# Monster Energy Company

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Dear Dr. Gilchrist:

We deliver to you the Major Case Analysis report on Monster Energy Company, the main subsidiary of Monster Beverage Corporation.

This semester long assignment was to select a firm, discover the major problem they are dealing with, and create a plan to get past this problem. We wrote this analysis for both company insiders and for people who have never heard about Monster Energy, including our classmates. After peer editing of the original draft, we are happy for you to enjoy this final draft for you to analyze and enjoy.

Thank you for your time.

Sincerely,
Bryce Reagan
Jacob Masek
Alison Dyn
Anh Nguyen

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## Executive Summary

*Overview*

Our objective in this paper is to research Monster Energy, the main subsidiary of Monster Beverage Corporation, and analyze the entire company as well as defining their major problem. Monster Energy is one of the market leaders in the energy drink industry and continues to expand their product line, sponsorships, and events to gain sustainable competitive advantage over Red Bull. Our research began with analyzing the industry and then diving deeper into how Monster is positioned in the market relative to its competitors. Through these analyses our group was able to narrow down what we think Monster's problem is and what the best way to solve it would be.

*Corporate Mission and Current Strategy*

Monster's strategy is to be a product of best value relative to their most prevalent competitor, Red Bull. Monster has a long term strategic partnership with Coca Cola that opens up a large worldwide distribution network for the company and other valuable resources. The agreement was that Monster could partner with Coca Cola as long as Monster would be their sole energy drink brand. The company is currently in the process of expanding internationally, tapping into more of the distribution networks that Coca Cola provides them. Monster is largely focused in the United States and Canada, where most of their revenue comes from.

*Industry Analysis*

The demand for energy drink in both the United States and abroad has increased significantly over the recent years. These sales are expected to increase in the future, especially in the United States, Brazil, and China. Perhaps one large reason why these drinks are in such high demand is because more ingredients are being put in these drinks that improve athletic performance and recovery. Competitively, the industry is very saturated and there are few major players, namely Red Bull, Rockstar International, and Monster. Monster and Red Bull make up over 75 percent of market share. Red Bull successfully implements a differentiated strategy, which has led them to holding about 46% of the current market share. They have a much larger international presence and have the largest traditional marketing presence, which has allowed them to maintain competitive advantage. Monster and Red Bull both focus a lot of their marketing on the “action sports” lifestyle.

*Marketing Analysis*

Monster Energy utilizes a more for less positioning strategy in order to compete with industry leading energy drink company, Red Bull. Monster is a very well known energy drink brand both in the U.S., and internationally. Rather than focusing on traditional advertising mediums, Monster uses grassroots promotional efforts, event and athlete sponsorships to create brand awareness among its target audience: 18-26 year old millennials in the action sports community. For Monster, the company is more than an energy drink, it is a lifestyle that it wants its consumers to know, live and love.

*Financial Analysis*

Monster Energy utilizes a zero debt strategy, using internal financing, along with equity financing to sustain company operations. The company’s net income has increased over the years, but their ROE and ROA have both decreased. This may be an indicator that they are not using operations in the most efficient manner. However, their stock prices have continuously increased due to the rise in popularity of energy drinks.

*SWOT Analysis*

Monster Energy currently has a very healthy spot in the energy drink market. The company has successfully positioned itself against their number one competitor, Red Bull, through their innovative involvement in the action sporting world and constant product innovation. These efforts have led the Monster Energy brand to gain a dedicated fan base and appeal to consumers of many tastes. There are, however, several internal weaknesses with the Monster Energy brand. Ironically, one of the company's greatest strengths is also one of their greatest weaknesses; their niche customer base. The company's strategy of promotion in action sports has greatly limited their use of traditional mass media, which limits the number of customers they reach. Additionally, there has been some controversy about their slogan and how it refers to the devil. Energy drinks already are under enough heat for "killing" people and this does certainly not help Monster's brand.

There are several opportunities that Monster Energy could pursue to lessen some of their internal weaknesses. The growing worldwide consumer demand for alternate sources of energy pens up a larger customer base and the opportunity for Monster to continue to expand internationally. The growing demand for caffeine also presents an additional opportunity for product innovation. The energy shot market, largely dominated by 5 Hour Energy, is also growing very fast and could be an easy extension for Monster that could spread out their risk more while increasing revenue. In addition to these opportunities, there are several threats Monster must be aware of. The availability for substitutes in the energy drink industry is always going to be very relevant, which is why you see so much product innovation among these energy drink brands. Consumer tastes are always changing and keeping up with them can be difficult. Sodas, coffee, and tea are just a few drinks that Monster must compete with. Unfortunately for energy drink brands, negative publicity and connotations among energy drinks often make these substitutions appear more attractive to consumers. Since energy drinks contain such high amounts of caffeine and are readily available to any consumer they can cause adverse health effects that have caused some fatal events to occur.

*Major Problem and Possible Solutions*

The major problem for Monster Energy is that the company's current target market is not large enough to outperform its main competitor, Red Bull. Monster Energy focuses on a small niche of 18-26 year action sports fans that tend to exclude the majority of persons in the community. This limits the company's potential to outperform its competitor, Red Bull, and prohibits the company from achieving the #1 market competitor in the industry.

Possible solutions for this problem include:

1. Implementing an integrated brand promotion campaign to broaden Monster Energy's awareness and brand meaning
2. Redesigning the Monster Energy product portfolio packaging so that it is more appealing to the everyday consumer.
3. Further international expansion

*Best Solution*

The best solution to receive immediate results is to implement an integrated brand promotion campaign that broadens Monster Energy's brand meaning, while still maintaining the original integrity of the brand and its current customer base. Doing so requires Monster Energy to create television, social media, billboard and print advertisements that all correlate with the campaign, and to strategically launch these advertisements in different geographic markets for optimal performance.

*Implementation Plan*

Implementing the integrated brand promotion campaign will require Monster Energy to expand its marketing department to create a new division focused solely on this campaign. The department will be divided by geographic region, so that each advertisement can be tailored to local cultures and market preferences. After each advertisement is created, the advertisements will be scheduled to optimize campaign performance. After each advertisement is deployed, the ads effectiveness will be monitored by an independent advertising agency to measure ad reach and overall engagement in each separate geographic region.

**Company History** By: Anh Nguyen :

The concept for Monster Energy began around 1930 with Hubert Hansen. Hansen and his sons sold fresh fruit juices in southern California to make ends meet. The company then began taking off and the family bought a plant in Los Angeles in 1946. In the 1970s, Tim Hansen (the grandson of Hubert) developed and marketed a variety of sodas and juices. He designed these drinks to be visually appealing with pictures and fruit on them. The company became Hansen's Juices, and later The Fresh Juice Company of California. All of these sodas were made with cane sugar and come in a variety of flavors including original cola, root beer, pomegranate, mandarin lime, kiwi strawberry, and more.

The company filed for bankruptcy in 1988 and was acquitted by the California CoPackers Corporation and renamed Hansen Natural Company. Rodney Sacks, the current CEO, saw this as an investment opportunity. In 1992 he purchased the company for $14.5 million. In 1993 the plant was moved to Azusa, California. After much research and testing, in 2002 Hansen created the first Monster Energy Drink, which caused the company's revenue to begin to soar. The company's revenue from drink products skyrocketed from $50 million in 2003 to $1.7 billion in 2011, according to an October analyst report from Morningstar. The jump was all thanks to Monster. In January of 2011 Hansen decided he would change the name of the company to Monster Beverage Company. The company would now be under the new ticker MNST. He decided to change the name to Monster because this product has, and still does generate the bulk of the company's revenue (DuBois 1).

2014 marked a very important year for Monster. Coca-Cola Company paid $2.15 billion to acquire a 16.5% stake in the company. Global sales growth for Coke had fallen for the third straight year and was in need to add more variety to their portfolio. Global sales of soda, which represent around 70% of the company's global volume, have continued to slow and this was one way to spread out the company's risk. On the other hand, energy drink sales were growing at a fast and consistent rate. After the acquisition was announced Monster's stock price jumped 20%. Coke and Monster both have benefitted largely because Monster is able to take full advantage of Coke's distribution networks, which extend across a large number of countries. As part of the asset swap, the Atlanta-based company will transfer to Monster the ownership of Coke's energy-drinks business, which includes brands like NOS, Full Throttle, Burn, and Mother. Now, a standstill agreement prevents Coke from increasing its stake in Monster beyond 25% for four years, unless the boards of both companies agree to waive it, said executives at both companies (Esterl 1).

