

Marketing Scenario
Food Science Career Development Event – 2014

Memorandum

TO: Product Development Group
FROM: Market Research & Opportunity Group
SUBJECT: Meeting Market Needs for a Kids Cereal

TASK: Using the materials, ingredients, pricing, and nutritional information provided, design a cereal for kids aged 8-12

A recent article in the New York Times by Stephanie Strom indicated the cereal business has been declining for the last decade as consumers become increasingly more attracted to convenience foods, such as granola bars and drive-through breakfast foods, in the morning. One sector of the boxed cereal category that has come under fire in recent years is cereals aimed at kids. Euromonitor International monitors and analyzes food industry trends around the world. According to their research, changes in breakfast cereal consumption from 2003 to 2013 show a 10.7% drop in all types of children's cereals. Critics have raised concerns over the nutritional content of these cereals and have "linked cereals marketed to kids in particular to the growing obesity crisis – with the suggestion they are high in sugar and salt and low in nutrients becoming widespread" (Askew, 2013). In fact, cereals aimed at kids contain an average of 40% more sugar than adult cereals (Walton, 2014). In recent article in *Forbes* magazine by Alice Walton (2014), nutritionist Dawn Undurraga was quoted as saying, "when you exclude obviously sugar-heavy foods like candy, cookies, ice cream, soft and fruit drinks, breakfast cereals are the single greatest source of added sugars in the diets of children."

This problem is compounded by the quantity of cereal kids are actually consuming. The Environmental Working Group (EWG) has pointed out that kids are likely consuming more than a single serving in a sitting. According to the EWG, "because the 'serving' size given on the label does not reflect what Americans actually consume, people who eat sweetened cereal every day can wind up with much higher sugar intakes."

Strom (2014) noted that adults, while nostalgic about many of the cereals they ate as children, now are becoming more informed about nutrient claims and are less distracted by catchy packaging that attracts their children. They are keeping a sharper eye on sugar content and like to see whole grain included in the product.

Despite the negative attention cereal products have received lately, the U.S. is still the world's largest market for breakfast cereal products. In fact, most of the 35% of the global population that buys cereal products are located in the U.S. We want to build upon this by focusing a product launch on cereal consumption in the U.S. that addresses some of the recent concerns about breakfast cereals.

Our consumer insights department has identified a need for a new product primarily for 8-12 year olds. Kids, unlike their parents, like cereal as opposed to granola bars or breakfast sandwiches because the smaller pieces get soggy in milk and are often easier to eat as they are losing their teeth. They are also becoming more independent and like to make breakfast themselves. And of course, as with most consumers, they want to eat something that tastes good and has a little variety in terms of both flavor and appearance.

The current economic situation calls for a very strategic packaging and pricing plan. While our product is intended for children, they are not the ones that are buying the cereal in the store. So, we need to design the product to be attractive enough for the child consuming it as well as the parent that will ultimately purchase it. Some of the factors that play into parents' decision to purchase a cereal for their children are the negative perception of the nutritional value and the cost to the consumer. Both parents and children also care about the convenience of the product. If we do not consider these factors in our product launch and deliver on them, the decline of cereal consumption may continue.

Consumer preference for convenience meals, including breakfast, is critical. We need to create a product that fits into where consumers want to eat it, and that means convenient packaging. Portable packaging can also increase the likelihood that the cereal product we create will be eaten as a snack throughout the day, not just for breakfast. Our preliminary research indicates we should be developing single-serve options (26-32g) rather than multi-serving options (10-14 ounces). Acknowledging and adhering to serving guidelines can help parents incorporate kids cereals into healthy, well-balanced diets for their children. Single-serve options also appeal to the growing sense of independence in the target market. While we are ultimately developing a cereal that is attractive to 8-12 year old kids both in the flavor profile and appearance, we have to also meet the nutritional requirements desired by parents who typically make the final decision on whether or not to purchase a product for their child.

