

Rebranding Ethereal Cereals: Responding To Healthy Diet Campaigns through Strategic Planning, Partnering, and Human Relations

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Abstract:

The primary subject matter of this scenario is concerning marketing strategy formulation and execution as a response to the external environment of a cereal company. Focus is on the implications of potential threat and damage that healthy news campaigns may afflict on cereal manufacturing companies.

Secondary subject matter includes issues of importance of market surveillance and consumer segmentation. Other issues include human resources and the importance of building strategic alliances in order to continue to compete in competitive market such as the cereal market. The case can be used to identify basic marketing concepts while at the same time witness the workings in the marketing division of a major company. The case can also be used to stimulate group discussions by critiquing whether the actions of the protagonist were of best interest to the company, and also evaluation of how the ideas presented in the case will affect the cereal company in the long and short run. This case can be used as a learning tool for reflections in a formal classroom or boardroom.

Key words: Healthy foods, cereals, marketing, strategic planning, alliance building, marketing, healthy food campaigns, public relations, human resource planning.

Introduction to Ethereal Cereals: Background Literature

Alana Powers is the marketing director of the number one cereal company, Ethereal Cereals. A barrage of recent media publicity stresses the importance of a healthy diet and lifestyle and eliminating sugary foods in the diet such as excessive sugary cereals. Alana quickly takes action and creates a marketing campaign to restore Ethereal Cereals' image in the minds of consumers as a wholesome, healthy cereal. The case chronicles Alana's interactions with various marketing departments within Ethereal Cereals to help support and promote her new campaign. Readers are encouraged during the case to challenge various decisions that Alana and her colleagues make on the benefits the company will confer from their decisions. There are many benefits from reading and reflecting on this dilemma and actions taken by Ethereal Cereals and some of them are to:

1. Reflect on the effect of negative publicity on a company's sales and discuss possible solutions as a viable response.
2. Understand how a public relations campaign can effectively reach the company's target market and differentiate the product from their competitors.
3. Review how a company's hiring practices can have a positive or negative impact on the stated marketing objectives.
4. Find out why co-branding can be an effective marketing program and evaluate a list of alternatives that would best fit the company's sales objectives.
5. Evaluate ways that a well-known product can re-invent itself using an effective marketing campaign.

For many people, a trip to the grocery store is not a sentimental event. However, a trip down the cereal aisle may well trigger nostalgia, childhood memories, and cravings for a bowl of marshmallow filled cereal in the morning. This profound effect of breakfast cereals was well known to head of the marketing department for Ethereal Cereals, Alana Powers. Alana takes her job very seriously, and rightly so: Ethereal Cereals consistently remains the leading cereal company, receiving the majority of the market share from cereals and beating the other three top cereal companies, Bimbo Grains, Super Mills, and American Oats. However, it is time to review the threats and strategies.

Threats.

The past few months, however, Alana had been noticing a disturbing trend in the news. America was obsessed with a healthy lifestyle, and following the bulldozer to eliminate saturated fats from foods was the high speed train urging people to hop on by cutting down on high sugar foods. The health ads Alana had seen called for avoiding sugary cereals, which claimed had just as much sugar as candy bars, and not buying cereals that contained processed grains. Alana was very worried that the bad reputation that was building against cereals would cause Ethereal Cereals' sales to decrease, but she also saw an opportunity for her company to improve its products and mission to accommodate the current lifestyles of its consumers. Alana saw the bad publicity of cereal as creating a new niche in the cereal market, one that Ethereal Cereals was determined to fill. After a few days of brainstorming, she created a new marketing campaign for her company: "Ethereal Cereals: Keeping fit in your active lifestyle."

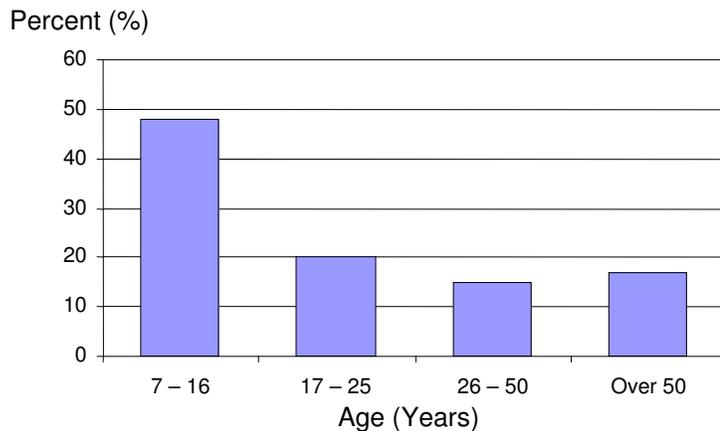
Strategies.