**<u>Corporate Mission and Current Strategy</u>** By: Anh Nguyen

The company mission statement is “To satisfy consumer’s needs for superior quality and great tasting, healthy, natural and functional beverage, our beverage will be positioned as an upscale brand and will often be marketed at premium to competitive mainstream products” (Monster Energy). This statement is based on its research on the beverage market and consumer taste. Furthermore, Monster’s management caution about risks and uncertainties of the company which could negatively affect the company business. In the mission statement and current strategy, the company concerns with potential risks which include obesity concerns,increased competition, and quality concern. Monster also has a long term strategic partnership with Coca-Cola Company with their current distribution agreement in US and Canada. Coca-cola company will become Monster distribution partner and Monster will become Coca-Cola Company's exclusive energy play (Fallon). Monster will have more opportunities in the international market and global system of Coca-Cola Company. Therefore, Monster’s brand recognition will be improved and the company can expands its product chain in some other countries other than US and Canada. Besides, Monster Beverage Company addresses its current strategy to adapt the change in demand due to both domestic and international economic conditions and strategies of competitors which include introduction of new products and competitive pricing. The company also has to anticipate the costs associated with the termination of existing distribution and changes in the price of raw materials. Those strategies are compliance with the U.S federal securities laws and the company has obligation to publicly update or revise its statements.

**Industry Analysis** By: Jacob Masek

From 2011 to 2015 energy drink sales have climbed from 8.1 to 13.5 billion in the United States alone (Statista 1). Globally, energy drink sales reached 49.9 billion, which is a five percent increase over 2013 sales. In fact, Americans today are consuming about the same amount of soda as they were in 1986. This lack of change is partially true to consumers growing interest in energy drinks. Energy drink sales have been growing rapidly, according to the American Beverage Association, the trade association that represents America's non-alcoholic beverage industry. The markets that will be most important for energy drink growth through 2017 are the United States, China and Brazil, according to market research firm Euromonitor International (Fontinelle 1). Sales are projected to increase in these countries, which will continue to impact the soft drink industry.

One large trend in the industry is energy drinks with additional ingredients that are supposed to enhance athletic performance and recovery. New varieties of existing energy drinks have selling points like no sugar, no carbs, no calories, and, counter-intuitively, no caffeine. There are also several brands, like Rockstar, that have extended their lines to include products that are organic. Since the major competitors in this industry are smaller in size to the major soft drink carriers, they are more quickly able to adapt to trends like these and therefore quickly meet customer's needs. Several of these brands, in turn, have been able to position themselves as both a low-cost and differentiated providers. One unique factor of the energy drink industry it is very saturated and there are few major players, making it hard for new entrants to compete. Monster, Redbull, and Rockstar essentially dominate the market.

Red Bull was the first energy drink to really make a mark in the United States. This beverage is owned by the Australian company “Red Bull GmbH”, whose introduction of the drink in its home country marked the beginning of the global energy drink industry. The drink comes in cans ranging from 8.4 to 16.9 ounces, and the drink comes in several flavors including cranberry, blueberry, tropical, tangerine, zero-calorie, and several others (Fontinelle 1). Red Bull has the least amount of variety compared to its competitors, but follows more of a differentiated strategy than its competitors. They attempt to target the consumer who is willing to pay top dollar for a higher quality beverage than their competitors.

Red Bull is sold in 169 countries and recent sales have jumped in Japan, India, Turkey, Scandinavia, Russia, and Brazil. Red Bull is a privately owned company, however, Dietrich Mateschitz, co-founder of Red Bull, owns most of the company. It is reported that the company recorded sales of 4,550 million in 2015. These sales give them approximately 46% of the market share in the energy drink industry (Caffeine informer 1). One way this company has been able to differentiate itself from the competition and maintain its market share is by implementing an advertising strategy that relies heavily on event and extreme sports sponsorship, buzz marketing, and television advertisements (Fontinelle 1). Some of the company’s well known endorsements include professional snowboarder Shaun White, rap artist Eminem, and professional basketball player Blake Griffin. The well-roundedness of appeal that these celebrities draw is one key to Red Bull’s success.

Rockstar, another major competitor of Monster, was founded by Russ Weiner in San Francisco in 2001.The brand comes in cans ranging from 8.4 to 24 ounces. The drink comes in 27 varieties ranging from zero carb, zero calorie, recovery drink, coffee flavors, and more. The amount of variety is one way the brand attempts to differentiate itself from Red Bull.Their diversity in both flavor and size creates a wider range of product categories for consumers to choose from. Similar to Monster, Rockstar has the same $2 price point as Red Bull, but its most purchased (16-ounce) cans are nearly twice the size. The company follows a more best-value strategy to attempt to appeal to a lower income audience that Red Bull doesn't market to since you get more bang for your buck.

Rockstar International is privately held and Russ Weiner owns 85% of the company. His mother holds the other 15% percent and also serves as the company's chief financial officer. It is reported that the company recorded 820 million dollars in sales, which equates to about 10% market share behind the two top dogs Monster and Red Bull (Caffeine Informer). Rockstar was a rocket for the first six years of its existence, revenue soared an annual average of 103% from 2001 to 2007, reaching $405 million. Over the last seven years, however, annual growth has slowed to around 8% (Brown 1). A lot of the companies marketing, similar to Red Bull, is endorsing well known competitors in extreme sports like BMX racing, snowboarding, skiing, and wake.  The company has attempted to have a larger impact on the market by sponsoring many different events including the Mayhem Festival and Warped Tour. Additionally, the company endorses several artists including All Time Low, Datsik, and The Devil Wears Prada.

Lastly, Monster Beverage Corporation, formerly Hansen Natural Corporation, was founded in 1990 and began selling Monster Energy drinks in 2002 after unsuccessfully launching another drink to compete with Red Bull in 1997. Monster promotes itself as “way more than an energy drink . . . a lifestyle in a can.” It associates itself with “action sports, punk rock music, partying, hangin’ with the girls, and living life on the edge.” Monster follows a best value strategy, as it comes in 16-ounce cans that have about the same price point as Red Bull’s 8.4-ounce cans. Monster drinks come in 36 varieties, ranging from its flagship Monster Energy drink to double-strength, coffee-flavored, fruit flavored, no calorie, protein-enhanced, and other varieties.

Monster is sold in 116 countries, and last August, Monster Beverage Corp. entered an agreement with the Coca-Cola Company that closed Coca-Cola transferred its energy drinks — NOS, Full Throttle, Burn, Mother, Play and Power Play, and Relentless — to Monster and purchase a 16.7% equity stake in the company for $2.15 billion. Monster Energy, our main focus, is also a subsidiary of Monster Beverage Corp. With US sales of $3.147 million from July 2012 through June 2013, Monster Energy is a close second to Red Bull. Together, these two brands captured more than 80% of the US energy drink market in 2013. Since Monster acquired Coca-Cola’s portfolio of energy drinks, Monster has become a more dominant player in the US market. However, while Red Bull’s lead in sales over Monster is small domestically, it is large internationally. According to Euromonitor International, in 2013, Red Bull had about 32% of the worldwide market, while Monster had about 14%. Similar to Red Bull, Monster’s market capitalization is nearly $20 billion. Monster’s stock has dramatically outperformed that of Coca-Cola Co, PepsiCo Inc., Dr. Pepper Snapple Group, the Nasdaq, and the S&P 500(L20) over the last five years (Fontinelle 1).

**Marketing Analysis** By: Bryce Reagan

*Market Segmentation*

Monster Energy's target market consists of millennial males between the ages 18-34. The company's target consumer lives a very active, fast paced lifestyle. According to Vipe Desai, former Director of Marketing for Monster Energy, Monster's DNA consists of "going big, not letting anyone get the best of you, and charging ahead all out" (IEG Sponsorship Report). This going all out mentality can be seen by the brands slogan, "Unleash the Beast" which is featured on nearly every Monster can. For this reason, Monster focuses on individuals involved in the action sports market, focusing especially on motocross and other motorsports.

*Positioning Strategy*

The energy drink industry is extremely competitive globally with total annual global revenues reaching nearly 50 billion dollars, but is especially competitive in the United States. For Monster Energy, product positioning is the foundation for its marketing activities and is a major key to success. Since its founding, Monster has positioned its brand and products as a more-for-less brand. Monster strives to provide its consumers with more energy, satisfaction, customer engagement, caffeine, ounces per beverage, etc., than its competitive rivals, all while delivering its products at an extremely competitive price. By using a combination of product attributes and use occasion, Monster maintains their more-for-less value proposition and continues to build brand awareness in the minds of consumers.

When looking at various energy drinks, consumers will quickly find that Monster provides to best value for their buck. Monster Energy offers 35 different flavors, and all pack a bigger energy rush than the competitors. Monster's unique energy drink flavors provide consumers with countless use occasions, not just as an alternative energy source to coffee. Monster's Monster Energy cans say it best: "Athletes, musicians, anarchists, co-eds, road warriors, metal heads, geeks, hipsters, and bikers dig it- you will too." Similarly, Monster's Juice Monster Kaos can says, "Our Pro Athletes are always looking for an edge, so when they've got an idea we listen. After months in the lab we perfected the "Juice Monster." There is a common theme with the tone of Monster's packaging and promotions, and that's that Monster provides consumers with a bigger punch for a lower price than its competitors.

