Cereal Creation
Phase 1: Marketing Research (Chapters 28-29)

Did you know that American’s eat so much cereal each year that a chain of empty boxes would stretch all the way to the moon and back. Cereal is big business and cereal makers work hard to sell it.

Companies conduct market research to help them make decisions. As you create a new cold cereal, you will have many questions. You will need to know what kids want in their cereals. You will also need to know what the kid’s parents are willing to buy. Your market research

You will be conducting both primary and secondary research in order to obtain the data that will be useful to you.

**SECONDARY DATA**

Watch the following movie and make notes. Cereal: History in a Bowl

1. The cereal industry is a \_\_\_\_\_\_\_\_\_\_\_\_\_ billion dollar industry.
2. How much cereal is eaten each year?
3. What led to the need for a new breakfast food?
4. What was the first breakfast cereal?
5. Who introduced it?
6. What is Battle Creek Michigan and why is it important?
7. At the high of cereal rivalry, there were \_\_\_\_\_\_\_\_\_\_\_ competitors all vying for a piece of the market.
8. What led to many competitors downfalls?
9. What did Alexander P. Anderson do in 1901?
10. What did he invent?
11. Who did he team up with after this discovery?
12. Where did they do some major marketing?
13. What did they do?
14. Cereal companies started to realize that american’s want \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
15. Gene McKay was an innovator. Who did he work for?
16. What cereal did he invent?
17. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ keeps cereal popular
18. If cereal doesn’t \_\_\_\_\_\_\_\_\_\_\_\_\_\_ good, they wouldn’t eat it. So the race was on to make a \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_ cereal.
19. What ingredient rescued cereal from its blandness?
20. What did parents have to say about this?
21. Had to come up with new ways to attract customers. What did they start doing?
22. When did trade characters explode?
23. When were premium giveaway’s introduced?
24. What example do they give for the most successful giveaway?
25. Cereal Advertising strategies have been the same for the last \_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_ years.
26. How many boxes of cereal do American’s buy each year?
27. How is technology affecting the industry now?
28. What are new trends in the industry?

Read the following and make notes: <http://www.lavasurfer.com/cereal-analysis.html>

History

1. Who created cereal?
2. When was cereal first created?
3. What percentage of American’s eat cereal daily?
4. Who is credited for launching the breakfast food industry?
5. Who are key industry competitors?

Economic Analysis

1. The big four make up what percentage of the market?
2. What type of market structure does the cereal industry have?
3. Give a breakdown of market share?
4. Would it be easy for someone to break into this industry?
5. What are two barriers to entry?
6. Rivalry in the industry is very \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
7. How often do buyers typically purchase cereal and in what quanity?
8. Who has the power in the industry?
9. Why are grocery stores a power holder in the industry?
10. How do suppliers also have power in the industry?
11. As cereal prices rise, what do consumers do?
12. What are some substitutes to cereal?
13. What is the biggest down fall for other companies entering the cereal industry?
14. How have cartoon characters affected the potential entry into the industry?

Target Audience

1. What percentage of American’s eat cereal for breakfast?
2. What is the median income of cereal eaters?
3. Consumers are spending more or less for breakfast?
4. Competitor Chart

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cereal Name | Company | Date Introduced | Price for Standard Size Box | Slogan | Trade Character |
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**PRIMARY DATA** (data obtained for the first time and used specifically for the particular problem or issue under study)

**Survey Creation**

You want to start producing a cereal targeted at kids age 5-8. You have conducted secondary research to learn about the cereal industry and trends in the industry but it is now time to do some opinion research.

You are to create a primary preference survey targeted at kids that will gather need information to help you develop a product that kids will like. Your survey has to be a minimum of 10 questions. Make sure that your survey is written appropriately for the target audience.

