Mälardalen University
MIMA-International Business and Entrepreneurship
School of Sustainable Development of Society and Technology

EFO705 Master Thesis

The internationalization process of Red Bull from the perspectives of global expansion

Group 2263:
Karakawat Sarasalin 830117
Thitiporn Watthanachai 831031

Supervisor: Jean-Charles Languilaire
23rd November 2009
Abstract

Date: 23rd November, 2009

Level: Master Thesis in International Business and Entrepreneurship (EFO705), 15 credits

Authors: Karakawat Sarasalin (830117-T255)    Thitiporn Watthanachai (831031-T124)  
           ksn08001@student.mdh.se  
           twi08001@student.mdh.se

Title: The internationalization process of Red Bull from the perspectives of global expansion

Supervisor: Jean-Charles Languilaire

Problem Statement: How did RED BULL manage to be as an important central international market player?

Purpose: The purpose of this research is to describe the internationalization process of Red Bull; how Red Bull created, sustained and developed?

Method: We mainly use secondary data and the qualitative data. Qualitative data in the form of interview questions through e-mailing. But we also use quantitative method based on documental research from books and internet.

Conclusion: Red Bull does not follow the standard pattern of establishment chain presented in the Uppsala model. Its establishment chain is composed of three stages: licensing, wholly owned sales subsidiaries and jointed venture. Red Bull has developed strong market within the beverage industry network and strong bonds with its external suppliers. The expansion decisions of Red Bull have been influenced by the factors. Red Bull developed in the European market, we found that it careful consideration about both internal and external factors, Red Bull usually prefers to conquer a new market with a relevant low risk entry mode.

Keywords: Red Bull, internationalization, network, factors
Acknowledgements

This thesis could not have been completed without the help and support of many advices. We would be thankful for our supervisor Jean-Charles Languilaire of his kindness, thoughtfulness and guidance during our research to the right direction, he provided recommendations, explain things clearly and simply also lots of good ideas. We would have been lost without him.

We sincere thanks are due to all the teachers of International Business and Entrepreneurship who has contributed us with extensive knowledge in this field and we also warmly thank our fellow students for their valuable comments, feedbacks and reviewing our research and also thanks to Mr. Sarawut Yoovidhya, the Managing Director and business successor of T.C. Pharmaceutical and Red Bull Co.Ltd. for his time and effort to answer our questions.

Our deepest gratitude go to our families for their support and unflagging love, they are forever remembered that we have no appropriate word that can fully describe their everlasting love to us. All the contributions are acknowledged hereby.

Karakawat Sarasalin (Top)
Thitiporn Watthanachai (Nam)
## Contents

Chapter 1 introduction

A success story of Red bull

1.1 Problem statement

1.2 Purpose

1.3 Target Group

Chapter 2 theoretical framework

Internationalization Theories

2.1 The Uppsala Model

2.2 Entry Modes

2.3 Factors of Internationalization

2.4 Network approach

Theoretical Framework

Chapter 3 method

3.1 Research Approaches

3.2 Qualitative method and Quantitative method

3.3 Primary data and secondary data

3.4 Methods for Data Collection

3.5 Validity and Reliability

Chapter 4 empirical findings

4.1 History of Red Bull (Krating Daeng)

4.1.1 Red Bull’s marketing approach in Thailand

4.2 Internationalization of Red Bull

4.2.1 The expansion of Red Bull to foreign markets
4.2.2 Red Bull’s marketing approach in foreign countries

4.3 Red Bull’s obstacles in marketing

4.4 Red Bull’s Network

Chapter 5 analysis

5.1 Internationalization process of Red Bull

5.2 Foreign Market Entry

5.2.1 Factors Affect Red Bull’s Entry

5.3 Red Bull’s network

Chapter 6 conclusion

7 References

8 Appendix

8.1 Red Bull’s market entries

8.2 Interview with Red Bull
**List of Figures**

Figure 1: The relationship between psychic distance and the establishment chain………………9

Figure 2: The internationalization process of the firms……………………………………………9

Figure 3: Conceptual framework concerning the internationalization process of Red Bull……..15

**List of tables**

Table 1: The main internal and external factors each approach to internationalization theory focuses on……………………………………………………………………………………………12

Table 2: Unstructured and structures approaches to the main research…………………………16

Table 3: Red Bull foreign market entries………………………………………………………………27
CHAPTER 1 INTRODUCTION

This chapter of the introduction we will present the successful story of Red Bull, the problem statement, the purpose, and target group.

A success story of Red Bull

T.C. Pharmaceutical Limited partnership was established in 1956. It imported medicines from England and imported chemicals for manufactures from Germany. After that it started to have manufactures to produce medicines. Until 1981, it continued such successful import business. Indeed, in 1981 Chaleo Yoovidhya, a Blendax licensee (T.C. Pharmaceutical was formed the subsidiary of Red Bull Beverage Co. Ltd. in Thailand) inspired an energy drink called “Krating Daeng” or “Red Bull” was translated of Krating Daeng in Thai. (Krating = Bull, Daeng = Red). In 1984 they were joined by Dietrich Mateschitz an Austrian businessman and billionaire in the name Red Bull GmbH Company in Austria Dietrich Mateschitz became partner holding 49% of shares in the energy drink. Chaleo has been holding 49% of shares and his oldest son Chalerm Yoovidhya has been holding 2% of shares (Knight Ridder, 2003).

In 1987, Red Bull was the new entrepreneurial Thai company. It saw the chance to market functional drinks outside Asia so it begins sales in Austria. Later assembling its own global brand of energy drink, Red Bull has reached $950 million cans in sales 48 countries only in one year. Sales had grown over $10 billion in Austria’s market, Thailand rakes in 12 billion baht (THB 12 billion=$285 million). In 2000 Red Bull was the market leaders as the number one energy drink worldwide (Suh-kyung Yoon, 2000).

Red Bull has started expanding the global market it first foreign market Hungary in 1992, and the United States (via California) in 1997. By 1994, Red Bull was introduced in the United Kingdom and marketed there as Red Bull Stimulation after 1996, Germany, Slovenia European, and Asian markets. In 1999 it entered to Australia. Worldwide sales were logged at 300 million cans in 1998 by Beverage World. By the end of 1999, Red Bull was sold in more than 50 countries, and sales estimates varied between 600 million and one billion cans worldwide. Red Bull was a global leader in producing the energy drink in the United Kingdom and the United States, where it replaced the venerable Lucozade brand owned by pharmaceutical company SmithKline Beecham. Red Bull’s manufacturing facility was opened in Thailand, Austria, China, Indonesia and Vietnam (Red Bull Extra, n.d.).

Currently Red Bull is ranked no.1 in energy drink with $2.6 billion cans in sales and over 130 countries over the world (energy fiend, 2009).

1.1 Problem statement

The success story presented above show that Red Bull thus developed the energy drink as innovation and had grown to become one of the world’s most popular brand energy drinks in present time but it has been banned in France and Denmark (medical news today, 2004). The company faces however competition from a large number of firms, some multinationals. As the original innovator of the health and energy drinks market, though, Red Bull has the advantage of being the market leader (energy fiend, 2009). Its conspicuous position in the fastest-growing
market segment of energy drink in a number of countries has drawn a number of imitators. Red Bull has become a case study in successful guerilla marketing in other countries. The target customer is aimed at hip young people with active lifestyles, though the formula began as a popular tonic for blue collar workers in Thailand.

Red Bull’s rapidly expansion of businesses to international markets is to be seen as an important strategic option to achieve growth. This indicates that Red Bull manages to internationalize their activities whereas the internationalisation process is seen a complex process involving in different internal and external factors has an influence on Red Bull to global expansion. This tension between a complex process and its success by Red bull consist of the problem statement of this thesis.

Understanding the success of Red bull in details can thus be valuable for further development and adaption to other companies. Thus, we think it is relevant to study this company in the lights of their internationalization process. Therefore in this research, we would like to study the internationalization process of Red Bull, how Red Bull manage a complex process being an entrepreneurial firm, it means: how Red Bull entry international markets, and how it manage their business in different factors of internationalized because only some of these entrepreneur have succeed in it, why? How do they do? The main problem research question of our research is;

◆ How did RED BULL manage to be as an important central international market player?

To achieve the above problem statement, the questions are formulated as following;

- What entry mode did Red Bull in Thailand select?
- What factors did influence its expansion?

1.2 Purpose

The purpose of our research is to study; how Red Bull created, sustained and developed their internationalization.

1.3 Target Group

The main of target groups are the students who are interested in the internationalization process as well as the researchers of international business field. Especially, the managers who expect to learn from those successful international entrepreneurs how they entered international.
CHAPTER 2 THEORETICAL FRAMEWORK

This chapter is divided into two main parts. Its consist of theories and conceptual framework. For the relevant theories we discussed the Uppsala model, the choice of market entry modes then the factors of internationalization are also defined and the last is the network approach. Then these theories and concepts are connected by theoretical framework in the end of this part.

