



**CATÓLICA  
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**CERELAC: THE EFFECTIVE MARKETING  
STRATEGY TO ATTRACT MILLENNIAL  
PARENTS**

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## ABSTRACT

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**Dissertation title:** CERELAC: The Effective Marketing Strategy to Attract Millennial Parents.

Through the analysis of CERELAC's practical dilemma concerning the brand positioning in the Millennial generation, this thesis offers an examination of marketing related concepts such as marketing mix, positioning and also the importance of a cohesive communication strategy to attract the desired target.

CERELAC is a brand market leader in the infant cereal segment, full of history and tradition and for generations, moms have been using and recommending this brand. As one of the brands of Nestlé, the world leading company in nutrition, health and wellness, it ensures the brand high quality and all the nutritional value for the baby's special needs, in the infant cereal category.

However, today's moms belong to the millennial generation, which can influence their purchasing behaviors. They are fully emerged in a digital world, and online reviews are the new word-of-mouth. In addition, they aimed a healthier life style and gluten-free, GMO-free and organic are familiar terms.

For that reason, this thesis aims to study, through primary and secondary research, if the current marketing strategy is prepared for the behavioral changes of millennial parents.

Main results showed that millennial parents are shifting their eating habits and providing healthier options for their children. Even with a shift in the product and communication efforts to get closer to their life-style, there is no match between the CERELAC's aimed positioning and the actual positioning, which is making millennial parents to choose other brands.

## RESUMO

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**Título:** CERELAC: Estratégia eficaz atrair os pais da geração Millennial.

Através da análise da problemática sugerida pela CERELAC no que diz respeito ao posicionamento da marca, esta dissertação irá abordar conceitos essenciais de marketing, como marketing-mix, posicionamento e a importância de estratégia de comunicação coesa para atrair o público-alvo.

A CERELAC é uma marca líder em papas infantis, com história e tradição que durante gerações foi recomendada entre mães. Sendo uma das marcas da Nestlé –líder mundial em nutrição, saúde e bem-estar – consegue garantir qualidade máxima aos consumidores e ao mesmo tempo assegurar o valor nutricional necessário para o crescimento dos bebês.

No entanto as mães de hoje pertencem à geração millennial, o que terá um impacto no seu comportamento durante a compra produtos para bebês. Estando totalmente emergida no mundo digital, onde os comentários online são o novo word-of-mouth. Adotando um estilo de vida mais saudável, os produtos sem glúten/lactose e orgânicos, já são termos familiares.

Por essa razão, esta dissertação pretende estudar, através de uma pesquisa primária e secundária, a viabilidade da estratégia de marketing atual da marca, tendo em conta a mudança comportamental desta nova geração de pais.

Os resultados mostram que os pais millennial estão a mudar os seus hábitos alimentares não só para eles, como para os seus filhos. Mesmo com uma mudança no produto e na comunicação para se adaptar a estas novas tendências, o posicionamento da CERELAC não corresponde ao que a marca deseja, fazendo com que estes escolham outras marcas.

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**Key words:** Consumer Goods, Baby Food, Brand Strategy, Consumer Behavior, Eating Habits, Millennials.

## **I. INTRODUCTION**

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Besides being known as “digital natives” (Prensky, 2001), Millennials are changing the definition of “healthy”. Their growing concern with “healthier eating, ethical sources, organic farming, gluten free, and companies’ ethics” (Holmes and Yan, 2012) is becoming more common. While previous generations cared more about calorie counting, they have become more conscious about food being “fresh, less processed and with fewer artificial ingredients” (Morgan Stanley, 2015).

53%<sup>1</sup> of these generation’s older segment are parents and they have become more concerned about what their children are eating. Healthier options are becoming increasingly popular, shaping the flavor preferences of many young children. This is creating a challenge and a need for brands to adapt to this new reality.

**CERELAC** is a baby instant cereal brand, on Nestlé’s portfolio, that aims to contribute to baby’s healthy growth and development by providing vitamins and minerals with essential nutrients tailored to your their nutritional needs. Created in the XIX century by the engineer Henri Nestlé, CERELAC started as a baby cereal brand only made of milk, sugar and wheat. Later on, the brand decided to cater to a wider segment by creating three new product ranges: instant baby cereal with dairy, non dairy instant baby cereal and NESTLÉ’s expert sinlac (dairy, lactose and soya free). Therefore, targeting babies between 4 to 36 months old but first and foremost their parents.

This brand acknowledges that the new parents and their ongoing trends are pressuring the baby food industry to become more “organic, home-made, gluten, dairy and lactose free” (Nestlé, 2017). Given that one in four millennials are parents today<sup>2</sup>, it becomes relevant to study if CERELAC’S brand elements and communication efforts are aligned with what this new generation of parents wants.

### **1. Research Problem**

Is the marketing strategy of CERELAC successful at attracting millennial parents?

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<sup>1</sup> Source: <http://www.millennialmarketing.com/who-are-millennials/>

<sup>2</sup> Source: <http://www.millennialmarketing.com/who-are-millennials/>

## **2. Key Research Questions**

1. Are the Millennial eating habits different from the previous generations?
2. How do their preferences affect their children eating habits?
3. Is CERELAC's positioning consistent with what the brand wants to be perceived as?
4. What are the factors that influence the decision-making process of millennial consumers who do not purchase CERELAC's product?
5. What is the marketing mix effectiveness of CERELAC's different targets?

## **3. Academic and managerial relevance**

Given that the new and future parents belong to the millennial generation, the results of this study become relevant in terms of pointing out the need for brands to adapt themselves to younger generation. On the managerial perspective, it will provide Nestlé with insights about their target's preferences and trends. This will help them adapt their brand elements and communication efforts to better fit this new parents' generation.

## **4. Methodology**

### **4.1. Primary data**

**First an In-depth interview** with Silvia Teixeira, **junior Brand Manager of CERELAC**<sup>3</sup>, will discuss topics such as the brand's values, positioning, target. Understanding the strategic moves and challenges that need to be addressed in the upcoming future is also one of the main aims of the interview. In addition a **nutritionist**<sup>4</sup> – **Joana Gouveia** – will be interviewed in order to give some insights regarding the new eating trends and habits.

**Next, an online Survey** will be made supported by the insights reached in the in-depth interview and focus group. This survey will address the current and potential buyers of the brand within the millennial generation, with the aim of gathering relevant qualitative information to answer the proposed research questions.

### **4.2. Secondary data**

**Academic literature** addressing the relevant topics of research will be consulted in order to provide a better understanding on the baby food industry and the millennial generation.

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<sup>3</sup> Appendix 1

<sup>4</sup> Appendix 2

## **II. LITERATURE REVIEW**

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### **1. Behavioral trends in Consumer Goods**

Understanding consumer's desires and how to satisfy them (Sheth et al. 2000) is a nonstop process that takes place even before consumers exchange money for goods or services (Skrudupaitė A et al., 2006 apud Solomon, 1999). This is known as consumer behavior. Consequently, understanding consumer needs, the consistency of their decision-making process and purchasing habits, allows companies to understand consumers' actions and attempt to predict their behavior in the future (Skrudupaitė et al. 2006).

When considering behavioral trends in consumer goods, it is crucial that food producers and marketers understand the main factors that drive the purchase. This allows them to not only create successful products (Krešić et al. 2010) and develop new ones that cater to the consumers' preferences, but also create more effective communication campaigns (Sheperd 2006).

Understanding the consumption behavior of consumers when choosing which food to buy is becoming more difficult due to the amount of information available nowadays (Krešić et al. 2010). As a result, making food selection is a complex phenomenon that relies on different factors (Wadolowska et al., 2008).

Several studies have pointed out the main factors that determine consumers' choice when it comes to food, Köster, Shepard and other authors (2010) identify three. Product-related factors, the characteristics of the food itself which rely on the chemical and physical properties as well as functional aspects (convenience, packaging); Consumer-related factors which are the characteristics the person making the decision has, such as their personality, psychological effects (personality, experience) and effects (appetite, satiety); finally, the last group is related to the atmosphere and environment in which those decisions are take place, such as the culture, place and social context.

When thinking about food purchase, there is no consensus about which are the main determinants that potentially influence consumers' choices and their order. According to a multidimensional scale built by Steptoe and co-workers (1995), "health, mood, convenience, sensory appeal, natural content, price weight control, familiarity and ethical concern" are the nine factors identified that may interfere in food choice. However, trends in the food sector

imply a change in consumers' interests, preferences and reasons to select certain products (Fearne and Bates, 2003; Kapsdorferova and Nagyova, 2005). As a result, some studies (Krešić et al. 2010 and Machín et al. 2014) consider price, brand, health, freshness and perceived quality as the most important features that marketers and food producers should take into account when launching their products.

## **2. Influencers in the Behavioral trends in the Baby Food Industry**

Currently there has been a clear shift in the food industry's consumption trends. Consumers seem to be adopting a healthier food habits leading them to exclude foods that are High in Fat, Salt and Sugar (HFSS) (Ogba, Johnson, 2010). The rise Organic food's consumption is linked to a multitude of reasons such as health risks (pesticide residues), concern for the environment or simply the taste. As a result this is a topic that has been receiving special attention in the academic world (Maguire K. et al. 2006, Peterson H. & Li X. 2011).

Preserving their children's health is one of the major concerns that parents and other care givers acknowledge when making decisions. These are also present when they are deciding what food to buy for their infants and the risks associated with each product (Maguire K. et al. 2006).

Although parents are the real purchasers they are the ones that provide a future reference for their children's food habits (Baldassarre F. et al. 2016). The parenting style, the restrictions and rewards involving food, the parent's tastes, the amount of exposure that children have to experienced foods and the parents' behavior during mealtime (Mitchell, G. L., Farrow, C., & Haycraft, E. 2013) have a direct influence in their children's future food preferences. As a result and according to Ogba and Johnson (2010), marketers need to consider children as a target as well, since they mediate their parents' purchase decision.

For this reason, understanding the relationship during the shopping experience between parents and their kids during the shopping experience is fundamental. This embodies the view of McNeal (2007) and Valkenburg and Cantor (2001) that separate that relationship behavior in different stages of development depending on the child's age.

Starting with newborns up to six months old, those do not influence their parents' behavior at the point of sale. However when they are about four or five months old, babies respond better to the use of colored characters in advertising. The next stage, between the ages of six to

twenty-four months, is when children starting choosing products through pointing, talking and using gestures (Lee, Colins, 2000), in order to demonstrate their preferences. After learning how to grab products and set them on the shopping cart, McNeal (2007) considers the ages from twenty-four to forty-eight months, the time when children start to “beg their parents to purchase some products”. As a result, the design of the package, their placement and the promotion at the point of sale, are key aspects to be considered in the baby food industry (Balcarová T. et al. 2014).

It is important however not to rely solely on the leverage that kids have in their parents’ purchase decisions, since their influence can be changed depending on the parent’s increase awareness in a “quality-based diet” (Baldassarre F. et al. 2016). Parents are willing to spend more on nutritional food for their children (Baldassarre F. et al. 2016), specifically if the product is organic or a combination of a product with no pesticides and GMOs in its ingredients (Peterson H., & Li X., 2011).

Last, the same authors (2016) mention that it is beneficial to a brand to match the product that they are selling to the parents’ needs. For instance, working along with pediatricians and psychologists, will help brands to design strategies that will please all parties involved in the decision-making process.

### **3. Millennials Targeting**

Born between 1982 and the early 2000s (Brown, 2017), the Millennial generation is significantly different from the previous cohort, the Generation X (Reisenwitz, 2009). This group of individuals, share experiences and events in their formative years, which according to Devaney (2015) could lead to similar attitudes and behaviors for the rest of their lives. “Entitled, optimistic, civic minded, close parental involvement, values work-life balance, impatient, multitasking and team oriented”, are some of the traits used by the same author to describe millennials, also known as the Generation Y.

#### **3.1. Life style**

As a consequence of being hailed as “digital natives” (Prensky, 2001), digital technologies account and mediate a major role in the lives and daily activities of this generation (Lissitsa & Kol, 2016). In addition, “personal relationships and human connections” are what the authors

Saratovsky and Feldmann recognize as factors that excite Millennials rather than technological skills and social media (Devaney, S., 2015).

According to Reisenwitz (2009), this generation tends to not be fully engaged, as a result of having strong aspirations for job growth and success, as a way of achieving their full potential. Therefore, for Millennials “it’s not a question of whether or not they are right for the job, it’s a question of is the job right for them” (Caraher, 2015). Consequently, they will switch and hold jobs more frequently, as some studies predict, than other generations given their great expectations about the workplace (Brown, 2017).

### **3.2. Key brand drivers to impact Millennials**

According to Keller and Lehmann (2006), brands serve as the face of the company’s offer. In the customers’ perspective this can simplify their decision-making process, by promising a certain quality level, creating trust and reducing the risk involved in the purchase. Brands are a combination of both product itself and marketing activity (Keller & Lehmann, 2006), that if effectively communicated, can develop consumer-relevant values and create a strong perception in consumers' minds. Therefore, increasing the brand usage and later becoming respected by the customers (Chernatony & Riley 1998).

Given the importance that brands carry it is crucial that marketers adjust their brand’s segmentation strategies to the dynamic consumer needs of the different generational cohorts (Reisenwitz, 2009). Moreover, Reisenwitz (2009) gives emphasis the importance of knowing the differences between generations. This provides organizations and marketers with a clear direction on how to better address every generation’s needs, as each is driven by their distinctive ideas regarding the type of lifestyle they desire to have (Lissitsa S., Kol O. , 2016 apud Smith and Clurman, 2010).