Under the “Keeping Fit” campaign, Alana mapped out five territories she would cover to ensure that the campaign would grow to its maximum potential. Knowing she would need the help of all of Ethereal Cereals, Alana arranged meetings with the Public Relations, Human Resources, Research and Development and the Promotional departments.

Armed with company information and statistics, Alana met first with the Public Relations department. Carl Lee, head of the department, was present along with three other department managers. Alana started out by describing the current, grim situation facing breakfast cereals. “I feel like now is the time to improve our outreach services” she explained to Carl. “We need to show the public that we’re concerned and involved in their lives, their health, and are not just a company selling sugary cereal.” Carl nodded. “I envision investing in community fitness programs” he began. “But first we have to know who we will cater these fitness programs to. Children? Adults? What group will make the most impact?” Alana nodded, and pulled out a chart, as presented in Figure 1. “Take a look at this and tell me what you suggest,” she offered.

Carl passed the chart to his fellow colleagues. “It looks like children ages 7-15 are the most likely consumers of our cereals,” one said. “Maybe we should start up a youth nutrition and fitness program in the community.” “That’s a great idea!” Carl added. “In addition to fitness programs, I also suggest giving grants and awards to programs and schools that stress the ideal of a healthy lifestyle for kids. How about this; give me and my colleagues a few hours to discuss these ideas and in three hours we’ll present what we’ve come up with.” Alana was excited; “sounds good!” she said. “I’ll look forward to hearing your results!”

Figure 1 - Ethereal Cereals Consumer Ages



Three hours later, Carl and his three colleagues returned to Alana’s office. “I’m introducing to you, Ethereal Cereals’ Champions for Active Kids Grants!” Carl declared. “These grants, 50 awarded per year of \$10,000 each, will be for community groups who are developing active lifestyle campaigns. This will encourage healthy lifestyles and generate good publicity within the community.” “We also thought that, since kids are the target group for our nutrition campaign, we should somehow give back to the schools they attend” one of the colleagues began. “We decided to create the Presidential Healthy Lifestyle Award for schools across the US to educate kids in elementary and high school about the importance of establishing and

maintaining a healthy lifestyle.” “This is excellent news!” Alana exclaimed. “These programs will allow us to build a good rapport with the community and health leaders, as well as get our name out there associated with philanthropy and current issues in society today.” Alana also remembered that compared to their competitors, Ethereal Cereals lagged in their donations to community programs. Starting long term, focused community programs would be good publicity for the company in a time where cereal companies were the bad guy.

Motivated from the progress made with the Public Relations department, Alana decided to tackle the Human Resources department. If Ethereal Cereals was going to take on a new image and a new vision, the company could also benefit from new employees with fresh ideas. She met with the head of the hiring department, Lenny Graham, and explained the new Keeping Fit campaign. “I’m looking to hire enthusiastic people to manage the campaign,” Alana explained. “I really want this campaign to be new and exciting, and we need lots of energy and new ideas.” Lenny smiled. “Ethereal Cereals has always prided itself on hiring high quality employees” he began. “I’ll put a notice out on our website; get back with me in a week and I’ll let you know who I’ve found.”

A week later, Alana walked into Lenny’s office. She was curious to see who he had recruited for the Keeping Fit campaign. She had done her own homework during the past week, and had come up with a profile of the company’s recent hires. There was a definite trend of who Ethereal Cereals generally hires in terms of academic background and experience, and Alana was eager to see if Lenny’s recruits would follow the same trend.

Table 1 – Education of New Hires

| Education Level | Percentage (%) of Hires |
|-------------------|-------------------------|
| Masters, PhD | 45% |
| College Degree | 35% |
| Some college | 15% |
| High School | 5% |
| Below High School | 0% |

Lenny stood up and Alana entered his office and excitedly handed her a thick file. “In here,” as presented in Table 1, he said, “you have your future organizers of the Keeping Fit campaign!” Alana eagerly opened the file and scanned through the profiles of her possible future co-workers.