Internationalization Theories

According to Andersson, S. (2000) classification the internationalization of firms are two basic approaches to theory on the internationalization process were introduced, which are: the economic approach have been proposed to explain the choice of foreign entry modes by firms. Among the best known are Dunning’s eclectic theory, the International Product Life Cycle Model and the Transaction Cost Approach. And the behavioral approach referred to as the Uppsala model. Both of its call attention to the fact that internationalization can be influenced by external and internal factors (Seifert and Machado-da-Silva, 2007) that we will be mentioned later in the Uppsala model. However the concept of internationalization of firms relate to the firm’s international development over time as well as the decision making process regarding the internationalization of firms in basics evolves around the network approach, choice of market, timing and mode of entry will now be discussed and explained as following.

2.1 The Uppsala Model

The Uppsala Model was based on the behaviour theory of the firm (Cyert & March, 1963; Aharoni, 1966). According to this model, incremental learning at the firm level is the main factor explaining a firm’s international behavior and decision-making process (Andersson, 2000; Collinson and Houlden, 2005). The process develops in an interplay between the development of knowledge about the foreign markets and operations and increasing commitment of resources to those markets constraint of the local experiential knowledge causes incremental advances in market knowledge and thus provokes an establishment chain of international organization. The process of internationalization unfolds as a sequence of stages, where firms gain experience stepwise, build management competence and reduce uncertainty in order to incrementally increase investments in target markets (Johanson & Vahlne, 1990). This model also explain two patterns are that the commitment to engage in operation in specific foreign market develops according to establishment chain that are made which starts with small steps and leads to more intensive operations throughout time.

“typically firms start exporting to a country via an agent, later establish a sales subsidiary, and eventually begin production in the host country” (Johanson & Vahlne, 1977, p.33).

The second step, explained the firms tend to enter new markets and developments are also related to psychic distance between the home and host countries Johanson and Vahlne (1977) defined the psychic distance as the sum of factors preventing the flow of information from and to the market – differences in language, education, business practices, culture and industrial development. Psychic distance can also be simply explained as how easily can a market be understood by the company. Thus Uppsala model states that firms start internationalization by
going to the markets they can most easily understand (Johanson & Vahlne, 1990). The relationship between psychic distance and the establishment chain is shown as below.

![Figure 1. The relationship between psychic distance and the establishment chain](image)

*Source: Johanson & Widersheim-Paul (1975)*

The model of knowledge development and an increasing foreign market commitment are based on four core concepts, there are market knowledge, commitment decision, current activities and market commitment. These four concepts are then divided into change aspects and stage aspects. Interaction between state aspects and change aspects “Market knowledge and market commitment are assumed to affect decision regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are in turn affected by current activities and commitment decisions” Johanson & Vahlne (1977).

![Figure 2. The internationalization process of the firms](image)

*Source: Johanson & Vahlne, 1977, p.37*

The stage aspects are market knowledge and market commitment, for the change aspects affecting the stage aspects are, commitment decision and current activities.
Market knowledge consists of general knowledge concerning marketing methods and common characteristics of customers. Market-specific knowledge concerns business culture, climate, characteristics of customer firms and their personnel.

Commitment decisions are decisions to commit resources to a market. It is perceived opportunities and problems on a specific market. The decisions are also dependent on the economic effect and uncertainty effect.

Current business activities is often a lag in current business and their consequences and the firm gets it the prime source of experiences that the firm can perceive opportunities the may lead to market commitments.

Market commitment composed of two factors – the amount of resources and the degree of commitment. The amount of resources described the size of investment (marketing, organization, personnel). The degree of commitment whereas become higher the more difficult to find alternative use for the committed resources and transferring them into the alternative one.

2.2 Entry Modes

Exporting

When a manufacturing firm decides to global expansion, it will usually choose to export its products to other countries as the first step. The advantages are: avoid the costs of establishing the manufacturing operations in the host country; it may help the firm realize the experience curve and location economies. The disadvantages are: the exporting mode will not be suitable; exporting usually needs high transport costs; tariff barriers make exporting uneconomical and also risky problems with local marketing agents; “when a firm delegates its marketing, sales and service in each country where it does business to another company, the problem will appear” (Hill, 2007, p.488).

Turnkey Projects

Hill (2007, p. 488) demonstrates that “Turnkey projects, the contractor agree to handle every detail of the project for a foreign client, including the training of operating personal. At completion of the contract, the foreign client is handled the “key” to a plant that is ready for full operation”. The advantages are: the know-how is a valuable asset and with this mode, ability to earn returns from process technology skills in countries where FDI is restricted. The disadvantages are creating efficient competitors and lack of long term market presence.

Licensing

“A licensing agreement is an arrangement where a licensor grants the rights to intangible property to another entity for a specified period, and in return, the licensor receives a royalty fee from the licensee” (Hill, 2007, p489). The advantages are: low development cost and risk of establishing the operation directly ,if a firm wants to enter an unfamiliar or political volatile
foreign market, or if this foreign country has some entry barriers, or even if this firm wants to process some intangible property, but does not want to develop this by itself. The disadvantages are lack of control over technology and inability to realize location and experience curve economies as well as inability engage in global strategies coordination.

**Franchising**

It is basically specialized form of licensing which, difference is that the franchisor has the right on how the franchisee should run the business. The advantages are almost the similar with the licensing, but this entry mode causes lower development cost and risk. The disadvantage is that because of the distance, it will be difficult to realize its control over quality, which may lead to coordination problem (Hill, 2007).

**Joint Ventures**

Joint Venture is establishment of firm that jointly owned by two or more independent firms. The most general joint venture is 50/50 venture in which there are two parties, each of them holds 50 percent ownership stake and contributes a team of managers for sharing operating control (Hill, 2007). The advantages are access to local partner’s knowledge and can be shared the development costs and risks, the political considerations will not be a problem for a firm. The disadvantages of this mode are the firm will not have a tight control on the subsidiary; the shared ownership may cause conflicts and battles for control.

**Wholly Owned Subsidiaries**

Hill (2007, p. 492) states “Wholly owned subsidiary, the firm owns 100 percent of the stock. Establishing a wholly owned subsidiary in a foreign market can be done two ways. The firm either can set up a new operation in that country or acquire an established firm in that host nation and use that firm to promote its products”. The advantages are the location and experience curve economies can be realized; the subsidiary can be shared 100 percent and the control on the operation also will not lose its technologies to others. The disadvantages is that it the most costly and risky method.

### 2.3 Factors of Internationalization

As mentioned above the fact that internationalization can be influenced by both external and internal factors (Seifert and Machadoda-Silva, 2007). Each factors of both external and internal will be explained and discussed. First, the focus will be on the external factors and then the internal factors. The table 1 is shown summarizes the main aspects of both the external and internal factors in economic approach and behavioral approach that theories focus on.
The main factors the internationalization process is influenced by

<table>
<thead>
<tr>
<th>Internal factors</th>
<th>Economic approach</th>
<th>Behavioral approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ownership advantages</td>
<td>• Experiential knowledge</td>
<td></td>
</tr>
<tr>
<td>• Tacit knowledge</td>
<td>• Learning</td>
<td></td>
</tr>
<tr>
<td>• Product characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Communication ability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Experiential knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Learning</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External factors</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Market size</td>
<td>• Psychic distance</td>
<td></td>
</tr>
<tr>
<td>• Economic status</td>
<td>• Geographic distance</td>
<td></td>
</tr>
<tr>
<td>• Government Policy</td>
<td>• Cultural differences</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. The main internal and external factors each approach to internationalization theory focuses on

Source: Researchers have been adapted from Seifart and Machado-da-Silva, 2007, p. 42.

The external factors

“Changes in external factors in the foreign market may encourage or force a company to revise its entry mode” (Root 1998, p.18). The external factors in this research can be summarized into four kinds. There are: market size, economic status, government policy, and psychic distance.

Market size
In some degree, market size can be seen as the measurement of the potential sale ability of one country. Generally speaking, the control of foreign market should be in proportion with the size of market. As Chen and Hu (2001) mentioned in their article that the large market will lead to a lower unit costs thus lead to the choice of some kinds of high risk level entry mode, like joint venture and wholly owned subsidiaries, whereas a small market will lead the firm to another direction. As what had been said before, small target country market size favors entry modes with exporting, licensing, and some contractual arrangements, while the big market size prefer joint venture or wholly owned subsidiaries.