Make sure that you follow the writing and format guidelines on page 621-622. There is a sample questionnaire on page 622 in your book.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Rubric Kids Preference | Yes | No | Points possible | Points earned | Comments  |
| Validity of Survey |  |  | 1 |  |  |
| Reliability of Survey |  |  | 1 |  |  |
| 1 open ended question |  |  | 1 |  |  |
| 9 minimum forced choice questions (can be yes/no, multiple choice, rating scale questions, level of agreement questions)  |  |  | 9 |  |  |
| Survey is Titled |  |  | 1 |  |  |
| Instructions given  |  |  | 2 |  |  |
| Fits on one page |  |  | 5 |  |  |
| Visually appealing and well laid out |  |  | 20 |  |  |
| Questions are well written |  |  | 10 |  |  |
| TOTAL |  |  | 50 |  |  |

\*10 POINTS GIVEN FOR USING TIME WISELY & COMPLETED ON TIME – 60 POINTS TOTAL PROJECT GRADE

**Staple this sheet to the back of your survey before you submit to the box. Make sure that your name is own your questionnaire.**

Phase 2: Product Planning (Chapters 30-32)

**Step 1**: Generate Ideas for your Cereal (15 pts)

Thinking of your secondary and primary research, develop 3 potential cereal ideas. Complete the chart below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cereal Name | Brief description | Potential Slogan | Trade Character | What would make this cereal unique  | Potential Toy  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Step 2:** Idea Screening (5 pts)

Screen your ideas and see which ones match the companies’ objectives, the intended target market, and could easily be positioned in the marketplace. From the list above, identify which idea you are going to pursue.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Step 3**: Proposal (30 pts)

Type a **one** page single spaced proposal to be presented to superiors for their consideration on why you think this product would be successful. Make sure you thoroughly establish how your product will have a competitive edge. You must back your concept decisions with research facts. Make sure you thoroughly describe the product features and benefits to justify your idea. Proposal must be clearly titled and you must have at least three paragraphs. Include your names in the header before you print.

**Staple this sheet with your printed proposal and submit when finished.**

**Step 4:** Develop the product

Create a decorative poster with the following information on it. The poster will be used in step 4 to test your product concepts at the elementary school.

1. Determine a trade name that your new brand of cereal will fall under. Must be one of the big 4
2. Create a Catchy Brand Name for your Cereal- Must grab attention; make it short and easy to remember.
3. Design your Brand Name/Logo
4. Create a short catchy slogan.
5. Develop your Trade Character, License a Character, or choose an Endorser.
	1. When deciding a weather to create a new trade character, or to license a character. Remember that it will cost you more to license one. 75 cents vs. 10 cents.

|  |
| --- |
| Sugar Coating? |
| Coloring- What colors? |
| Unique Shapes- What shapes? |
| Marshmallows? |
| Added Fruits? What fruits? |
| Nuts? What nuts? |
| Reduced Fat or calories |
| Extra Vitamins? What vitamins? |

1. Create a Features/Benefits Chart (place on back of poster)
	1. Things to think about adding
2. State what your unique selling feature is
3. Write a 3-7 sentence product description
	1. Must be written to sell. Determine what your cereal will have to attract parents and make sure to write about that is the product description as well. Think about who will actually be reading the cereal.
4. Pick a prize to be in your box. The prize must be related to your cereal.
	1. Print a copy of what you plan to order with a price per item. (place on back of poster)
5. Write a Jingle set to music must be at least four lines. (extra credit)
6. Once your poster is complete, you must prepare a 30 second presentation that gives a general understanding of your concept to the elementary students. Remember to stay on their level.. YOU MUST MAKE IT FUN!!! Type out your script and put on back of poster
7. Brainstorm a list of 5 questions that you want to ask the kids to gain feedback. (Type questions and put on back of poster.)

