Breakfast of Champions?
Post Holdings Inc. & the Cold Cereal Market

2015 Parrish Library Case Competition
Team : NRAM SOLUTIONS
Overview

Post Holdings, Inc.


- Post Consumer Brands segment includes the Post Foods branded ready-to-eat cereal operations and the business of MOM Brands.

- Michael Foods Group: distributes egg products, refrigerated potato products, cheese and other dairy case products, and pasta products.

- Private Brands segment manufactures and distributes organic and conventional private label peanut butter and other nut butters, baking nuts, raisins and other dried fruit, and trail mixes.

- Active Nutrition segment markets and distributes protein beverages.

Our Problem 1  <Competitors>:

Two smaller manufacturers focusing on natural and organic brands have seen some impressive growth over the past year while Post has been declining.

Nature's Path organic sales: $70.2m-$77.3m (52w)
KIND LLC organic sales: $23.6m-$41m
(These smaller manufacturers are cutting Post out of the market.) (cited from case introduction)

Major competitors specifically targeting the nostalgic older consumer and millennial segment.

Kellogg introduced Krave, a chocolate cereal targeted at Millennials. General Mills relaunched French Toast Crunch in 2015, which it had removed from its shelves in the 1990s. (cited from case introduction)
Our Problem 2  <Overall Market>:

- Compared with the total sale of cereal market in 2014, the market size of 2015 decreased, which means it is not only the problem of post holding Inc. but more importantly the depression of the whole market. (Thought the market share increased, it still cannot offset the shrinking of the whole sales of the cereal market. (1)

1. Since the overall cereal market is projected to be an $11 billion market (with cold cereal making up 87% of the category) we still need to regain our share in the market with a new more market-targeted competitive cereal product.

2. But as the whole cold cereal market is shrinking, we need to gradually transfer our focus to another more potential area within the Post Holding Inc. as a long-term plan.
Problem Analysis 1

customizable product

- 29% of those who eat cold cereal want to be able to add extra ingredients (e.g. nuts, fruit, flavor packets) to their bowl
- The top cereals that Swing Generation cereal consumers eat are customizable. (e.g. high-fiber cereal, with 65% eating them)
- According to Mintel’s Make It Mine trend, as consumers expect to play a role in the customization process.
- High-fiber cereal and granola have 75% and 69% of cereal consumers eating them, respectively. 19% of them are eating more high-fiber cereal, while 17% are eating more granola. (2)

Focus on more customizable products, like high-fiber cereal and granola.

• Granola and muesli are very alike. The slight difference is that muesli is neither baked nor sweetened.
• While 69% of cereal eaters consume granola, only 36% eat muesli, a mixture of rolled oats, seeds, nuts and dried fruit similar to granola. This could be because muesli is still not as well-known and developed in the US as it is abroad. Muesli could be an area where, with the right formulations and marketing, manufacturers could grow the cereal category.
• Since granola is very popular in the USA, it is reasonable to deduce that muesli can also be popular in the future. (3)

Muesli, which is similar to granola but with good marketing strategies could become a even bigger potential in the customized cereal market.

Problem Analysis 2

Organic market: an interesting counter example

Since people who have a lower income tend to have a higher percentage of organic food in breakfast cereal, price plays a very important role in competing with other companies in the organic cereal area.
• “Post’s acquisition of MOM Brands.
• MOM Brands is known for manufacturing lower-priced bagged equivalents of popular national brand cereals.
• Two smaller manufacturers focused on natural and organic brands have seen some impressive growth over the past year.
• Consumers’ increasing interest in natural products coupled with the desire to support smaller manufacturers (see Mintel’s Minimize Me trend) could be helping drive this growth.” (4)

Post holdings In. has price advantage

Focus on providing low-price organic food

Problem Analysis 3

Nostalgia consumer psychographic analysis

- Younger cereal consumers still think about brands from their childhood, with 68% of Millennials who eat cereal saying the brands they loved as a kid are still their favorite, suggesting a possible interest in classic cereals. (9)

- Consumers also have interest in products that predate them

Making use of this kind of nostalgia, post can focus on some traditional cereal, like granola, which was established since late 19s century in America. (8)

(9) http://academic.mintel.com.ezproxy.lib.purdue.edu/display/745936/

Analysis for problem 2
(the on-going shrink of cold cereal market)

- The total market size of cold cereal decreased 3.5% from 2014 to 2015

- Even though the market share of Post holding Inc. increased 0.3%, its sale still decreased 0.6% (11)

- Post holdings needs to boost its sale by developing other products which are in booming markets

(11) http://academic.mintel.com.ezproxy.lib.purdue.edu/display/745924/ (mintel)
• Customer prefer high-taste, convenient breakfast options such as yogurt and bars.

(http://academic.mintel.com.ezproxy.lib.purdue.edu/display/733398/)

The bars and yogurt markets are increasing according to mintel

(http://academic.mintel.com.ezproxy.lib.purdue.edu/display/745918/)
(http://academic.mintel.com.ezproxy.lib.purdue.edu/display/745699/)
Action & Implementation:

Focus on more **customizable products** → Launch small packaged products that customers can flexibly combine on their own.

Launch Muesli products → Highlight the healthy characteristics to promote Muesli products.

Focus on providing **low-price organic food** → Use Michael Food (Post's sub-company)'s organic farm to grow the materials used for production.

Partly shift to **yogurt and cereal bars** to offset the decline in the cereal market. → Advertise it as more easier ways of breakfast.
**Helpful**

- Increasing the sales and revenue in the cold cereal market

**Weakness**

- Need deeper and more precise financial analysis

**Internal**

- Making full use of the resources within Post

**Opportunities**

- Exploring new potential products within the cereal markets
- Exploring alternative booming markets

**External**

- Other companies might do as we do as well.
Citation


   http://academic.mintel.com.ezproxy.lib.purdue.edu/display/745699/


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