Economic status
Economic status is necessary element when the firm will be chosen entry mode. Usually the managers need to investigate economic from three perspectives as Root (1998) classification. Firstly is the size of economic (always measured by GNP). Secondly is the dynamic of economic, which is defined as the growth rate of GNP, foreign investment, and personal income. Lastly is the target country’s external economic relations, such as the balance of payment, or the debt service burden. Indeed, the economic status, in some degree, decides whether a country is attractive for investment. “If there is uncertainty about a highly volatile political and/or economic environment, the agency theory suggests that a franchise would be the best way of investing and Buckley and Casson (1998) state that internalization becomes less attractive” (Ana Ramon Rodriguez 2002, p.599).
Government Policy
Policy provides the rules about how to do business in the target country. It can be a driving force for encourage or discourage of some kind’s business actions according to their country’s situation. And a government policy also supposed to offer the firms a basic environment to run their business. Before entering a market, the firm needs to investigate carefully about target market’s policy, such as the import or export restrictions, taxation, price control and so on. As Ana Ramon Rodriguez (2002) said under the same economic status, the degree of entry into a country will be negatively linked with the political risk of the country.

Psychic Distance
The psychic distance is defined as “the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and Industrial development” (Johanson and Vahlne 1977,p. 24). A serious of research shows that: the bigger distance between the target country and home country, the higher risk a firm should face when entering (Ana Ramon Rodriguez 2002, Root 1998, Johanson, and Vahlne 1977). The Uppsala model also presented that normally the firm will first entry the country near the host country, because the similarity of culture, language. So, a low psychic distance is available to make the business practices easier (Ojala 2008). Therefore, at this time, the knowledge of the target is become more and more important. Johanson, and Vahlne (1977) referred lack of knowledge due to differences between countries is an important obstacle to the development of international operations. For some firms, when they face a total unfamiliar culture, they are still insisting to choose high risk entry mode, like wholly owned subsidiaries, because they cannot believe any local partner due to the strange market environment (Rodriguez 2002). But, normally, in this kind of situation, some kinds of low risk entry mode are recommended.

Internal Factors
“The internal factors are the principal forces shaping a company’s entry mode evolution.” (Root 1998, p.18) And the internal factors can be summarized as the following, which are useful in this thesis:

Experience
As we mentioned above, when a firm faced a great culture difference, the knowledge’s effect will become evidence. The most traditional theory supposed that “the more experience the firm has, the less help it will require from a local partner and it will therefore be less inclined to use cooperative modes.” (Rodriguez 2002, p.607) This also can be the answer to why firms gain the knowledge during the internationalized process and building network is so important.

Company size
Some study indicated that “the bigger the firm, the more probable it is that it will opt for joint venture or wholly owned subsidiaries.” (Rodriguez 2002, p.607) Indeed, a big firm will develop much easier than some small firms, All those advantages cannot be achieved by firms in a short time.
2.4 Network approach

Network are important for innovation to be adopted and therefore in our case they are going because the innovation that Red Bull is trying to get adopted all over the world. They formed network are important for Red Bull for adapting and for being more internationalization.

“But if business network are to possess advantages beyond the sum of the involved dyadic relations, this must be due to considerations that take place within dyadic business relationships about their connectedness with other relationships” Anderson, J.C., Håkansson, H. and Johanson, J. (1994, p.1).

The main reason for the use of networks can be the increasing complexity in the global business environment where organizations start to expand and work together as it is too complicated or expensive to work independently and also networks are great source of market information and knowledge that would take a long time to acquire and at a great cost (Chetty & Campbell-Hunt, 2003). They states that “firms accelerated their internationalization process and managed their problems of success by forming business relationships to gain access to technology, market knowledge and information” Chetty and Campbell-Hunt (2003, p.17).

The business network can be defined as a relation of two or more connected each other business relationships (Anderson, J.C., Håkansson, H. and Johanson, J., 1994). We considered business networks as the relationships a firm has with its customers, suppliers, competitors and government – the actors in a business network. They argue that by internationalizing the firm creates and maintains relationships with complements in other countries. This may occur by international expansion where a company builds relationships with complements in countries that are new to the firm, by penetration in which the company increases its commitment in already established foreign markets and by international integration that is by integrating the company’s positions in networks in various countries (Mtigwe, 2006; Chetty & Blankenburg-Holm, 2000).

The networks can only be understood through experience from interactions within the network, which can be related to experiential learning in Uppsala Model of internationalization. One may also argue that relying too much on networks can create a conflict and/or uncertainty within the firm since the next step in internationalization process will always be unclear. The major contribution of network theory has been to bring recognition that firm internationalization is never a solo effort (Mtigwe, 2006). That is, the company is not alone in the business environment, the formal and informal relationship networks of the firm can also be integrated in the internationalization process. Another contribution of network theory was taking today’s realities - increasing homogeneity, globalization, effective communication methods etc. into consideration.
Theoretical Framework

The internationalization process is often explained by using a stage model (Andersson, S., 2000). This means that companies try to gradually and step by step increase their operations in foreign markets and go on to engage in some international activity and then ends up owning subsidiaries abroad. Such is the case of the Uppsala model proposed in 1977 by Johanson and Vahlne. There are several market entry modes a firm can choose each one of the entry modes would apply to Red Bull depending on their knowledge, competitive advantages, market commitment, governmental issues, resources, age and size of the firm, etc. then these factors of international will be explained further in this paper. In order to Red Bull can enter global market the importance of network relationship between firms as bridging mechanism allow for rapid internationalization (Mtigwe B., 2006). Formulating a strategy also involves deciding when, how and which markets to enter.

In order to better explain internationalization theories of a global expansion company, we have tried to combine the internationalization market entry modes, factors of international and the network structure. These theories will help us to determine if company is benefiting from its networks to expand or strengthen its international business as well as market entry modes. By the help of the framework, during the case analysis we will see how Red Bull use its knowledge, as the Uppsala model by the factors of international, and how do Red Bull establish their structure and networks in those markets in order to find a suitable entry mode for the target market to enters different markets and develop for global expansion. Figure 3 represents our framework.

![Figure 3: Conceptual framework concerning the internationalization process of Red Bull](image)

**Source:** The researchers
CHAPTER 3 METHOD

We will be discussed the research approaches and we will present our choice of method. Our main purpose was to gain information about Red Bull’s internationalization process and use this information to criticize and later modify with relevant theories.

3.1 Research Approaches

According to Fisher (2007), when researchers collect the data information, there are usually six methods which are often used. There are:

- Interviews
- Questionnaires
- Panels, including focus groups
- Observation, including participant observation
- Documents
- Databases

Table 2 is shown the approaches of research that researcher can provide respondents with a previously prepared list of options to choose from or respond to.

<table>
<thead>
<tr>
<th>Exploratory research</th>
<th>Survey research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstructured</td>
<td>Structured</td>
</tr>
<tr>
<td>Interviews</td>
<td></td>
</tr>
<tr>
<td>In-depth and open</td>
<td>Critical incidents</td>
</tr>
<tr>
<td>Panels</td>
<td>Focus groups</td>
</tr>
<tr>
<td>Questionnaire</td>
<td>Lots of white space on the page</td>
</tr>
<tr>
<td>Observation</td>
<td>Keeping a research diary Checklists categories and</td>
</tr>
<tr>
<td>Documentary</td>
<td>Rhetorical analysis</td>
</tr>
</tbody>
</table>

Table2: Unstructured and structures approaches to the main research (Fisher, 2007 p.159, Table 4.1)

If researcher wants to obtain a broad and representative overview of a situation, there are two types of research methods: Qualitative research is the method, which is used to collect and analyse documents, and interviews. This method is successful if it is applied in order to fulfil a specific question. It’s the best way to understand what the people say or want to say. A qualitative investigation is necessary in order to catch the individual’s opinions and interpretations of the reality that they live in (Mujis D, 2004). The participators’ perspectives are always starting points, what they think is important and meaningful. A Quantitative Research is more a mathematic method, there is no different ways to solve the problem, and it is logical, objective and is illustrated by statistics.
The sources can be seen as primary sources and secondary sources. Primary sources include the interview, e-mail, company news and talking record. Secondary sources come from textbook, scientific database, website information and others which already exist for a time period.

3.2 Qualitative method and Quantitative method

Qualitative research is the method, which is used to collect and analyse documents, and interviews it very useful understanding deeply a process or a situation, cause it give the opportunities to have a lot of information, very clear, very rich and logical. and it would offer better understanding of a given context and underlying motivations, values and attitudes. This method is successful if it is applied in order to fulfil a specific question. Quantitative research is more a mathematic method, there is no different ways to solve the problem, it is logical, objective and is illustrated by statistics research generates reliable population based and realizable data and is well suited to establishing cause-and-effect relationships (Mujis D, 2004).

