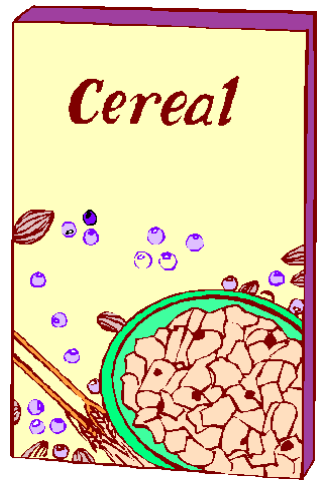


## DAY 2: The Cereal Box Project

A major manufacturer of nutritious and delicious breakfast cereals has just hired you. Your first assignment is to work with a team that has been given the responsibility of developing a brand new cold breakfast cereal. You will come up with the product idea, packaging, brand name, cereal name, and price. Most products are aimed at specific consumers called target markets.



**Target Markets** are specific consumers that have wants and needs in common and therefore would be looking for the same specific product. Three to six year old children and their buyers (their parents) would want a different cereal than serious athletes or retired individuals sixty to eighty years old. The product needs to meet the needs and wants of the target consumers.

You will be creating this cereal for the target market listed below:

### **TARGET MARKET for your cereal:**

The target market is made up of young teenagers (both sexes) from 12-14. They are starting to become independent and want to be "grown" up." They look to teenagers as their role models, love popular music, sports, and video games. Their parents still make the ultimate decision about which breakfast cereal to buy. The parents want a nutritious cereal that will provide a good breakfast, but also one that their teenagers will eat.

### **As a team (generally 2 members):**

- i **Product Design:** Determine the contents of your cereal.
- i **Price your Product:** Price for producer, for retailers, for consumers.
- i **Promotion of your Product:**  
Produce an attractive package or package idea for your cereal.  
Sell your product to the stockholders (class).

# PRODUCT

You must produce a product that will appeal to the wants and needs of your target market. Use the *Breakfast Cereal Cost List* to help you design this new product. It has the *BASIC COST* for cereal and the *BASIC COST* for the box. To make your cereal unique so that the consumer will purchase your cereal instead of one of your competitors you will select "add-on's" to add to your cereal, your box and the package design. This requires thought and research.



## RESEARCH

Research is to provide information about what the consumer wants and needs. Often this is done with surveys or by looking at the competition. For our research ask several fellow students what they like in their cereal and what their parents like. This will help you decide which add-ons to put in your cereal.

**Do Assignment: RESEARCHING TARGET MARKET WORKSHEET**

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# PRICE

Price is determining a dollar amount you can sell the product for.

**Do Assignment: PRODUCTION/DEVELOPMENT COST WORKSHEET**

Write the basic costs of your cereal and box onto your cost worksheet. Carefully consider your research and your own preferences and then list any add-ons that will be added to your cereal, the box and the design.

Determine **Total Production Cost** (by adding all costs of the cereal)

Determine **Cost to Retailers** (by adding Total Production Cost and Profit)

Determine **Cost to Consumer** (by adding Cost to Retailers and Profit)



**PROFIT** is very important to a Production Company or a Retail Store (Albertson's, Dick's, etc.). To stay in business, a company must make enough money to cover costs of production plus items such as: employees, building leases, utilities, stockholder's dividends, etc.

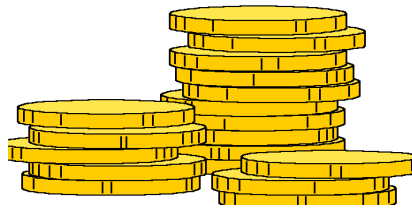


# BREAKFAST CEREAL COST LIST

## BASIC COSTS

<b>COST OF CEREAL</b>	\$ .70	Basic Cost 15 oz. of cereal with basic nutritional value
<b>COST OF BOX</b>	\$ .32	Four-color with wax paper inner wrapper

## ADD-ON COSTS



### CEREAL

Sugar Coating		\$ .27
Coloring (raspberry red, lemon yellow, etc.)		.16
Unique or unusual shapes		.14
Marshmallows		.23
Fruit (raisins, blueberries, etc.)	Each	.26
Nuts	Each	.24
Reduced fat and calories		.27
Enhanced nutritional value		.32

### BOX

Box larger than 15 oz or oddly shaped		.16
Foil inner wrapper		.13

### OTHER

Premium (a neat-o prize)		.42
Celebrity endorsement or on package		.50
Fictional character on package		.25

Name \_\_\_\_\_ Period \_\_\_\_\_

## PRODUCTION/DEVELOPMENT COST WORKSHEET

Cost of Market Research            \$ .20    (Product development)

Cost of Advertising                \$ .35    (Promotion)

Cost of Distribution                \$ .15    (Place)

COST OF CEREAL                    \$            Basic Cost

    Cereal Add-On's                 \$

\$

\$

\$

\$

\$

COST OF BOX                        \$            Four color with wax paper inner wrapper

    Box Add-On's                    \$

Premium                             \$

Celebrity or Fictional Character    \$

**TOTAL PRODUCTION COST**            \$            **(Total of all costs listed above)**

Profit to Manufacturer             \$            (Total Production Cost \* 13%) (multiply)

**COST TO RETAILERS**                    \$            **(Add Total Production Cost and Profit to Manufacturer - Wholesale Price)**

Profit to Retailers                 \$            (Cost to Retailers \* 8%)

**COST TO CONSUMERS**                 \$            **(Add Cost to Retailers and Profit to Retailers - Retail Price)**