BREAKFAST CEREAL INDUSTRY ANALYSIS

Mark101 Major Report

MAX FRASER
Student Id - 7326452

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MAJOR MARKETING REPORT

SECTION ONE - EXTERNAL ANALYISIS

I. THE SIZE OF THE MARKET

In 2020 the breakfast cereal market revenue came in at $967.2 million (MarketLine 2022) . According to the IBISWorld report (2022) breakfast products accumulated $2.13 million revenue in 2022. In saying this, IBISWorld includes muesli bars and additives in its definition of breakfast products. For this report however muesli bars and additives are excluded, so this suggests the revenue will be slightly lower.

The forecasted sales of breakfast cereals for 2023 is $1.5 billion which is an increase of 4% from 2022 (Euromonitor International 2023). The sales in this industry have grown quite steadily over the years and can be attributed to several factors including the rapid development of new products. One study found the product types jumped from 283 in 2008 to 543 in 2020 (E. Croisier et al. 2021).

It can be said there are 4 major players in the industry but over 19 companies with shares. These major players are Kellogg (Australia) Pty Ltd, Nestlé Australia Ltd; Sanitarium Health Food Co and Aldi stores Supermarkets Pty Ltd. Kellogg owns 8 of the major brands but faces competitors such as Uncle toby's, Weet-bix, Carmen's, Golden Vale and Freedom Foods.

In terms of market size by item sold a rough estimate can be made using the 2023 forecasted sales. By dividing this number by an approximate average price of cereal we can roughly estimate 214 million units of breakfast cereal will be sold this year.

II. THE MARKET SHARE OF THE KEY PRODUCTS

The breakfast cereal market can be broken down into both brand shares of cereals and company shares. In 2022, Kellogg (Australia) Pty ltd held the largest company share of the market coming in at 28.2% followed by Nestlé Australia Ltd at 20% (Euromonitor International 2023). Kellogg has 8 brands that makes up this market share which include Nutri-grain, Special K, Coco pops and Corn Flakes. However, Nestlé holds the top spot at 15% for a singular brand - Uncle Toby's. Coming in at the 3rd highest, Sanitarium Health food Co is reportedly down in its markets share with 14.6%. In saying this, one of their main products Weet-Bix holds 12.3% of the market, just under Uncle toby's. Other companies with shares in the market include retail giants Coles, Woolworths and Aldi coming to a combined percentage of approximately 20%. Aldi's Golden Vale cereal holds 10.3% of the market share and sits third, followed by Kellogg's Nutri-grain at 5.3%.

III. THE REASONS WHY CONSUMERS PURCHASE THE PRODUCTS, THEIR UNDERLYING MOTIVATIONS.

Breakfast cereal has played in important role in the lives of Australians for many years. It is a staple in the average Australian household and something that's popular amongst all ages. The industry can be broken down into 4 further categories of products which include, breakfast bars, hot breakfasts, liquid breakfast and ready to go breakfasts. Each of these areas tailor to the needs of different segments in the market and are a clue to their underlying motivations.

For example, ready-to-go breakfasts are convenient for consumers who have busy mornings, perhaps they eat on their way to work or on the train. This demonstrates their lifestyle is a high drive for their purchase decisions. Additionally cultural factors may motivate a consumer to purchase certain types of breakfast cereals. In Jamaica, white corn porridge is a common breakfast option, so a Jamaican-Australian may be motivated to buy a breakfast cereal similar to this. There is also an increase in health consciousness amongst the market which is another strong underlying motivation for a lot of consumers (IBIS 2022).

Overall, as breakfast cereal is a staple, consumers are motivated to purchase the products as it fills a basic need. However, depending on the segment, they are increasingly motivated to buy products that save time, money and are reliable, healthy, and tasty.

IV. *KEY EMERGING TRENDS IN THE MARKET.*

There are several key trends emerging in the breakfast cereal market according to IBIS (2022). As stated earlier, consumers are becoming increasingly health conscious which is opening opportunities for brands in terms of new products focused on whole ingredients and less additives. This also allows them to charge more for their products and has been a positive development for organic food manufacturers. Another emerging trend is the rise of on-the-go consumers, which has led to the creation of ready-to-eat breakfast bars and liquids products. This trend has lots of potential as it caters to a large market from high school kids to businessmen and women. In 2022 ready-to-eat cereals accounted for 87.1% of the total value in the market making it the largest segment type of breakfast product (MarketLine 2022).