3.3 Primary data and secondary data

Primary data are more consistent with the research questions and research objectives as they are collected for the particular project at hand (Ghauri and Gronhaug 2005). However, it takes a lot of time and high expense to collect and it also depends on the willingness and ability of interviewer. Secondary data are the data that may have been collected for a different purpose (Ghauri & Gronhaug 2005). Second data is easy to access and it would save time and money for researcher but it may not fit the objective of different researches. Therefore, among the six kinds of evidences, interview and direct-observation is primary data and four remaining sources is secondary data.

3.4 Methods for Data Collection

In order to explore our research questions, the qualitative method is therefore performed in this research and the data is collected from and secondary sources. The secondary data is obtained by searching documents through various sources, i.e. online database, books, internet, and project works. Mälardalen University Library’s online databases (Emerald and Sage Premier) is a main source of journals, articles and case study which is exploited to obtain relevant information of Red Bull, the way of its internationalization process, and relevant theories concerning in our research. All journals and articles are focused on peer reviewed research which though or more expert referees have proved those papers before they were accepted for publication (Fisher, 2007). The use of internet is another way to gain more information as Fisher (2007, p. 81) stated that “the World Wide Web is a very useful source of material and the better search engines can be valuable in tracking down material”. However, it must be used with care because there have both of high-quality materials and low-quality materials (Fisher, 2007). This internet’s information can be accessed by browsing the web page toward the key words such as “Red Bull”;”, and “internationalization”, etc.

Regarding primary data collection, we had conducted an email-interview with Mr. Sarawut Yoovidhya, Managing Director and business successor of T.C. Pharmaceutical and Red Bull
Co.Ltd. It means that we used some questions to guide and to cover the topics that we are interesting. We try to make it to be more carefully and closely which related to our research.

3.5 Validity and Reliability

In order to make our research investigations to be more reliability, replication and validity the interviewee Mr. Sarawut Yoovidhya is Managing Director and business successor of T.C. Pharmaceutical and Red Bull Co.Ltd. He has more than 20 years experience in manage marketing in Thai market and Southeast Asia, together with the secondary data gathering from the company’s homepage and other sources are adequate to produce a reliable work.
CHAPTER 4 EMPIRICAL FINDINGS

The empirical findings are presented by secondary source and primary of interview. The history of Red Bull will be presented then the internationalization of Red Bull, Red Bull’s obstacles in marketing as the factors in internationalization and also with network of Red Bull.

4.1 History of Red Bull (Krating Daeng)

On part of Red Bull Company, the Yoovidhya’s holds shares for more than 51% and does not sell all as believed by many while the remaining shares belong to Dietrich Mateschitz, the Chairman of Executive Committee of Red Bull who is called Mr. Red Bull of the Western world who bought the formula and marketed it in Europe and America. The results today were from hard work 16 years ago. At present, they sell for more than 1,500 million cans all over the world. The main factor which is key to success is the cooperation with Chaleo as a inspiring leader. The trust Chaleo has given to him is a significant foundation that makes him succeed today.

On part of Mr. Sarawut Yoovidhya, the son of Mr. Chaleo Yoovidhya, the creator of Red Bull brand who holds position of managing director of Red Bull Company Limited being in charge of Thailand and Asia reveals the latest strategy and business plan of Red Bull to beverage market of Thailand that Red Bull considers Balance Sheet rather than being back to be Number 1 in place of M-150 as at present, the energy drink market in Thailand is highly competitive. In each year, thousands of million baht is spent while each bottle costs 10 baht; so, margin is very low. Therefore, if it is to be Number 1, there must be a lot of activities to do. However, his policy focuses on margin rather than picture of market leader.

Red Bull in Thailand market is intervened by M-150. The main factor is because campaign of exchanging lids is stopped before Food and Drug Administration (FDA) stipulates it before others; and at that time, it is penetrating to foreign markets for Red Bull which has been growing very well while the competitor did not stop such campaign until FDA specifies the use of such Rules (Business Thai, 2004).

Red bull in Thailand market has been used Customer Relationship Management strategy (CRM) so far but it may not be in details as retail business because their customers’ base is very wide and is all over the country. Besides, the business pattern does not favor the collection of a lot of information. Therefore, CRM to be done mostly focuses on the middle-men or distributional agent of our beverage.

Meanwhile Red Bull has often used Synergy Plan so far; mostly, it is joint promotion like business of engine oil, gas station. About synergy with competitor’s business in the manner like Major or EGV, it is a popular trend in current business; however, the chance of energy drink business is rare.
At present, their products of all brands like Krating Daeng, Red Bull, Sponsor, Luktung, grows very well at about 5 – 10 %; it is expected to be more than 20 % within the end of this year. But there is a goods with considerable growth rate that is Krating Daeng Cola even they have not done much marketing. Most of their target groups are markets in provinces and in Bangkok or in big city. Krating Daeng has 10 distributional centers. This year, it is expected that there will be 2 more distributional centers to be 12 distributional centers in total. There will be center of distribution of products in Had Yai and Bangkok also.

4.1.1 Red Bull’s marketing approach in Thailand

Red Bull or Krating Daeng that is called in Thailand uncovers the story behind an energy drink that sells on function rather than taste;

*Krating Daeng opens battlefield by Event-Trade Promotion in local market of energy drink*

Energy drink among three big competitors in Thai’s market includes Krating Daeng, Carabao Daeng, and M150 that are speeding up in setting pattern of marketing in form of Event Marketing to seek for purchasing power in upcountry after limitation on advertisement during 05.00 am. – 10.00 pm. of everyday.

*Krating Daeng to road show in provinces*

During the past one year, Krating Daeng have tried to decrease its weakness on flavor, shape of bottle, label at the side of the bottle, as well as the delivery management system by setting up the products distribution in each region for speed in delivery.

Mr. Satit Sateerasarin, the manager of Department of Marketing Product of Krating Daeng of the Krating Daeng Company Limited reveals that during the past year, Krating Daeng has been modified on its marketing pattern and image under the concept of “Real Man, Krating Daeng”. There are campaigns of ads, marketing campaigns by allowing target groups and general people write message related to doing goods and send to the Company. There are 12,000 letters sent in this campaign. Krating Daeng has adjusted its packages and label and with its more intense flavor and better odor to create new image in its modernity for old and new customers to try.

The budget spent in advertisement and public relations for new image of Krating Daeng is 150 million baht(THB) so that markets all over the country would know the adjustment of new image in 3 months. Under the campaign of Real Man, Krating Daeng, the focus in on the form of marketing activities and the promotion (below the line) more which is equivalent to 60 % while the advertisement and media usage (above the line) would use 40 % of budget which totals 500 million baht(THB) which is the same as in 2003 (Business Thai,2004).

Form of activities at the selling spot in the area of provinces outside Bangkok which will be another important way in 2004 under the form of Entertainment Marketing including concert touring which is marketing formula of energy drink; however, Krating Daeng might need some change of form of activities to create differences from Amazing Krating Daeng Concert as it previously did.
The arrangement of road show to recommend products to consumers and stores in provinces is to
distinguish Krating Daeng brand, that is, to arrange for activities in form of Entertainment
Marketing including the giving away of goods to try as done in the past by Krating Daeng.

The promotion in provinces where Krating Daeng focuses and marketing budget would help
create products responses and Krating Daeng brand more, especially new customer bases. The
success indicator of activities depends on the fact that which brand would be able to repeat
activities more and distinguish itself from competitors.

In 2004, Krating Daeng targets to expand marketing shares from 32 % to be more in order to
keep distance with leader’s brand in the market as least as possible.

At present, market share is at 40 %; this is considered as market leader. In the future, however,
only market share cannot clearly tell about being the market leader.

“Do not drink more than 2 bottles a day…please read warning on the label every time of
drinking…”The sentence at the end of the advertisement of energy drink that Thai people are
familiar with and just take it for granted, but for marketers, this sentence is the main one to stop
the ads marketing. So, the domestic market of “Krating Daeng” or “Red Bull” avoids such limits
by going international and creating Red Bull Brand in foreign markets and then it can create
global market shares for 80 %.

The domestic market of Red Bull Extra should be going well in perspective. One thing is that he
thinks that it is base to be built for goods like energy drink that is entrepreneurs or as simply
called competitors of Krating Daeng.

Doing Event Marketing of Red Bull Extra is one channel of efficient communication besides a lot
of budget required for advertisement.

4.2 Internationalization of Red Bull

Mr. Sanit Wangwicha, the Marketing Manager, states that in the past 30 years when Krating
Daeng started marketing in Thailand, the competition was very intense. There were a lot of new
entries. So, Krating Daeng deviated its target to foreign markets by setting production plants in
Austria and delivers products to all over Europe.