As stated by Lissitsa and Kol, millennials “are considered to be a more attractive target population for businesses”. They want products go with their personality and lifestyle (Lissitsa S., Kol O. , 2016 apud Caplan 2005), and they will not be “sold” as easily. Millennials want brands and products that help them define who they really are and how they value life, and at the same time express their “own personality or image” (Ordun, 2015). Aligned with that thought, the author also acknowledges that only those marketers and retailers that make an effort to invest in relationships through empathy, deep understanding of

their insights and promotion of sustainability in combination with corporate responsibility will be able to create a strong perception in these consumers' minds.

#### **4. Brand Strategies for Millennials in Consumer Goods**

Undoubtedly, the understanding of consumer behaviour as well as a marketing mix that conveys and supports the brand message is a priority when making strategic decisions regarding brands' target and positioning (Keller K., 1993 & Wood L., 2000). For this reason, Keller (1993) considers that this is one of the main reasons that makes brand equity an important topic to study. It is crucial to put in practice a strategy that motivates the improvement of the marketing efforts and develops differential points of between competitive offerings (Wood L., 2000). Therefore and among several definitions from different literatures, the same author denominates the different effects of brand knowledge on the response of the target consumer to the marketing efforts of the brand, as customer-based brand equity. Consequently, to build customer-based equity, especially for the manufactures of fast moving consumer goods, it is essential to be aware of the importance of brand loyalty (Knox S., Denison T., 2000) to encourage repeat buying behaviour. Using both brand initial identities, such as the logo or brand name, and a marketing programme that also the brand identity are effective strategies to achieve that (Keller K., 1993).

##### **4.1. Persuading Generation Y cohort**

Certainly, there is no shortage of disagreement within the importance of segmentation for marketing purposes. Different experiences can and will affect not only the values, but also the preferences and shopping behaviour of consumers and thus generate different generational cohorts (Parment A., 2013).

Given the advantages outlined, the same author considers Millennials an important cohort and target for consumer product companies to focus on given the size of this cohort and his significant purchasing power representing a third of the world's population (Duffett R. & Wakeham M., 2016). Bearing this in mind, companies should re-evaluate their current strategies as a way to capture the attention of this generation, since there is no guarantee that the popularity of a brand will be extended throughout different generations (Smith K., 2011).

Each of the theoretical positions makes an important contribution to our understanding of this generational cohort, as seen in the previous chapter. In addition to all this theoretical positions

about Millennials, Parment (2013) states that given their high demand, this generation requires a more personalized attention and products that are a fit to their lifestyle. Building long-term relationships is one of the key drives to make them feel that the brand is talking directly to them. In fact, the choice of music or brand ambassador will help communicating more effectively with this cohort, especially in the low-involvement decisions, as they are known as putting less effort, emotions and time into this category.

#### **4.2. Going digital as a brand strategy**

Being known as “digital natives” (Prensky, 2001), Millennials were born during the economic growth, which led to a high exposure to social media (Parment A., 2013) and a more brand-conscious mindset. This deeply influences their response to brands’ marketing efforts as well as their purchasing behavior (Smith K., 2011). Moreover, Smith (2011) mentions that the constant contact with the internet and inter-active technologies, allow Millennials to have an active role in the creation and development of product and brands.

Alongside, the same author (2011) supports that the easy access to the product information, often amplifies the search for product reviews and opinions before making any purchase. For that reason, online recommendations are the new word of mouth (WOM) of the internet (Mangold W., 2011). Generation Y is now eager to write reviews and contribute with user-generated product information. Their “willingness to participate” (Parent, Plangger, & Bal, 2011) is an important digital marketing tool for companies to leverage. Podcasts, blogs and user-generated commercials are some of the best approaches according to some authors (Smith K., 2011).

Besides this strategy, brands should take full advantage of social media platforms. Engaging in dialogues with the target consumer, providing good customer support, building brand communities with the help of “interactive applications (apps)”, sharing videos and photos or replying to consumers comments are some effective strategies to build strong customer relationships (Lipsman et al., 2012; Park et al., 2011).

### **III. CASE STUDY**

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CERELAC has been accompanying the children's growth for several decades and was one of the first successful creations of Henri Nestlé, only after a year of Nestlé's birth. It saved many lives. Currently, with 150 years of history, Nestlé is the world's leading company in nutrition, health and wellness, aiming to improve people's lives, with scientifically based solutions, making along the way a sustainable and social impact in the world.

In order to stay relevant in today's competitive industry, companies like Nestlé and its portfolio of brands, need to be aware of today's trends to understand the new generation of consumers. A deep understanding of what's driving product choice is critical to achieve competitive advantage in a market that is dominated by only a few major brands.

In previous generations, moms would rely on family and friends for recommendations, or family traditions would be enough to continue to purchase the same brands and products for their children. However, today's moms belong to the millennial generation and are in constant connection with the digital world, therefore getting their Word-of-Mouth advices from online reviews. When it comes to the health of their babies, moms do not only trust their own moms' opinion but also friends that are moms, and moms online more than anything else.

CERELAC is a brand full of history and tradition. For generations, moms have been using and recommending this brand, and to be the market leaders it is important to talk to the right moms at the right time to earn the trust of a whole new generation.

#### **1. Baby Food Industry Overview**

The global baby food market can be broadly separated into five main categories, such as baby cereals, bottled baby food, baby snacks, other baby food and canned baby food. Within these different segments, infant cereals, baby meals (fruits and meals) and dairy products are the categories that lead the market with the highest volume of shares in the Portuguese market, with 48%, 35% and 12%<sup>5</sup> correspondingly.

Food retailers, such as supermarkets and hypermarkets form the leading distribution channels in the global baby food market, with 90%<sup>6</sup> of the sales in 2015. The remaining 10% belong to the pharmacies and drugstores. The growth of the baby food market comes also from the high

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<sup>5</sup> Appendix 3

<sup>6</sup> Ken Research, Industry Forecast Report: Baby food in Portugal

levels of competition. In Portugal, with a market that is currently worth €50 million<sup>7</sup>, Nestlé, Danone/Milupa Commercial, Alter SA, Mead Johnson and Laboratórios Vitoria SA, are considered the top manufactures in the Portuguese baby food market. Nonetheless, Nestlé and Danone/Milupa Commercial are the two main manufacturers that are in charge of most of the supply of baby food in Portugal with a 45.1%<sup>8</sup> share of value and 50.7% of volume sales, Nestlé is the clear market leader.

The current market trends influence the performance of each country market in a different way. That being said, the market can be segmented geographically according to four different regions: Asia-Pacific, Europe, North and Latin America and Africa/Middle East. The Asia Pacific market stands out for its fast growing markets for baby food, due to an increase in demand in emerging economies, such as India and China. Although Asia Pacific is one of the fastest growing markets, North America in 2015<sup>9</sup> was the market with the highest share in the baby food industry. However it is expected to have stagnation in growth, as a direct effect of low birth rates. Europe and consequently Portugal are facing a structural decline, as a result of the economic, demographic and other factors that lead to this current situation.

## **2. Trends on the consumer profile and behavior**

### **2.1. Economic and demographic factors**

With more than 80% of the world's population living in developed countries, the urbanization, the expansion of the middle class and the rising population of working woman in different markets, are only contributing to a change in people's routine. As a result consumers look for a more convenient-oriented lifestyle. This makes baby formula and prepared baby foods an attractive choice for this type of woman, increasing the expected global market revenue up to \$76.48 billion<sup>10</sup> in 2021.

The market performance for babies and baby products is also highly connected with two major factors, the birthrate and the purchasing power of parents, which depends on the geographical area of certain countries.

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<sup>7</sup> in 2016, Nestlé 2016 Report: Baby Food Industry in Portugal

<sup>8</sup> Ken Research, Industry Forecast Report: Baby food in Portugal

<sup>9</sup> Global Baby Care Report

<sup>10</sup> Worth \$53.31<sup>2</sup> billion in 2015, Zion Market Research Report

Consequently, in Portugal and many other European countries, the constant decrease in the global births levels since 1960, that is expected to reach 7.2%<sup>11</sup> in 2020, impacts negatively the market. In addition, the poor economic situation since 2009 was a major contributor to the low levels of baby food consumption in Portugal, resulting in a drop of 18.4% in 2015, compared to 2009.

## **2.2. Consumer behavior - Generational shift in the eating habits**

There is nothing more important to parents than providing the very best for their children, making them a difficult consumer to please. Since they have a careful selection process when it comes to baby products, brands need to achieve a competitive advantage in order to stand out in this highly competitive market, always taking into account the customers trends and preferences.

1 in 4<sup>12</sup> parents today now belong to a generation also known as Millennials or Generation Y. The study of this generation is an important subject for brands in order to understand their habits and preferences, to predict their future behavior and adapt their brands accordingly.

Millennials are breaking the old definition of healthy or eating well, that once was seen as only cutting calories and watching fat. They have an unique perspective about this definition, it is all about food being “fresh, less processed and with fewer artificial ingredients”<sup>13</sup>. They are conscious of ingredients labels and additives<sup>14</sup>, as they now opt for more natural and organic options, trying to stay away from GMOs and artificial ingredients.

Consequently, the increasing awareness about their food along with what they feed to their kids is leading to a drastic change in their parents’ food mindset. According to Nielsen Global Baby Food study<sup>15</sup>, there are three main attributes that parents now take into consideration in the decision-making process regarding baby food. First they choose brands that they trust, after that they consider the overall nutritional value of the food and finally the safety of the ingredients.

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<sup>11</sup> against 7.6% in 2015

<sup>12</sup> Source: <http://www.millennialmarketing.com/who-are-millennials/>

<sup>13</sup> Morgan Stanley Report

<sup>14</sup> Appendix 4

<sup>15</sup> Nielsen Global Baby Care Survey, Q1 2015

An additional attribute that is important mostly in Asia Pacific and Europe, which goes along side with the growing parental concern on food safety, is the importance of organic and all natural foods. As a result, the increasing popularity of organic baby food will have an impact on this market, accounting globally for 76%<sup>16</sup> of the market share by 2020.

### **3. Nestlé**

#### **3.1. Nestlé in the World**

Founded in 1866 under the name Anglo-Swiss Condensed Milk Company, Nestlé as known today, started in 1905 after a discovery that would lead Henry Nestlé to develop a new successful food related product for children- infant cereals.

As a nutritional, health and well-being world leader, Nestlé aims to be present in all stages of consumers' life, with a portfolio of over 2000 brands that cover almost all categories, engaging mostly in the development and production of food and beverages.

#### **3.2. Nestlé in Portugal**

Nestlé entered in Portugal in 1923 when the country faced serious deficiencies in child nutrition. Over the past 94 years, the company has contributing to a more nutritious diet and healthy living habits, gaining consumers trust throughout different generations. It is a solid and competitive company, with more than 70 brands in the national food market in the baby food industry, coffee, beverages, chocolates, breakfast cereals, clinical nutrition, ice cream as well as pet care.

Nestlé's success is shaped by the strengths of its brands, many of which have become icons of generations, taking their own course and drawing their own story. In the baby food industry, Nestlé stands out from its competitors, with a market share of 56.10%<sup>17</sup> this brand is the market leader in this industry. When separating the market in different categories, it is possible to always find Nestlé's brands, in the top 2<sup>18</sup> brands with the highest market share. It is important to highlight the categories dairy and cereals as the ones specific segment to this segment<sup>19</sup>.

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<sup>16</sup> Sandler Research- Global Baby Food and Instant Formula Market 2016-2020

<sup>17</sup> Appendix 5

<sup>18</sup> Appendix 6

<sup>19</sup> Appendix 7

## **4. Cerelac**

### **4.1. The Brand**

The Nestlé infant cereal was born in the XIX century, by Henri Nestlé, starting by developing a formula with milk, sugar and wheat as the ingredients as solution for the high rates of child mortality, as a substitute for breast milk. In 1923, the Portuguese professor Egas Moniz, also concerned about this issue, founded the dairy product society, that latter would be called Nestlé Portugal, which was firstly fully dedicated to the production of milk powder, obtaining latter the exclusivity of production and commercialization for this baby instant cereal in Portugal.

Later in 1954, the name was changed to CÉRELAC, which was quickly replaced by CERELAC to better fit the international market, and since then this product has been changing his image and product evolving with the families over the past 80 years. With that in mind, it was then in 1986 that CERELAC decided to abandon its packaging in the form of a can to a cardboard, as a way to improve is practicality.

Regarding their constant effort to respond to scientific advances in infant nutrition, in the 1990s CERELAC expanded its variety of dairy infant cereals, launching in 1999 the innovative range of liquid dairy infant cereals, ready to be taken at any time and place.

### **4.2. Competitive analysis**

In a highly competitive market as the baby food it is important to develop competitive advantages to stay relevant and stand out from the competition. CERELAC considers that those three main characteristics are the reason for his leading position in the market, with 70%<sup>20</sup> of market share, against 30% for the remaining competitors.

**BLÉDINA by DANONE:** **Blédina** is a leader in the French market for infant nutrition, marketed by Danone International Brand, entering the Portuguese market in 1993. Their main priority is the baby's safety, from the choice of ingredients to the package, they are fully committed to deliver the best quality possible. Inside the infant cereal category, this brand provides a variety of flavors and cereals used as well as gluten and dairy free options.

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<sup>20</sup> Appendix 8

**MILFARIN by MILUPA:** Milupa is the market leader in child and clinical nutrition, present in 18 countries and has been in Portugal since 1974. **Milfarin** is one of the many brands within the Milupa's portfolio that offers dairy and non-dairy infant cereals, offering only one variety, the "traditional" one.

Even though they share the same target audience, Blédina and Milupa decided to merge in the Portuguese market. However, Blédina is more expensive than Milfarin, which will attract, within their target, people with higher disposable income.