*Product*

Monster Beverage Corporation produces products in the alternative beverage category which consists of lemonades, juice cocktails, single-serve juices and fruit beverages, coffee and dairy products, energy drinks and sports drinks. In 2014, the company formed a long-term partnership agreement with the Coca-Cola Company, which went into effect in 2015. Prior to the agreement, Monster had two reportable product segments: Direct Store Delivery (DSD) and Warehouse. After the agreement, all products in the Warehouse Category, which was composed of Monster's non-energy drink products, were sold to Coca-Cola. In exchange, Monster acquired Coca-Cola's energy drink brands, and operates them as subsidiaries of Monster Beverage Corporation today.

Monster's DSD segment, which is now its only product segment, is composed of Monster Energy brand drinks, which is divided into seven distinct categories: Monster Energy, Java Monster, Muscle Monster, Extra Strength, Rehab, Punch, and Juice Monster. Due to the highly competitive energy drink market, Monster offers a combined total of 35 flavors within these categories.

In 2002, Monster launched a new carbonated energy drink under the brand name Monster Energy. At the time, the drink was unique in the market because it was in 16 oz cans, which is significantly larger than the traditional 8-12 ounce energy drink cans found in Red Bull. Monster Energy's signature 16 ounce cans still exist today across all of its product lines. Additionally, Monster had a higher caffeine content in terms of milligrams per fluid oz. There is 160 mg of caffeine in a 16 oz. Monster (10 mg. /oz.), compared to 80 mg in an 8.4 oz. Red Bull (9.5mg. /oz.).

In addition to offering the most caffeine per beverage, Monster also focuses on offering consumers the most product options in the energy drink category. Today, the Monster Energy product line offers consumers a staggering 14 flavors: Monster Energy, Lo-Carb Monster Energy, Absolutely Zero, Unleaded, Zero Ultra, Ultra Blue, Ultra Red, Ultra Sunrise, Ultra Citron, Ultra Black, Assault, Ubermonster, and M3. All Monster Energy drinks contain vitamins, minerals, nutrients, herbs and other dietary ingredients, combined with a unique energy blend with varying caffeine levels.

The Java Monster product line consists of non-carbonated dairy based coffee plus energy drinks. The line offers five flavors: Mean Bean, Loca Moca, Kona Blend, Irish Blend, and Vanilla Light. Muscle Monster is a line of non-carbonated high protein muscle energy shakes. The line offers four flavors: Chocolate, Vanilla, Strawberry, and Banana. Monster Extra Strength is a line of carbonated energy drinks containing nitrous oxide. The line offers two products: Super Dry and Anti-Gravity. Monster Rehab Tea + Energy Drinks is a line of non-carbonated energy drinks with added electrolytes. The line offers the following products: Tea+Lemonade+Energy, Raspberry Tea+Energy, Tea+Pink Lemonade+ Energy, Peach

Tea+Energy, and Tea+Orangeade+Energy. The Punch Monster is a carbonated punch-energy drink mixture. The Punch line offers two flavors: Baller's Blend and Mad Dog. Lastly, Juice Monster is a carbonated juice drink with the Monster Energy Blend. The Juice Monster Product line offers three flavors: Khaos, Ripper and Pipeline Punch.

*Price*

When looking at the top competitors in the energy drink industry, it is clear that Monster stands out as the best-value provider. Monster's best value competitive strategy flows from their positioning strategy in the industry, to their promotions, all the way down to their pricing on the shelf in-store. While Monster is not the lowest priced energy drink, it does offer consumers the best value for their buck. Additionally, Monster is more affordable than its #1 competitor, Red Bull, in all beverage sizes.

A prime example of Monster's best-value pricing strategy can been seen at the local Casey's General Store in Kirksville, MO. In an effort to compete with Monster, Red Bull began offering an in-store sales promotion selling two 12 ounce cans of Red Bull for a low price of $5.33. Red Bull generally follows a differentiation strategy, charging consumers a higher price for what the company thinks is the premium product. In response to Red Bull's promotion, Monster is offering consumers any combination of three 16 ounce Monster Energy drinks for $5.00.

Pricing wars between Red Bull and Monster are prevalent in all sales channels, not just at convenience stores. The average price of a 12 oz. Red Bull is generally between $2.62-$2.99, depending on the retail outlet and the quantity bought. Walmart currently offers a 12 pack of 8.4 oz. Red Bulls for $19.64. This equates to 19.5 cents per ounce. The average price of a 16 oz.

Monster ranges between $1.89-$2.79, depending on the retail outlet and quantity bought. Walmart currently offers a 10 pack of 16 oz. Monster's for $15.46, or 9.7 cents per ounce, nearly half the price of Red Bull.

Monster Energy's focus is on maintaining its profitable growth. The company strives to maintain profit margins by tailoring its branding, packaging, pricing, and distribution strategies to attain the highest growth percentages.

*Place*

Monster Energy drinks can be found in most major retailers, convenience stores, gas stations, and other distribution channels across the world. After finalizing the strategic partnership with the Coca-Cola Company in 2015, Monster Energy is now distributed solely by Coke, both domestically in the United States and in foreign countries abroad. This means that all ties with Monster Energy's previous distributor, AB InBev, have been terminated. Nearly 100% of Monster Energy's United States bottling and distribution is controlled by Coca-Cola, and the vast majority of international bottling and distribution will also be controlled by Coke as Monster continues to expand (2014 Annual Report).

A key focus for Monster is international expansion, as Red Bull currently dominates the international market. During 2014, Monster Energy grew gross international sales to $657.9 million, up 13.3% when compared to 2013 (2014 Annual Report). In 2014, Monster distributed its beverages to approximately 116 countries and territories, and continues to expand the sale of its drinks into additional countries in the future.

Monster Energy's main customers are full-service beverage distributors, who buy Monster Energy drinks and then sell and distribute them into retailers. Additionally, Monster sells directly to many retail grocers, specialty chains, club stores, drug chains, and wholesalers (2014 Annual Report).

*Promotions*

Unlike many traditional food and beverage companies, Monster rarely uses traditional advertising mediums like TV and radio advertisements. Instead, Monster focuses on utilizing a push-pull method, pushing its products directly in the hands of consumers, and pulling, motivating its customers to seek out the brand at the point of sale. Monster's sales and marketing strategy is to "focus our efforts on developing brand awareness through image enhancing programs and product sampling" (2014 Annual Report, 16). For Monster Energy, their brand is more than an energy drink, it is a lifestyle in a can that they want their dedicated fans to live, breath and love. For this reason, the company chooses to spend their marketing dollars on creating branded experiences for their consumers, and through spreading the Monster Energy brand through sponsorships.

Monster uses branded vehicles and other promotional vehicles at various events to offer free samples to consumers. Monster's vehicles can commonly be found at sporting events on college campuses across the nation, as well as at various professional sporting events, concert series, races, etc. The goal for the branded vehicles is to hand out as many free samples as possible, to help ensure that every consumer in Monster's target market has tried a Monster Energy product.

Monster also uses a push-pull promotional methodology for its in-store marketing initiatives. When a consumer steps into a store, convenience store, or gas station, they will likely face enhanced Monster Energy shelf displays and strategic display spaces throughout the store.

In-store product placement and awareness is key for Monster, therefore, they use "advertising, in-store promotions and in-store placement of point-of-sale materials, racks, coolers and barrel coolers" in various sales outlets to enhance demand and awareness from consumers (2014 Annual Report, 16).

Sponsorship is another key element of Monster Energy's promotional strategy. Like other energy brands, Monster sponsors various competitions, causes, events, athletes and teams, as well as television personalities in its efforts to be at the top of mind for consumers. What makes Monster's sponsorship strategy different is its focus on aligning its sponsorships strictly with the Monster DNA. According to Vipe Desai, Monster's former Director of Marketing, "it's all about aligning the right athletes and brands. Those are differentiators" (IEG Sponsorship Report).

Monster's initial sponsorship strategy was focused much around Supercross (competitive dirt bike racing). Supercross is Monster's flagship success story, as it aligns perfectly with the Monster brand, and furthermore, to its consumers and fans. Supercross provided Monster with a unique opportunity because it draws a very segmented audience when compared to other sporting events. Supercross is generally more affordable than other sports, and provided Monster access to consumers that would be looking for a great value at an affordable price, which is exactly what Monster strives to provide.

Today, Monster sponsors nearly 25 categories of motorsports, 8 action sports, and 4 athletic sports (Monster Energy). Among these sponsorships include hundreds of athletes, both amateur and professional, that represent the Monster Energy brand. In turn, athletes are paid for their endorsements, and rep free Monster swag (branded merchandise) in their day to day lives.

A few of Monster's most distinguished athletes today include motocross racing legend Ricky Carmichael, American super pipe snowboarder Danny Kass, professional skateboarder Chris Cole, professional surfer John John Florence, and professional skateboarder Nyjah Huston Nyjah Huston (Monster Energy). These athletes represent the Monster DNA, in that they are all extreme athletes that constantly strive to be the best.