At present, Krating Daeng has production plants in Thailand, Austria, China and Viet Nam to
distribute products to all over the world and has maximum market shares, especially in United
States market.

However, the marketing of Krating Daeng in foreign countries is different from domestic
marketing completely. For domestic market, Krating Daeng belong with truck drivers, but for
foreign market, Red Bull is not just an energy drink, but it captures wider market in “Mixer”
market.
He states that it is widely know that Red Bull Vodka, when mixing with liquor, will be very tasty to man. These various factors makes Krating Daeng never stop as an energy drink but expands to many other types including soda and coffee.

Repositioning is not easy to change position of marketing from “Energy drink, belong with truck drivers” as mixer among drinkers. This is as creating foundation, new market, which require public relations and advertisement to help creating new image for consumers.

Another challenge in repositioning is promotion. Marketing team must pay special attention to it because although the company has budget for repositioning, the marketing position is limited in advertisement since the government does not allow to have public relations in the manner of advertisement and there must be warning sign in all ads, the alternative for Red Bull Extra.

In public relations that can be best for new product is to arrange for Event Marketing penetrating target group of new generations to dare to do what is different like the word *Extraordinary Event Marketing.*

They are sponsor in various events of new generations. They do not need to say anything, the customers can be seen the characteristics of products by activities were arranged.

This is history and background and dare to be different under the style of Red Bull Extra to create new image to products.

### 4.2.1 The expansion of Red Bull to foreign markets

Red bull has used the same principle to all markets that is by starting from studying marketing in terms of behavior of target consumers, total image on economy, politics, society including studying current market, competition, and competitor. Furthermore, they also studied on part of threat and opportunity to look for niche and marketing chances or limitation.

After that, they then make decision that how and when they will launch products. All of these will be done under global plan including positioning of products, price strategy, communication strategy, and products distribution, all of these needs to be done on global level because satellite leads to planning of media all over the world.

One more thing Red Bull want to repeat is the decision that whether they must establish company to distribute products of their own or not or should hire other companies to distribute products in the manner of partner. Mostly, the trend is that they often establish company to distribute products of our own not because it is easy to be done but because if they allow other companies to do it, they would not pay attention to their products and the salesperson might not be sure about products as it is not their brand. With this reason, when they opened market in the United States of America, they made decision that they must establish company to distribute products of their own as they found that marketers and salesperson there did not understand that their way of distributing products would be successful. So, they had to do pre-sale by hiring 500 – 600 employees but did not rely on distributors. After that they can create sale force of their own although it is risky as high level of investment is required. Then they plan on using media to
access to consumers in 3 channels of selling that is On premise, Off Premise and channel which is impulse like in gas station that they are going to be in all of these channels and all of these are the key of success.

4.2.2 Red Bull’s marketing approach in foreign countries

Revolutionary, multi-faceted, anti-brand, nonconformist. These are all terms that have been used to describe Red Bull's marketing approach. In almost 100 countries all over the world that Yoovidhyas’ and Mateschitz have been introducing Red Bull, they have market shares for 65 %, 70 %, 90 %. Until now, they can say that they are leader of global market although they have competitors entering into the market.

Another thing that distinguishes Red Bull from competitors a lot that they have spent many millions money and spent many years in doing clinical research and Red Bull is only a single product in the world that energizes body and mind and boosting energy, detoxification, stimulating digestive system, increasing concentration, improving memory as they have studied by researching and proving these already(Red Bull,2005).

Red Bull's appeal has grown by targeting opinion formers, who drive sales through word of mouth and by association. Extreme sportmen. Hollywood stuntmen. Barman at the trendiest haunts. Formula 1 drivers. Now, even golfers. This seeding strategy has made Red Bull the clear global energy drink market leader, selling1.935 billion cans in 2004. Red Bull has been using by making friends. Not buying people. Because Red Bull became a friend, a real personality, people feel emotional towards it.

This is hardly the answer you would expect for a brand with such an edgy image, steeped in urban legend and living life at the limits. The strategy is so simple that it could even be mistaken for a playground guide on how to get down with the in crowd. In fact, the way that Johannes Kastner, founder of international advertising network described the approach is startlingly similar to the definition of a good friend given on charity. Whether Red Bull is building a start-gate to allow an up and coming snowboarder to improve his race technique, throwing parties with free drinks so that clubbers can dance all night or helping students stay awake while revising, these rules of the playground are applied thoroughly.

At Red Bull events, journalists tend to come away with the impression that the PR team's attention is clearly on the participants for whom the event is being thrown, rather than the peripheral media types. To Red Bull, the participants are the real opinion-formers. After all, as Red Bull knows, showing off is no way to make friends and influence people. To advertise oneself is not good. They do not say “come and look at how wonderful Red Bull are everybody”. That would not be laid back. That would be aggressive, old style marketing. It is always better to let others say how great Red bull are (marketer,2009).

Red Bull boasts at least 70% of every national market in which it is present and is still growing rapidly. Last year company sales rose by 32.3% from 1.261 billion Euros to 1.668 billion Euros. Sales were up 50% in the USA, 43% in the Middle East, 40% in Australia and 30% in Eastern Europe. Also in 2004, the company established new subsidiaries in Canada, Turkey, Russia and Romania.
4.3 Red Bull’s obstacles in marketing

Although Red Bull is highly successful in marketing, but when it comes to the product, the obstacle is the consumer, whether Thais or Asians, especially Austria where the consumers are quite conservative. Unfamiliarity with products with innovation makes Red Bull in initial stage to be considered the products that is beyond the expectation of consumers.

Females consider Red Bull as products for males as it is the drink that provides energy, so they do advertisement in cartoon that imitates oneself; this changes the situation. This shows that the ads should be funny but the product should be serious. As it is new product, new brand, and new formula, and new benefits, they must overcome this. Another thing they did to make consumers to have chance to try drinking products. They often tell that you will never receive return if you disappoint customers. Good strategy and good advertisement make new generation who are our target group can compare Red Bull as coca cola of the twenty first century and they can expand market wider because Red Bull is not fashionable goods that come in then go out of the market the following year; but, it is the flavor, it is the benefits. They believe that in the next 30 years, people still drink Red Bull.

More than that European’s newspaper reporting Red Bull has caffeine more than 25-26 cups of coffees or more. Despite of, caffeine in Red bull is equal to a cup of coffee. However, the more there are the arguments about Red Bull the more people would like to find out about the explanation by drinking more Red bull in order to prove. According to the theory and the experiment about Red bull, they found that Red Bull is composed of vitamin, amino acid, taurine while there is only little caffeine in Red bull. Many focus group participants thought the tonic tasted sickly sweet like liquid jelly babies or cough medicine. And they thought it was substantially over-priced for its slim can size. Some were also put off by the strange-sounding chemicals on the ingredients list, like taurine and glucuronolactone.

Red Bull wanted to do something that was an antidote to the heavily branded and overt TV advertising targeting the mainstream. This was about discovering something for themselves. Was it bad for children? Or an aphrodisiac? Or the equivalent of 14 espressos? Was it really made of bulls' testicles? But Mateschitz was convinced that if people understood the product's functional benefits that it vitalizes body and mind they would buy it.

France's ongoing ban of the product on the grounds that it is harmful. This is just the French protecting their own market and they need an excuse, so they say they need more research on taurine, a harmless acid. Red Bull gets smuggled into France from Switzerland and Belgium (Red Bull 2005).

4.4 Red Bull’s Network

Red Bull Beverage Co. Ltd. in Thailand and Red Bull GmbH Company in Austria

Mateschitz stated that marketing of Red Bull in Europe was a birth of Red Bull; this was about 20 years ago. He met Chaleo Yoovidhya and the Yoovidhya’s while he was working for Blendex which was Cosmetics Company. At that time, He was a marketing director and was in charge of
foreign market. Currently, there is no more Blendex as it was sold to P&G. At that time, he was working with Chaleo in recommending Blendex toothpaste into Thai market so he had work together for more than 5 years, he spent the next few years refining the recipe. Today, Mateschitz owns 49% of the business, with his Thai partner Chaleo Yoovidhya also retaining 49% as Red Bull GmbH Company in Austria. The remaining stake is owned by another Thai associate, Chalerm Yoovidhya.

Sony Ericsson and Nokia

Red Bull is moving inexplicably into the mobile network business. Details are still a little vague but T3 discovered they had it seems that they have partnered up with Sony Ericsson and Nokia to provide the network on several of their handsets. It all sounds like a play on their cunning advertising campaign about how all that red-colored liquid "gives you wings". Now it gives you a network contract too. The whole turbo-boosted high-energy plan could go down well in the mobile network provider market. Quite a few mobile networks could do with several shots of caffeine.
CHAPTER 5 ANALYSIS

In this part, we start to analyze the internationalization process of Red Bull. Then, follow with the foreign entry mode that Red Bull applied to foreign market, factors affect Red Bull’s entry and Red bull’s network.