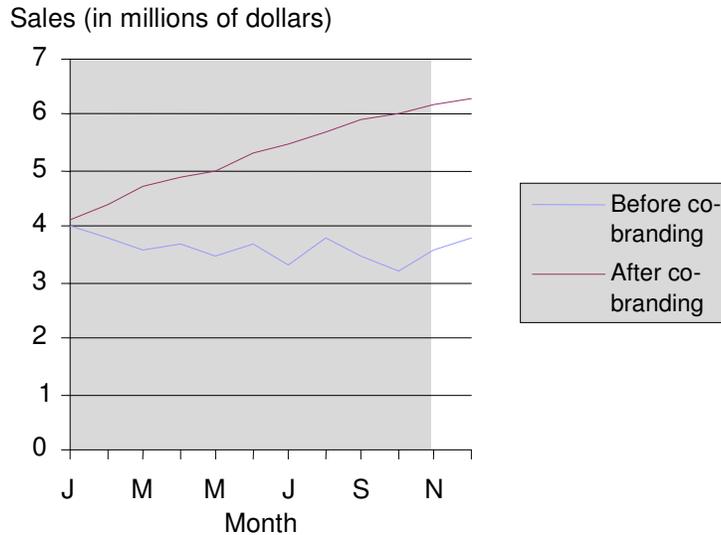
The first few applicants were the typical gold standard Ethereal Cereal applicants: Masters Degrees in Marketing and Business from top universities, at least 5 years of experience working in the field, so many awards and accomplishments that they had to attach a second page to the application. Towards the back of the file, however, Alana’s eyes caught on some different information. “Graduated from Hillyndale High School, currently a junior at local state college, extensively involved in community outreach programs for underprivileged teens, works with at-risk kids, created nutrition programs at university.” Alana removed the five files that had caught her eye. “I like these applicants” she said to Lenny. “How about them?” Lenny took the files and sighed. “I liked these, too” he began. “The only thing is that Ethereal Cereals has never hired applicants like them before...we have always hired the best, the top, and as much as I would like to hire these people, we’d be taking a big risk in doing so.” Alana bit her lip. She wasn’t prepared to back down yet. “I understand...but we must remember that our biggest consumers of

our cereals are young people ages 7-16. Wouldn't hiring young, enthusiastic, motivated people who are closer to the age of our target consumers be a beneficial risk we should take? We already know that these other highly accomplished individuals would fulfill their duties, but as the Keeping Fit campaign is a new, exciting program, it only seems fit that we go with the pattern and take a risk hiring individuals who are also very qualified for this job and who we wouldn't usually hire in normal circumstances." Lenny sat, pondering what Alana had just suggested. "You know, I like your idea," he finally said. "Hiring people closer to the age of our consumers, especially for youth targeted programs such as the nutrition and fitness programs you mentioned would be beneficial. Our goal is to create community excitement over our programs and our cereal, and who would motivate our consumers more: employees still in school and in tune with what's hip and relevant among today's youth, or employees who have been out of school for about 10 years and who would seem more like chaperones than peers during these fitness events?" Alana smiled. With Lenny sharing the same outlook on the future of the Keeping Fit campaign, she knew he would hire the right people for the job.

At her desk deciding what her next step was, Alana looked over her new *Marketing World* magazine that had come in the mail that day. She was stuck on page 5...on the four page spread about the entertainment giant, the Wizney Company. Wizney had done what no other company had done, and what current companies only dream of doing. Starting as an entertainment corporation, Wizney began by producing animated movies. After a few decades of cartoons, Wizney decided to build theme parks centered on its movies, featuring life size cartoon characters walking around the park, rides bearing resemblance to places in the movies. Wizney then decided to expand to television shows and also penetrated the toy industry by creating action figures, dolls, board games, and the clothing industry by offering pajamas, t-shirts, and pants with Wizney characters imprinted on. Mesmerized by how much Wizney had grown, Alana couldn't stop reading the last sentence of the article. "Having penetrated almost all markets except the food industry, the Wizney Company is currently researching possible ways to expand in the world of food." Alana smiled. She knew exactly who she would speak to next.

