

# [Investigation of the cereal bar market](https://assignbuster.com/investigation-of-the-cereal-bar-market/)

This article contains an investigation of cereal bar market and gives a feasibility report at the end. At the beginning, backgrounds of Kellogg Company and cereal bar market are given. After this, it shows cereal bar is at the stage of maturity in a product life cycle in the UK. And it did not performance well in latest two years. But in the worldwide, it still increases stable.

Next, a SWOT analysis and a PEST analysis have been done to analyse the market environment in China. According to the results of analysis, target market for cereal bars in Chinese market has been chosen. The target market is young women from 15 to 35 in cities. The life style of these people just matches the request of cereal bars.

Additionally, the competition in China has analysed, there are some barriers of entering Chinese market indeed. However, there are some competitive advantages of All-around cereal bars. At the end, a marketing strategy and a feasibility report have been made.

## 2. Product

The product I chose is cereal bar. The snack market is hotly competed these years. The most customers of cereal bars is adults. They eat cereal bars as a snack between meals. Compared to many other snake products, such as cakes, nuts and chocolate, the cereal bar market is still small indeed, but it grows rapidly .(Mintel, 2010)The reason why the market is still small is that it only attract a small group of customers, most of them are loyal customers. This industry has a increase of 29. 6% from 2005 to 2009. (Mintel, 2010)

The position that many brands choose for cereal bar is wholesome and natural. The competitors which choose the same position are other healthy snacks such as nuts, fruits and fruit smoothies. All of these have steady growth because of the trend towards healthy diet. Cereal bar to the moment accords with this trend. But cereal bar has not been separate from a series of snake bars such as highly processed bars and chocolate bars. Thus the healthy position has been influenced negatively by the other high sugar and fat snakes.

Kellogg Company is a multinational company from American founded in 1906. The main products of Kellogg are breakfast foods, snack foods, cookies, and crackers. It also manufactures ready-to-eat cereals and convenience foods including toaster pastries, cereal bars, fruit snacks and veggie foods. These products are produced in 19 countries and distribute in more than 180 countries all over the world. Kellogg achieved revenues of $12, 822 million in 2008 which had an increase of 8. 9% over last year.

Kellogg’s cereal products are a part of the Kellogg’s brand, and are sold mainly in the retail terminal such as supermarket and grocery. “ The company uses broker and distribution arrangements for certain products in less-developed market areas.”(MarketLine, 2009)

## 3. Situation Analysis in the UK

In 2008 and 2009 the interest in healthy eating have decrease. During this time, comfort eating appears to gain more popularity. However, a minority still insist on eating natural and healthy food, it could be an opportunity for cereal bars. The cereal bars market for children has been affected because of advertising regulations and packed lunches at school as school classifying cereal bars as confectionery.(Mintel, 2010) Therefore, the market of cereal bars is not so optimistic. Cereal bar in the UK is at the stage of maturity, because as shown in the Mintel 2010 the growth slows down from 2005 to 2009 although it still growing. The stage at which a product’s sales growth slows down is known as maturity.(Elizabeth, H&Terry, O. S., 1996) Hence if the firm do not try to attract customers, there will be no further net increase in the size of the market.

Kellogg’s hold approximately one third of the cereal bars market. Combining with the share of United Biscuits it is up to nearly a half. (Mintel, 2010) For the market of Europe, it accounted for 20. 4% as total revenues in 2008 which reached $2, 619. It increased 11. 1% than 2007. (MarketLine, 2009)

The UK has a great market of snacks. As a kind of snack cereal bars are very popular. From the report, two thirds of adults who eat cereal bars and snacking has gained more prominence since 2007. Snacking is most popular among young group, at two third 15-24-year-olds, declining with age. More than half of the families which have children under ten have snack between meals. These factors shows there are some potential markets in the UK. The users of cereal bars are generally holding a positive view of the products, however only one fifth of them think it worth its value and less than half satisfied with it.