**NUTRIBÉN by ALTER:** The Alter group was founded in 1939 by a pharmacist in Spain, and started its activity in Portugal with the sale of medicines. Nowadays, in addition to medicines they provide a diversified range of baby food under the **Nutribén®** brand name. Since they started in the pharmaceutical industry, investigation is something important to this brand, to provide a balanced diet for babies during their early years of life. Being only available in pharmacies, the brand offers 19 different options of flavors, cereals used or either with absence or existence of gluten and dairy.

**PRIVATE LABELS:** According to CERELAC, the private labels are the biggest threat to their brand. Nowadays consumers have available a wider variety for the same product, and some of the main super and hypermarkets use their own brands to compete with brands like CERELAC, yet less expensive. **Continente, Pingo doce, Auchan and Intermarché with Chabrior** are the ones that stand out among private labels.

### 4.3. Competitive Advantage

It is Nestlé's mission to provide "*Good Food, Good Life*", by producing and marketing high nutritional value food and beverages, making their main priority **quality** and **safety** for all their portfolio brands products, always being up to date with the latest scientific advances in nutrition. CERELAC is no exception to this, as they focus all its strengths to offer a complete nutrition for the babies special needs for each stage of their development, assuring the best and safest ingredients possible, as his slogan says "*Nutrição completa para pequenas barriguinhas*"<sup>21</sup>.

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<sup>21</sup> Big Nutrition for Small tummies

Today, with 80 years in Portugal, CERELAC continues to grow with the families and with a heritage that goes on for generations and inevitably they believe that being a brand full of **history** and **tradition** it is their main differentiation characteristic. Consequently, this is a product that can also assume a **symbolic dimension** for some consumers. Besides its functional dimension associated with its usefulness, customers might purchase this product because it brings memories from their childhood, and so CERELAC can be acquired by a wider audience and not only by its specific target audience.

Alongside with the heritage and history, CERELAC is considered a **traffic builder** for the distributors that take advantage of this by using this product to attract consumers into their stores<sup>9</sup>. As distributors are willing to give more visibility to this product, CERELAC's bargaining power increases, which as they mention, it is an important competitive advantage to increase purchase intentions.

#### **4.4. Positioning**

CERELAC for 80 years has been part of several families' routines and meals throughout generations. Undoubtedly, the brand acknowledges the importance of heritage, history and tradition, creating an inevitable association between CERELAC and the consumer's childhood memories. This positive association is what the brand wants to emphasize, and is what makes this a top of mind product in the baby food category.

As part of being the world's leader in Nutrition, Health and Well-being, Nestlé's main priority is to follow its consumers at every stage of their lives, by providing tasteful and nutritionally balanced products. This can be seen in the way the brand describes itself "*Good food, Good life*". CERELAC also devotes a great amount of time in developing the best formulas to be able to provide the right amount of nutrients and energy in each scoop. As a result, the brand is strongly connected with quality, given its reputation and constant researches to achieve the complete nutrition for babies' special needs, as it says in its positioning statement "*Nutrição completa para pequenas barriguinhas*".

Despite all of this, CERELAC is still struggling with the misperceptions regarding industrialized products, attributing a negative connotation to this type of product. Moreover, there is a shift in the food preferences, as mentioned before, causing consumers to seek more natural ingredients in the products. For this reason, demystifying the origin of the ingredients and proving to the target audience, that although they are industrialized products this does not

affect the existence of natural ingredients. Being perceived as a more natural product is one CERELACs' claims by "showing the consumers the steps taken since we harvest the cereals to the baby's spoon"<sup>22</sup>.

#### **4.5. Targeting**

The infant cereals are purposely made to provide a correct nutrition during a period that has shown a positive impact on the future health of the baby, reducing the risk of future diseases. Therefore, the brand considers the first 1000 days of life the most important ones, from conception to 2 years of age. To help deliver the nutrition needed at each stage, CERELAC developed a range of products positioned for babies between 4 to 36 months.

Even though children from 4 to 36 months old are CERELAC's final consumers, their parents or relatives are the ones buying this product. CERELAC is recommended to baby until the age of 3, which makes parents of young children, within the 18 to 40 year-old age range, the segment that this brand needs to attract. The brand believes it has the product, price and quality to reach this new generation of parents, the Millennials.

Additionally, given its history and heritage, CERELAC attracts a wider audience from different generations and not only caters to this specific target audience. By bringing childhood "memories", these consumers purchase CERELAC more sporadically and not on a daily-basis as the other targets.

#### **4.6. SWOT analysis – The true potential of CERELAC**

The SWOT Analysis is a management tool, which evaluates companies' or products' overall strengths to build on, weaknesses to cover on, opportunities to capture and threats to defend on. This analysis is crucial for CERELAC to understand and take advantage of the positive aspects, and overcome the negative features of the product.

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<sup>22</sup> according to Silvia Teixeira, CERELACs' Junior Brand Manager

	Strengths	Weaknesses
	<ul style="list-style-type: none"> <li>• <b>History, Tradition and Heritage:</b> CERELAC with 80 years of experience in this market, it is a specialist and a reference in its category for many generations.</li> <li>• <b>Complete nutrition:</b> This product offers a unique vitamin and mineral complex, essential to the baby's growth.</li> <li>• <b>Traffic builder:</b> Being around for 80 years, makes them a popular brand that attracts customers into the stores.</li> <li>• <b>Nestlé reputation:</b> Being a part of a company that is world's leader in Nutrition, Health and Well-being, ensures quality and safety to all brands that belong to this company.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lack of digital presence:</b> The company already entered into the digital world with the website, Facebook and Youtube. However, it is not enough when the generation that they are targeting is fully emerged in the digital era.</li> <li>• <b>Industrial product:</b> Being perceived as an industrial product, can cause misconceptions about the "freshness" and how "natural" the ingredients are.</li> <li>• <b>Narrow assortment for families with restricted diets (vegan, food allergies):</b> CERELAC lacks on product variety for families with food concerns related to allergies or life-style choices.</li> </ul>
	Opportunities	Threats
	<ul style="list-style-type: none"> <li>• <b>New eating habits and trends:</b> As the new generations are more concerned about food safety and quality of the ingredients, as they seek for products with more natural/organic ingredients, GMO-free with no gluten or dairy.</li> <li>• <b>New WOM:</b> Besides health professionals, online reviews are the new word-of-mouth, and it is the most prominent advertising channel.</li> <li>• <b>Social media:</b> As this new generation of consumers uses social media to see peers' recommendations, companies should take advantage to engage with their target audience.</li> <li>• <b>Working moms:</b> The rising rates of female participation in the working force, increases the purchase of prepared food for a more convenient-oriented lifestyle.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Private labels:</b> The success of private labels, with good quality products and low prices are a common threat for any brand, compromising the majority of volume sold in the packaged goods.</li> <li>• <b>Homemade and organic trends:</b> Food safety is an on-going topic that increases concerns among consumers, especially with baby food. Many consumers are shifting their eating habits and opting for homemade versions of the products and organic options.</li> <li>• <b>New "influencers":</b> When it comes to baby food recommendations, health professionals are not the only influencers in the purchasing behavior of the parents. Millennials seek for peers' recommendation on social media.</li> <li>• <b>Low birth rates:</b> With the expected decline of 7.3% in 2020, the low birth rates will contribute to the decrease of baby food consumption.</li> <li>• <b>Demanding generation that knows what it wants:</b> Having access to massive amounts of information and the exposure to several brands, made Millennials a demanding segment hard to attract, that only chooses the brands that represent their life-style.</li> </ul>

## 4.7. Marketing Mix

### 4.7.1. Product

CERELAC is a brand with the ability to innovate, create new flavors, new products. It also manages to maintain its presence in the market as a traditional and trustworthy brand with a degree of involvement during each step of the process. More and more, the brand acknowledges that eating habits are changing among the newer generations. Oatmeal, ‘superfoods’ and organic food are some of the examples that are present in consumers’ daily consumption. As a result CERELAC believes that their product need to be adapted to today’s trends.

As for now, the CERELAC assortment has 16 skus, which are divided into three different stages: 4 months, 6 months and 8 months old. Within each stage, they are again separated in dairy and dairy-free categories, with different flavor options. Additionally, CERELAC also developed an innovative line of baby cereals to drink on a bottle<sup>23</sup>.

Description	Size	Segment	Ranking	Store Format		
Cerelac Trigo	500g	Dairy	1	Traditional Retailer & Convenience Stores	Grocery Store+ Cash and Carry	Supermarkets
Cerelac 8 Cereais&Mel	250g	Dairy-free	2			
Cerelac 5 Frutos	250g	Dairy	3			
Cerelac Trigo	250g	Dairy	4			
Cerelac Trigo	1kg	Dairy	5			
Cerelac Banana Laranja	250g	Dairy	6			
Cerelac Maçã	250g	Dairy	7			
Cerelac Trigo	750g	Dairy-free	8			
Cerelac Multicereais	250g	Dairy-free	9			
Cerelac Mult. 1ª Papa	250g	Dairy	10			
Cerelac Pera	250g	Dairy	11	Supermarkets	Hipermarkets	
Cerelac Bolacha Maria	250g	Dairy-free	12			
Cerelac Multicereais	250g	Dairy-free	13			
Cerelac Midbox	1kg	Dairy	14			
Cerelac Bolacha Maria	600g	Dairy-free	15	Hipermarkets		
Cerelac 8 Cereais e Mel	600g	Dairy-free	16			
Cerelac Arroz Millho 1ª papa	250g	Dairy-free	17			

<sup>23</sup> Appendix 10

#### 4.7.2. Place

Nestlé's distribution channel is mainly characterized by its presence in retail<sup>24</sup> stores, which represents 95% of its total distribution. The remaining 5% are allocated to pharmacies.

CERELAC is currently sold in 20 different countries and as mentioned, it is one of the main contributors to Nestlé's leadership position in Portugal, as a result of being a traffic builder product. For that reason and similarly to Nestlé, retail stores are the main distribution channel used by CERELAC, due to its ability to attract a larger amount of consumers. A smaller range of its assortment can be found in pharmacies, mainly the products with special ingredients for children with specific food restrictions.

#### 4.7.3. Price

The prices in the infant cereals change according to the different options provided by each brand. Starting with the "traditional"<sup>25</sup> option as the least expensive one, the prices increase from there with different flavors or cereals used and if it belongs to the dairy or dairy-free category. It is possible to make a distinction in the range of lowest prices between brands (belongs to the traditional option), being Blédina and Nutribén the highest ones and the majority of the private labels the ones that provide the lowest prices in the market. This difference it is more noticeable in the range of highest prices, with CERELAC and Blédina the ones that offer superior prices for categories with different flavors or specific ingredients for special diets.

<b>Brand</b>	<b>Price Range per kg</b>	
<b>Cerelac</b>	€5.01/kg to €13.48/kg	
<b>Blédina</b>	€7.96/kg to €11.56/kg	
<b>Milfarin</b>	€5.59/kg to €5.98/kg	
<b>Nutribén</b>	€6.82/kg to €9.97/kg	
<b>Private labels</b>	<b>Continente</b>	€3.99/kg to €5.98/kg
	<b>Pingo doce</b>	€5.96/kg
	<b>Auchan</b>	€3.94/kg to €6.76/kg
	<b>Intermarché (Chabrior)</b>	€4.29/kg

<sup>24</sup> Appendix 9

<sup>25</sup> Wheat cereals

#### 4.7.4. Promotion

##### Modern & traditional

When created 80 years ago, CERELAC's approach was "*CERELAC, a primeira papa do seu bebê*"<sup>26</sup> in order to convey an image of credibility, based on security and trust. The advertising showed in the last 80 years reflects the extreme importance of the moments shared between parents and their babies<sup>27</sup>, and the unique and special environment that portrays the universe of children. The clear and coherent communication components provide CERELAC with a strong image of unquestionable quality, framed by tradition and values.

However, as parents changed with the different generations, the brand decided to follow its customers and adopt a different strategy. These shifts in behavior led to the creation of new slogans: "*Nutrição completa para pequenas barriguinhas*" and "*Há sempre mais em cada colher de Papa CERELAC*". From harvest of the cereals to the baby's spoon<sup>28</sup>, the brand wants to communicate the time and effort dedicated to provide 100% natural cereals, with all the vitamins needed for a complete nutrition. This was a way to modernize the brand and adapt it to a newer generation of parents that demonstrate concerns about the origin of the ingredients and a healthier lifestyle. Nonetheless, CERELAC acknowledges the importance of finding a balance between modernization and tradition, when creating a new campaign.

In order to efficiently communicate this message, CERELAC is currently using television, Facebook<sup>29</sup> and Youtube as their main communication vehicles. The brand has created a campaign that reassures the quality and safety of the ingredients by using testimonials from employees who work directly in the CERELAC production line that are also as parents who share the same concerns about food safety for their children.

CERELAC believes that is more than a product at home. To achieve a more direct and privileged communication with the parents, this brand and also Nestlé infant brands created the Baby Club. In a conscious way, parents receive "help" with relevant information about the baby's different stages of development, providing them with also samples of the products in order to encourage future purchase.

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<sup>26</sup> CERELAC, the first infant cereal for your baby

<sup>27</sup> Appendix 11

<sup>28</sup> Appendix 12

<sup>29</sup> 152 797 likes on the Facebook page

As a way of creating a deeper connection with their consumers, CERELAC launched a promotional campaign where customers could personalize their own package with the name of their preference. According to the brand, this was without a doubt one of their most successful campaigns so far, running out of stock only a few hours since the beginning of the promotion.