Ravi Patel was the head of the Company Relations department. He maintained a good rapport not only with Ethereal Cereals' own employees, but with other major companies. Alana sat down at his desk and began sharing her vision. "Ravi...I believe now is the time for two big companies to work together!" she began. "Sales have been slow since the onset of this health craze and negative publicity has given sugary cereals a bad name. We need something new to boost Ethereal Cereals right now...something that will bring in a lot of new consumers that we didn't have before, or encourage our current consumers to buy more of our cereals." Ravi nodded. "I've also been reading about this anti-sugary cereal craze," he said. "What do you think we can do?" "I've got just the company who is looking for us, also!" Alana said. "The Wizney Company has stated that they're looking to expand to the food industry. What better company for them to co-brand with than Ethereal Cereals? We have the same target age range of consumers, and people who buy our cereals are also likely to buy their products." Ravi clapped his hands and smiled. "I like that idea...let me look at some data. A few years ago Bimbo Grains did a similar thing and co-branded with FastCar Racing Company. If I remember correctly, their sales had been slightly low before FastCar, but after co-branding, their sales increased significantly and FastCar also benefited by having a primary sponsor to endorse their events and products." He pulled a sheet of paper from the printer. "Take a look at this" he offered, as demonstrated in Figure 2. "Think we could do better?"

Figure 2 - Bimbo Grains Sales/Month



Alana glanced over the printout. Yes, it was true that Bimbo Grains' sales had been sluggish before teaming up with FastCar. After co-branding with FastCar, their sales in all products (cereals, breads, and granola bars) had increased, as well as the public's awareness of their company and products. The printout also showed results of surveys claiming that Bimbo Grains cereals with FastCar logos and pictures on the box were more likely to sell than plain boxes. Alana's mind was racing. In addition to just adding pictures of Wizney characters to their cereal boxes, maybe Ethereal Foods could also include little toys in the cereal boxes such as Wizney character pedometers or stopwatches, all the while remaining true to their health and fitness campaign. "I really think we should team up with Wizney," Alana said to Ravi. He nodded. "It's a co-branding venture that could benefit both companies," he said. "I'll give them a call right now."

The last major issue Alana had to tackle was how to convey to the public that Ethereal Cereals remained nutritious and healthy amidst the negative hype about sugary cereals. She decided to meet with Mary Evans, the head of the Promotions department. After briefing Mary on the current cereal situation as well as the Keeping Fit campaign, Alana asked if there were any ways their company could show they made healthy cereal. "It would be effective to associate our cereal with a company or program that the public already associates as healthy," Alana explained. Mary nodded and suggested, "how about the American Association for Healthy Hearts? Their presence has been around for decades and their logos grace the covers of health magazines, foods that are good for the heart and well being, and the company is very active in the community funding research and grants." Alana knew exactly what Mary was referring to. The AAHH was the prominent heart association in the country and their red heart symbol with a stethoscope around it was recognizable in magazines and on billboards. "I'll contact the AAHH and see if they would be interested in working with us," Mary began. "I just thought of a clever

symbol that we could put on our cereals that meet the AAHH standards for healthy hearts...how about their heart stethoscope symbol sitting in a bowl of cereal?" Alana smiled. "I love that idea! And how would we spread the word to the public on our teaming up with the AAHH? Coupons?" "Coupons would only increase awareness and increase sales for a short time," Mary explained. "With the AAHH campaign, we're targeting the consumer who has a long term investment in their health as well as those impulse buyers who decide to buy a healthy cereal that week. Coupons would only serve to reward those price sensitive customers who regularly use coupons. I'm thinking more invasive advertising such as television commercials, radio advertisements...we need the AAHH heart stethoscope cereal symbol to be something consumers will remember and equate with our Ethereal Cereals."

Evaluation

Back in her office, Alana took a deep breath. She had completed the first but strenuous steps of kicking off the Keeping Fit campaign. She had assigned various departments to create and expand new programs and take on a new attitude, which was important not only for the campaign but also so the company could continue to grow. With her strong marketing background, Alana knew the importance of new ideas in a company. She was confident Ethereal Cereals would continue improving their image, stepping outside their comfort zone by hiring fresh faces, all the while growing and remaining the number one cereal company in the country.