In addition to highly competitive action sports, Monster also sponsors various music artists and TV personalities. A few featured music groups include Yelawolf, The Word Alive, Snow the Product, Attila, and Five Finger Death Punch. Monster's featured personalities include The Dingo, Tiny Lister, Paul Thacker, and Don Jamieson (Monster Energy).

Monster currently has four promotional campaigns: Monster Graves Yamaha Custom R3 Sweepstakes, Win a Trip to UFC 200, Chance to Win a Winter Getaway to Whistler, and Monster Energy- Halo 5 Guardians. The Monster Graves Yamaha Custom R3 gives motorcycles fans a chance to win a custom bike sponsored by Monster Energy. The Win a Trip to UFC 200 partners with XboxOne and its game, UFC 2, to provide consumers a chance to win a trip to UFC200 and spend it with the Monster Girls. Similarly, the Halo 5 Guardians promotion provides consumers with a special Halo promotional package inside specially marked Monster Energy 10 packs! Again, all of these campaigns focus on aligning the Monster Energy brand with products that fit its DNA.

One unique differentiator for Monster is the Monster Girls promotion team. Monster hires Monsters Girls, beautiful models from around the world, to help gain consumer attention in what are often hectic event atmospheres. These girls get to travel the world, and their sole job is to look beautiful, and convince those around them to consume Monster Energy drinks. This use of sex appeal works for Monster's predominantly male target market, and is generally unique in the energy drink industry.

*Social Media & Community Marketing*

In addition to various sponsorships, Monster also relies on a variety of social media platforms to promote the Monster Energy brand and its corresponding sponsored athletes. Like many other energy drink brands, Monster Energy can be found on Facebook, Twitter, YouTube, Google +, and Instagram. Monster Energy currently has more than 24 million Facebook followers, 3.3 million Twitter followers, nearly 1 million YouTube subscribers, and 2.9 million followers on Instagram.

YouTube is a crucial social media platform for Monster's advertising success. Here, Monster posts highlight videos of its sponsored athletes, and really emphasizes the Monster Energy brand. The company boasts nearly 172 million video views, which ranks the second highest among Energy Drink brands, preceded only by Red Bull. Red Bull currently has over 5 million YouTube subscribers, and over 1.4 billion video views, making it the #1 viewed brand on YouTube in the world (Statista).

**Financial Analysis** By: Ali Dyn

When determining the current position and the volatility of a company, one must review the company's past performance compared to those of the industry at large. This allows one to use industry averages to determine how the company is doing compared to others providing similar products or services. Due to the fact that most energy drink companies are not publicly traded, Monster is grouped into the soft drink industry. Thus, to fully understand Monster's current position we have reviewed its past performance based on a few key ratios, financial statements, and stock performance.

*Stock Analysis*

Monster stock fluctuates with multiple factors, such as supply and demand. Over the past 5 years the stock looks like a roller-coaster of ups and downs. Overall, however, Monster's stock has been increasing since the 2000s. It seems that the main cause of this continuous increase in the company's stock price has to do with the increased demand for energy drinks. In the past, the majority of caffeine drinkers choose coffee over energy drinks. However, as the popularity of energy drinks rises, many more Americans are choosing energy drinks, lowering the gap between coffee and energy drinks.

In the second quarter of 2014, there happened to be a period of investigations into the deaths that could have potentially been linked to the consumption of energy drinks that were all over the media, in headlines everywhere (Briquelet). This caused a period of decline in the stock prices of that quarter. Now that those investigations are no longer news headlines, not as many people are paying as close attention to possible health side effects. Therefore, Monster stock is beginning to rise again.

On June 12, 2015, Monster and Coca Cola signed an agreement that provided a strategic partnership between the two. Coca Cola handed over the energy sector of their company to Monster in return for the non-energy drink portion of Monster (Fallon). This strategic partnership could have been the cause for the few months continuous increase following the month of June. However, if one was to simply review the stock chart for the current year, they would recognize the fact that Monster is more of a roller coaster then a continuously increasing stock. The steep trough in February 2016 could have to do with the fact that the stock market overall has not been doing too well within the last year.

*Finances*

By reviewing the financial statements, one can see that Monster's revenue and net income have consistently gone up since 2006. It has grown about 458% over the past ten years, growing the most from 2008-2009 at 93%.  The largest decline in growth rate was -26% from 2007-2008. These growth rates are a good indicator that Monster seems to performing well financially. However, this is not the only indicator of the company's profitability, and potential investors should consider other factors, as well. Investors can refer to the financial statements to analyze the company using financial ratios and compare them to the industry average to determine their stance within the industry.

*Industry Ratios-Profitability/Management Efficiency*

First, Return on equity (ROE) is one of the key ratios that investors will use to determine if the company's profitability. Overall, ROE seems to be going down. It fell from 55.88% in 2006 to 17.3% in 2015 (Morningstar). ROE shows if a company has a competitive advantage over other companies in the industry. Due to the continuous decline in Monster's ROE, it shows that their competitive advantage seems to be decreasing over the years. This reduction in ROE could be due to the fact that Monster has reached the maturity stage in their life cycle. As during the growth stage of a company, ROE seems to be higher than what the company can sustain. Compared to the current industry average of 26.5%, Monster also seems to be underperforming the industry by about 9.2% (Morningstar). This could be an alarming figure to potential investors, considering the return on equity is based off of the money that they would invest in the company.

Another important ratio to consider when reviewing a company's profitability is return on assets. Return on assets measure how efficient management is at using the company's assets to generate earnings. Not much can be told by Monster's return on assets, since there seems to be no continuous trend. It fluctuates from year to year. Overall, it has decreased from 41.48% to 14.36% in 2015 (Morningstar). Investors prefer a higher return on assets, because that means the company is earning more money off of fewer investments. In reviewing Monster's financial statements, one could find this decreasing ROA could be due to the increase of purchases of fixed assets or poor collection of accounts receivable. Essentially, Monster's assets are growing at a faster rate than their net income. This shows that there are inefficient operations. However, compared to recent industry average of 7.6%, Monster isn't looking too bad to investors who prefer higher return on asset percentages (Morningstar).

In addition to return on assets and return on equity, one should also consider the operating margin ratio. This ratio can be used to determine a company's pricing strategy and operating efficiency. It measures the company's excess revenues after paying variable costs of production such as wages, raw materials, etc. Operating margin gives an analyst an estimate of how much money a company makes on each dollar of sales. Thus, the higher the company's operating margin, the better. In the past five years, Monster's operating margin ratio has seen to go down and then back up. Altogether, though, it has risen to about 32.8% this last year (Morningstar). The reason for Monster's high level of operating margin could be due to the company requiring more fixed costs than variable costs. When revenue increases, the operating margins of companies which have more fixed cost have the potential to increase at a faster rate than those with more variable costs. Thus, since their revenue has continued to increase over the years, there operating margin has also risen. In addition, the company's operating margin compares well with the industry's operating margin of 16.8% (Morningstar). This is a good sign for investors, because if a company's margin is growing faster than the industry average, then it is earning more per dollar of sales compared to the industry.

*Industry Ratios-Liquidity*

One of the most important ratios for determining liquidity is the current ratio. The current ratio can be used to decipher the company's ability to pay back its liabilities with its assets. If the ratio is below one, then the company has more liabilities than assets, meaning that they may not be able to pay off all its obligations. As of December, 2015, the current ratio is 6.97 (Morningstar). This is a good sign to investors. The higher the current ratio, the more capable the firm is of paying off its current obligations. On the contrary, "Depending on how the firm's assets are allocated, a high current ratio may indicate that the firm is not using its current assets efficiently, not managing their working capital strongly, or not securing financing properly" (Investopedia). Therefore, one must use a more specific ratio than the current ratio to evaluate these issues better. A more specific ratio then the current ratio is the acid-test ratio. This ratio determines whether or not the company has enough short-term assets to cover its current liabilities. According to the balance sheet, Monster's acid-test ratio is 6.637. Therefore, this shows that the company has enough liquid assets to cover its current liabilities and does not rely on inventory. Based on these ratio results, Monster seems to have a high level of liquidity. This could be due to the fact that Monster holds no debt, and thus, has a lower percentage of current liabilities compared to current assets.

*Industry Ratios- Capital Structure*

The debt to equity ratio can be used to measure a company's financial leverage. This ratio shows how much debt a company uses to finance a company's assets compared to the amount of value that is represented in the shareholders' equity. Basically, it is used to determine the extent to which a company is taking on debts as a means of leveraging. Thus, a high debt to equity ratio shows that the company has been aggressive in financing their growth with debt, which can come at a cost of higher risk. Looking at the balance sheet, one will notice that Monster currently has no long-term or short-term debt, making their debt-to-equity ratio 0. Therefore, this indicates to investors that there is no increased risk due to leveraging, which is due to the fact that they do not hold any debt. The industry average is 1.4. This shows that on average most soft drink companies use a large degree of financial leverage compared to equity.