5.1 Internationalization process of Red Bull

The chronological Red Bull’s internationalization process. As the model predicts Red Bull started its internationalization in Austria and Asia, then the Europe, followed by the Baltic States and the African markets. Red Bull’s establishment pattern and its entry modes to the foreign markets. Red Bull was in a sense does not following the establishment chain, starting with no regular export and going through the stages in the right order, despite the fact that the firm leapfrogs some of them. But if the whole concept of the establishment chain and the Uppsala model had been followed Red Bull would gradually have increased its commitment on the foreign markets. Furthermore, the process would not have been broken and markets would not have been left. We therefore found out other models to explain the internationalization process of the Red Bull which did not follow such pattern. However, important issues in the internationalization concept are market choice and choice of entry mode (Johanson and Vahlne, 1977, 1990, cited in Andersson 2000, p. 68), it was our task to look at the choices the Red Bull made and still makes during its process and to see if such choices made reflection on internationalization perspectives.

Red Bull skipped start exporting to a country via an agent. Explanation of this internationalization behavior of Red Bull is worth to give a credit to its entrepreneurs especially the former and current presidents. Their rapid understanding of foreign markets and perceptions of high risks reflected on entering with the most risky mode that is establishing wholly own manufacturing subsidiaries the case of Austrian market.
5.2 Foreign Market Entry

Red Bull market entries

<table>
<thead>
<tr>
<th>Year</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>Austria</td>
</tr>
<tr>
<td>1992</td>
<td>Hungary</td>
</tr>
<tr>
<td>1993</td>
<td>Scotland</td>
</tr>
<tr>
<td>1995</td>
<td>Baltic States, Czech Republic, Netherland, Poland, Russia, Slovak, Switzerland, United Kingdom</td>
</tr>
<tr>
<td>1996</td>
<td>Belgium, Greece, New Zealand, Portugal, Romania Spain, Sweden</td>
</tr>
<tr>
<td>1997</td>
<td>Ireland, South Africa, USA</td>
</tr>
<tr>
<td>1998</td>
<td>Brazil, Finland, Italy</td>
</tr>
<tr>
<td>1999</td>
<td>Australia</td>
</tr>
</tbody>
</table>

Table3: Red Bull foreign market entries (Solfdrinkworld, 2001 p.28).

As we explained before, in Root’s (1998) book, the entry mode is considered as a long period. The same with Root (1998), the Uppsala model also considers that “firms start exporting to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in that country.” (Johanson, and Vahlne 1977, p.24) With the time goes by, the firm will increase its control of a market, by changing from a low risk entry mode to a high risk entry mode. According Yoovidhaya has sold formula licensing to Mateschitz, they run their business as well as Charles W.L. Hill (2007), a firm usually chooses a politically stable developed or developing foreign country which has a free market system to enter, because in such country the relationship between benefit, cost and risk can be balanced well. Here from the data we have collected; it is easy to find that Red Bull was just entering the foreign markets based on such principle. That is, in Europe, Red Bull has chosen the politically stable developed countries like Austria, Finland, Germany, and Switzerland to enter; in North America, it is America and Canada which are also politically stable developed countries; in Asia, it is China. Although China is a developing country, it is growing with high speed and people there have great purchasing power. Meanwhile, the political situation is stable there.
Based on the materials we have got, we find that Red Bull entered foreign markets much first, especially the markets outside Europe, compared with other energy drink companies. For example, it entered Baltic States and Sweden in 1995, the North America in 1997 and Australia in 1999. According to Hill (2007), if a firm enters a foreign market first other international firms of the same industry have established their business there, then it can be called a first entrant. Thus, we can say Red Bull is a first mover advantage and some is because of the revolutionary, subversive edge given to it by its early, grassroots marketing.

Hill (2007) said that a firm could enter a foreign market on a large scale, but in such case, it had to face great risk. Or a firm can extend its business to a foreign country slowly, that is, on a small scale. In this case, the firm can have more time to gain information to reduce the risk. Through the figures we have got, we find that Red Bull generally was entering the foreign markets in the early way. In details, in 1984, this firm was founded. However, it was after 3 years that it just moved outside Thailand and established the first store in Austria. Thus, it is clear that Red Bull was expanding internationally just on a large scale. Furthermore, in 1995, Red Bull went out of North European market and came to USA. Next, in 1999, it went outside Europe and entered the Australia market; it extended its business to more over 100 countries. Therefore, we can make a conclusion that Red Bull was expanding from the psychically far countries markets.

Next, during the whole process of internationalization and expansion, Red Bull mainly takes the way of investing directly in the foreign markets, just in order to have a tight control on every store. According to Hill (2007), this is the so-called “wholly owned subsidiary” entry mode. In the literature review part, we have talked about it. In Hill’s opinion, such entry mode cannot help a firm reduce the risk of losing control over the competence, but also can make it have tight control over operations. Meanwhile, the location can be realized, the curve economies can be experienced and the stock of the subsidiary can be shared 100 percent by the firm. Thus, we can see when entering according to the above analysis, we can say that during the process of internationalization, Red Bull mainly chooses the wholly owned subsidiary entry mode in the European markets, North American markets and Asian markets.

5.2.1 Factors Affect Red Bull’s Entry

Firms have to consider several fields of factors which will have influence on the entry mode, when they go abroad. In this part, we summarized the external and internal factors and analyze them with the case of Red Bull.

The external factors

“Change in external factors in the foreign target country may encourage or force a company to revise its entry mode. It is vital, therefore that a company continually monitors external factors in the target market and prepared to revise its entry mode in the appropriate time.”(Root 1998,p.18)

Market Size

“Size of a foreign market influences entry mode decisions, when the market size increases, benefits of internalization will increase.” (Chen and Hu, 2001, p.197)
Generally speaking, the control of foreign market should be in proportion with the size of market. But it is a little bit hard for a firm to get enough and deeply understanding about the information of one market before really dip into it. As we said before, “the outsider can only achieve a very superficial comprehension of such a complex and fluid network.” (Johanson and Mattsson 1988, p.18) Therefore, the most safe way of enter into a new market is by using a relevant low risk entry mode as Red Bull’s choice (joint venture or licensing etc.). But this kind of entry mode can only apply for the market which does not require a big amount of manufacture. For Red Bull, after familiar with the local situation, European market is a definitely attractive market with high sales potentials. So some kind of high risk entry mode began to appear, like joint venture and in wholly owned subsidiaries in Austria.

**Economic Status**

Economic status should be considered from three perspectives. First is the size of economic (always measured by GNP). Second is the dynamic of economic that is “the growth rate of GNP, the rate of investment, and personal income and so on”. (Root 1998, p.11) Third is the target country’s external economic relations, like the balance of payment, or the debt service burden. Some people hold that the economy status is the basic ground for doing business. And the authors also believe that economy should be one of the powerful decisive factors when choosing entry mode. Because the fundamental aim of a firm to entry a new market is to gain more profit. That is why “the unstable of economic status will make the internalization becomes less attractive.” (Rodriguez 2002, p599)

Red Bull launched in Austria in 1987. Problem was, at that time there was very little marketing budget because all the investment had gone into production, research and gaining government approval for the product from the health ministry. And Red Bull does not believe in borrowing money, preferring to run it company via cash flow rather than debt. Red Bull was forced into a grassroots strategy, which has since become its trademark. This approach is often credited as the main reason the brand succeeded in creating the energy drinks market.

**Government policies and regulations**

In the external factors, “the most noteworthy are government policies and regulations pertaining to international business.” (Root 1998, p.10) This factor is the easiest one for investors to get. But this factor is also the most difficult one to control. Of course, all the others factor cannot be dominate by people too. But the policy’s change speed will be faster than others. This is why the reason should be considered carefully. “Restrictive policy obviously discourage the investment, on the other hand, a target country may encourage foreign investment by offering some incentives as tax holidays.” (Root 1998, p.10) For example, France has been banning of Red Bull that it is harmful. This is just the French protecting their own market and they need an excuse, however they would like to more research on taurine, a harmless acid. Red Bull had to change its market centre from gets smuggled into France from Switzerland and Belgium.

**The psychic distance**

Red Bull started its internationalization process in Austria and this was in accordance with the model. However, the next step in the process was completely against what the model postulates
about the psychic distance. Instead of further penetrating the Asian and European market the firm entered the American market and later the Austrian market. Thus, the psychic distance may be as important as the model postulates. The differences in language, education, business practices, and culture.” (Johanson and Vahlne 1977, p.24) Nevertheless, the distance of geographical cannot be a measurement of psychic difference. So, no matter which country a firm intends to go, the high cost of information acquisition is needed, such as do some market research or hire some people with experience in such field.

