

Marketing Scenario

Food Science Career Development Event – 2019

Memorandum

TO: Research and Development Group
FROM: Market Research & Opportunity Group
SUBJECT: Meeting Market Needs for a Seasonal Hot Cereal

TASK: Using the materials, ingredients, pricing, and nutritional information provided, create a single-serve seasonal hot cereal.

The global breakfast cereal market has experienced a slight slowdown in recent years for several reasons. First, consumer food habits are changing based, in part, on increased preferences for less processed meals. Cereals that are perceived to have a higher sugar content tend to have more sluggish sales as compared to cereals perceived to be healthier by consumers. Second, the demand for convenient products that can be consumed on the go continue to drive global markets. For example, consumption of cereal bars has increased, thereby decreasing consumption of breakfast cereals. In fact, a study conducted by marketing intelligence agency Mintel found that 40% of millennial consumers believe pouring a bowl of cereal is too much work. Third, social media has caused a shift in the way consumers view food products and interact with producers. When talking about whether consumers are willing to listen to food companies or governments about their food, Sophia Nadur, founder and director of Ideas 2 Launch, noted, “People do not do that anymore. They go to Dr. Google.”

To address these and other factors, cereal manufacturers are continually looking for ways to stay relevant in the cereal market. One sector we see as an opportunity is a hot cereal. In a recent article on cereal trends, small business and marketing consultant Brandon Gaille reported that nearly 90% of the cereal industry is comprised of cold cereal. However, consumers are rediscovering hot cereals. According to Baking Business, Information Resources, Inc., a Chicago-based market research firm, the hot cereal/oatmeal market totaled \$1,314,638,346 for the 52 weeks ending December 30, 2018. This was a 1.3% increase over the same period the previous year. This segment of the industry is projected to experience the fastest growth rate through the 2025 forecast period.

Given the preferences and purchasing habits of today’s consumers, producers are decreasing artificial flavors and colors and reducing sugar content in favor of adding ancient grains and superfoods including fruits, seeds, and nuts. Because oats are rich in vitamins, minerals, fiber, and

antioxidants, they are among the healthiest grains on earth. Couple this with the fact that research indicates that consumers perceive hot cereals to be more nutritious and filling than cold cereals, we feel as though a hot cereal made from oats offers us the best chance of increasing our market share within the cereal industry.

We recognize the need to be strategic with respect to our product formulation, portion size, and consumer messaging. We have concluded that our efforts should be directed toward the development of an innovative, fruit-flavored, high fiber oat cereal. We need to embrace social media to turn first time buyers into loyal consumers by communicating the benefits of our oat cereal, such as the potential to aid in weight loss by curbing afternoon snacking and binge eating as well as the convenience of our product as compared to cold cereals. Our oat cereal needs to be easy to cook with water or milk and take less time to prepare than other cereal options. Foods considered to be a good source of fiber contain 2.5 – 4.9 grams of fiber per serving. A food that is an excellent source of fiber contains 5 grams or more of fiber per serving.

The current economic situation calls for a very strategic packaging and pricing plan. Given that about half of all retail purchases are made digitally, our preliminary research confirms that we should be developing our product such that it can be purchased online via e-commerce. We want our product to meet the needs of on-the-go consumers, yet appropriate for sale online. Therefore, our product should consist of single-serve units packed in a group, or lot, of 6. We recognize that each individual unit must adhere to guidelines related to serving size and calories. Therefore, we envision each single-serve unit having a finished size of 48-58 grams and be an excellent source of fiber. Your target price should be in the range of 1.29 –1.79 this will allow sellers to be able to add markup for a profit margin.

Your research and development team has been challenged to formulate, prepare, and package one of the single serve units. In addition to calculating accurate ingredients and packaging costs per serving, research and development teams must include \$0.50 per package to account for manufacturing, marketing, and distribution costs (fixed costs) and profit margin. As a product development team, you have access to smaller portions of multiple ingredient options already in packages. These packages are not to be used as packaging options for or within your final product.

Your challenge is to develop a single-serve, seasonal oatmeal for retail sale in multi-unit packs. Your team should be prepared to clearly identify key processes for production, packaging, and quality control within your production plan. Your team should use the nutrition information, ingredients, and packaging options included and determine a brand name, design marketing display

panels for your selected single serve packaging, develop an accurate nutrition panel, and create an appropriate ingredient statement. You need to include a preparation statement on your packaging. Your principle display panel should be affixed to whichever packaging option you select. We recognize that, depending on the package option your team selects, the Marketing and Communications Department may need to reformat your nutrition facts panel based on federal standards. Therefore, you may prepare and present your nutrition facts panel on the yellow paper provided, but you must still indicate where on the package the nutrition facts panel should go. You are required to provide your formulation, nutrition, and pricing calculations when you present your product. Colored paper has been provided as scratch paper to show your work for the formulation, nutrition, and pricing calculations.

We are eager to see the product you develop and are looking forward to hearing your full report.

GOOD LUCK!