Another ratio that looks at the capital structure of the company is interest coverage ratio. Basically, it measures how many times a company could pay its current interest payment with its available earnings, or its margin of safety for paying back interest in order to stay afloat if a financial hardship occurs. A firm's ability to meet its interest obligations is a key aspect of a company's solvency, and thus a key factor for shareholders to consider. Since Monster holds no debt, they have no interest payments. Compared to the industry average of 19.07% (Morningstar), Monster seems to be looking good with their zero debt strategy. They are achieving this strategy by doing most of their financing internally by repurchasing shares, along with some equity financing by issuing shares.

The way that Monster is financing goes against Pecking Order Theory. Pecking Order Theory explains that the uses of financing should go in order of least expensive to most expensive: (1) internal financing, (2) debt financing, and (3) equity financing. The way that they currently finance their operations is by using (1) internal financing and then (3) equity financing. They completely skip debt financing. Repurchasing shares, or using internal financing, should continue to increase. However, they should begin to use debt financing before they start to offer more shares. Equity financing is the most expensive financing, because it requires higher returns, as a result of the higher risks associated with it. Debt financing allows for tax deductions that evidently make the loan cost less for the company. In addition, debt financing does not take ownership in the company, as does equity financing. Thus, before they continue to issue more shares, they should consider using debt to finance operations.

**SWOT Analysis** By: Jacob Masek and Ali Dyn

*Strengths*

Over the past years, Monster has grown into a successful venture due to its many strengths. First, they have created a strong brand identity using the slogan "Unleash the Beast" and sponsoring many extreme sport athletes and events, along with some motor sports. To help enforce their strong brand identity Monster has created the Monster Army, which is a team of athletes and fans that represent their brand worldwide (Monster Army). This army is a strong representation of what it means to unleash the beast. It is a form of "celebrity" advertisement in a sense. Potential consumers see these extreme athletes drinking Monster and find that if those people are drinking it, so should they. They are also gaining market share with snowboarding, skating, and music. Monster's growing market share is helping them gain a competitive advantage over their competitors. Another reason Monster is gaining more market share is due to their reasonable prices in comparison to other energy drinks. Energy drinks, as a whole, are more expensive than other soft drink beverage. This seems to be due to the fact that energy drinks are viewed as premium products. Thus, Monster has the ability to make more profits than most soft drink companies, while marinating a lower priced product than other energy drinks. Having a lower price than the other energy drink companies allow them to gain more of the market share that would opt for the lower priced product.

In addition, Monster provides their energy drink in an innovative and attracting can design. This will draw more customers to the product, leading to an increase in purchases. People are more likely to choose the product with the more intriguing can design than the boring plain colored cans. As a result of all their strengths lead to a final strength: customer loyalty. Most of the customers that are attracted to the product whether it is because of their strong brand identity and association with extreme sports, or the cheap prices, will continue to choose Monster's product over the competitors. Also, those since they attract a particular clientele, Monster could become a form of an icon to some loyal customers.

*Weaknesses*

Even though Monster seems to be a strong company, they still have room for improvements. First and one of the most detrimental weakness, is their limited customer base. As marketing strategy, Monster Energy is not focusing on mass media, but rather on targeting their special segments. This seems to be creating loyal customers within the market segment they are targeting, but they are leaving out a large portion of the market for competitors to enter. Maybe it is time for Monster to step outside the box and enter into new markets. Another weakness associated with their limited consumer base is their lack of traditional media. This problem seems to be due to their limited target audience. They do not seem to produce many commercials on general television programming or have advertisements in popular magazines or other media sources. Instead, they focus on nontraditional media, such as the Monster Army or sponsoring extreme sports with a very limited fan base.

In addition, there has been some controversial over their slogan and can designs meaning. There was a video released in 2014 claiming that the figure that looks like an M on the can represents 666 in Hebrew and that the beast in the slogan refers to the devil. Thus, claiming Monster's slogan is referring to unleashing the demon inside us (YOUTUBE). Basically, this video is claiming that the energy drink is associated with Satanism. Even if the can is not, this is not the type of publicity that the company should want.

A final weakness of Monster would be their over reliance on key distributors. This puts Monster at risk of the potential lack of availability of their products. If there was an interruption in the availability of their product, then it could reduce their net sales and adversely affect the results of their operations. However, that is not the only problem that could adversely affect their results of operations. The increase in raw materials and components used in making their products would have the same effect.

*Opportunities*

There are several external opportunities that Monster could pursue in the near future. These opportunities include international expansion, growing consumer demand for alternative sources of energy in their daily lives, and product innovation. These are several areas that Monster could pursue in attempt to gain a more competitive advantage in the market.

The first opportunity present for Monster is international expansion. As previously stated, Red Bull, Monster's most relevant competitor, currently sells their beverages in 169 countries. Monster sells their beverages in 114 countries. Coca Cola's distribution network reaches roughly 200 countries, so there is still a lot of room for growth in this area. Monster may want to, however, pursue this area in a more timely fashion so that they can stop competing behind Red Bull. In the last year Red Bull generated almost three times as much revenue worldwide as Monster. Selling their product in more locations will lead the brand to become more likely to come top of mind to consumers and create a wider range of purchase and usage situations in which the brand comes to mind. The demand for these drinks continue to increase worldwide and it is vital that Monster grabs as much consumer attention as possible before the competition.

Another related opportunity to international expansion is growing consumer demand for alternative sources of energy in their daily lives. In the United States alone, energy drink sales have grown by more than 5000% since 1999. The rise of Red Bull and Monster, which accounted for nearly 80% of energy sales in the United States last year, is such that the energy drink category now legitimately rivals our old fashioned caffeine delivery system- coffee. Energy drink sales are slated to continue growing at about twice the rate of coffee sales (Ferdman 1). One reason for this growth is that these companies are often able to advertise more than those in just the coffee market. Some brands like Monster, have the ability to advertise their coffee brands and also other sweeter drinks. These brands can be advertised as having both a greater variety, which appeals to a larger audience, and easier to access when you are on the go. Furthermore, consumer tastes are changing. Energy drinks provide a more enjoyable taste than most coffees on the market while providing the same amount of caffeine. This growing demand makes this industry not only profitable in its current state, but also in the years to come.

The growing demand for caffeine directly relates to another opportunity for Monster, product innovation. One closely related market to energy drinks is the energy shot market. There is some speculation that the energy drink market is becoming too saturated, which opens up opportunity to expand. 5 hour energy currently dominates this market with around 80% of the market share. 5 hour energy grossed 725 million dollars in sales in 2015 and it's next closest competitor, Stacker inc., grossed 10 million (Caffeine Informer 1). There is certainly opportunity for a well-known brand like Monster to create a similar product to 5 hour energy in this market and be profitable. Monster's ability to utilize Coca Cola's distribution channels and retailers is an extremely valuable asset that other competitors in this niche do not necessarily have.

*Threats*

Even though the energy drink industry has grown a lot over the recent year there are several threats that have and could harm Monster's ability to be profitable in the coming years. These threats include the availability of substitutes, health issues, and legal risks.These factors may not only effect Monster's quest to gain a sustainable competitive advantage, but also harm the industry as a whole from a public relations standpoint.

One increasing area of concern that Monster has been trying to tackle with recent product innovation is the availability of substitutes. As previously stated, there are more sources get caffeine today than ever before. Even though the demand for soda is falling there are still plenty of sodas on the market that provide a good amount of caffeine. These sodas are usually lower in price per unit relative to Monster. Sodas can also be sold wholesale, which is also a threat to

Monster. There are also two established substitutes that have been around much longer than energy drinks, coffee and tea. These two substitutes often do a better job of appealing to an older crowd than Monster who may not be as adventurous, have been consuming these beverages for a majority of their life, and see no incentive to change their purchase behavior. Additionally, there are brands like V8, Crystal Light, and Mio that offer drinks and/or mixers for water that contain close to the same amount that energy drinks do.

Perhaps the largest threat to Monster and the energy drink industry as a whole is the health issues and legal scrutiny that the industry has been under in the recent years. Monster Energy drinks are full of numerous ingredients that promise to increase endurance, create lasting energy, and improve concentration. Several health risks associated with this beverage, along with most others in the industry, include elevated blood pressure, sleeplessness, increased urination, and unhealthy heart beat (Anne 1). There are also several long term effects that energy drinks can have on one's body including increased risk of cardiac events, mental health problems, and more.