IBISWorld (2022) has also seen an increase in imports and exports for this industry as it is developing on a global scale. This may be contributing to the growing profit margins in the industry which is said to be motivating brands to keep investing. In saying this, players should consider the increase in price competition within supermarkets and private label products which are causing some issues for the industry.

V. MACRO ENVIRONMENTAL FORCES THAT COULD LEAD TO OPPORTUNITIES OR THREATS IN THE MARKET.

The key Macro environmental forces that influence this market are mainly due to natural resources and economic factors. Due to the Russia and Ukraine conflict the price of grains have spike exponentially. While these prices are set to decrease over this year it is something that has the potential to change rapidly to the nature of the conflict (IBISWorld 2022).

In terms of natural resources, the successful production of grains is highly reliant on good environmental conditions and are susceptible to natural disasters such as floods and droughts (Singh, Phadke & Patwardhan 2011). This is a Macro-environmental force that could threaten the breakfast cereal industry substantially.

It’s not all bad however, the increase health consciousness consumers as well as the popularity of veganism and other dietary requirements demonstrate a macro- environmental cultural force (IBISWorld 2022). It can be seen as an opportunity for brands to develop their product lines to accommodate for these changing views of food and nutrition in our culture.

SECTION TWO - MARKET SEGMENTATION, TARGETING AND POSITIONING

I. MARKET SEGMENTATION:

	THE YOUNGSTERS (CHILDREN CEREALS)	THE PILATES PRINCESSES (HEALTH CONCIOUS)	THE WORKAHOLICS (ON THE GO)	THE GRANNYS (HOT/LIQUID BREAKFASTS)
GEOGRAPHIC	Australia, suburbs	Australia, coastal town	Australia, City	Australia, regional
DEMOGRAPHIC	• Boys, aged 5-10 • preschool or early primary school • zero income • Two parents	• Females, Aged 18-25 • low personal income, parents have a high income • Causal employment • University Student	• Males, aged 27-35 • Works full time • High income • No kids	• Women, aged 70-80 • Retired • low income • Lives independently
PSYCHOGRAPHIC	• Creative • Messy • loves cartoons • Likes to do arts and crafts	• Attends pilates classes • Enjoys walks with friends • always looks put together • Popular	• Always in a rush • Works early finishes late • Surfs in the morning before work • A loner	• Walks everyday • Enjoys gardening • Loves tea • Very traditonal
BEHAVIOURAL	• Looking for a fun breakfast option • Easily influenced • Health pressures from parents	• Dairy free • Prioritises self-care • Likes to eat 'instagramable' food • Heavy social media presence • High brand loyalty	• Eats breakfast on the go • Open to try new brands • Influenced by gym friends	• Likes traditional breakfasts • Loves bargains, shops at aldi • Uses coupons • Doesn't have social media

Figure One- Breakfast cereal market segmentation

For this report, I have segmented the breakfast cereal market into 4 categories. I have chosen these segments after considering whether they are measurable, accessible, differentiable, substantial, and actionable (Armstrong et.al 2020).

The 'youngsters' reflect the children's cereal segment and are boys aged 5-10. They are messy and creative, looking for a breakfast cereal that matches their wild side. This is a substantial market segment as two thirds of children who eat breakfast opt for a breakfast cereal (Fayet-Moore et.al 2012).

'The Granny's' are hot breakfast consumers, which is a key product segment in the market (IBISWorld 2022). These elderly women are very traditional, enjoying hot porridges for breakfast as they are cheap and nutritious. This segment is both substantial and measurable. According to a 2011 study of breakfast cereals consumers (Australian Bureau of Statistics) it was found 50% were over the age of 70, making it a very attractive segment to target.

The 'workaholics' are the market segment for the on-the-go breakfast cereal category. This is an upcoming trend in the cereal industry, so this is a highly differentiable segment. They are males aged 27-35 who work full time jobs and a large salary. They are busy and constantly in a rush a need something they can take with them to eat in the office.