### **Retailing traffic builder**

Every single day there are new mothers, and the period in which they are with this brand is short. For this reason, it is extremely important to strongly communicate through all the touch points where CERELAC is present, physical or online, to attract these new moms who will shortly be a consumer.

As already mentioned, CERELAC is considered a traffic builder in retail stores, which means that retailers will take advantage of this product to attract customers into their stores, giving a special emphasis and shelf space to this product. To maximize this space, CERELAC's main communication vehicle in retailing is in-store promotions, driving children's and parents attention with bright colors and themed displays<sup>30</sup>.

### **Influencers**

In the baby food category, medical recommendation is one of the biggest influences when choosing between products and brands. As a result, Nestlé in general and CERELAC acknowledge the importance of these intermediaries, making efforts to provide information about the benefits of their products, and the main messages that they should transmit to the parents. In order to provide that information, health delegates from Nestlé are assigned to visit hospitals, health centers and pharmacies periodically to assure that Nestlé's products are the ones being recommended. The health delegates are the main communication effort made by this brand in pharmacies, given that this is a channel that only sells specific products for special diets.

## **4.8. The challenge of the Millennial Generation**

CERELAC recognizes that one of their main challenges is the growing trends in consumers' eating habits, as well as the shift in the purchasing behavior of products and brands from this

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<sup>30</sup> Appendix 13

new generation of parents. Accounting already for 53%<sup>31</sup> of households with children, Millennials are savvier, more educated and concerned with the overall benefits that a certain brand or product brings in improving their healthfulness as well as being a precise representation of their lifestyle.

To appeal to this generation brands need to provide a personalized experience, whether online or in-stores, as millennials seek for products tailored to their specific needs. Emerged in a fully digital era, the Generation Y uses social media in real time to share their experiences, giving positive or negative feedback to companies.

This dynamic shows that, the new word-of-mouth is sourced from online reviews. This means that it is important for CERELAC to first create a relationship with the customers and then provide a space where parents can share their opinions, and hopefully influence the purchasing decision of other parents through those reviews.

In CERELAC's opinion, today's trends and changes in the eating habits will affect the parents purchase behavior, which will impact not only CERELAC's sales but also the industry itself. The brand acknowledges the importance of constantly adapting to those changes, always balancing modernization with the tradition that the brand is known for.

CERELAC recognizes that a changed is crucial, as they need to be where the millennial parents are and have a range of products that will satisfy their preferences. At the same time they must provide a complete nutrition for babies and align a communication's plan that will attract this new generation of parents. Consequently, the brand concluded that a market research would be the best solution to understand millennial parents' habits and thoughts about the brand, to analyze the effectiveness of their current marketing strategy.

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<sup>31</sup> Source: <http://www.millennialmarketing.com/who-are-millennials/>

## IV. MARKET RESEARCH

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To assess CERELAC's challenge, it is necessary to understand Millennial parents consumption habits regarding baby food, finding out their eating habits and how those can influence not only what they will feed their kids but also their purchase behavior. In addition, identifying the key influencers during the parent's decision-making process will be one of the objectives of this research, along with the understating of the relationship between millennial parents and CERELAC.

These finding will be relevant to draw a profile of the millennial parents, predict their behavior when purchasing baby food, especially in the infant cereal category. This will allow CERELAC to recognize their weaknesses, strengths, opportunities and threats and act accordingly and as a result adapt its current strategy to better attract this target.

### 1. Methodology

#### 1.1. In depth interview with main influencers

As mention by CERELAC, this category is highly influenced by health professionals' recommendation. Providing relevant information about the nutritional value of CERELAC is one of the main strategies of the brand. Both pediatricians and nurses in hospitals are consulted however the brand acknowledges that there are no efforts being made to tackle other health specialists that are proven to be a relevant influence on the parent's decision-making process, **nutritionists**. For that reason, **Joana Gouveia** was interviewed to give insights about what are the main recommendations as a **nutritionist** to parents and her thoughts about CERELAC.

#### 1.2. Survey

A survey<sup>32</sup> was design and conducted online, since it offers a higher probability to gather a considerable amount of responses. To ensure clearness and prevent mistakes as much as possible, the survey was pre-tested by 15 respondents. Strategically, the questionnaire was sent by email **solely to millennial parents** and shared on parents' Facebook Groups. In order to gather a higher amount of answers, the survey was distributed in person in three different nurseries to the parents with children between 6 months to 5 years old. In total, **150**

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<sup>32</sup> Appendix 14

**individuals** completed the survey, as a result of a restricted target. However, 56 answers were eliminated with missing values, or because those participants that did not belong to predefined target. Overall, **94 responses** were analyzed using IBM's SPSS Software.

### 1.1.2. Sample's analysis

As mention before, there is no specific age range to define the millennial generation. As a result, the ages between **17 to 40<sup>33</sup> years old** were selected to characterize the sample. Having at least a child it's also defining factor to be a part of the sample and majority of the sample (**83%**)<sup>34</sup> is represented by **the older millennials, from 29 to 40 years old**.

It is possible to observe that the most of the respondents have between **1 or 2 children<sup>35</sup>**, with **8%**<sup>36</sup> of the them between **0-4 months** **21%** between **5-24 months**, **19%** between **24-36 months** and **20%** between **3-4 years old**.

CERELAC believes that mothers are the ones buying the products therefore they are expected to have a higher knowledge on the baby food category. For that reason an effort was made in that direction, resulting on a sample with **90%**<sup>37</sup> **woman participants**. Finally, the current occupation was the last relevant attribute to characterize the sample, with **93.6%** of the participants being **employed or self-employed<sup>38</sup>**.

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<sup>33</sup> According to different studies, this range was defined to enable a greater sample size

<sup>34</sup> Appendix 15.1

<sup>35</sup> Appendix 15.2

<sup>36</sup> Appendix 15.3

<sup>37</sup> Appendix 15.4

<sup>38</sup> Appendix 15.5

## V. FINDINGS

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### 1. Millennials Eating Habits

CERELAC believes that behavioral change in the eating habits of the new generation of parents can have a negative impact on their purchasing behavior, and consequently affect their future sales. So, it is importance first to understand the new eating habits and then the implications for the brand.

When evaluating their healthfulness, 45%<sup>39</sup> of the participants consider themselves **somewhat healthful** and 49% **very healthful**. The **consumption of vegetables and fruits** is something that they include in their **daily or almost daily diet** (75% and 71% correspondently), alongside with the incorporation of **fish at least 1-2 times a week** (62%). In addition, the sample **strongly agrees** (Mean=4.6; SD=0.7) with the **preference of a home-made meal over a processed one**.

However, as mentioned in the interview, the reasons why **Millennials eat healthier are not the same as the previous generations**. The information collected from the survey sample confirms this insight, as they **somewhat disagree**, with little dispersion (Mean=2.6; SD=0.974) that **losing weight it is the motivation behind a healthier diet**.

### 2. Millennials and Eating trends

It is of common agreement, to both CERELAC and Joana Gouveia, that the **new eating trends** (GMO-free, Gluten-free, Dairy-free and Organic products) are **shaping both eating habits and purchasing behaviors**.

To verify this statement, the participants were asked first if they have heard about these terms and then if they use them on a regular basis when purchasing food related products. **Dairy-free products are a familiar term** to all of the survey participants (100%), however only **28% of them actually purchase** products with this characteristic. When asked about the familiarity of **gluten-free products**, almost all of the respondents had a **positive response** (99%). Regarding the **purchase intention**, the responses were not as positive, with only **23%**<sup>40</sup> of respondents that **actually buy** products with this feature. **GMO-free products** were the third term that the sample was exposed and it was the one with **less awareness among the**

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<sup>39</sup> Appendix 15.6

<sup>40</sup> Respondents that recognized the term

sample (63%). 49% of the participants that knew the term do not purchase them on a regular basis. Finally, organic products showed high levels of awareness (94%), and it was the only term where more than half consumers (52%) actually purchase this products.

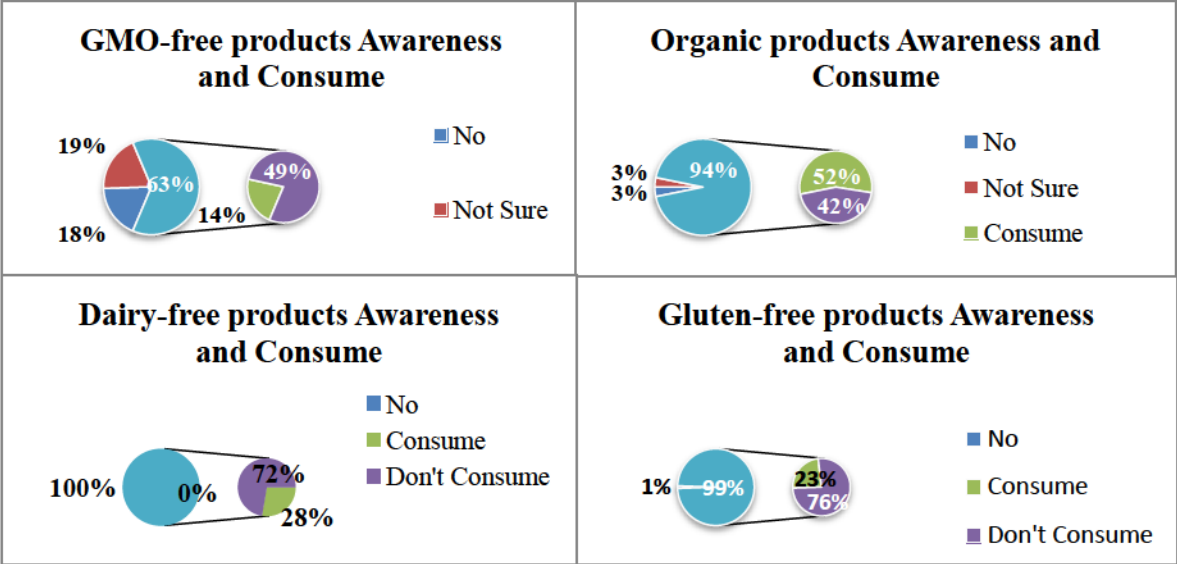


Figure 1- Awareness and Consumption of new eating trends

During the in-depth interview, the motives behind the consumption and purchase of these products were also mentioned. Joana recognizes that more and more, there is a **tendency** for consumers **to include these products on their daily diet as a personal choice** and not based on medical restrictions (food allergies, diseases).

Among the survey participants that use those products on a regular basis, this tendency can also be confirmed in **GMO-free, Gluten-free and Organic products**, were 92%, 82% and 98% of them correspondently, choose **personal choice** as a reason to buy or/and consume them. **Dairy-free products** do not follow this tendency, since more than half of the respondents (58%) attribute **medical reasons** as a direct cause to purchase and eat products with the absence of dairy.

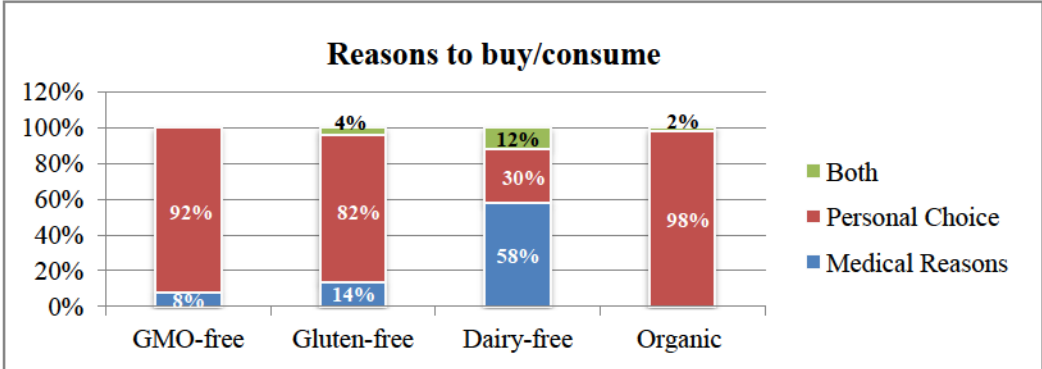


Figure 2- Reasons behind the purchase

### 3. Millennials different eating habits from their parents

After analyzing millennial parent’s eating habits and how deep is their knowledge about today’s trends, it is important to comprehend if there is applicability of those same habits and preferences on their children’s’ diet.

To evaluate this possible connection, the survey participants were asked if they believe that **their eating habits are different from their parents. Reliable results cannot be obtained** due to a **clear division on the sample’s responses** – reflected in high value of the standard deviation (Mean=3.2; SD=1.14) – either somewhat disagreeing (32%) or somewhat agreeing (46%) with the statement.

To further investigate this possible connection, the participants were asked if to what extent they agree with the statement “*I have the same eating habits as my kid(s)*”. It was possible to observe a **strong inclination towards the agreement** of this, with more than half of the sample (61%) choosing the option somewhat agree. In addition, a Chi-square test<sup>41</sup> showed a dependency between the evaluation of their helpfulness and if they share the same eating habits with their children, by rejecting the null hypotheses<sup>42</sup> (p-value=0.00). It is possible to examine this dependency in the figure 3, where the respondents that rate their helpfulness between **somewhat and very healthful** are the ones that **have the same eating habits as their children**.

