

MSU Product Center

For Agriculture and Natural Resources

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Wheat: Cereal – Few opportunities

Market drivers that provide few opportunities

- There are relatively **few** opportunities for cereal products that appeal to the demand drivers of **convenience** and **value**.

Specific opportunities

- In one survey 95 percent of households consumed cereal. Households with children and teenagers are particularly large consumers of cereal.
- While cereal is easy to make, it is not easy to transport or consume in a car. This limits the convenience factor.
- Packaging designs are being developed and introduced that make cereal easy to eat while driving or at work. This type of packaging is referred to as “deskfast”.
- The cereal market is dominated by large firms. Low cost products tend to be offered by private store labels. As a result, the ability for a firm or a product to appeal to the demand driver value is extremely limited.

New product examples

- From 1998 through 2003, there were 815 new cereal products introduced in the U.S.
- Save-A-Lot Foods, Goldstrike Cinnamon Swirls cereal, retails at Save-A-Lot stores.
- Kellogg’s Cracklin’ Oat Bran Take Away Cereal, sold in a 3.7 oz. tub in convenience stores.

Special issues

- The cereal market is a mature market dominated by a few large firms. This level of concentration limits the ability for a small firm to enter the industry.
- To compete on the basis of price a firm needs to be a low cost producer. This is not likely for a new firm in the cereal industry.

Key to success

- Consider whether or not it would be possible to combine products attributes. Would it be possible to work in partnership with an existing cereal manufacturer? Consider health food stores as a potential market for your product. Enhanced packaging appears to be the primary way to enhance convenience.

Sources

Mintel. Cereal.

_____. Global New Products Database.