The effect of negative publicity.

One of the things that Ethereal Cereals could not foresee is the effect that negative publicity would have on their products. The health craze was in full bloom, and many newspaper and magazine articles were specifically targeting sugary breakfast cereals as a culprit for obesity in America's children. Whether the marketing department was ready for this or not, they were going to have to make major changes in how they positioned their breakfast cereals, and how they conveyed this message to their target market. Up until this rash of negative publicity, breakfast cereal companies would use cute cartoon-like characters to brand their cereals and run these commercials in heavy rotation during Saturday morning cartoons and after-school hours. Also, putting toys, stickers, fake tattoos, or other gimmicks in the box was a sure way to get children to beg their parents for the cereal. However, and maybe unfortunately, for these marketers, those are now bygone days.

This negative publicity could be a major problem in some organizations, and could also be a death blow to certain products unless marketers are prepared to act. Alana Powers chose to turn this situation into an opportunity for the cereal company to re-invent itself as not only a healthy alternative for breakfast, but something that is synonymous with a lifestyle of good diet, exercise, and a positive outlook on life. Alana knew that just running a new line of commercials or placing more coupons in the Sunday paper would not be enough to combat negative publicity. Our marketing executive realized that only a multi-pronged approach, including public relations, internal marketing, and co-branding with other organizations was necessary to change the consumers' view of breakfast cereal and differentiate their product from the competition. The big question is whether all of this negative publicity could be overcome.

The importance of public relations.

Alana Powers had a difficult task. She was trying not only to undo the damage done on the cereal market by the negative publicity, but she wanted to make their brand the first one consumers think of when purchasing a cereal as part of a healthy diet. She felt part of the solution was a public relations campaign because this would get into the heart of their customers and not make them as skeptical thinking this was just another slick advertising campaign. In addition, Alana felt that by lending their name to the Presidential Healthy Lifestyle Award in schools across the country, children and their parents would relate Ethereal's products with a healthy breakfast cereal for their kids.

The question is whether Ethereal's campaign can not just convince their customers that breakfast cereal was a healthy way to start the day, but that *their* brand was the one potential buyers should choose. Our marketing executive was hoping that by involving themselves in goodwill projects in local communities and sponsoring healthy lifestyle fitness awards in schools, Ethereal's brand would give them an edge against their competitors. However, did she consider that their competitor's brands would also be boosted by their efforts? Also, did Alana look into the details as to whether their name would be prominently listed on the Presidential Healthy Lifestyle Award so that the consumers could differentiate their product from their competitors?

The importance of Human capital.

Alana had a number of ideas about changing the company's image in regards to a healthy cereal, but in a large multi-faceted company, she certainly couldn't implement this strategy on her own. Alana realized that in order for this overall strategy to be effective, changes had to be made inside the company to assist in changing the image of their brand. Her first stop was the human resources department where she laid out these changes to the hiring manager. She felt that the only way her vision of how their brand would now be marketed would be to hire younger employees that are closer to the age of their target market. Also, Alana put a premium on younger candidates, feeling that they would understand the buying habits of their customers better than older candidates who were further removed from eating children's cereals. Alana felt that this infusion of young blood in the marketing department would produce new, fresh ideas that could better target children.

However, by bringing in younger employees the company may be forgetting about an important consumer: children's parents. After all, they are the ones that control the pocket book. Their children may want the product, but ultimately the parents will be making the purchasing decision. Also, Ethereal may be forgetting about their other cereal lines for adults. As shown, these aren't their biggest sellers, but they do risk losing market share if they only focus on children's cereals. In addition, by having a strategy of hiring younger candidates, you do run the risk of losing someone who is highly qualified to the competition.

Another criticism here is that when it came to internal marketing, Alana ignored other departments. What about accounting or the finance department? They may not have approved some of these proposed advertising and public relations expenditures.

The power of co-branding.