But in the UK, the company didn’t work well. The turnover has decreased from the GBP 138. 065 in 2006 to the GBP 116. 394 in 2008. The current ratio was 0. 44 in 2008 and it has fallen from 0. 48 in 2007. (Fame, 2009)It may affect by tringent regulations and exposure to foreign exchange risk. Overall, this industry still has good prospect in worldwide.

## 4. Market Environment in China

## a) Application of Tools

SWOT analysis

The strengths of cereal bars are high recognition, innovation of products and strong financial support. Firstly, Kellogg is a successful international brand, so it will be easy to popularize a new brand under it. Secondly, the company has innovation process so that it can guarantee the quality of its products and improve the formula to satisfy Chinese customers. Lastly, the company is lucrative, so it can give strong financial support to Chinese market.

The weaknesses are the high price of the products and may do not accord with Chinese taste. Due to the high cost and import tax, the price of the products will be higher than the other local brands. Additionally, Chinese people have their own eating habit, they eat cereal as a kind of main source to acquire energy and protein. Thus cereal is only eaten in meals but not between meals.

The opportunity is people’s increasing awareness of the healthy diet. With the increase of income, people pay more attention to nutrition of food. The Chinese savory snacks market grew by 6. 5% in 2008 to reach a value of $3 billion and it is forecast to have a value of $4 billion in2013, an increase of 30. 7% since 2008(Marketline, 2009).

The threats are stringent regulations in China and exposure to foreign exchange risk. Because some events of food occurred in China these years, the government strict checks import products quality. The exposure to foreign exchange risk is a risk that every company will face when they want to enter another country. (Salah, S. H. & Roger, D. B., 1994)

PEST analysis

In political, UK and China have a good relationship. Benefit from Hong Kong, the two countries trade more frequently. But China will check import food from UK strictly because the UK treat import from China like this. In economic, China’s GDP has an average annual rate of 9. 6% from 1979 to 2005 and the import grew by 17. 6% to $660 billion in 2005(Wayne, M. M., 2006). In social, since China has a 5000-year history, the society and relationship are more complicated, so foreign companies will face difficulties to enter Chinese market. Last in technology, although technology is progressing rapidly in China, China still welcomes foreign companies introduce their advanced technology into China.

## b) Target Market

Young children and young women are the mains consumer groups of snakes. The target market which I choose is young women from 15 to 35 in cities. Because young people in this age like to accept new things by the influence of western culture. Some 57% of adults say that there are not enough hours in the day to do everything they would like (Mintel, 2009), sometimes they do not have time to have meals. Eating cereal bars can they gained energy, vitamins and protein and girls will not worry about get fat choosing these. It is a business-to-consumer business that the cereal bars will be sold in retail terminals such as supermarket and convenient store.

## 5. Competition in China

Since cereal bars can be seen as both a kind of snack and a kind of breakfast, it has direct and indirect competition. Here can use Porter’s Five Forces to explain it. Snacks market in China is highly scattered. The main buyers in China are independent retailers and they have strong buyer power. Because of the level of market players suppliers become disadvantage groups. Entering Chinese market means competing with other overseas companies and large local companies. As many players sell similar product, competition is so fierce in such market environment. Every company wants a larger market share (Marketing, 2010).

As to the cereal breakfast market, the market is fragmented too. There are three leading companies which accounting 40% of the total market value. Cereal Partners Worldwide controlled the breakfast cereals market in China. The predominant buyers are supermarkets and hypermarkets. The bigger the shop is, the more bargaining power it will have. As there are many similar products it has to face the threat of substitutes. Many people still prefer Chinese traditional food. As the same as in the snack market, the speed growing market attract many new entrants (Marketing, 2009).

The main competitors of snacks are PepsiCo and Calbee Foods. PepsiCo generated revenues of $43. 2 billion in 2008, an increase of 9. 6% over 2007. Calbee Foods generated revenues of $1. 1 billion in 2009, an increase of 3. 6% over 2008.

