Currently, the 15-19 age group is the most attractive target market for the product as people in this age are known to be hyperactive. (Brassington and Pettitt 2003). Most teenagers would like to involve themselves in activities they were not able to when they were toddlers. In other terms this age group is often referred to as “revelation” age group, since teenagers come to realization of their potential and try themselves in different fields of activities which often require a lot of energy, such as sports.

6) Natural Environment:

- ▶ Currently, the company does not experience any shortage of raw materials. Most of the raw materials it uses come from the environment; hence, easy to access them. For example, the company use aluminum cans, which it recycles to save pressure on destructing the environment. Furthermore, the company enjoys low energy costs since it has focused on increasing efficiency of all its operations. This helps Red Bull to save on energy and conserve the environment. In addition, the company has formulated an internal policy which advocates for conservation of the environment. Primarily, this is informed by the need to reduce pollution of the environment in the United Kingdom.

7) Legal Environment:

- ▶ Favorable business regulations in the United Kingdom are set up in order to attract foreign businesses into the U.K market (Huneker 2010).; thus, the entry of Red Bull into the United Kingdom cannot be hindered. No ingredient used in Red Bull is banned by the existing rules and regulations; thus, making it easier to market the product to various groups of population. Compliance of Red Bull with all existing product regulations enhances the chances to success of the product in this target market.

MICRO ENVIRONMENT:

1) Customers' Profile:

- ▶ Consumer behavior in the United Kingdom can be described as a spendthrift. Sound economic status of the country adds to such behavior. Most citizens normally shop during the evenings and on Saturday mornings. Notably, consumers in the United Kingdom are not mainly focused on the prices, but on the quality of products sold. Thus, in order to appeal to most consumers, it is vital to consider the features and characteristics of the product being offered to them (Cant 2006).
- ▶ According to Sheehan (2011), the most common promotion techniques used in the United Kingdom include sales promotion, media advertisement and the use of coupons. These techniques have been established to entice consumers into buying particular products. For instance, Red Bull has perfected the use of sports marketing and event marketing in increasing awareness of its product. Essentially, the sport personalities use captivating and amusing quotes to entice their fans to purchase Red Bull. By engaging these sport personalities, the product has been able to record increased sales over the last couple of years.

2) Competition:

- ▶ Competition poses a critical challenge to many businesses (Kurtz and Boonie 2006). In the case of Red Bull, it faces tough competition from companies that have already established themselves in the United Kingdom such as Coca Cola and Pepsi. However, there is a distinct difference between Red Bull as a product and products of other companies. The drink is packaged in cans which consumers can easily hold while performing different physical activities such as walking. Vitrally, the advertising methods used by Red Bull are quite unique as they focus on using sports marketing to increase awareness of the product. On the other hand, the company key competitors in the United Kingdom are focused on advertising in the mainstream media. In addition, Red Bull may not have any barriers to enter the UK market as it has already established itself in other countries all over the world. It enjoys economies of scale and worldwide brand equity. Unlike its competitors, it does not depend on other companies to carry out its key operations. Thus, none of its activities will be affected, if another company decides to terminate its activities.

3) Suppliers:

- ▶ Red bull has a distinct selection criteria for supply of its raw materials. Primarily, it only relates with suppliers who enable it to enjoy economies of scale. Some of its suppliers can be said to be strong while others are weak. One of the strong suppliers of Red bull is Glaxo Smith Kline Company, which supplies Glucuronolactone, one of the key ingredients of Red bull energy drink. Its arrangements with the suppliers have enabled Red Bull to gain a competitive advantage. For example, they can bargain for reduced costs of its raw materials.

4) Intermediaries And Channels:

- ▶ The distribution of Red Bull products is quite a complex process. The company typically supplies to wholesalers and supermarkets which deal directly with the consumers. Notably, they have to purchase in bulk from the company; hence, save on distribution costs. Currently, the company does not have any small retailers as most consumers have accustomed themselves to purchasing from the supermarkets. Clearly, its definite distribution channel is from the company to the wholesaler/supermarket.