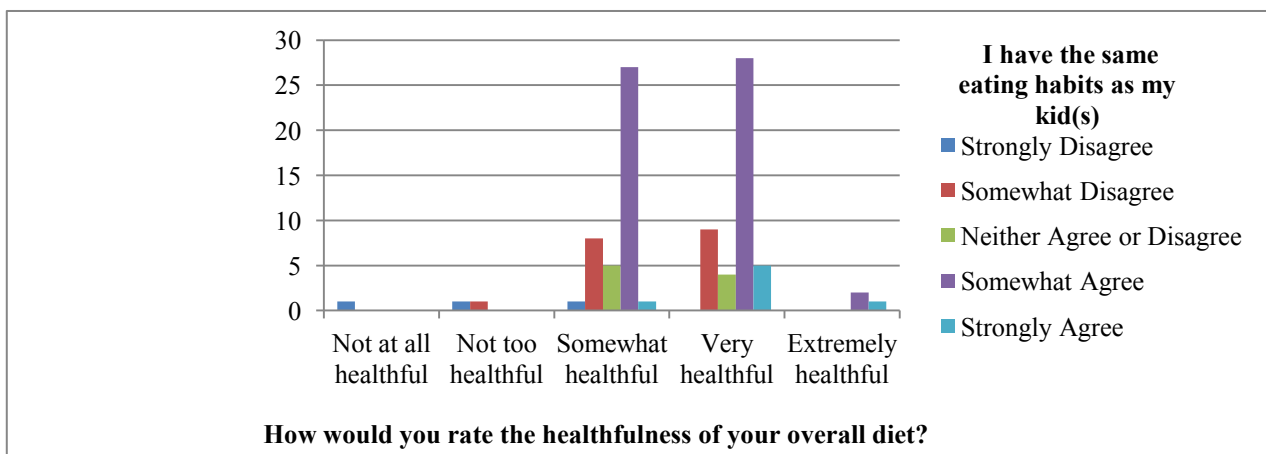


Figure3- Healthfulness and Shared Eating

<sup>41</sup> Appendix 15.7

<sup>42</sup> Ho: two nominally scaled variables are statistically independent

Finally, when the survey respondents **eat an unhealthy meal**, somewhat (52%) or strongly agree (25%), that they **provide a healthier option to their children**.

#### **4. Millennials parents consumer behavior towards baby food**

If CERELAC aims to attract younger parents, it is essential to learn about their behavior while buying baby food, their preferences and who are the key influencers during the decision-making process.

##### **4.1. Influencers**

CERELAC is well aware of the impact that **influencers** have in the decision-making of the parents while purchasing baby products, especially food. When analyzing millennial parents, the study shows that **Pediatricians (60%), Family and/or Friends (43%), Health, Food and Nutrition Bloggers (42%)** are key influencers.

During the interview, Joana validates the influence of bloggers in the millennial eating habits, as they promote home-made and healthier food options. She continues to add “the problem associated with these home-made versions that are promoted by influencers is the fact that they do not provide all nutrients that babies need to grow healthier. Also it there is no food safety involved”.

Additionally, the Chi-square test proved that the variables, age of the participants and nutritionists or bloggers combined, are not independent ( $p\text{-value}=0.04$ ;  $p\text{-value}=0.02$ ), meaning that the age is going to affect how much this influencers are going to shape the parents purchasing behavior. As mention before, millennials can be separated into two groups, older and younger millennials. Regarding **nutritionists<sup>43</sup>**, the **older millennials respondents are less influenced by them (80%)** as for more than half of the **younger millennial respondents (63%) consider nutritionists key influencers**. Concerning **Health, Food and Nutrition Bloggers<sup>44</sup>**, these **will influence more the younger portion** of the sample (75%) rather than the older ones (34%).

During the interview, the nutritionist also validates the increasing influence of the bloggers in today's generation.

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<sup>43</sup> Appendix 15.8

<sup>44</sup> Appendix 15.8

## 4.2. Brand and product characteristics

Millennials, when purchasing food related products for babies, are concerned with the **nutritional value** (63%), actively searching for the goods with **natural ingredients** (61%) with **absence of certain ingredients** (51%). The **price** (48%) is a relevant characteristic to the survey respondents, alongside with the addition of **organic ingredients** (39%) into the composition of the product.

The **home-made** trend was also mentioned during the interview with the nutritionist. Additionally, there is a tendency to change the traditional wheat cereals for oats - “oatmeal is substituting infant cereals”.

In addition, it is important to characterize the type of brand the millennial parents are attracted to, so companies can adapt to their preferences. The sample is mainly attracted to **brands that they purchase before** (Mean=3.9; SD=0.67), that were **recommended by family, friends or health specialists** (Mean=3.8; SD=0.67), with **food safety certificates**. Additionally, the brand as be a close **representation of their personality and life style** (Mean=3.7; SD=0.71). The millennial parents are leaning towards **different brands from the ones that their parents use to buy** (Mean=2.82; SD=0.95), however there is no common agreement in whether they prefer brands with promotions (Mean=3.4; SD=0.92), with social or environmental purpose (Mean=3.2; SD=0.86) that have an active presence on social media (Mean=3; SD=0.94).

## 4.3. Millennial parents and CERELAC relationship

It is important for CERELAC to get more insights regarding brand's perceptions from active or occasional consumer to non-consumer. For that reason, the analysis is going to describe their demographic profile, consumer behavior towards baby food, brand preferences, awareness and perceptions about CERELAC, from the perspective of each type of consumer<sup>45</sup>.

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<sup>45</sup> Question 20 (Do you feed CERELAC to your kid(s)?) was used to differentiate each consumer

### 4.3.1. Brand Awareness

Firstly, and before separating the sample by each type of CERELACs' consumer, the respondents were asked to name two brands to test this target brand knowledge in the infant cereal category. 3 out of the 94 survey participants did not recall any brand, and 14 did not answer any name in the second option. The large majority of the survey respondents (66%) wrote **CERELAC as the first brand** that come to their mind, followed by **Nutribén** (17%) and finally **Nestlé** (5%) – which cannot be consider as a brand. **Nutribén was the most mention brand** (21%) in the **second option**, right next to **Nestum**<sup>46</sup> (20%) and finally **CERELAC** in third place (14%). It is important to stress that Nestum does not belong to the same category as CERELAC and their competitors, so it should not be consider for this analysis.

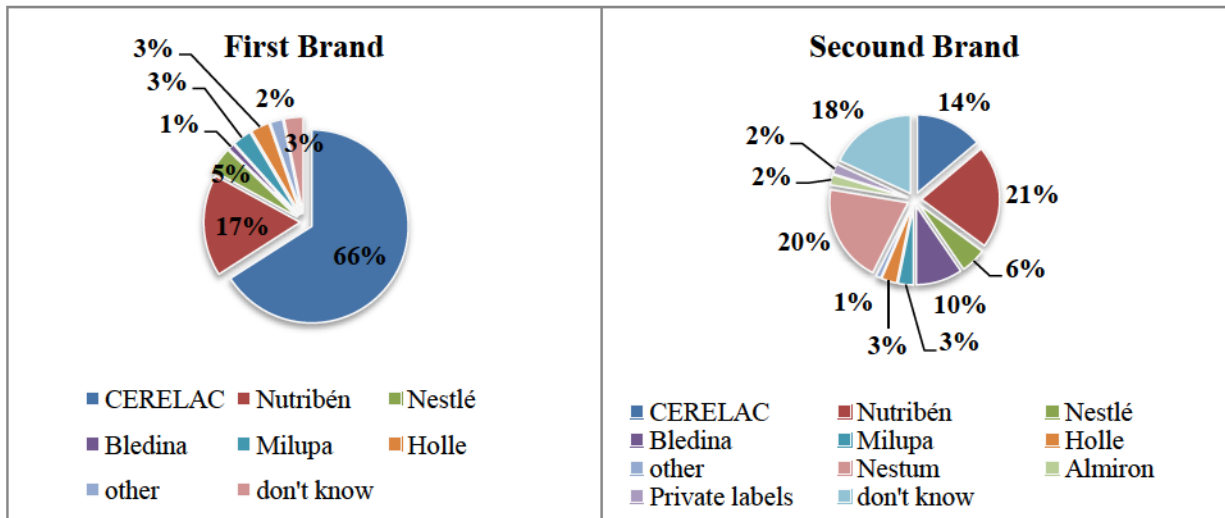


Figure 4- Brand Recall in the infant cereal category

Given a set of brands that are consider by CERELAC as their main competitors, only **one respondent did not recognize CERELAC** and **Nutribén** was the second most recognized brand (95%) followed by **Blédina** (88%). As predicted by CERELAC, **Private labels** are gaining awareness among the sample respondents (67%). Lastly, **Milfarin** it is the brand less recognized (52%), but still more than half of the participants are aware of its presence.

<sup>46</sup> Nestum it is a brand of cereals, belonging to the Nestlé portfolio of brands

Even as the number one brand most recognized by the respondents, only **23%**<sup>47</sup> of those **buys this product**, however, no more than **8% chooses always CERELAC as their first choice**. With this in mind and given these low numbers, it is more relevant to focus on the consumers that do not choose CERELAC, and understand their profile. Moreover, and even with no statistical relevance in the Chi-square test (p-value=0.38)<sup>48</sup>, it is important to stress that **older millennials** (29-40 years) are the ones that **always choose CERELAC**. Additionally, they characterize their “diet” as being **somewhat healthful**.

#### **4.3.2. CERELAC’s non-consumers profile**

**Less sugar, healthier, price, quality of the ingredients, nutritional value, absence of certain ingredients** (gluten, lactose, or dairy), **diversity of options, medical recommendation and promotions** are the main reasons presented by the respondents to choose other brands of infant cereals over CERELAC.

Focusing now on the respondents that **never or occasionally** fed CERELAC to their children, they represent **95% of the sample** for both younger and older millennials, with a 95% of confidence have between they have between **1 to 2 children**. An ANOVA<sup>49</sup> analysis was conducted to verify whether there is a statistically significant difference between the group means (Eating habits of the ones that do not feed CERELAC). The significance level is 0,029 and 0.5 to the **consumption of fish and dairy products** and, therefore, there is a statistically significant difference in the average of the wiliness to feed CERELAC attributed to the consumption of these products in the experiment, as determined by the Brown-Forsythe<sup>50</sup> robust test. Furthermore, it is possible to affirm, with 95% confidence that the ones **not feeding CERELAC, eat fish between 1 to 2 times a week and dairy products almost every day**. According to the Chi-Square test (p-value=0.01), they **somewhat disagree** with the fact that the reason behind **eating healthier options is to lose weight**.

With the eating trends analysis, it is possible find other defining characteristics of these millennial parents. The parents that do not use CERELAC on their children diets are the one with **higher awareness of organic products**<sup>51</sup> (p-value=0.008) and **purchase gluten-free**<sup>52</sup>

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<sup>47</sup> Appendix 15.9

<sup>48</sup> Appendix 15.10

<sup>49</sup> Appendix 15.11

<sup>50</sup> The Bown-Forsythe was the chosen over One-way ANOVA given the low number of responses in some cases

<sup>51</sup> Appendix 15.13

<sup>52</sup> Appendix 15.14

**products** as a **personal choice** (p-value=0.036). Although the Chi-Square test did not show statistical relevance (p-value=0.13), 95% of the respondents that **purchase organic products**, are not CERELAC consumers on a regular basis.

In this study, it was analyzed the characteristics that the CERELAC target search for when choosing between food related products and brands for babies. The survey participants that choose not include CERELAC into their children's diet, look for **price** (p-value=0.041) and **nutritional value** (p-value=0.004) and are **not influenced** by the **availability** (p-value=0.001) of the product in the stores. Brands with **food safety certificates** (p-value=0.021) and with price **promotion** (p-value=0.007) have shown a positive association for the millennial parents non- consumers, when purchasing baby food products.

To comprehend the perceptions that occasional consumers or non consumers of CERELAC have towards the brand, the survey participants were questioned if **CERELAC is a safe choice**<sup>53</sup>. As a result of the Chi-square test, the variables are dependent, due to the rejection of the null hypothesis (p-value=0.00), which can have different implications depending on the type of CERELAC consumer. For the **non consumers**, they **neither agree or disagree** (55%) with the quote "CERELAC is a safe choice" and as for the respondents that **occasionally feed** CERELAC to their children, the majority (64%) **somewhat agrees** with it. As for the **trustfulness of the ingredients**, the same test rejected the null hypothesis (p-value=0.026), showing that these variables are not independent. For the respondents that do not feed CERELAC to their kids, the opinions are split between **somewhat agreeing** (40%) or **neither agreeing or disagreeing** (36%) with the fact that they **do not fully trust the CERELAC's ingredients**<sup>54</sup>. On the other side, for the **occasional consumers** there is no common agreement on this topic, however **53%** of the survey participants **trust the ingredients on CERELAC**, by somewhat or strongly disagreeing with the statement. In addition, it is important to stress that 26% of those, do not have an opinion on this topic, by neither agreeing nor disagreeing.

Finally, CERELAC stressed the weight that influencers have over the parents' decision-making process. For that reason, it is important to identify the main influencers for the ones that do not always choose CERELAC as their first option. A Chi-square test revealed that **Advertising or Commercials do not influence the purchasing behavior** of millennials

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<sup>53</sup> Appendix 15.16

<sup>54</sup> Appendix 15.15

parents, by rejecting the null hypotheses (p-value=0.00) the dependency between these variables is proved.

## **VI. CONCLUSIONS**

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The purpose of this thesis is to assess the viability of the current marketing strategy of CERELAC, answering to the five research questions presented to hopefully find an effective marketing strategy to attract millennial parents.

### **1. Are the Millennial eating habits different from the previous generations?**

Research shows that there is a generational shift in food habits and consumption, and those changes are accentuated when evaluating the millennials. There is a clear shift in consumption trends that leads to the increase of healthy food consumption. This results in an exclusion of foods high in fat, salt and sugar. Findings from this study prove that, this is a generation that is trying to make an effort in leading a healthier life style as respondents evaluate themselves as somewhat to very healthful They include a daily or almost daily consumption of fruit and vegetables and fish at least 1-2 times a week.