These health risks have led to Monster becoming entrenched in some legal troubles. The Food and Drug Administration does not require energy drink companies, including Monster, to list the exact amount of caffeine on ingredient labels because the products are regulated as dietary food supplements instead of food. Since these drinks contain such high levels of caffeine and effect every individual differently there have been several deaths that have been related to this brand. One high-profile lawsuit was recently expected to go to trial. That lawsuit was the case of Anais Fournier, who was 14 years old when she ingested two Monster Energy drinks in a 24-hour period and died of cardiac arrest (Lawsandsettlements.com 1). These cases and the health problems associated with Monster taint their public image. There are a lot of regulation guidelines marketing these drinks and Monster must be very aware of these to not only compete, but stay in business.

**<u>Major Problem</u>** By: Bryce Reagan

Monster Energy is the second largest energy drink company in the world behind Red Bull. The biggest problem that is keeping Monster from stealing the number one spot in the energy drink industry from Red Bull is that Monster's target market is so much smaller than that of Red Bull's. By focusing on a niche market surrounding the action sports community, Monster is limiting the size of its pool of targeted consumers.

Red Bull, on the other hand, has a much broader target market that is not exclusive to the action sports community. Like Monster, Red Bull primarily markets their products to generation Y. Red Bull's targeted consumer generally participates in competitive and extreme sports, or some other type of adventurous or recreational activity that is physically and mentally demanding. This allows Red Bull to appeal to a wider target market, and causes the brand to be more attractive than Monster to most consumers.

**<u>Possible Solutions</u>**

**Solution #1:** By: Jacob Masek

One solution to resolve Monster's major problem would be to run an integrated brand promotion campaign that would help them appeal to a wider audience and lifestyle. Monster's most prevalent competitor, Red Bull, is extremely well versed in their use of traditional media and advertising. The current promotions and sponsorships that Monster uses restricts their appeal to a very specific consumer, those who are male and passionate about action sports. This makes it extremely hard for Monster to grow their market share since Red Bull's use of both traditional and nontraditional media not only reaches more people, but also creates a greater top of mind awareness among consumers.

As previously stated, Monster's current slogan is "Unleash the Beast", which is unique, but means little if it is not advertised to consumers. Our idea is that Monster should run a integrated brand promotion campaign titled "Unleash Your Inner Beast". This campaign would encompass many sports and activities that consumers engage in their day to day lives. It would focus on how using Monster will help you reach your full potential in not only action sports, but also in traditional sports, musical endeavors, in the classroom, during the work day, and generally, in every circumstance where your mental and physical energy is tasked. The ultimate goal of this campaign is to create brand awareness over many audiences and to shift consumer's perception of what the Monster Energy brand represents.

This campaign would involve a cohesive marketing initiative across many channels including television, social media, billboards, and print advertisements. In order to properly execute this, a large marketing team would be put together and would be divided up based` on geographic region.

This solution, however, would not be without potential backlash. One disadvantage of this solution would be that it would be extremely costly. Monster would essentially have to hire a whole new team or advertising agency to tackle this campaign. Shooting equipment, travel, endorsements, and other expenses could end up costing millions of dollars. The actual payoff of this plan could take years and Monster would have to find a way to cut costs or other sources of revenue elsewhere to make sure their other endeavors are financially supported. Monster should continue to promote their products as best value and must make sure that any costs like this would affect the price of the product the end consumer purchases.

Another disadvantage of this solution would be that Monster could lose its current customer niche. The goal of this campaign is to communicate to the consumer that Monster does have a special consumer base in action sports, but is much more than that. The wide range of audiences and focus areas of this campaign could damage their current market, resulting in a loss of key customers. The uniqueness of a brand is a key attribute to achieve sustainable competitive advantage. The messages to be communicated in these advertisements must be communicated extremely strategically to expand their customer base while attracting new customers.

**Solution #2** By: Bryce Reagan

One of the keys to success in the beverage industry is creating a product that stands out visually against the competitors' products, while maintaining visual appeal in the eyes of consumers. One possible solution to help expand Monster's target audience is to change Monster Energy's product packaging design to be less intimidating and more appealing to the general consumer.

When putting a can of Monster Energy next to a can of Red Bull, there are a few very distinct differences that are immediately noticeable. The first difference is the size and shape of the can. Red Bull's standard can is only 8.4 ounces, but they also have 12 and 16.9 ounce cans available. Monster generally offers two can sizes: 16 ounces and 24 ounces, but a 32 ounce can called the Monster BFC can also be found at select locations.

Monster's packaging and design could be made less intimidating by reducing the can to be a slimmer size, and reducing the size of the logo. The advantage of doing this would be that

Monster would be more appealing to a broader audience. Along with this advantage are a couple possible disadvantages that may outweigh the reward gained from such a product change.

The first disadvantage would be the costs associated with changing the can size and design. Changing the dimensions and design would likely cause huge changes in the production process, and would require Monster's manufacturers to change production and packaging methods, as well as the packaging design specifications. With these changes are an increase in short-term production costs, and the risk that the market will not accept the new packaging. Furthermore, current Monster consumers could stray away from consuming the beverage because it may not appeal to Monster's current niche. Therefore, this option would be hard to create a design that balances the current target market desires with more mainstream trends, without risking the loss of market share.

**Solution #3** By: Ali Dyn

One of the main ways that a company can being to expand to a broader audience is by expanding into international markets. As of right now, the majority of Monster's revenue come from the United States and is struggling to compete against Red Bull in the international marketplace. As stated previously, Monster is sold in 114 countries, whereas Red Bull can be found in 169 countries. In 2015, 77% of Monster's sales had come from the US, compared to 23% of the sales from the international market. In the same year, only 36% of Red Bull's sales had been from the US and the other 63% from international markets (Caffeine Informer Staff). This is partially due to the fact that Monster spends most of its time and effort in the domestic market rather than the international market. Therefore, in order to capture more market share from Red Bull, Monster needs to focus more on their international market.

An advantage to this strategy would be that Monster Energy would be able to increase their international footprint and hopefully gain more consumers. This would allow them to better compete with Red Bull, since they seem to currently capture the international market. Since Monster has recently gotten into a strategic alliance with Coca-Cola, they could use their distribution system already in place in different countries. This is a major advantage because it cuts down the cost associated with expanding internationally. Also, Monster already has a presence in 116 countries. This can be used to Monster's benefit. All they would need to do in the countries they are already present il n is increase their advertising to expand to other cilente. They could change some of the ways that appeal to audiences to fit the needs of customers in these other countries.

Currently in Monster's international market they outsource most of their production. Monster does not make their own products not bottle them, this is left to the company's that they outsource them too. This can be a major disadvantage to the company due to the fact that it can really increase the cost of manufacturing the product depending on the logistics of the outsourcing. Also, the cost of expanding internationally includes many other costs. For example, introducing more advertisements increases Monster's expenses. In addition, there is a risk that the products will fail in the new international markets if the product does not meet the needs to the consumers. This would would cause the company to lose the money they invested in this new market.

**Selection and Justification of Best Solution:** By: Bryce Reagan

Solution #1, creating an integrated brand promotion campaign, is the best option for Monster Energy to expand their target market, while still maintaining the integrity of their current brand. Creating an integrated advertising campaign will increase consumer awareness of Monster Energy, and will lead to a direct increase in sales, without the possibility of losing current market share that is posed by making a drastic change to the design of the product packaging. Additionally, an integrated brand promotion campaign will help increase the size of the Monster Energy's current footprint in the market, both in the United States and internationally. By doing so, Monster's international markets should increase in size, and furthermore, would increase the effect Monster's current international positioning has on the company's revenue. Therefore, an integrated brand promotion campaign would expand Monster's international market, without the costly endeavor of expanding into new international territories.

Traditional mass media advertising mediums are used by the majority of companies in the world for one simple reason, it works. Creating an integrated brand promotion campaign would change the company's current marketing strategy to incorporate more traditional advertising and promotions of the brand. By promoting the company with a syndicated brand message across many platforms, the company will expose more consumers to its product, which will lead to a direct increase in sales.

One prime example of how the use of an integrated brand promotion campaign would be successful can be seen by the return on investment companies see through investing in traditional advertising methods. For example, 30 second television advertisements cost upwards of $5 million dollars for participating companies in 2016. In return for their investments, companies reached an astounding 111.9 million viewers in one night. This viewer total represents 63% of

Monster's current view total on their YouTube channel, which has existed since 2006 (Monster Energy, YouTube).

**Implementation Plan:** By: Bryce Reagan

The first step in creating the "Unleash Your Inner Beast" integrated brand promotion campaign is to create a new marketing division for Monster Energy that will be in charge of this campaign. This division will be an extension of Monster's current Marketing Team, and will be divided by geographic region, all reporting to one overarching project manager. Teams will be divided by region in order to tailor each campaign element to that specific region, its culture, and the target market's needs in that region. Regional teams will be composed of people that live in that region in order to get the best understanding of the local target markets.

Once each regional team is developed, each team will partner with a local advertising agency to that region to conduct market research to get a better understanding of Monster Energy's current performance in the market, and to better understand consumers perceptions, attitudes, and awareness of the Monster Energy brand. Once the markets are understood, the regional teams will begin developing ideas for the television, social media, billboards, and print advertisements.

