

Survival of the Fittest: Cereal Companies and Their Adaptation to the Marketplace

J. L. STANTON

Department of Food Marketing
Saint Joseph's University
Philadelphia, PA

For at least the last 25 years, the driving consumer benefits have been convenience, value, and health, in that order. The cereal industry has responded by providing new products that have met these requirements. From breakfast bars to high-fiber and heart-healthy cereals, the processors of the cereal industry have been on target.

Food Safety and Value

However, new factors are defining consumers' desired benefits. The two single driving factors are food safety and value. Although value has always been a consideration for shoppers, today it has taken on a different meaning. The new economic reality is causing consumers to search harder than ever to find values in the marketplace and that includes food. Consumers are making fewer shopping visits and shopping in places that offer the most categories for one-stop shopping, such as big box stores. Besides spending less, consumers are trading down. That is, they are buying similar categories but buying less expensive alternatives. While the problems with high gasoline prices and the economy may be exacerbating the trend, the underlying causes, including rising retirement and high school dropout rates, may be more long term.

Both the retirement and dropout rates will have a longer-term effect on future food sales. Retirement often means less to spend, and the high school dropout rate translates into lower paying jobs. The number of students dropping out of high school has reached epidemic levels, with an estimated 2,500 students dropping out of U.S. high schools every day. What does that mean to a cereal company? It has been reported by the U.S. Department of Education that, typically, high school dropouts earn \$19,000 a year, while high school graduates earn \$28,000 a year on average. That is a big difference!

What can companies do to maintain sales and provide what consumers want? First, they must recognize that things have changed and that they must change. Secondly, they must see the opportunity and the potential in this new reality.

Charles Darwin has often been misquoted as saying, "Only the strongest survive." However, what he really said was, "In the struggle for survival, the fittest win out at the expense of their rivals because they succeed in adapting themselves best to their environment." For this reason, cereal companies must adapt to the new consumer or lose out to those who do.

One of the opportunities laid open by these market changes is that consumers are eating at home more often. Consumers are buying fewer supermarket "complete" and prepared meals and preparing meals at home. The Food Marketing Institute in Washington, DC, reported that 71% of consumers are cooking at home more.

While they still enjoy convenience, many consumers just can't afford it. Breakfast may again be a bowl of cereal, and for many younger households morning breakfast at home will be a new experience. Help these consumers adjust to having breakfast at home. Help them see how economical it can be compared to going out for a fast-food breakfast. Help them see the health benefits of eating breakfast at home and make it as easy as possible to do it.

Consumers are making fewer shopping trips so be sure to attract their attention with signage that is obtrusive and encourages the consumer to consider your products. If ever there was a time to give them a "deal," it is now. Get them into the habit of buying your products on their less frequent trips.

Get cereals into other meal occasions. Snack foods can be quite expensive and are often positioned as less healthy. Look to make cereal an ideal snack for these times. Cereal can be healthy, filling, and delicious for a late-night snack. This may involve some big changes, such as trying to get cereal into the "snack aisle" next to pretzels or having floor shippers sitting out in the snack aisle. Cereal companies cannot expect an immediate increase in sales as consumers must get accustomed to the idea first, but you can't say buy your cereal snacks in the breakfast cereal aisle.

Cereal for Dinner?

Traditionally, the big meal is dinner, and given the very difficult financial times of many consumers, dinner can be a prime target for cereal promotion. There are at least three great niches for this campaign. First is pure economics. A consumer can have a filling dinner of cereal with fruit as a way to cut back on more expensive "traditional" dinners without sacrificing taste. Second is nutrition. A cereal dinner with fruit and milk can provide all the nutrition one expects from the dinner meal. Third is cleanup. Consumers are still looking for convenience, and convenience is not just cooking but includes cleanup. One bowl and a spoon is a lot less than the pots, pans, plates, bowls, utensils, etc., used in other home-cooked meals.

One last point about dinner is from a personal point of view. There are millions of diabetics out there who really should not make dinner their high-calorie meal. Changing the big meal to lunch and having cereal for dinner is an ideal way to reduce the calories before a more sedentary night. As a diabetic, I do this frequently!