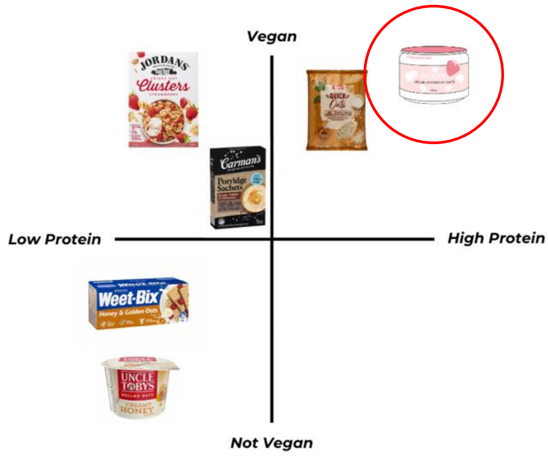
The last segment is the 'Pilates Princesses' which account for the growing trend of health-conscious consumers. They are females aged 18-25 with a strong social media presence and very focused on their psychical appearance. They value nutrition and avoid dairy where they can. This segment responds well to social media marketing making it differentiable and accessible.

II. TARGETTING

I have chosen to implement a concentrated (niche) marketing target strategy by focusing on the 'Pilates princesses' segment of the market only. This is so I can seize the multiple opportunities from the growing health-conscious movement in Australia, particularly amongst young women (Daly, O'Sullivan & Kearney 2022). I have identified a gap in the market for breakfast products that cater to this age range and gender (Euromonitor 2020). There are multiple needs and motivations that can be explored within this segment such as dairy free, aesthetic, high protein and gut health products that have the potential to make an attractive value proposition (Euromonitor 2020)..

III. POSITIONING

A. MAPS



(Figure Two) – Vegan and protein Positioning Map (Woolworths 2023, Coles 2023)

(Figure Three) – Price and ready-made positioning map (Woolworths 2023, Coles 2023)

The product will be positioned in the mind of consumers based on 4 factors in comparison to other similar products. To attract the 'Pilates Princesses' and accommodate for their dairy free diets, the product will be 100% Vegan. Veganism is also linked to various health benefits which ensures this product reflects the segments values of nutrition and self-care (Mann 2014). Additionally, unlike other oat-based products on the map, the product prioritises high protein, which is an important aspect of fat loss and muscle repair (Johnston, Tjonn & Swan 2004). This is vital, as the segment engages in various forms of exercise.

The second positioning map (*figure three*) demonstrates how the product sits in terms of price and preparation time against competitors. The product is ready-made and will be stored in the fridge ready for consumption at any time. This will ensure the 'Pilates princesses' are making the most out of their favourite part of the day. It is simple, however its packaging and toppings, plus the various available flavours, make it the perfect aesthetic breakfast the target segment is looking for.

The product sits on the less expensive side of the map when considering price per gram. In saying this, the product does have higher density then most traditional oat packets as it isn't a solely milk and oats-based product. In saying this, this does make the overall packs look more expensive in comparison to other products on the market. (Woolworths 2023).