From Red Bull’s extension process in the European market, we believe that the firm has a deeply understanding about the result of neglect the power of psychic difference. We can find that the development order of Red Bull in the European market is followed the risk level of entry mode. Padmanabhan and Cho (1996) said “large psychic distance between home and host countries has a positive influence on the Thailand firms’ choice from low to high control mode.” (Cited in Chen and Hu 2001, p.197)

Take the development taste in European market differ from Thai down the difference in culture. And till now, there is little efficient way to overcome this problem yet. Due to the psychic distance, the favorite style are different. Krating Daeng or Thai Red Bull belong with truck drivers, but for foreign market, Red Bull is not just an energy drink, but it captures wider market in “Mixer” market.

**Internal Factors**

*Experience*

The first and foremost internal factor should be experience. The framework of this thesis in chapter 3 presents a clear way about a firm’s action when it has the willingness to go abroad. So, the only tool a firm has, before it enter the target, is the knowledge it already got from its former and current activities. The knowledge can help the firm to choose an entry mode through the analysis of the external and internal factors in the market.

As we stated before, Uppsala Model divided the knowledge into two kinds. One of them is experience, and it cannot teach by others, change to another words, to get the experience is not an easy process. The experience of a firm can help it to solve some problem and save a lot of times.

Red Bull, the company already had the experience in entering Australia market, but the situation in European market is not all the same. So, use the knowledge to analysis the factors which affect the choice of entry mode become more important. In Red Bull, the experience must play a significant role to assist the company conquer the European market. We can go back to trace their history story again. At first beginning, both Krating Daeng and Red Bullr similar company do not have enough experience about how to expand abroad. The most practical way is learned from their own activities ---- learn by doing, this is also an idea come from Penrose (1995).

Without enough relevant knowledge, Red Bull decided to entry European market from only one country with the lowest risk way. That is entered in to Australia with joint venture and sold licensing formula in 1984. After considering the entire conditions, Red Bull chooses the way of exporting to enter the European market, which is started from the beginning stage of the
evolution process of entry mode. In the international market, “a company is more concerned with minimizing the risk and maximizing control over the market. Given this situation, exporting appeared to be the first choice to a totally strange market.” (Root 1998, 53) Till now, Red Bull already became a famous multinational corporation all over the world, and this factor can be the most powerful evidence that the choice in European market is right.

**Company Size**

Talking about the factor of company size, it should have some relation with the network the firm builds with local firms and its own subsidiaries. Generally speaking, “The bigger the firm, the more probable it is that it will opt for joint venture or wholly owned subsidiaries.” (Rodriguez 2002, p.607) Small firms usually do not have as tight internal network with its own subsidiaries as big ones. So the transform of the knowledge or resources will be less efficient. Next, in the small company the direct control is often applied. So when enter into a long geographical distance country, the problem of language, culture barriers will become harder to overcome when compared with big ones. Therefore, “there is a negative relationship between the size of the MNC and the choice of high control entry mode.” (Taylor, Zou and Osland 1999, p.151)

In Red Bull’s case, they also use an appropriate way to settle this problem. The entry mode they choose, are always according to the company size. For instance, in the real beginning, Red Bull is not as famous as right now. It does not hold so much relationship with local firms, suppliers and customers. So it chose entre by exporting. But with Red Bull dip into the European market, the company size became bigger and bigger. And its entry mode also changed in time, such as the market center in Austria with the entry mode from joint venture to wholly owned subsidiaries, and in the Thailand, Austria, China and Viet Nam.

**5.3 Red Bull’s network**

While Austrian might thing that Red Bull is Australian brand that becomes global brand, Thais think that is Thai products that grow in global market. Despite finally these 2 products would be more similar as they now introduce it to European, African, Northern and Southern markets but there is only one world and Asia is only one continent, it is not the whole world. Therefore, these 2 products should be compatible although the position of products is different, with different target groups, with different shapes, with different prices. As Red Bull and Krating Daeng are same companies, they are not competitors and they try to build strength together. They have shareholders in the same group and is not only business partner, but they are friend between Yoovidhya and Mateschitz. The relation of two or more connected each other business relationships (Anderson, J.C., Håkansson, H. and Johanson,J., 1994). We considered business networks as the partner relationships as well as Red Bull has joined with Sony Ericsson and Nokia. The business network can be defined as a They argue that by internationalizing the firm creates and maintains relationships with complements in other countries. This may occur by *international expansion* where a company builds relationships with complements in countries that are new to the firm, by *penetration* in which the company increases its commitment in already established foreign markets and by *international integration that is* by integrating the company’s positions in networks in various countries (Mtigwe, 2006; Chetty & Blankenburg-Holm, 2000).
CHAPTER 6 CONCLUSION

This part according to the empirical data and the analysis of the facts of Red Bull, finally the research question posed in the problem statement can be answered and the conclusion of the research is gotten.

Red Bull beverage like coca-cola takes 50 years in creating brand of global level. But, who is going to believe that Red Bull Company Limited which was founded by Thai would become the creator of new business legend. It took only 16 years in creating Red Bull beverage to be leader of the business with market share of 60 – 90 % in global markets for more than 100 countries.

In this thesis, we have discussed how did RED BULL manage to be as an important central international market player? And the other is what factors did influence such expansion. For the main question, we just take the establishment chain, which was proposed by Johanson and Vahlne (1977) as a part of the Uppsala model as our base for the description of Red Bull’s internationalization. That is, “at the start no regular export activities are performed in the market, then export takes place via independent representatives, later through a sales subsidiary, and eventually manufacturing may follow” (Johanson and Vahlne, 1990, p13).

However, through the use of Hill’s foreign market entry theory is concern to the first research question that What entry mode did Red Bull in Thailand select?, we finally find that Red Bull, does not follow this original pattern of establishment chain. That is to say, with Hill’s foreign market entry theory, we know that Red bull is taking wholly subsidiary as its main expansion mode and also licensing and joint venture as the formula taste to enter Austria market. As for the export, turnkey, they are not being used by this company. We find that the taste and the package of Red Bull are quite different from Thai market, Red Bull in Thailand has contained into the bottom while in the foreign markets has contained into the can. Which are strategic decisions, local nature of the market, network structure of organization, large number of suppliers and customers and cost structure respectively. What’s more, through the data we have collected, we know that although Red Bull does have its own factories, it has several production offices for the control of other manufacturers.

Thus, through the whole analysis, we get a conclusion that Red Bull’s different establishment chain just contains the following three stages: licensing, wholly owned sales subsidiaries and joint venture. The successful also comes from common marketing with main condition is that they have unique product, so they did not use any special marketing strategy. The key to success of Red Bull is from product with original foundation from Japan; it is beneficial and efficient product. Furthermore, it is from the name Red Bull showing that it is the beverage increasing capability. They position goods as Luxury Product and the price is premium one, it is lifestyle goods which is trendy. This is considered new category of soda beverage because before having Red Bull, they did not look down on competitors but they would like to tell that among soda beverages, it is just a beverage to help relieve thirst, it is water mixed with sugar that is different in terms of flavor and color. With the spirit of the Company and the spirit of goods brand, Red Bull then can be expanded all over the world and is considered success under global level.
There are 3 philosophies of Red Bull that are quality of goods, image of good brand, and consumers. They use knowledge, spend money, invest in everything for consumers; they called this “The Holy Cow”. These 3 things make Red Bull succeed until it becomes global case study with teaching and learning in universities all over the world. I myself is invited from not less than 100 universities.

Red Bull may not launch new flavor because, people do not buy Red Bull because of flavor but because of its capability; so, they do not want new flavor. But the fact that Red Bull is a very strong brand of the world and the customers are loyal to image of brand, this may be the channel that Red Bull can use in expanding products lines but it must do it carefully. Therefore, Red Bull cannot tell exactly that it will not do it as discuss every year about the time appropriate to start expanding lines to other products under the brand of Red Bull and will start from which product or will sell license to other companies.