The old definition of healthy eating is changing, as for previous generations, eating healthier was associated with weight loss. Research findings show that millennials do not agree with this statement. What is more they prefer a home-made meal over a processed one. This generation is highly aware of the new eating trends (Dairy-free, Gluten-free and organic products), and as mention by the nutritionist interviewed, they choose to include those products into their daily diet as a personal choice. Organic products are impacting the food industry, especially in the baby food category. This trend should be taken into consideration for food related brands or products, as more than half of the participants confirm following this trend, by including these products into their daily diet.

There is no statistical relevance when respondents were questioned about the resemblance of their eating habits with their parents. However, the remaining data proves that there is a clear concern about the adoption of a healthier life-style.

## **2. How do their preferences affect their children eating habits?**

Millennials are exposed to greater amounts of information, given the high exposure of content provided by social media. This exposure influences the way that they perceive the definition of health eating, making them more conscious about ingredient labels and food additives.

Health related issues are one of the most influential factors in parents' decision making process, since their choices can affect their children's health. As mention by previous studies, the increase in the awareness of a "quality-based diet" makes parents more willing to spend a higher amount on nutritional food for their children.

This theory can also be verified in the research findings, as most millennial parents that categorized their overall diet between somewhat and very healthful, were the ones that were going to replicate their eating habits into their children's diet. This is not only applicable when they were eating healthier food, as they would provide a healthier option for their children if they were having an unhealthy meal.

## **3. Is CERELAC's positioning consistent with what the brand wants to be perceived as?**

With 80 years of existence, CERELAC is a brand full of history and tradition, which became a part of the routine of several families through generations. The brand acknowledges the importance of the inevitable association created between the brand and consumer's childhood memories.

This positive association was tested on millennial parents, and it was also verified a symbolic dimension to this product given the positive association to the consumer's childhood<sup>55</sup>. Additionally, as the brand expected, CERELAC is a top of mind<sup>56</sup> product/ brand in this category for millennial parents.

Being able to provide the right amount of nutrients and energy, with nutritional balanced products it is the main concern of CERELAC. As a result the brand aims to create a strong connection with quality, by delivering the best formula possible for babies' special needs – "*Nutrição completa para pequenas barriguinhas*". For millennial parents, the research

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<sup>55</sup> 79% of the respondents

<sup>56</sup> 66% of the survey participants wrote CERELAC as the first brand that come into their minds in the infant cereal category.

finding did not match this aimed position, since quality one of the main reasons for non-consumer to choose other brands.

As a way of changing the consumers' perceptions regarding industrialized goods, CERELAC is making efforts to demystify the origin of its ingredients, so it can be perceived as a more natural product. CERELAC's positioning is not consistent between consumers and non-consumers, according to the market research findings.

Some of the non-consumers do not have a clear opinion about the safety or trustfulness of CERELAC's ingredients, as other confirm that they do not fully trust those ingredients. On the other hand, a considerable amount of occasional consumers trust the ingredients and believe that the product is a safe choice.

As proved by the research findings, the brand image of Cerelac is not consistent throughout the desired target, as non-consumers have negative associations when thinking about the brand, unlike the occasional consumers. For that reason, it is possible to assume that the lack of awareness regarding the ingredients or benefits can be the explanation for the different associations with the brand.

#### **4. What are the factors that influence the decision-making process of millennial parents when purchasing CERELAC's product?**

A deep understating of the key drivers to product choice is central for brands to achieve competitive advantage. CERELAC targets mainly younger parents with children from 4 to 36 months, which now belong to the millennial generation.

This attractive target for businesses is not easy to sell to, as they go for brands and products that express their own personality, image and what they value in life. As they are concerned with adopting a healthier life-style for them and their kids, millennial parents are mainly attracted to brands that are a close representation of this life style, especially with food safety certificates. There is also an inclination towards brands that are different from the ones their parents used to buy. It is possible to make the assumption that millennial parents will not choose CERELAC over other brands because their parents used to purchase.

The same respondents when purchasing food related products for babies have shown concern regarding the nutritional value, actively searching for goods with natural and organic

ingredients, with the absence of certain ingredients. Price is also considered a dominant driver during the decision-making process.

Finally, advice from experts is extremely valuable especially in products developed for babies. When it comes to advice the study findings confirm that pediatricians, family and/or friends and health, food and nutrition bloggers are the number one sources used by millennial parents. It is important to stress that this is amplified for nutrition food and nutrition bloggers and nutritionists in the younger millennials segment. As a result one can assume that these two influencers – as they grow on the younger millennials consideration as valuable advisors – have become key influencers for upcoming parents, making them an attractive target for brands to work alongside.

The nutritionist Joana Gouveia validates the increasing influence of nutrition food and nutrition bloggers. They promote a healthier life-style by including organic, gluten-free or dairy-free products, providing home-made versions of the traditional meals. Consequently, parents start to include those options into their children diet. With no health specialist guidance, food safety is not guarantee and it could impact negatively the children's growth.

## **5. What is the marketing mix effectiveness of CERELAC's different targets?**

As mention before, there is a noticeable between CERELAC's positioning of consumers and non-consumers.

Regarding CERELACs' consumers (even if occasionally), the actual position matches the aimed position of the brand, as the majority agrees that CERELAC is a safe choice, even with no common agreement, they trust their ingredients. This shows that product purchase is a key driver for the brand's aimed position.

On the other hand, non-consumers either do not have a clear opinion (by neither agreeing nor disagreeing) regarding the trustfulness of the ingredients and how safe of a choice CERELAC is, or do not fully trust CERELAC's ingredients. It is possible to reach the assumption that communication is not reaching non-consumers effectively, since the main reasons that they choose other brands (nutritional value, absence of gluten and dairy, lack of options and quality) demonstrate lack of knowledge about the brand benefits, origin of ingredients and product itself.

This difference between the actual positioning and the aimed positioning can be solved with one element of the marketing mix – promotion. However, CERELAC recently launched a campaign regarding the safety of its ingredients and their origin, using television as their main communication vehicle. Since millennial parents (non-consumers) are not influenced by commercials/ads<sup>57</sup>, it is possible to make the assumption that the promotional channel used could be the reason behind the lack of effectiveness of this promotional campaign.

Lastly, price is an important feature that influences the decision-making process. Millennial parents, either consumer or non-consumers of CERELAC, acknowledge the weight that price has when purchasing baby food products. As a consequence promotional prices are one of the main reasons that millennial parents purchase other brands.

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<sup>57</sup> according to research finding

## VII. RECOMMENDATIONS

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CERELAC is a product with symbolic dimensions, as it creates a positive association with the consumer's childhood memories. With 80 years of existence, this brand is known by generations and has an active presence in families' daily routines. Since there is no guarantee that the brand will rise throughout the generations, CERELAC should rethink their current strategies as a response to this research findings:

### **Product**

CERELAC should expand its product line with options that match today's' food trends. A product line with less sugar<sup>58</sup>, all organic<sup>59</sup> ingredients or oats could be an option that could change the actual positioning of the brand and get closer to millennial parents healthier life style. As mention during the interview, Joana believes that CERELAC is a safe option for the children's growth. However she agrees that an option with less added sugar would make her recommend this product in future consultations.

To overcome the misconception regarding industrialized products, CERELAC's packaging should give special emphasis to the fact that their cereals are 100% natural. Moreover, the packing should also highlight the gluten-free and dairy-free options, to attract non-consumers that are unaware of the range of products offered<sup>60</sup> by CERELAC.

### **Brand communication**

As mentioned before, CERELAC's aimed positioning does not match the actual positioning of non-consumers. For that reason, an effective communication may be what the brand needs to attract millennial parents and hopefully change the actual positioning.

All communication efforts could convey a cohesive message, highlighting safety and health, in order to reduce the negative image associated with industrialize products.

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<sup>58</sup> Number one reason for consumers to choose other brands.

<sup>59</sup> 52% -out of the 94% that know the term- buys organic products.

<sup>60</sup> One of the reasons to choose other brands.

### **Traditional WOM**

CERELAC must continue with the communicational efforts to pediatricians and health specialists. However it should also be considered the extension of these efforts to nutritionists, as they are gaining importance during the parents' decision-making process.

### **Digital WOM**

As “digital natives” online recommendations are the new word-of-mouth of the internet for millennials. Social media platforms allow engagement with the target consumers and enhance the relationship with the brand. Partnerships with relevant Health, Food and Nutrition Bloggers<sup>61</sup> would raise awareness and convey the brand's aimed positing regarding the use of 100% natural cereals.

To further engage with millennial parents and enhance feedback between parents or between parents and the brand, it is important to create a section in the Nestlé Baby Club that allows easier exchange of opinions or questions.

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<sup>61</sup> Characteristic valued by 42% of the survey respondents.

## VIII. LIMITATIONS AND FUTURE RESEARCH

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Several limitations of this study can provide useful guidance for future research. The most noticeable limitation is the number of responses obtained during the market research. Having millennial parents as a target was an obstacle to gather relevant insights thus influencing the validity of some conclusions (many tests were not statistically relevant due to the lack of responses).

At the case-study level, several studies regarding millennial trends and preferences have showed different results and conclusions, making it difficult to reach a consensus. Another limitation was the lack of quantitative data from the baby food industry in Portugal, especially during the competitive analysis. Missing values from values and cost structure to support the case create another limitation, due to company's confidentiality issues.

For future research, it would be interesting to analyze some of the relations that showed statistical irrelevance with a representative and more diverse sample of millennial parents' population.

A larger sample would also help in future research to determinate CERELAC's actual position with the different types of millennial parents' consumers. It would be also interesting to study CERELAC by comparing it to its designated competitors and effectively respond to all of the elements of the Customer-Based Brand Equity model.

Finally, the evolution of the brand's communicational efforts throughout the years and the effects of those in the brands' positioning would be an interesting topic to address for future research.

## IX. TEACHING NOTE

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### 1. Target Audience and Teaching Objectives

The case study is intended to be a helpful learning tool to both undergraduate and master students of marketing related courses. The case will be particularly useful for general marketing courses, as students are challenged to incorporate targeting, positioning, competitive analysis and marketing mix into the class discussion. They are also motivated to understand how consumer's perspectives and preferences will affect the brand's actual positioning, for Strategic Marketing courses, and finally emphasizing brand related concepts in Brand Management courses, such as brand identity, equity and positioning.

The problem raised by this case represents a real challenge faced by the company, therefore there are no right or wrong answers. The main objectives emphasized by this case include:

- The importance of thoughtful analysis when making a decision, and the consequences of those in the brands' positioning.
- Highlight the importance of a strong knowledge of the consumers' preferences and behaviors so the brand can adapt their communication efforts, price, distribution channel and product to attract the aimed target.
- How can clear and cohesive communication strategies help delineate a positioning strategy that helps the brand differentiate itself from the designated competitors.
- Improve the strategic thinking of students by using both theoretical models and considering firms' implications into the solution of the practical problem.

## **2. Teaching Plan**

To better reach the full case potential in class, the instructor should ask students to study the case before hand and prepare a small summary to each o question. During class, after a 15-minute introduction to the case, the instructor should separate the class into different groups to prepare discuss and compare their conclusions regarding all discussion topics. Finally, one group could be chosen to present one and offer a possible solution. Next other groups should challenge the solution offered by contributing with their own perspectives.

### **In class discussion<sup>62</sup>:**

1. Briefly describe CERELAC's strategy. What are the main challenges the brand faces in the next years, considering the market competitiveness and consumers' demographic and eating behavioral trends.
2. In your opinion, do you think that there is a match between the actual positioning and the CERELAC's aimed positioning? Please explain the reasons why.
3. Taking into account the research findings, should CERELAC change any element of the marking mix in order to attract millennial parents? If so, which?

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<sup>62</sup> Answers in Appendix

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## **XI. APPENDIX**

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### **1. Interview Script - CERELAC**

#### **A. Industry**

---

1. Who are the main competitors of CERELAC? And what is the competitive advantage, POD and POP of CERELAC?

#### **B. Targeting**

---

2. Who are CERELAC's customers? Are they the same as the ones that buy the product?

3. How does CERELAC want to be seen by its customers? How did that image evolved from the start of this brand until today? Are there any studies or researches about that?

4. Are there any important intermediaries (nutritionist and paediatricians) that are important to take into consideration when reaching your customer? If yes, do you consider those as your target to?

5. Did the key purchasing factors changed over the years?

#### **C. Relevant Market**

---

6. How do you categorize the different range of products?

7. What are the factors to take into consideration when developing the baby instant cereals?

#### **D. Positioning**

---

8. How does CERELAC Position itself in the market compared to competitors?

9. Which key success factors does CERELAC consider as important when evaluating the brand?

10. Is CERELAC thinking of any product extension?

#### **E. Communication**

---

11. Briefly describe CERELAC's communication strategy today. Did it change his communication efforts over the years?

12. Which are CERELAC's main goals of communication? (eg.: recall current customers of the brand, call attention of new customers, etc.)

13. Which are the main communication vehicles used?

14. How do you allocate the marketing budget?

15. Does CERELAC make communication efforts to those intermediaries (nutritionist and paediatricians)?

#### F. Trends

---

16. Do you think that today's trends and changes in the eating habits affect in some way CERELAC's products or communication efforts? If so, how?