Changing eating habits is not easy. Just ask the Campbell Soup Company. They spent years trying to get people to eat soup for breakfast. However, in this case consumers are searching for op-

tions to save but that will not force them to give up taste. Add to the mix that a cereal dinner once a week is also easy to prepare for a household that is used to having prepared foods and it is very easy to clean up.

One-Stop Meal

Many retailers and manufacturers have learned that you can't sell the item you want to sell, unless you give it away. But, if you merchandise the "meal," the items will sell. And when you do it, it is often a success. Look at the success of Publix's Aprons, a new merchandising approach to put all of the ingredients to make a meal in one multitemperature case. One stop; one meal! Others have put all the ingredients together to make an Italian dinner or to make fajitas. However, I have never seen breakfast merchandised as a meal in one multitemperature case. Make shopping for your products easier by putting everything together that a consumer might need for breakfast. Give a discount if the consumer buys all the ingredients, such as the milk, bananas, and juice.

Another important change to respond to is the concern that consumers are shopping less at supermarkets. For many cereal companies this is the major channel of distribution, and while many sell to retailers such as Wal-Mart, supermarkets still take the bulk of the sales. Year after year the number of visits to the supermarket has dropped. You need a strategy to get the product everywhere. Consumers' views of weekly or biweekly supermarket shopping have changed to an assortment of visits, including pharmacies, specialty stores such as Trader Joe's, health-focused stores such as Whole Foods, convenience stores, and club stores like Costco. Consumers are not just shifting one for one but building a network of shopping occasions where they get what they want from each store. This means cereal companies must find ways to have a presence in each type of store, and this does not mean placing the same product in each store. It means finding out what form, what package, what size, what variety, etc., the consumer expects to find in each outlet and then making sure that is what's on the shelf.

Adapting to the Consumer

Mass marketing is dead! You know what mass marketing is, right? Putting the same product on the shelf in every outlet and going to mass on Sunday and praying that someone buys it. We now have to customize our offerings to how consumers expect to find the product in each type of store. The best success model is Coke. Its motto is "within an arm's length of thirst." It has a product and a package for every place and every occasion.

There is a new world out there, and this means big changes are ahead. The good news is that cereals can play a significant role in the life of the new consumer. The benefits they are looking for fit perfectly with the benefits that cereals do and can provide. The question is not about cereal. The question is whether the managers and product managers of cereal companies can change to ensure that the product is available when, where, and in the form the new consumer is looking for. Those who adapt will, in the words of Darwin, not only survive but flourish.



John L. Stanton has a Ph.D. degree in marketing from Syracuse University and has been in the food industry for over 30 years. He is currently a professor of food marketing at Saint Joseph's University in Philadelphia, PA. Stanton also has a new book published entitled *MORE Stanton on Food Marketing*. The niche book was selected for the Business Week Book Club, and has been published in German, Portuguese, Thai, Hebrew, and Korean. Stanton is currently the editor of the *Journal of Food Products Marketing*, and an editorial advisor of the *British Food Journal*. Stanton can be reached at jstanton@sju.edu.

Continue the Legacy



The AACC International Foundation established the **Joseph Warthesen Young Professional Symposia Endowment Fund** shortly after his death in 2003. Joe was a long time member and past president. He was a tireless volunteer on many activities and a friend to so many colleagues. A recipient of many university teaching awards, Joe taught more than 2,500 students the principles of food chemistry, food analysis, and related topics.

This endowment will fund an annual event designed by and for young professionals at the AACC International Annual Meetings. The funds will enable the Young Professional Committee to organize and pay for speaker expenses associated with the event as well as other potential activities for young professionals. Last year the Young Professional Committee organized a social to gather feedback on what the young professional needs are within AACC International.

You can help continue Joe's legacy by donating to the Joseph Warthesen Young Professional Symposia Endowment Fund. AACC International is a 501(c)(3) organization, qualified to accept tax-deductible contributions during donor lifetime or bequests by will.