The main competitors of cereal breakfast are Cereal Partners Worldwide (CPW), PepsiCo and Standard Food Corporation. “ CPW entered the Chinese breakfast cereals market in 2004. The company operates a manufacturing facility in the city of Tianjin. CPW markets its breakfast cereals in China under the brand Que Cao.”(Marketing, 2009) “ Standard Foods operates its business in China through Shanghai Standard Foods Co., Ltd. The company is headquartered in Taiwan and has 2, 388 employees.” (Marketing, 2009)

## 6. Competitive Advantage of All-around

There are many strengths of cereal bar. Firstly, cereal bars are filled with high fibre, high protein, low fat and low cholesterol, which is a kind of well-balanced food. Comparing with some traditional Chinese food, such as deep-fried dough sticks, Chinese doughnut and spring roll, cereal bars are healthier that especially suitable to those people who want to lose weight or keep fit.

Additionally, cereal bars have various kinds of flavours, and some new flavours add chocolate, fruit and nuts to them, which make cereal bars more delicious, take children fancy and expand their customers. Customers can find a flavour they like easily in All-around.

Last but not the least, cereal bars are small and easy to carry, so they are a type of convenience snakes for people. People can put some cereal bars in their bags, they do not need a place and worry about figure when people eat them.

According to the forecast report of the convenience foods market in China 2010, traditional life style has being changed in people’s daily life, especially among the young people. Due to the sustained and rapid development of economy and sustained acceleration of life tempo, cereal bars will become a new tendency in people’s daily life.

## 7. Barriers to Entry in China

Many people believe that the market of import food is broad, not only because that the potential market is huge, but also because that it is blessed with a sharply increasing trend. In addition, the reasons are that the price is not transparent and the price rate is relatively higher than similar domestic products which also prove the potentiality of import food. On the contemporary, the economy of China has developed greatly. Therefore people’s requests for food also climb up to a higher level. For instance, people tend to eat healthier food instead of junk food.

There are two main barriers which has limited the entry of cereal bar into market of china. One is homogenization of markets. It is mainly shown that it lack of market segmentation. In detail, cereal bars aim to attract customers who have middle or high income. Varieties of products from different companies try to seize the same group of customers, which results in that the diversity becomes not apparent. (Hamish, P & Marjorie, T., 2001)The other one is homogenization of products. The products from different places have similar sorts and taste.

The import food industry in China is facing five challenges in further development. The first is food safety problem, which plays an important part in the development quality of Chinese import food industry. The second is food nutrition and health, which is depended on the development level of Chinese food industry. The third is the creativity, which depends on the characteristic and price of Chinese import food. The fourth is the multi-level distribution and the professional tendency, which bring Chinese import food industry lasting competitiveness. The last one is concern on energy saving and environmental protection, which will make a positive influence on the sustainable involvement of Chinese food industry in future.

In recent years, not only the milk powder event of Nescafe, but also the poisoned wine of Argentina has demonstrated the importance of food safety problem. Chinese authority has tried to defend the low quality import food. Furthermore, it is noticeable that China has cooperated with American food society. Under the consequence, several excellent food companies have entered China, and accounted for partial market.

Therefore, the barriers to enter China should be paid more attention. It will be a difficult first step for All-around.

## 8. Marketing Strategy

Based on All-around well-known U. S. company, its products mainly for the convenience of healthy and nutritious food, and never entered into the Chinese market before. Therefore, the company will be ready to use market research, product improvement, marketing, promotion strategies, public relations and advertising media and other marketing strategies into China with the brand All-around.

4Ps analysis:

Product: As the Americans and the Chinese people have different tastes, just entering the Chinese market in the process, All-around will be continuously analyzed for Chinese tastes and improve the products after understanding the Chinese market and Chinese consumers. Only products meet the market demand, All-around can capture the market.

Price: All-around based on the brand and the cost of entering China, as entering the Chinese market it will choose the same product pricing system, such as Nestle product price. But the All-around will be slightly higher than local price of the same products, making All-around product different from the same kinds of products in China. (Salah, S. H. & Roger, D. B., 1994)

Place: After the analysis of the Chinese food market, such convenience food can be sell in major and medium-sized supermarket, for example Carrefour, Tesco and other large supermarkets. In order for our target customers with marketing and market research, All-around will be selected in the Chinese mainland cities such as Beijing, Shanghai, Guangzhou, sold in supermarkets.