17. Given those trends, did CERELAC changed or is considering changing anything in her strategy? If so, how?

#### G. Challenges and Future

---

18. In your opinion, which is now the biggest challenge faced by CERELAC?

19. Does CERELAC have any specific difficulty in terms of growth?

20. There is anything that you would change in the brand?

21. Where do you see CERELAC in 5 years? How does CERELAC is planning to get there?

## **2. Interview Script - Nutritionist**

### A. Eating Trends and Habits

---

1. As a nutritionist, do you notice any differences in the eating preferences of today's generations?

2. Do you think there is a concern regarding living a healthier life style?

3. What are the main eating trends that you think that are shifting today's eating habits?

4. Did you notice that parents have more attention to what they give to their children?

5. Regarding the new trends (gluten-free, dairy-free products, oats, organic, home-made etc) do parents try to include those in their children's diets?

6. There are any disadvantages regarding those trends, in your perceptive, especially for kids?

### B. Infant Cereal and CERELAC

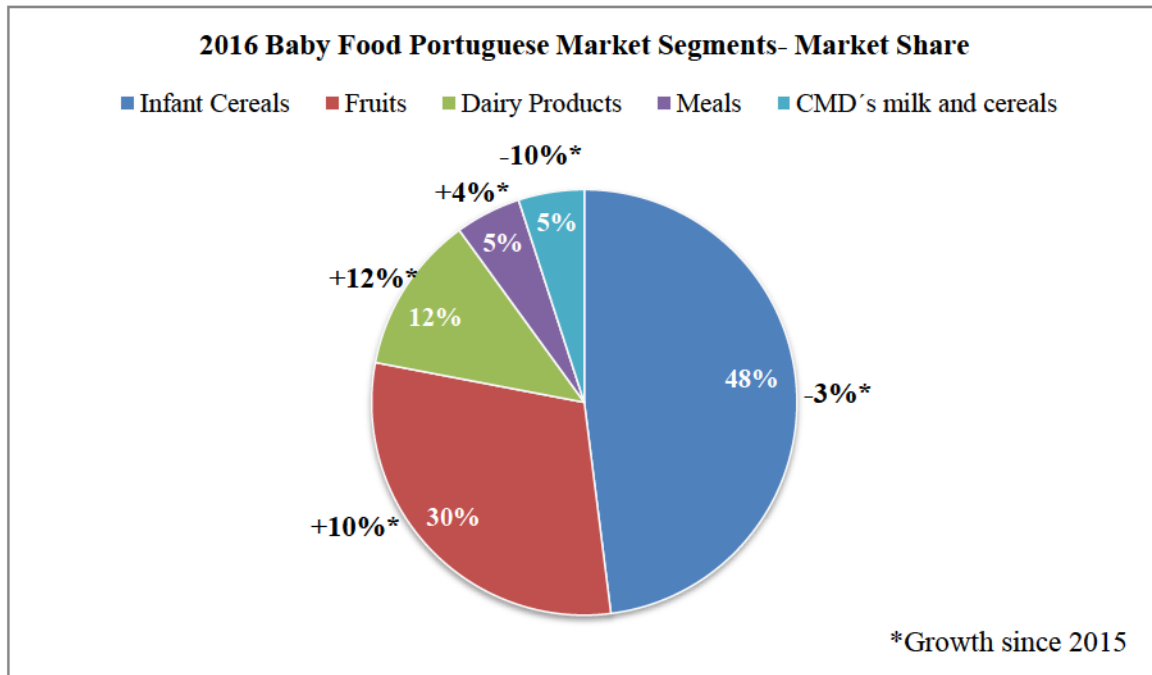
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7. Do you recommend any infant cereal to your patients' children? If so, why and which would you recommend?

8. What are your thoughts about CERELAC? Would you change anything about this product?

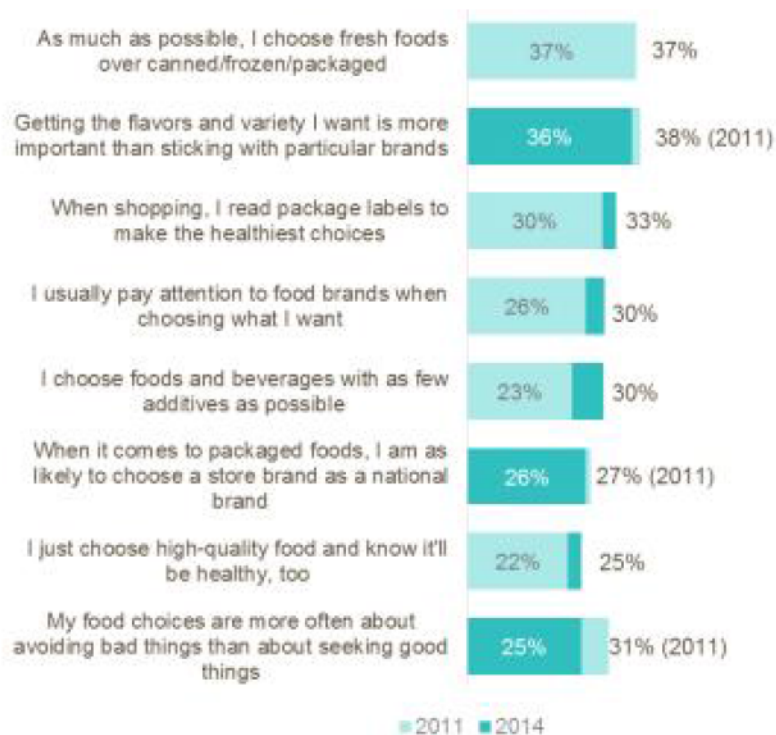
9. What would make you recommend CERELAC to your patients' children?

### 3- Industry Analysis – Nestlé in the Portuguese Baby Food Market by Segments 2016



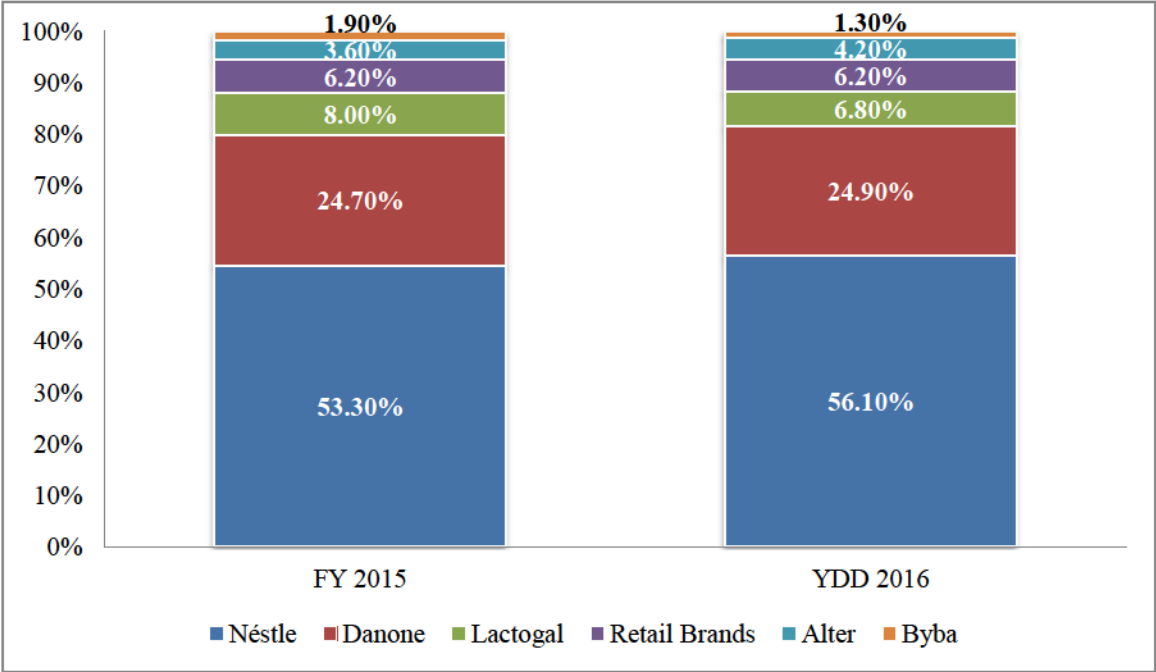
Source: CERELAC 2016 Report

### 4- Consumer Behavior – Eating Habits and Trends 2011 vs 2014



Source: Outlook on the Millennial Consumers 2014 report

**5- Industry analysis – Market Share of Nestlé and Competitors**



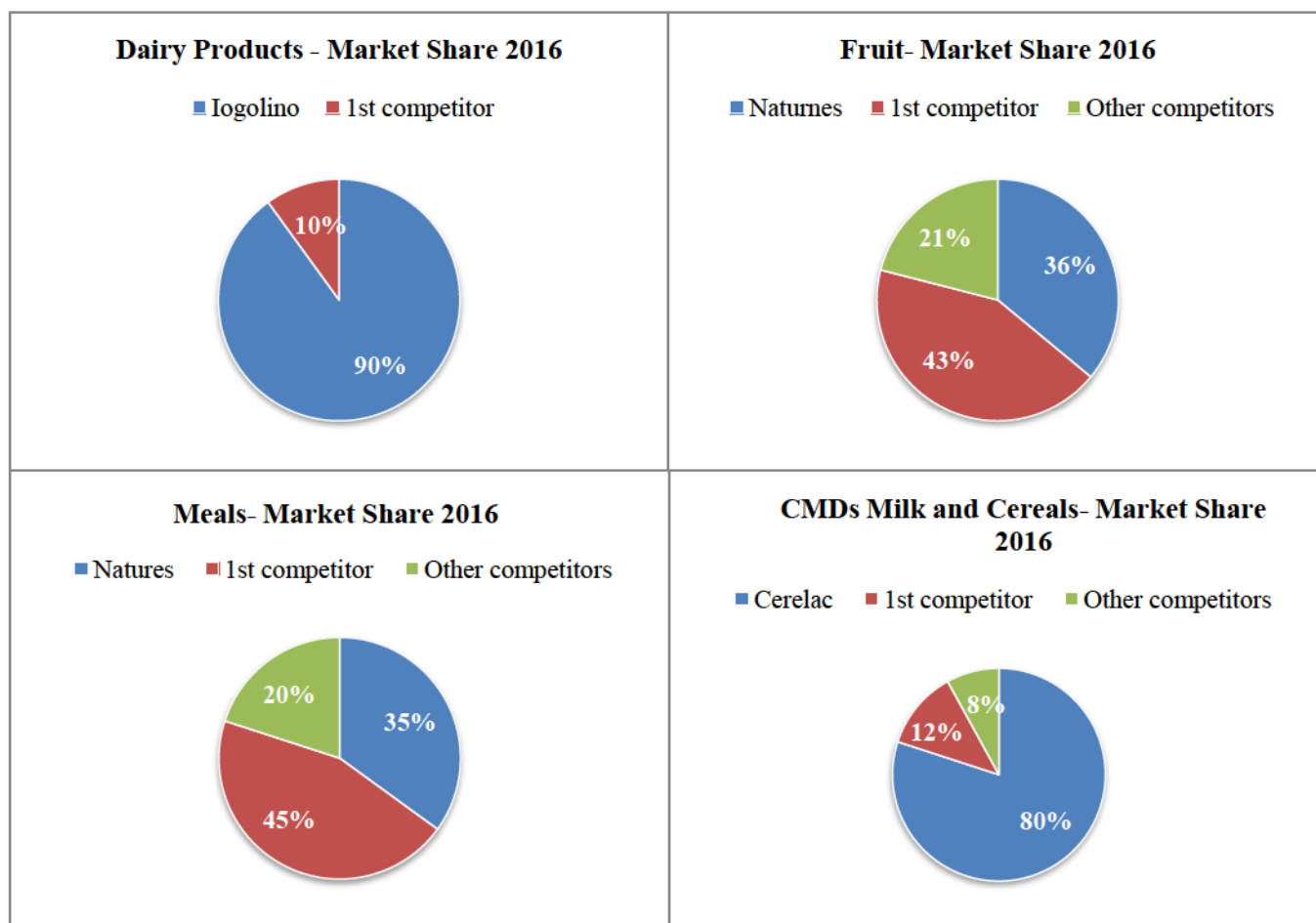
Source: Nielsen Marketrack Portugal INA+LIDL Valor YTD WK52 2016

**6- Industry Analysis – CERELAC Ranking in the Baby Food Market by Segment 2016**

Segments	YTD W52'16	Var bps vs YTD15	Ranking
Infant Cereals	73.7	268	#1
Meals & Fruits	35.9	-338	#2
Baby Formula	53.3	240	#1
Liquid GUM	33.2	229	#2
Dairy Products	89.4	69	#1
Powder GUM	38.2	272	#2
Milk & Cereals	81.3	237	#1
<b>TOTAL</b>	<b>56.1</b>	<b>90</b>	<b>#1</b>

Source: Nestlé 2016 Report

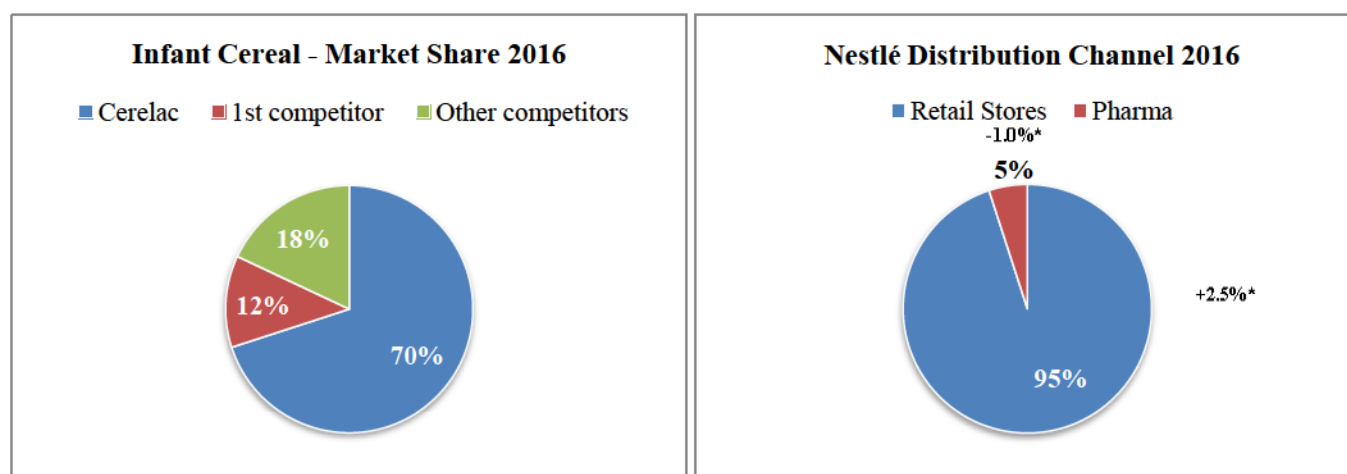
7- **Industry Analysis** – Market Share of Baby Food Market by Segment 2016



Source: Nestlé 2016 Report

8- **Infant Cereals** – CERELAC and Competitors

9- **Distribution Channel** – Nestlé 2016



Source: Nestlé 2016 Report

10- CERELAC Products- Infant Cereals and Milk and Cereals



Source: Nestlé website.