Although the ads will vary slightly by geographic region, many of the advertisements will be used in multiple regions, with different voiceovers or featured athletes. For example, the team would go to South Africa and shoot a commercial about soccer or go to China and run a commercial involving gymnastics.

There would also be a focus on how Monster Energy can help provide the needed energy to do your best when completing mentally exhausting activities. For example, a celebrity like

Selena Gomez, a popular hip hop singer, could be seen in a commercial drinking Monster as she begins writing her next biggest hit. Using both male and female celebrities from certain countries will create more brand buzz and promote more engaged consumers on social media, where Red Bull currently dominates Monster.

Once ideas are generated by each geographic team, each teams ideas will be relayed to the project manager and the top ideas will be selected. The team will then proceed with the production of each advertisement, and will begin the scheduling process for maximum consumer reach and engagement across all advertising channels. One key element of this process is to determine which markets to promote the campaign in, as Monster is only sold in select international markets.

After each advertisement is created and scheduled, the campaign will be launched in a cohesive fashion across all advertising channels and regions. As the campaign is launched, analytics will be tracked by region and the campaign will be edited in order to optimize campaign performance. The return on investment from each advertisement should be measured to determine the effectiveness of the campaign. ROI metrics should include measurements such as: number of views, number of engaged consumers, number of samples distributed, etc. Measuring each component of the campaign will allow Monster to make changes as the campaign is being implemented

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## Appendix I: Financial Statements

**Income Annual Statement** As of Reported

| | 2006-12 | 2007-12 | 2008-12 | 2009-12 | 2010-12 | 2011-12 | 2012-12 | 2013-12 | 2014-12 | 2015-12 | TTM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 606 | 904 | 1,034 | 1,143 | 1,304 | 1,703 | 2,061 | 2,246 | 2,465 | 2,723 | 2,723 |
| Cost of revenue | 289 | 436 | 495 | 531 | 624 | 809 | 995 | 1,073 | 1,125 | 1,090 | 1,090 |
| Gross profit | 317 | 468 | 539 | 612 | 680 | 894 | 1,066 | 1,173 | 1,340 | 1,632 | 1,632 |
| Sales, General and administrative | 158 | 237 | — | — | 332 | — | 515 | — | — | 900 | 900 |
| Other operating expenses | — | — | 375 | 275 | — | 438 | — | 600 | 592 | (161) | (161) |
| Total operating expenses | 158 | 237 | 375 | 275 | 332 | 438 | 515 | 600 | 592 | 739 | 739 |
| Operating income | 159 | 231 | 164 | 337 | 348 | 456 | 551 | 573 | 748 | 894 | 894 |
| Other income (expense) | 4 | 9 | 10 | (2) | 1 | 1 | (1) | (9) | (2) | (2) | (2) |
| Income before taxes | 162 | 240 | 173 | 336 | 349 | 457 | 549 | 564 | 746 | 892 | 892 |
| Provision for income taxes | 64 | 90 | 65 | 127 | 137 | 171 | 209 | 225 | 263 | 345 | 345 |
| Net income from continuing operations | 98 | 149 | 108 | 209 | 212 | 286 | 340 | 339 | 483 | 547 | 547 |
| Net income | 98 | 149 | 108 | 209 | 212 | 286 | 340 | 339 | 483 | 547 | 547 |
| Net income available to common shareholders | 98 | 149 | 108 | 209 | 212 | 286 | 340 | 339 | 483 | 547 | 547 |
| Earnings per share | | | | | | | | | | | |
| Basic | 0.54 | 0.82 | 0.58 | 1.16 | 1.20 | 1.62 | 1.96 | 2.03 | 2.89 | 2.90 | 2.90 |
| Diluted | 0.50 | 0.76 | 0.56 | 1.10 | 1.14 | 1.53 | 1.86 | 1.95 | 2.77 | 2.84 | 2.84 |
| Weighted average shares outstanding | | | | | | | | | | | |
| Basic | 180 | 182 | 185 | 180 | 177 | 176 | 174 | 167 | 167 | 189 | 189 |
| Diluted | 197 | 198 | 195 | 189 | 186 | 187 | 183 | 173 | 174 | 193 | 193 |
| EBITDA | 160 | 233 | 167 | 343 | 360 | 474 | 571 | 596 | 773 | 925 | 925 |

**Annual Cash Flow** As of Reported

| | 2006-12 | 2007-12 | 2008-12 | 2009-12 | 2010-12 | 2011-12 | 2012-12 | 2013-12 | 2014-12 | 2015-12 | TTM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net income | 98 | 149 | 108 | 209 | 212 | 286 | 340 | 339 | 483 | 547 | 547 |
| Depreciation & amortization | 2 | 2 | 3 | 6 | 12 | 17 | 21 | 23 | 26 | 31 | 31 |
| Investment/asset impairment charges | — | — | 1 | 4 | — | — | — | — | — | — | — |
| Investments losses (gains) | — | — | — | — | 5 | 0 | (2) | (4) | (1) | (0) | (0) |
| Deferred income taxes | (11) | (14) | (45) | (3) | (1) | (1) | (2) | (7) | (10) | (302) | (302) |
| Stock based compensation | — | — | 14 | 14 | 17 | 19 | 28 | 29 | 29 | 33 | 33 |
| Accounts receivable | — | — | 31 | (59) | 2 | (57) | (18) | (43) | (14) | (77) | (77) |
| Inventory | (46) | (21) | (20) | 9 | (45) | (4) | (48) | (22) | 43 | (7) | (7) |
| Prepaid expenses | 0 | (3) | (10) | 2 | (13) | 3 | (38) | 20 | 1 | (4) | (4) |
| Accounts payable | — | — | 8 | (16) | 37 | 26 | 4 | (8) | 11 | 21 | 21 |
| Accrued liabilities | — | — | 102 | (89) | 7 | 39 | 12 | 15 | 25 | 66 | 66 |
| Income taxes payable | — | — | (2) | 4 | 13 | 14 | 14 | 34 | 8 | 415 | 415 |
| Other working capital | 42 | 41 | 13 | 79 | (1) | (7) | (6) | (4) | (4) | (38) | (38) |
| Other non-cash items | (9) | (19) | (4) | (3) | (14) | (3) | (19) | (29) | (11) | (476) | (476) |
| Net cash provided by operating activities | 76 | 135 | 199 | 156 | 229 | 334 | 288 | 342 | 586 | 208 | 208 |
| Investments in property, plant, and equipment | (5) | (7) | (7) | (24) | (13) | (26) | (43) | (41) | (28) | (36) | (36) |
| Property, plant, and equipment reductions | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 9 | 1 | 1 | 1 |
| Acquisitions, net | — | — | — | — | — | — | — | — | — | 198 | 198 |
| Purchases of investments | (249) | (362) | (132) | (75) | (317) | (616) | (607) | (557) | (1,135) | (2,034) | (2,034) |
| Sales/Maturities of investments | 159 | 173 | 288 | 97 | 129 | 473 | 927 | 265 | 723 | 2,098 | 2,098 |
| Purchases of intangibles | — | — | (4) | (5) | (10) | (5) | (6) | (11) | (3) | (7) | (7) |
| Other investing activities | (1) | 1 | (2) | 1 | (1) | 0 | 0 | (4) | 1 | 179 | 179 |
| Net cash used for investing activities | (95) | (195) | 144 | (4) | (213) | (173) | 272 | (340) | (440) | 400 | 400 |
| Debt repayment | — | — | (1) | (2) | (0) | (2) | (2) | (2) | (2) | (1) | (1) |
| Common stock issued | 4 | 8 | 2 | 3 | 21 | 20 | 11 | 21 | 17 | 1,697 | 1,697 |
| Common stock repurchased | (28) | (0) | (103) | (86) | (24) | (176) | (728) | (68) | (8) | (808) | (808) |
| Excess tax benefit from stock based compensation | — | — | 4 | 3 | 12 | 4 | 20 | 30 | 12 | 315 | 315 |
| Other financing activities | 16 | 29 | — | — | — | — | — | — | — | — | — |
| Net cash provided by (used for) financing activities | (8) | 37 | (98) | (82) | 9 | (154) | (699) | (18) | 19 | 1,202 | 1,202 |
| Effect of exchange rate changes | — | — | (1) | 2 | 1 | (2) | 3 | 4 | (5) | (5) | (5) |
| Net change in cash | (27) | (23) | 244 | 72 | 26 | 4 | (137) | (11) | 159 | 1,805 | 1,805 |
| Cash at beginning of period | 62 | 35 | 12 | 257 | 328 | 355 | 359 | 223 | 211 | 370 | 370 |
| Cash at end of period | 35 | 12 | 257 | 328 | 355 | 359 | 223 | 211 | 370 | 2,175 | 2,175 |
| **Free Cash Flow** | | | | | | | | | | | |
| Operating cash flow | 76 | 135 | 199 | 156 | 229 | 334 | 288 | 342 | 586 | 208 | 208 |
| Capital expenditure | (5) | (7) | (11) | (29) | (22) | (31) | (49) | (52) | (31) | (42) | (42) |
| Free cash flow | 72 | 128 | 188 | 127 | 207 | 303 | 238 | 290 | 554 | 165 | 165 |