B. POSITIONING STATEMENT

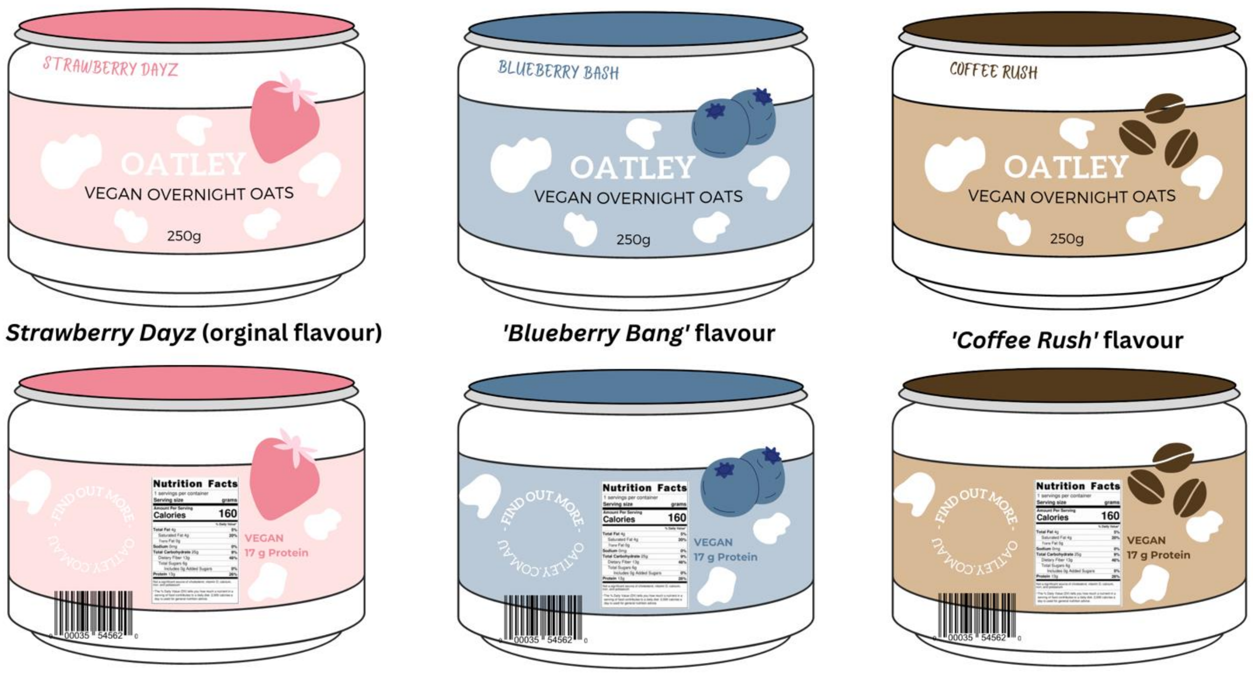
"For 'that girl', Oatley's vegan overnight oats are high in protein and packed with goodness, ready-made, to bring your morning routine to the next level."

SECTION THREE - NEW PRODUCT DEVELOPMENT

I. PRODUCT:

The product created to satisfy the needs and wants of the 'Pilates Princesses' is Oatley. Oatley is a pre-made overnight oats product stored in a recyclable plastic tub. It is unlike any oat-based product currently on the market as it is stored in the fridge and made to be eaten cold. Mixed with, plant-based milk, yoghurt, natural sweetener and the flavour of your choice, Oatley's are a delicious vegan breakfast option. The first flavour created was '*Strawberry Dayz*', however 2 more flavours have since been released, and more are on the way. Oatley's come in a pack of four with a generous serving size of 250g and a low 160 calories.

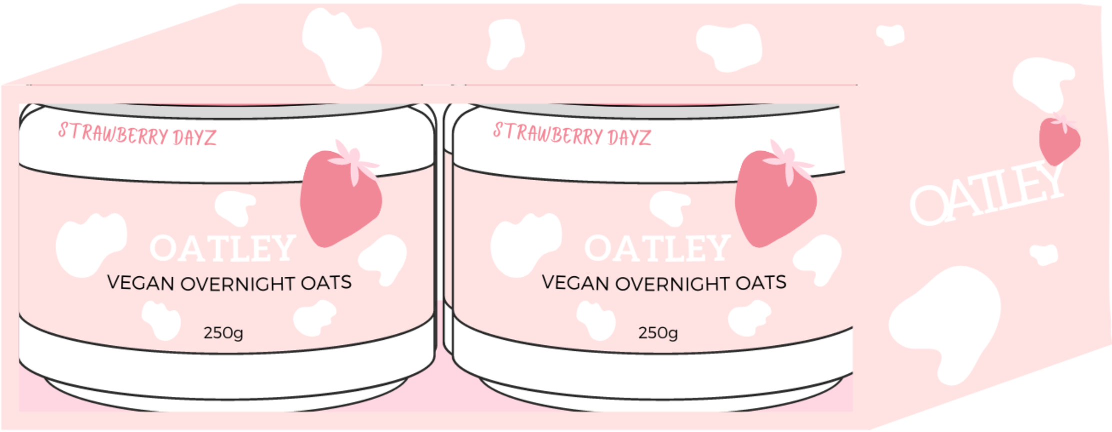
The packaging is designed to fit the taste of the chosen segment and align with their aesthetic values. It is simple but cute with theme colours to much the flavour. Essentially the product is very 'instagramable' and most importantly delicious, packed with flavour and whole ingredients.