**Front of Poster should be visual. Back of Poster should include written details.**

|  |  |  |  |
| --- | --- | --- | --- |
|   | Points Earned | Points Possible | Comments |
| Trade Name |  | 5 |  |
| Creative and Catchy Brand Name |  | 10 |  |
| Trade Character |  | 10 |  |
| Create a promotional message/statement. |  | 5 |  |
| Describe the basic product. |  | 5 |  |
| Describe the actual product.  |  | 10 |  |
| Create a feature/benefit chart to explain the features/benefits of your cereal. (at least 5) |  | 10 |  |
| Unique Selling Feature (what sets you apart from others?) |  | 5 |  |
| Create a short catchy slogan.  |  | 10 |  |
| Pick a prize to be in your box. The prize must be related to your cereal. See Note\* |  | 10 |  |
| Time on Task/Creativity  |  | 20 |  |
| Presentation Script |  | 20 |  |
| 5 Questions |  | 5 |  |
| TOTAL |  | 125 |  |
| Jingle Extra Credit |  | 10 |  |

**Step 5:** Test the product

We will be going back to the elementary school and you will present your ideas to the class and get feedback from one of the classes.

**Group Member Names:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 **Cereal Name:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

You must visit at least 3 rooms today and do your product testing. When you walk in you should give your group grade sheet to the appropriate teacher.

**Teacher Directions**
Please rate the overall groups on the quality of the presentation and their ability to gain quality feedback from the students. All members of the group should present and interact with the students. You should rate the group on a scale of (1-5). 1 being poor, and 5 being excellent. All group members should present and interact with the children. **Please be critical in your judging as they have had plenty of time to prepare for their presentations.**

**Presentation Signoff and Quality Score**

|  |  |  |  |
| --- | --- | --- | --- |
| Room # Visited | Teacher Initials  | Feedback Notes | Rating (1-5) |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**Step 3:** Develop the Product Further

1. Create your Packaging

|  |
| --- |
| Packaging Grading Rubric |
| Package Requirements | Point Value |
| Front of Box |  |
| Trade Name/Logo | 10 |
| Brand Name/Logo | 10 |
| Trade Character | 20 |
| Slogan | 5 |
| Parent Appeal | 20 |
| Prize Promotion | 10 |
| Weight  | 5 |
| Back of Box |  |
| Description of Product | 30 |
| Character carried over to back of box | 10 |
| Creative Activity with directions | 20 |
| One Side |  |
| Nutrition Label | 10 |
| Ingredients List | 10 |
| Appropriate Logo(s) | 5 |
| Manufacturers Name and Address | 5 |
| Warranty/Satisfaction Statements | 10 |
| Other Side |  |
| Cause Initiative or Environmental Initiative | 25 |
| Top of Box |  |
| Best By Date | 5 |
| Appropriate Logo(s) | 5 |
| Nutritional Highlights | 5 |
| Bottom of Box |  |
| Appropriate Logo(s) | 5 |
| Barcode | 5 |
| Overall Design and Promotion |  |
| Package is Persuasive | 20 |
| Package is Informative | 20 |
| Clear Focal Point on Front | 20 |
| Colors are Consistent | 20 |
| Space is appropriately used | 20 |
| Items are of good Scale | 20 |
| **Total Points Possible** | **350** |

1. Determine your Selling Price
	1. State your Pricing Objective and explain
	2. Pricing Strategy Description- You will all be using Mark-Up Pricing Strategy which is an element under cost oriented pricing.
	3. Pricing Chart utilizing the table below.
	4. Determine your Final Retail Price, Mark Up Percentage, and Profit Margin

**FORMULA’S YOU NEED TO KNOW**

Retail Price= Cost + MU

Mark Up Amount= Cost \* Mark Up Percentage

Profit Margin= Retail Price- Cost

|  |
| --- |
| Basic Cost |
| Cereal Cost | Basic cost is for 12 oz. box of cereal with basic nutritional valueAdd $ .05 per additional ounce  | $.10+$.05 per oz. |
| Cost of Box | Basic cost for 12 oz. box Add $.02 per additional ounce  | $.30+$.02 per oz. |
| Inner Wrapper | Basic cost for 12 oz. boxAdd $.01 per additional ounce | $.03 |
| Add-On Costs |
| Sugar Coating | has sugar add | $.08 |
| Coloring | any coloring add $.01 per color | $.01 per color |
| Unique Shapes | has unique shape(s) add $.03 per shape | $.03 per shape |
| Marshmallows | has marshmallows add | .10 |
| Fruit | has fruit add $.05 per each  | .05 per each |
| Nuts | has nuts add $.05 per each | .05 per each |
| Reduced Fat or calories | has reduced fat or calories add | .10 |
| Extra Vitamins | has extra vitamins add $.05 per each | .05 per each |
| Other |
| Premium Prize | cost of each toy  | Varies |
| Celebrity Endorser | .75 per endorser | $.75 per endorser |
| Licensed Character | .50 per character licensed | $.50 per character |
| Made up Character | .10 per character  | $.10 per character |