In order to better communicate the nutritional value of our product, we will need to meet certain nutritional requirements. Sugar is an essential nutrient that, when consumed in moderation, contributes to a balanced diet. However, sugar per serving is often cited as an area of concern in kids cereals. Including whole grains is one nutritional benefit we can offer in cereal products. Whole grains are a great source of fiber, as well as vitamins and minerals. Consuming products rich in whole grain has been shown contribute to a healthier diet and healthier people. Therefore, the cereal developed should adhere to the following guidelines:

- Contain at least 50% whole grain by weight
- Contain no more than 3 different base cereals
- Contain no more than 10g sugar/serving

We envision the product ingredient and packaging costs to be at least \$0.08. You will need to determine the formulation cost as well as a recommended retail price of your product.

Your challenge is to develop a single-serve kids breakfast cereal for retail sale using ingredients provided in the ingredient list. Looking at the overall market and consumer behavioral characteristics, it is fair to assume that our product should appeal to kids aged 8-12 as well as the parents who will make the ultimate purchasing decision. It will be up to your team to determine the size of the final product. Your team should determine a catchy name, design marketing panels for your selected packaging, develop an accurate nutrition panel, and create an appropriate ingredients statement. Be sure to clearly identify key processes for production and quality control within your production plan. Your team should package the product using the packaging option of your choice and identify the price point for selling the item. The nutritional label and principal display area should be affixed to whichever packaging option you select. Due to the small size of the overall package you may use the poster board (1/4 sheet) provided to illustrate your nutrition label. However, this may not be used for other illustrations, diagrams or other parts of your presentation.

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

GOOD LUCK!

Ingredients	Cost per oz	Serving Size	Calories	Fat [grams]	Saturated Fat [grams]	Trans Fat [grams]	Cholesterol [milligrams]	Whole Grain [g]	Sodium [milligrams]	Carbohydrates [grams]	Dietary Fiber [grams]	Sugars [grams]	Protein [grams]	Vitamin A [IU]	Vitamin C [mg]	Calcium [mg]	Iron [mg]
Base Cereal:																	
Corn puffs	\$ 0.02	100g	365	3	0	0	0	50	600	83	10	10	6	2300	20	500	30
Graham Cereal	\$ 0.02	100g	360	7	2	0	0	80	500	70	11	3	11	2500	20	350	30
Rice Cereal - Gluten Free	\$ 0.02	100g	382	2	0	0	0	31	889	85	1	7	6	1900	22	370	30
Fruity Crisps	\$ 0.02	100g	400	4	4	0	0	0	525	85	0	33	4	3800	22	0	7
Corn Flakes	\$ 0.02	100g	360	0	0	0	0	75	700	86	4	11	7	2500	20	0	30
Chocolate Puffs	\$ 0.03	100g	370	6	0	0	0	44	560	85	7	37	4	2600	22	375	16
Chocolate Peanut Butter Puffs - Allergen: Peanut	\$ 0.03	100g	425	10	2	0	0	38	555	78	6	39	6	2600	22	375	16
Particulates:																	
Marshmallow Bits	\$ 0.08	100g	400	0	0	0	0	0	50	95	0	80	2	0	0	400	0
Cookie cereal Pieces	\$ 0.03	100g	385	4	0	0	0	38	460	85	4	35	4	2700	23	385	17
Chocolate Pillow Pieces	\$ 0.04	100g	400	12	3	0	0	37	315	75	10	37	7	2300	50	65	15
Freeze Dried Berry Blend - Strawberries, Raspberries, Blueberries	\$ 0.15	100g	375	0	0	0	0	0	0	85	30	50	7	0	700	150	5
Dried Banana Chips	\$ 0.12	100g	519	34	29	0	0	0	6	58	8	35	2	83	6	18	1

Packaging Options

	Cost per Each
Clear Plastic Liner	\$0.01
White Paperboard Box	\$0.02
Bowl (smaller size) + Lid	\$0.03
Bowl (larger size) + Lid	\$0.04