(Figure four) – Oatley product mock-up

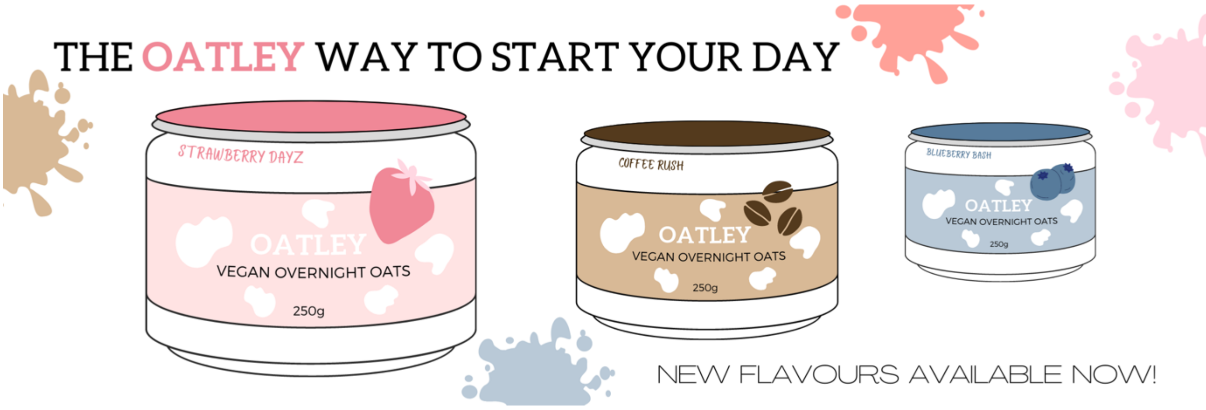
PACKAGING TOP VIEW

PACKAGING SIDE VIEW



(Figure five) – packaging mock up

II. PROMOTION



(Figure 6) – Billboard promotion mock-up

(Figure 7) – Instagram story promotion mock-up

Oatley will be promoted through a few channels; however, social media marketing will be our main strategy. Young women are one of the largest demographics of social media users in the world. Through the development of marketing tools in social networking apps, they are increasingly accessible and easy to target with influencer marketing and online advertisement. As the 'Pilate princesses' fall into this age and gender bracket it only makes sense to utilise this powerful distribution tool. The Oatley brand will have both a TikTok and Instagram page to share marketing content however we will be collaborating with influencers popular amongst our segment to advertise our product on their accounts as well. This will be crucial to our start up marketing efforts as we want to reach and pull in our target market.

Additionally, Oatley, will be advertised on billboards in major cities. To promote our product further we will be encouraging our 'Pilate princesses' to take a photo in front of one of these to win free products and merchandising. While we will distribute Oatley through supermarkets our website will sell this merchandise that includes jumpers, drink bottles, breakfast bowls and coffee mugs.

Lastly in store sales promotion will be key to increasing our revenue, particularly as we are targeting a segment of students and causal workers. We will alert our consumers via social media that supermarkets are offering buy one get one half price deals, 2 for $20 packs and other hot deals.

III. PLACE AND DISTRIBUTION STRATEGY

Oatley will be distributed through a business to business (B2B) strategy as it facilitates a larger reach to target customers and elevates the products performance in the market (Jagodic & Milfelner 2022). To ensure the supply chain functions smoothly during the initial start up stage, Oatley will sell directly to retailers who will then distribute to consumers. The removal of the wholesaler at first will allow the value delivery network to be simple and effective in its distribution (Armstrong et.al). Additionally, this will facilitate our selective distribution strategy which will be vital to maximise reach while staying true to our brand values and identity (Indeed 2022). In saying this, a wholesaler may prove to be beneficial as the company develops and expands.