**Annual Balance Sheet** As of Reported

| | 2006-12 | 2007-12 | 2008-12 | 2009-12 | 2010-12 | 2011-12 | 2012-12 | 2013-12 | 2014-12 | 2015-12 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 35 | 12 | 257 | 328 | 355 | 359 | 223 | 211 | 370 | 2,175 |
| Short-term investments | 102 | — | 29 | 18 | 245 | 411 | 97 | 402 | 781 | 745 |
| Total cash | 137 | 12 | 286 | 347 | 599 | 771 | 320 | 614 | 1,151 | 2,920 |
| Receivables | 55 | 81 | 45 | 104 | 101 | 218 | 236 | 292 | 280 | 353 |
| Inventories | 77 | 98 | 116 | 108 | 153 | 156 | 203 | 221 | 175 | 156 |
| Deferred income taxes | 6 | 11 | 10 | 10 | 17 | 16 | 17 | 21 | 40 | — |
| Prepaid expenses | 1 | 4 | 13 | 11 | 27 | 21 | 59 | 31 | 28 | 28 |
| Other current assets | — | 63 | 91 | 5 | 0 | 1 | 1 | 5 | 19 | 125 |
| Total current assets | 275 | 270 | 561 | 586 | 898 | 1,183 | 835 | 1,183 | 1,693 | 3,583 |
| Gross property, plant and equipment | 9 | 13 | 22 | 46 | 57 | 82 | 116 | 152 | 174 | 190 |
| Accumulated Depreciation | (3) | (5) | (7) | (12) | (22) | (37) | (47) | (64) | (84) | (93) |
| Net property, plant and equipment | 6 | 9 | 14 | 33 | 35 | 45 | 69 | 88 | 90 | 97 |
| Equity and other investments | — | — | 90 | 81 | 44 | 23 | 21 | 10 | 43 | 15 |
| Goodwill | — | — | — | — | — | — | — | — | — | 1,280 |
| Intangible assets | 21 | 24 | 28 | 34 | 43 | 48 | 55 | 66 | 51 | 428 |
| Deferred income taxes | 5 | 14 | 66 | 66 | 58 | 59 | 60 | 64 | 54 | 261 |
| Other long-term assets | 1 | 228 | 2 | 1 | 3 | 4 | 4 | 10 | 7 | 11 |
| Total non-current assets | 33 | 274 | 201 | 215 | 184 | 180 | 208 | 237 | 245 | 2,093 |
| Total assets | 308 | 545 | 762 | 800 | 1,082 | 1,362 | 1,043 | 1,421 | 1,939 | 5,675 |
| Short-term debt | 0 | 1 | 1 | 0 | 0 | — | — | — | — | — |
| Accounts payable | 34 | 57 | 65 | 49 | 86 | 113 | 127 | 119 | 128 | 145 |
| Taxes payable | — | — | — | 1 | 1 | 11 | 5 | 9 | 6 | 107 |
| Accrued liabilities | 21 | 19 | 122 | 34 | 32 | 130 | 143 | 173 | 172 | 230 |
| Deferred revenues | — | — | — | — | 10 | 12 | 13 | 14 | 50 | 32 |
| Other current liabilities | 7 | 6 | — | — | — | — | — | — | — | — |
| Total current liabilities | 63 | 83 | 187 | 84 | 129 | 266 | 289 | 316 | 356 | 514 |
| Long-term debt | 0 | — | — | — | — | — | — | — | — | — |
| Deferred revenues | — | — | 138 | 131 | 125 | 117 | 110 | 112 | 68 | 352 |
| Other long-term liabilities | 20 | 40 | — | — | — | — | — | — | — | — |
| Total non-current liabilities | 20 | 40 | 138 | 131 | 125 | 117 | 110 | 112 | 68 | 352 |
| Total liabilities | 83 | 122 | 326 | 215 | 254 | 383 | 399 | 428 | 424 | 866 |
| Common stock | 0 | 0 | — | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Additional paid-in capital | 49 | 97 | 117 | 137 | 187 | 229 | 288 | 368 | 426 | 3,992 |
| Retained earnings | 204 | 354 | 462 | 670 | 882 | 1,169 | 1,509 | 1,847 | 2,331 | 1,395 |
| Treasury stock | (29) | (29) | (132) | (218) | (242) | (418) | (1,155) | (1,223) | (1,231) | (556) |
| Accumulated other comprehensive income | — | (0) | (10) | (5) | 0 | (2) | 2 | (1) | (11) | (22) |
| Total stockholders' equity | 225 | 422 | 436 | 585 | 828 | 979 | 644 | 992 | 1,515 | 4,809 |
| Total liabilities and stockholders' equity | 308 | 545 | 762 | 800 | 1,082 | 1,362 | 1,043 | 1,421 | 1,939 | 5,675 |

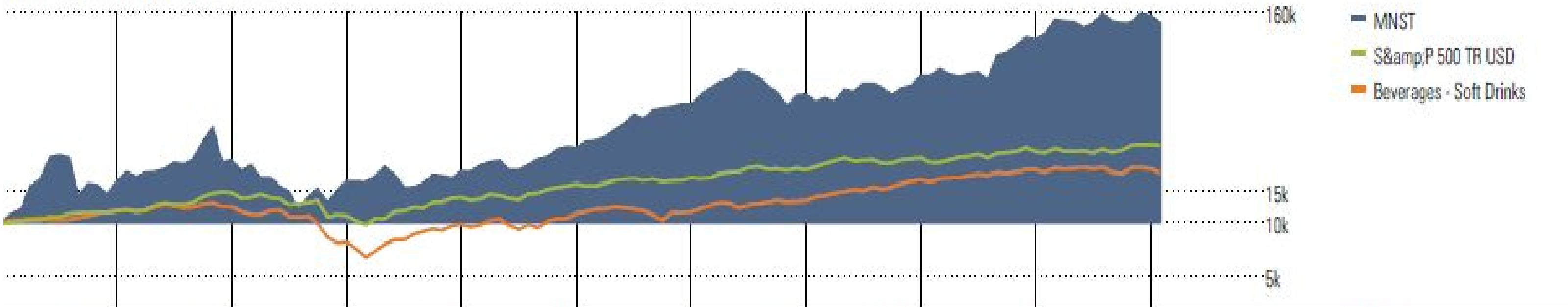
**Appendix II: Stock Chart**

# Monster Beverage Corp MNST

## Performance

| 1-Month Range | 52-Week Range | 5-Year Range | % Below 52-Week High | % Below 5-Year High |
|---|---|---|---|---|
| 125.26-137.63 | 113.08-160.50 | 27.37-160.50 | 18.22 | 18.22 |

**Growth of 10,000** 02-29-2016




| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | YTD | **History** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 70.94 | 31.50 | -24.29 | 14.52 | 36.15 | 76.24 | 14.70 | 28.26 | 59.88 | 37.48 | -15.75 | MNST |
| 16.22 | 26.89 | -26.20 | 27.26 | 19.21 | 9.04 | 10.84 | 17.39 | 8.52 | 9.93 | -1.79 | Beverages - Soft Drinks |
| 15.79 | 5.49 | -37.00 | 26.46 | 15.06 | 2.11 | 16.00 | 32.39 | 13.69 | 1.38 | -5.09 | S&P 500 TR USD |
| 54.72 | 4.61 | 1.91 | -12.74 | 16.94 | 67.20 | 3.86 | 10.86 | 51.36 | 27.55 | -13.96 | +/- Beverages - Soft Drinks |
| 55.15 | 26.01 | 12.70 | -11.94 | 21.08 | 74.13 | -1.31 | -4.13 | 46.19 | 36.10 | -10.66 | +/- S&P 500 TR USD |
| — | — | — | — | — | — | — | — | — | — | — | Dividend Yield % |
| 3,033 | 4,127 | 3,099 | 3,385 | 4,652 | 8,029 | 8,760 | 11,306 | 18,173 | 30,224 | 25,466 | Market Cap USD Mil |

**Appendix III: Soft Drink Industry Comparison**

| Soft Drink Industry Ratio Comparsion | | |
|---|---|---|
| (current) | Monster | Industry Avg. |
| ROE | 17.30% | 26.50% |
| ROA | 14.36% | 7.60% |
| Operating Margin | 32.80% | 16.80% |
| Current Ratio | 6.97% | - |
| Acid-test Ratio | 6.64% | - |
| Debt to Equity | 0.37 | 1.40 |
| Interest Coverage | - | 19.07% |