As it regards the second research question that what factors did influence the Red Bull’s internationalization we can observe the clear pattern of entering the markets characterized by bigger and bigger psychic distance. After establishment on the domestic market, the Red Bull entered other, Western Europe, America, Eastern Europe, and finally the Australia market. We have analyzed the process of entering different groups of countries with use of several dimensions of the psychic distance concept. We can confirm that the company first entered markets with similar language (or countries which inhabitants are mostly familiar with English), similar law and political systems, business practices, marketing infrastructure, industry structure and culture. In all those countries Red Bull decided to establish wholly owned subsidiaries, which is an important element of the expansion strategy. The situation differs in case of Asian countries that substantially differ from Europeans in terms of all elements of psychic distance. The most important is that due to legal restrictions it is impossible to establish wholly owned subsidiaries in the region, and this is the main reason for which the company decided to operate in that region through licensing. Red Bull has talked about creativity, innovation, but it has never talked about figures at all. It have talked about sale volume, but it is hard to evaluate. So, it leads to a question that who is going to get their shares because if the company producing soda beverage requests to buy small part of shares, which may be 5 or 10 %, it should be normal if they must pay to us 2 or 3 times of share price because they will obtain distributional channel all over the world that Red Bull exists. Red Bull makes profit from distributing products for 15 – 20 % from sale volume all over the world but it have never evaluated the price as it has never think about selling the Company to any multinational company and it focus on expanding their business.

Red Bull should take some factors into consideration, like market size, political and economic environment, psychic distance, and experience etc. Except those factors, the business network Red Bull made in European market as well as the network also plays the important role in the internationalization process of Red Bull.
7 References

Literatures:


Websites:


Appendix

8.1 Red Bull’s market entries

Red Bull market entries
1987 – Austria
1992 – Hungary
1993 – Scotland
1994 – Germany, Souvenir
1995 – Baltic States, Czech Republic, Netherlands, Poland, Russia, Slovakia, Switzerland, United Kingdom
1996 – Belgium, Greece, New Zealand, Portugal, Romania, Spain, Sweden
1997 – Ireland, South Africa, USA
1998 – Brazil, Finland, Italy
1999 – Australia

Red Bull UK Managing Director, Harry Driver

We relaunched it as a ‘stimulation’ drink and also had to counter the idea that many people thought Red Bull was a beer.

Secondly, our whole approach is that we believe the consumer has the final deciding vote on a product, not the trade or the media. That does not mean the retailer is unimportant, but a retailer never put a product into a premium price bracket – you only get there if you are a premium price brand. The UK team started from the wrong end in the big chains, hoping the consumer would pick it off the shelf. But they were wrong, they totally misunderstood how to create a consumer base.

The third thing was that the clear character defining the brand in Europe was the ‘toothpaste advertising campaign that is iconic with a cartoon, so we didn’t focus on electronic media as we did in Austria, we focused on billboards. The catchy UK slogan ‘you should always underestimate what Red Bull can do for you’ was far too long and misunderstood. whereas the ‘It gives you wings!’ slogan as we now know, works at all levels and on a worldwide scale.

It was a very basic mistake, because today when we present the brand in a new country, it’s Hungary, Germany and the USA we use the same format of advertising we used in Austria and it works. In the UK we tried to adapt instead of remaining ourselves.

Meteoric rise

What then accounted for Red Bull’s more recent meteoric rise? Because of its premium price, Norbest claims Red Bull does not need a large volume share in the soft drinks market.

“We need people who hate us. As soon as we run out of hater we have to create a foundation for haters because we lose our sharp-edge. Due to the respect for a premium price brand we can judge, we can charge what is fair for the benefit. We have brought our UK price down in the last year because of the weakness of the euro. Right now it is $1.60 in the supermarkets and £1.05 in convenience stores.”

Comparisons on a per litre basis make Red Bull between five times and ten times more expensive than other soft drinks.

“Never forget that we have a 250ml can while Coke’s can is 330ml,” commented Norbest, “so we are much more expensive than the others. This is OK because ours is an efficient product, so we can charge this price premium which is the secret of its success.

“If you look at a 2 litre bottle of Coca-Cola which is often Washburned at around £1.05 to £1.10, we are around $0.50 for a quarter of a litre. So you can see we are at least eight times more expensive.”
8.2 Interview with Red Bull

General Information

Name of the company: T.C. Pharmaceutical Industry Co., Ltd. and Red Bull Co., Ltd.

Country of origin: Thailand

Name of Manager: Mr. Sarawut Yoovidhya

Position of the Respondent: Managing Director

Products/Services/Field of business: beverage and sponsor extreme sporting

Website/email/contact: 39 Moo. 8 Ekachai Road Bangbon Bangbon, Bangkok, Thailand 10150
662-4150100, 662-4150103

Interview Questions (30th Aug, 2009)

1. Please advise us your name and responsibilities in Red Bull.

Sarawut Yoovidhya, Managing Director.

My general responsibilities are manage our products and marketing in Thai marker and Asian market also creates new activities for customers.

2. What was main reason why Red Bull went international?

My father he is a friend with Mateschitz. They saw the good possible change of international market so they tried to do.

3. How many foreign markets has Red Bull entered so far? And in different cultures and different countries, how does Red Bull maintain the quality of services and produces for the customers?

I'm not sure how much exactly but more than 100 countries. For domestic market, Krating Daeng belong with truck drivers, but for foreign market, Red Bull is not just an energy drink, but it captures wider market in “Mixer” market. It is widely know that Red Bull Vodka, when mixing with liquor, will be very tasty to man. These various factors makes Krating Daeng never stop as an energy drink but expands to many other types including soda and coffee. In Thai marker the taste quite sweeter than European that market it has mixed more soda.
4. How did Red Bull enter? (By exporting or other entry modes such as licensing, joint ventures, wholly owned subsidiary)?

*Licensing, joint ventures and also wholly owned subsidiary.*

5. How is the role of network, especially personal network in the internationalization of Red Bull?

*We have good network. There are freedom to make decision not too tense. We also respect and truth ourselves together.*

**Please state a level:**

6. Which of the following factors helped your company’s internationalization process?

1 not important; 2 of little importance; 3 Moderately important; 4 Important; 5 Very important.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Similar market</td>
<td>4</td>
</tr>
<tr>
<td>Growth opportunity</td>
<td>5</td>
</tr>
<tr>
<td>Market Opportunity</td>
<td>4</td>
</tr>
<tr>
<td>Market Knowledge</td>
<td>5</td>
</tr>
<tr>
<td>Age of firm</td>
<td>3</td>
</tr>
<tr>
<td>Size of firm</td>
<td>3</td>
</tr>
<tr>
<td>Similar business culture</td>
<td>4</td>
</tr>
<tr>
<td>Creativity/Innovation</td>
<td>4</td>
</tr>
<tr>
<td>Local Network/relationships</td>
<td>5</td>
</tr>
<tr>
<td>Foreign network/relationships</td>
<td>5</td>
</tr>
<tr>
<td>Ability to create business networks</td>
<td>4</td>
</tr>
<tr>
<td>Entrepreneurial activities</td>
<td>4</td>
</tr>
<tr>
<td>Managerial motivation</td>
<td>4</td>
</tr>
<tr>
<td>Management’s ability to take risks</td>
<td>5</td>
</tr>
<tr>
<td>Technological advancement</td>
<td>4</td>
</tr>
<tr>
<td>experience of the management or entrepreneurs</td>
<td>4</td>
</tr>
<tr>
<td>Entrepreneurial activities of individuals or management or the firm</td>
<td>4</td>
</tr>
<tr>
<td>Risk-seeking behavior of entrepreneurs and management internationally</td>
<td>5</td>
</tr>
</tbody>
</table>

7. Which of the following best describes the internationalization process of your firm?

(Choose the best one)

b. Entering into foreign market through networks/contacts/partners.

c. Through international entrepreneurial activities of management/individual/firm, rapid internationalization.

d. Other, please specify:

8. How did you gather information about the foreign target market before entering that market?

We did gather information from competitors a lot spent many millions baht and spent many years in doing clinical research and Red Bull is only a single product in the world that energizes body and mind and boosting energy, detoxification, stimulating digestive system, increasing concentration, improving memory as we have studied by researching and proving these already.

9. How does Red Bull sustain and develop the business today and afterward?

We may not launch new flavor because, as I said, people do not buy Red Bull because of flavor but because of its capability; so, they do not want new flavor. But the fact that Red Bull is a very strong brand of the world and the customers are loyal to image of brand, this may be the channel that we can use in expanding goods lines but we must do it carefully. Therefore, I cannot tell exactly that we will not do it as we discuss every year about the time appropriate to start expanding lines to other goods under the brand of Red Bull and will start from which product or will sell license to other companies. I think, finally, this will happen but should be after the analysis is done because if we do it, it must be goods appropriate with target group and with good image like Red Bull. I believe that Red Bull Brand has marketing chance to do this.

We see event marketing as an antidote to heavily branded mainstream advertising. This chimes with the brand’s ‘making friends, not buying people’ positioning. Activities range from secret parties that keep a subversive brand on the right side of cool to PR-friendly Air Races and the famous Flugtag, watched by up to 50,000 spectators in one go. Red Bull's appeal has grown by targeting opinion formers, who drive sales through word of mouth.

-Thank you-