As we are implementing a selective distribution strategy, Oatley will initially be promoted and sold through retail cafes. Australia has one of the world's largest café cultures and young women are one of their main consumers (Adams 2012). Through catching up with girlfriends for brunch or coffee, these young women will start to see Oatley's pop up throughout their weekly outings. Combined with influencer marketing, this strategy will be effective in creating conversation and spreading the word about the product. After a few months Oatley will then be distributed through Coles and Woolworths to ensure our product is readily available and accessible to our segment.

IV. PRICE:

I have decided to implement a penetration pricing strategy for Oatley's to ensure we attract and cater for the needs of our target market. Being mainly university students on a low personal income this was essential. It was difficult to compare pricing from other products as there is nothing on the market that's comparable to Oatley's in term of type or serving size. To overcome this, as shown in my positioning map, I compared competitors' price per 100 grams. This allowed me to get a more accurate reading on value for money. From this, I set my price at $1.60 per 100 grams which sits quite comfortably in the middle amongst competitors' prices. Each Oatley tub is 250grams and comes in a pack of four, equalling $16 per pack. Initially this may sound expensive, however, Uncle Toby's has one of the most comparable products (rolled oat tubs) which is priced at $5 per 100 grams or $2.50 per 50gram tub (Woolworths 2023). Essentially, Oatley consumers are getting bang for their buck at this $4 per tub, particularly considering this is a vegan option which are often more expensive.

We will be selling to retailers in the first year at $12.80 to be sold at $16 which is a standard markup of 25% as shown in figure 8. The factory rent was calculated per square metre according to current rent rates (Glossop 2022). The marketing costs are forecasts to be substantial in the first year to generate the most reach and then gradually decrease. It is expected to be quite expensive as influencer marketing will be one of our top promotional strategies, however this will be extremely beneficial as demonstrated in our forecasted sales for our first year. According to the forecast we will begin to see a profit of $52,000 in 2025, two years after launching the Oatley product. After 5 years we will have made a total profit of $379,572 which is a very positive figure.

Date	2023	2024	2025	2026	2027	5 Year Total
Wholesale and Retail Price						
Price the customer pays for an item/pack of your new product (RRP)	$16.00	$18.00	$18.00	$19.00	$20.00	
Wholesale Price (Price you sell to retailer e.g. supermarkets)	$12.80	$14.40	$14.40	$15.20	$16.00	
0.2	25.00%	25.00%	25.00%	25.00%	25.00%	
Revenue			Jan-00			
Forecast Sales (units)	13,956	20,400	32,267	43,498	56,312	**166,433**
Forecast Sales ($)	$178,637	$293,760	$464,645	$661,170	$900,992	**$2,499,203**
Costs						
Fixed Costs						
Factory Rent	$36,418.00	$60,784.00	$88,818.00	$104,145.00	$121,699.00	**$411,864**
Bills (Insurance, electricity etc)	$3,400.00	$5,600.00	$7,800.00	$10,370.00	$13,658.00	**$40,828**
Salaries	$120,000.00	$190,000.00	$240,000.00	$290,000.00	$318,000.00	**$1,158,000**
Marketing Costs	$150,000.00	$90,000.00	$55,000.00	$40,000.00	$35,000.00	**$370,000**
Total Fixed Costs	$309,818.00	$346,384.00	$391,618.00	$444,515.00	$488,357.00	**$1,980,692**
Variable Costs						
Materials (cost per unit sold)	$0.50	$0.50	$0.50	$0.55	$0.55	**$3**
Transport (cost per unit sold)	$0.15	$0.15	$0.15	$0.15	$0.15	**$1**
Total Variable Costs per unit sold	$1.40	$1.40	$0.65	$0.70	$0.70	**$5**
Total Variable Costs (Total Variable Cost per unit multiplied by Forecast Sales)	$19,538.40	$28,560.00	$20,973.55	$30,448.60	$39,418.40	**$138,939**
Total Revenue	$178,637	$293,760	$464,645	$661,170	$900,992	**$2,499,203**
Total Cost	$329,356	$374,944	$412,592	$474,964	$527,775	**$2,119,631**
Profit/Loss	**-$150,720**	**-$81,184**	**$52,053**	**$186,206**	**$373,217**	**$379,572**

Figure 8 – Price forecasting sheet

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