**Cost Worksheet**

|  |
| --- |
| **Cereal Cost**  |
| **Basic Costs** | **Price** |
| Cereal Cost |  |
| Cost of Box |  |
| Inner Wrapper |  |
| **Add-On Costs** | **Price** |
| Sugar Coating |  |
| Coloring |  |
| Unique Shapes |  |
| Marshmallows |  |
| Fruit |  |
| Nuts |  |
| Reduced Fat or calories |  |
| Extra Vitamins |  |
| **Others** | **Price** |
| Premium Prize |  |
| Trade Character, Licensed Character, Endorser |  |
| **Total Cost**  |  |
|  **Manufacturer markup= 50%** |  |
| **Cost to Retailer** |  |
| **Retailer markup= \_\_\_\_\_%**  |  |
| **Final Retail Price** |  |

 **Profit Margin per box sold=
Total Mark Up Percentage=**

You must calculate a final markup percent that will allow your Final Retail Price to be .00 or .25 or .50 or .75. You cannot have a Selling Price that ends with .55 or .22 or .98. must be in 25 cent increments.

Show your math below!!!

**Step 6:** Introduce the Product

1. Develop your Selling Strategy
	1. Write a two to three minute sales presentation script for your cereal. You will not be doing all of the parts of the sales process but you must include the following three steps. You will create a chart. Number each step and describe the step in a word document. You will also create a storyboard that illustrates your script of the actual sales presentation turning it into a commercial. You must include the step of the sale (description), storyboard picture (what’s going on in the scene) and script (dialog between actors)
		* 1. Greeting/Approach
				1. Enthusiasm
				2. Appropriate
			2. Presenting the Product
				1. Show product and tell about it

Tell features and benefits

Tell what they get for their money

Tell how much it costs

* + - * 1. Make the presentation come alive

Use Sales Aid

Involve the customer

Hold the customer attention

* + - 1. Closing
	1. Commercial Filming: You will need to do this outside of school. Commercials are due to by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
	2. Visual Merchandising
		1. Create a banner and props to create a fun and interactive store for the 1st graders.
		2. Bring table decor
		3. Dress in character for your presentation and for your store.
	3. Create a print ad
		1. Follow the guidelines that you learned
		2. You may draw, scan it in as a jpeg and email or create it digitally on the computer.

|  |  |  |
| --- | --- | --- |
| Presentation Requirements | Points Possible | Points EarnedTime |
| Enthusiasm  | 50 |  |
| Appropriate Greeting and Welcome | 50 |  |
| Described the Features/Benefits of the Cereal | 50 | Notes |
| Described What they get for the Money | 50 |  |
| Communicated the Price of the cereal | 50 |  |
| Communicated your sales promotion | 50 |  |
| Dress theme/specific characters represented | 50 |  |
| Interacted with Students/ Made Product Come Alive | 100 |  |
| Table set up with props/banner | 100 |  |
| Scripted well planned and memorized | 50 |  |
| Each member had equal parts | 50 |  |
| Met the 2 to 3 Minute Mark | 50 |  |
| Print Ad -Must follow Guidelines | 100 |  |
| Grade  | 800 |  |

**Step 7:** Evaluate Customer Acceptance

Setting up a store in the auditorium and presenting the product to the first graders.

|  |  |
| --- | --- |
| Cereal Name |  |
| Selling Price |  |
| Cost per Box |  |
| # Boxes Sold |  |
| Revenue |  |
| Total Cost |  |
| Profit |  |

Revenue= Price of Cereal X Total boxes

Total Cost= Cereal Cost \* Total Boxes Sold

Profit= Revenue- Cost