Promotion: The target group of All-around is young women, students and office workers. Such people work longer and have irregular diet. This just may reflect the advantages of All-around products, not only to facilitate consumption, but also with nutrition. Therefore, All-around chooses the first target to such customers for product promotion.

January 2011 All-around first enter the Chinese market: products formally entered large supermarkets of Beijing, Shanghai and Guangzhou – Carrefour, Tesco

February 2011 All-around use of public relations advertising exposure, promotional products. Let people know All-around product.

March 2011 All-around with the pre-advertising promote to sell. Send sales staff in the supermarket counter, try to eat free of charge to potential customers.

In April 2011 in the early process, All-around begin the initial pilot studies to understand customer satisfaction, consumer tastes, and price evaluation. And organized activities for small prizes will pre-purchase All-around maintenance of consumer products and consumers being investigated.

In May 2011 with the Chinese custom of the Labour Day holiday to take a substantial promotional activities, strive for during the festive season so that more potential consumers about All-around product.

2011 June-July All-around to adjust the product’s taste, and randomly selected survey of potential consumers of food tastes

August-September 2011 At this point, the official summer holiday period the students, All-around will take a new round of promotional activities, for students to accept the All-around product.

October 2011 October is National Day, All-around China’s National Day will be organized with the objective of consumers visit the All-around production base, so that consumers understand the product’s production process and food safety systems. All-around makes consumers create brand loyalty.

2011 Nov-Dec All-around to organize new products into the Chinese market, and carry out public relations advertising, as do the traditional Chinese Lunar New Year holiday early preheating.

January-February 2012 in the mainstream media do the brand image advertising, a good brand image. And strive to be traditional Chinese festivals – the CCTV Spring Festival Gala sponsors, so that Chinese consumers can understand the All-around

Hold from March to July 2012 All-around into the campus activities, with the Education Bureau in the efforts to All-around a campus partner, the product on the student’s breakfast, and teach nutrition.

From August to December 2012 establish a large sales base, so that All-around products can capture the Chinese market.

From January to June 2013 the Foundation set up health and nutrition of food through the extensive media coverage for the All-around brand to promote.

July-December 2012, the introduction of All-around excellent product in the United States to China, and the appropriate raise product prices, occupy the Chinese market

## 9. Conclusion

The product I chose to launch in China is cereal bars. I named the new brand as All-around, one meaning is that it contains full of nutrition. Another meaning suggests customers can enjoy it anywhere and anytime.

From the background of Kellogg, it can be seen that the company has generous profits and a series of products. Cereal bars as a new product will easy to enter Chinese market because the strong brand of Kellogg. The position of cereal bars is convenient and high fibre but low fat. And the target market is young women from 15 to 35 because their life step is fast and attention to keep figure. However, there are some barriers for entering Chinese market. Similar market and similar products can not make All-around stand out from other product. Chinese government has formulated more strict rules to restrict import food.

In order to launch All-around to Chinese market successfully, a three-year programming have been made in part 8. These are specific and achievable marketing strategies.

## 10. Recommendations

From the research All-around cereal bars can be launched in China. Firstly, there is a potential market which can suit the target market of All-around. The nutritional value of cereal bars just meets the pursuit of a healthy diet of young people. And cereal food can be accepted by Chinese customers.

Secondly, the competitors in Chinese market are not too much. It can highlight its technical advantages comparing with other small local companies. And as this reason, it does not need to reduce price to gain more market.

Thirdly, the Chinese snacks market is growing rapidly. The compound annual growth rate of the market is predicted to be 5. 5% in the period 2008-2013. (Marketline, 2009) As a new product, it will have high profits after introduction when it is in the product life-cycle of growth (Kotler, P. & Armstrong, G., 1993).

Lastly, the company has a well-known brand, as a new brand in the family-brand. The advantage is that the cost of introducing will be less benefit from the recognition and preference of the family name. (Kotler, P. & Armstrong, G., 1993)