Alana was faced with several challenges in order to reach the objectives of the company, one being to increase sales. She thought of ways to both change the image of the product and reach more consumers. One way to do this was by co-branding with another company, thereby gaining access to all of their customers and benefiting from their name, as well. The decision as to what company to co-brand with was critical for this strategy to be a success. Alana enthusiastically chose Wizney based on their demographics that target children and their parents. Their products (i.e. amusement parks, movies, characters) reach a large numbers of kids in the age range of 7-15 that could potentially open a new customer base that had not tried their cereal or were possibly loyal to another cereal.

One of the questions here is “what is the cost of the co-branding venture?” Sure it sounds good, co-brand with a major company and get their customers. However, will the costs outweigh the increase in sales? Does Wizney want any percentage of the increase in sales? Also, when you associate yourself with a powerhouse like Wizney, do you run the risk of being overshadowed by the company? A big risk that Alana didn’t think about was if something negative or controversial happens to Wizney; would this negatively impact Ethereal Cereals? A bad or controversial movie or a tragedy at one of their theme parks could devastate the company.

Perhaps another food company associated with healthy eating may have been a better choice. What about a professional sports league who children and their parents follow? This could be a good choice and increase Ethereal’s reputation with athletics. Are the risks here any higher than with Wizney? Another alternative would be to become the sponsor of fitness or cooking shows that accentuate a healthy lifestyle. This would provide good name recognition with healthy products as well.

Endorsement promotional campaigns.

Perhaps Alana's biggest task when embarking on this new marketing campaign was changing how consumers felt about breakfast cereal. With all the healthy lifestyle publicity, parents were debating whether they should continue buying sugary cereals. Also, when you look at the market for hot oatmeal, granola bars and other alternatives to traditional cereal and milk, Alana certainly had her work cut out for herself. Her task was to change the consumer’s opinion of breakfast cereal showing that Ethereal’s products were indeed an essential part of a healthy diet and lifestyle. Alana believed this would take something more than public relations, advertising, and co-branding with Wizney. She felt that by getting their cereal endorsed by the American Association of Healthy Hearts would be almost a “stamp of approval” for breakfast cereal and have a positive impact on their sales. The affiliation with the American Association for Healthy Hearts will most likely help their reputation for adult cereal. However, will this carry over to the children’s cereal line? It might hurt sales in that area since those cereals would look even unhealthier by comparison. A special logo on some cereals but not others may not have a positive effect on the product. Also, what are the costs of this relationship and is it exclusive in nature? Will the expected spike in sales offset the costs to the AAHH, and can another company receive this logo on their boxes as well? If they do, would this nullify this relationship with the AAHH?

All in all, did Alana’s reach her goal to “re-invent” breakfast cereal? Consumers who always sought a healthier product may prefer hot oatmeal, fruit, or another alternative and would

not give cereal a second look despite this campaign. Is “re-inventing the product” geared towards customers who aren’t interested in purchasing the product? If so, would this be a worthwhile venture? In addition, loyal consumers who always bought the product in the past could be turned off by this new about face, and a company could run the risk of losing these customers.

Summary and Reflections

This paper provided scenario is concerning marketing strategy formulation and execution as a response to the external environment of a cereal company. The “healthy diet campaign” implications, threats, and damages to sales were explored. Strategic planning issues regarding market segmentation, consumer behavior, human resources, and building strategic alliances in order to continue to compete in competitive market were also presented. This case can be used for learning about Product Marketing courses, as well as reflections and discussions on Team Building, Public Relations, and Consumer Behavior. As a case for reflections and facilitation with a team, it can be facilitated in a few hours, requiring some advance preparation time on the part of the leader. As a learning tool, some questions that the reader can reflect upon include the following:

1. Discuss how the negative publicity would have impacted the cereal company’s current marketing strategy? And, discuss if Ethereal’s marketing executive generally made the right decisions.
2. Evaluate whether this public relations campaign would effectively target Ethereal’s customers and how or if an effective campaign can differentiate their cereal from their competitors?
3. Explain whether the marketing executive’s strategy to change their hiring practices would help the company achieve the stated marketing objectives? Would there be any negative effects? Could she have employed a different strategy?
4. Discuss whether co-branding is an effective strategy for Ethereal cereals and make a list of potential alternatives that the company could have used.
5. Discuss whether the seal of approval from the American Association of Healthy Hearts helps Ethereal to reach their marketing goals and whether this marketing campaign effectively “re-invented” their product.