**11- CERELAC Promotion** – Evolution

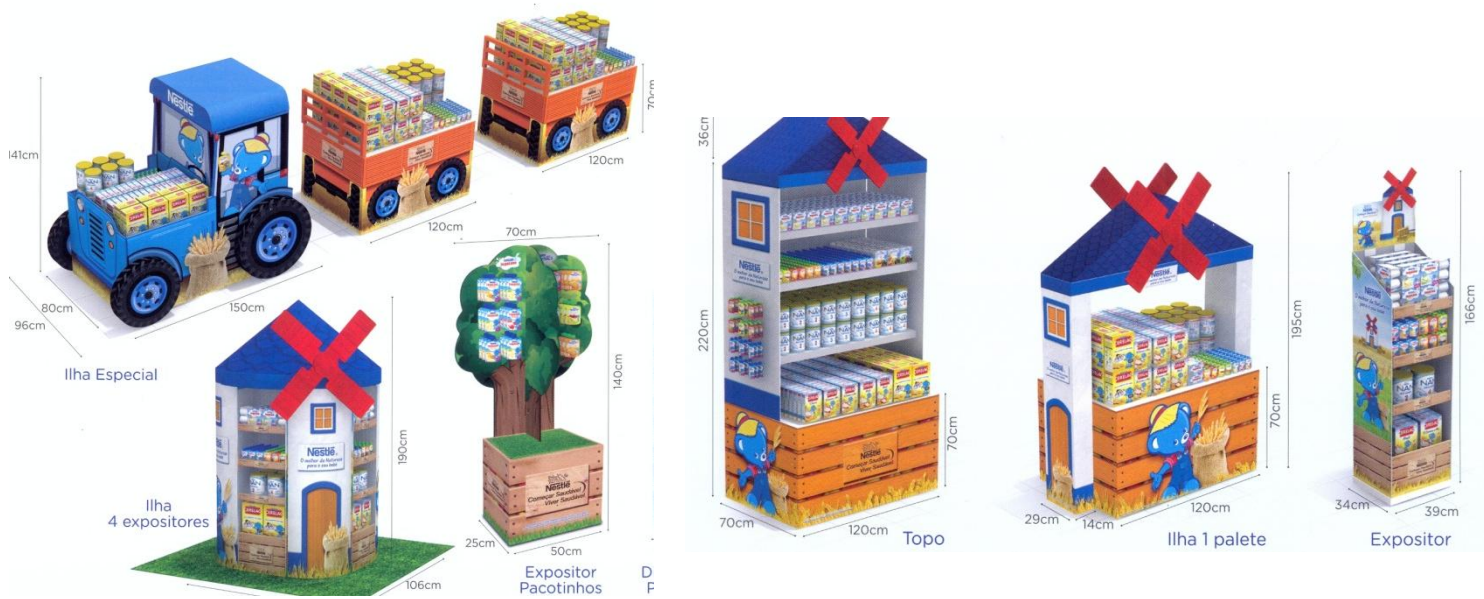


Source: Nestlé website

**12- CERELAC Promotion** – “Há sempre mais em cada colher de Papa CERELAC”



### 13- CERELAC Promotion – in store promotion



Source: CERELAC 2016 Report

### 14- Survey

Dear Participant,

This survey is part of my Master Thesis for the Master Program of Católica-Lisbon School of Business and Economics. The questionnaire will last about 5 minutes and there are no right or wrong answers, so please mark the options that better suit you. The survey is anonymous and all of your answers are strictly confidential. Thank you in advance for your time and attention. However, as this survey is targeting a specific segment, I will kindly ask you to answer a few questions.

#### Age

- Under 17
- 17-22
- 23-28
- 29-35
- 36-40
- 41 or more

Condition: Under 17 is selected. Skip to: End of survey.

Condition: 41 or more is selected. Skip to: End of survey.

#### Do you have kid(s)?

- Yes
- No

Condition: No is selected. Skip to: End of survey.

**The next block of questions is about you eating habits.**

**How would you rate the healthfulness of your overall diet?** By “diet,” it means everything you eat or drink, including foods; beverages; and vitamins, minerals, and other dietary supplements

- Not at all healthful
- Not to healthful
- Somewhat healthful
- Very healthful
- Extremely healthful
- Not sure

**How many times do you...** Select the option that you think that will better describe your eating habits

	Never	1 to 2 a month	3 to 4 times a month	1 to 2 times a week	Almost every day	Every day	More than once a day
Eat vegetables							
Eat meat							
Eat fish							
I eat fruit							
I eat dairy products							

**When talking about food related products, have you ever heard any of the terms?**

	Yes	No	Not sure
GMO(genetically modified organism) - free products			
Gluten-free products			
Dairy-free			
Organic products			

Carry Forward Selected Choices from "<strong>When talking about food related products, have you ever heard any of the terms?</strong>"

**Which of the following, if any, do you use on a regular basis when you shop for food and beverages?** Check all that apply.

- Non of then
- GMO(genetically modified organism)-free products
- Gluten-free products
- Dairy-free
- Organic products

Condition: Non of then is selected. Skip to: To what extent do you agree with the ...

Carry Forward Selected Choices from "**o:p**, </strong></o:p></p>

**From those products that you selected, what is the reason that makes you buy/consume those products?** You can chose more than one reason.

	Medical Reasons (allergies, disiases, etc)	Personal Choice (healthier lifestyle, etc)
Non of then		
GMO(genetically modified organism) - free products		
Gluten-free products		
Dairy-free		
Organic products		

**To what extent do you agree with the following statements?** Please rank according to the scale given.

	Strongly Disagree	Somewhat Disagree	Neither Agree or Disagree	Somewhat Agree	Strongly Agree
I have different eating habits from my parents					
I prefer home-made meals rather than processed food					
I eat healthy to lose weight					
I the same eating habits as my kid(s)					
When I eat unhealthy food, I give my kid(s) a healthier option instead					

**The next set of questions are related to your purchasing behavior when buying food for your kid(s).**

**What are key influences when purchasing food for your kid(s)?** You can select more than 1 option, but not more than

- |                                       |   |
|---------------------------------------|---|
| <input type="radio"/> Family/ Friends | <input type="radio"/> Health, food and nutrition bloggers     |
| <input type="radio"/> Your kid(s)     | <input type="radio"/> Other social Media (Facebook, Intagram) |
| <input type="radio"/> Pediatricians   | <input type="radio"/> Other                                   |
| <input type="radio"/> Nutritionist    | <input type="radio"/> I do not rely on others opinions        |
| <input type="radio"/> Commercials/Ads |   |

**When buying food for your kid, what are the characteristics that you look for?**

- |                                       |   |
|---------------------------------------|---|
| <input type="radio"/> Family/ Friends | <input type="radio"/> Health, food and nutrition bloggers     |
| <input type="radio"/> Your kid(s)     | <input type="radio"/> Other social Media (Facebook, Intagram) |
| <input type="radio"/> Pediatricians   | <input type="radio"/> Other                                   |
| <input type="radio"/> Nutritionist    | <input type="radio"/> I do not rely on others opinions        |
| <input type="radio"/> Commercials/Ads |   |

Carry Forward Selected Choices from "<strong>When buying food for your kid, what are the characteristics that look for?</strong>" You can select more than 1 option.</div>"

**Now, from the previously selected characteristics, order them according to your preference.** Your favorite at the top and your least favorite at the bottom.

- Family/ Friends
- Your kid(s)
- Pediatricians
- Nutritionist
- Commercials/Ads
- Health, food and nutrition bloggers
- Other social Media (Facebook, Intagram)
- Other
- I do not rely on others opinions

**What are the kind brands that you look for, when purchasing baby food?** Please rank according to the scale given.

	<b>Strongly Disagree</b>	<b>Somewhat Disagree</b>	<b>Neither Agree or Disagree</b>	<b>Somewhat Agree</b>	<b>Strongly Agree</b>
Brands that I already purchase before					
Brands with the food safety certificate					
Brands that go with my personality and life style					
Brands that my parents used to give me when I was younger					
Brands that were recommended by family/ friends / health specialists					
Brands that are with a promotion					
Brands that I saw on social media (blogs, instagram, facebook)					
Brands that with a social or environmental purpose					

**Baby instant cereal is a wheat based infant cereal for infants or young children**

**How often do you purchase baby instant cereal?**

- Once a week
- Once every two weeks
- Once a month
- Less than once a month
- Never

**When do you think about baby instant cereal, what are the brands that come to your mind?**

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_

**From this set brands, how many do you recognize?** Please select the brands you recognize (even if you never purchase/tried before)

- Blédina
- Nutriben
- Cerelac
- Milfarin
- Private labels (Continente, Pingo Doce, etc)

Carry Forward Selected Choices from "<strong>From this brands, how many do you recongnize?</strong><div>Please select the brands you recognize (even if you never purchase/tried before)</div>"

**How many of this have you already bought?** You can select more than one

- Blédina
- Nutriben
- Cerelac
- Milfarin
- Private labels (Continente, Pingo Doce, etc)

Carry Forward Selected Choices from "<strong>How many of this have you already bought? </strong><br />You can select more than one"

**Now, from the previously selected brands, order them according to your preference.**

Your favorite at the top and your least favorite at the bottom

- \_\_\_\_\_ Blédina
- \_\_\_\_\_ Nutriben
- \_\_\_\_\_ Cerelac
- \_\_\_\_\_ Milfarin
- \_\_\_\_\_ Private label (Continente, Pingo Doce, etc) (5)
- \_\_\_\_\_ Other

**Please note that the next group of questions are about your knowledge on one of the brands of Nestlé, CERELAC**

**As a kid did you eat CERELAC?**

- Yes
- No
- Do not recall

**Do you eat CERELAC now?**

- Yes
- No

**Do you feed CERELAC to your kid(s)?**

- Never
- Sometimes
- Always

Condition: Never is selected. Skip to: Reasons why you chose other brands?.

Condition: Sometimes is selected. Skip to: Reasons why you chose other brands?.

Condition: Always is selected. Skip to: To what extent do you agree with the ....



**Reasons why you chose other brands?** You can write more than one reason.

**To what extent do you agree with the following statements, about CERELAC? Please rank according to the scale given.**

	<b>Strongly Disagree</b>	<b>Somewhat Disagree</b>	<b>Neither Agree or Disagree</b>	<b>Somewhat Agree</b>	<b>Strongly Agree</b>
It is a product that reminds me of my childhood					
CERELAC is a product that offers my kid a complete nutrition (vitamins, sugar and proteins)					
I purchase CERELAC for my kid because I used to eat when I was younger					
CERELAC is a safe choice					
CERELAC it is not a healthy option for my kid(s)					
The CERELACs' cereals are 100% natural					
I do not fully trust CERELAC's ingredients					

**Are you aware of Nestlé "Clube do bebê"**

- Yes
- No
- Not sure

Condition: No Is Selected. Skip To: End of Block. Condition: Not sure Is Selected. Skip To: End of Block.

**To finalize, I have a few questions about your background that will only be used for statistical purposes. Remember that all of these questions are completely confidential.**

**Gender**

- Male
- Female

**How many kids do you have?**

- 1
- 2
- 3
- 4
- 5
- More than 6

### How old are they?

	0-4months	5-24months	24-36months	3-4 years old	5-6 years old	7-8 years old	9 or more years old
First kid							
Secound kid							
Third kid							
Fourth kid							
Fifth kid							
Sixth kid							

### Where do you live?

- Portugal
- Other

### What is your education qualification?

- Primary School
- Secondary School
- Professional Degree
- Bachelor Degree
- Master's Degree
- PhD

### What is your current occupation?

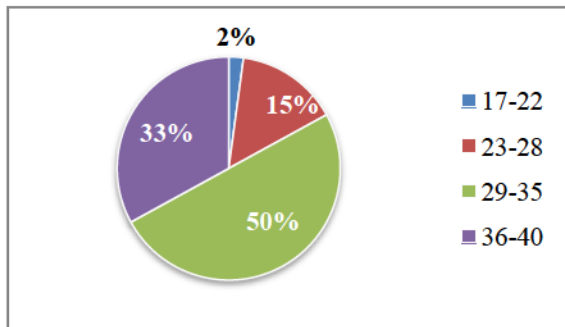
- Student
- Employed
- Self-Employed
- Unemployed
- Retired

### What is your annual income?

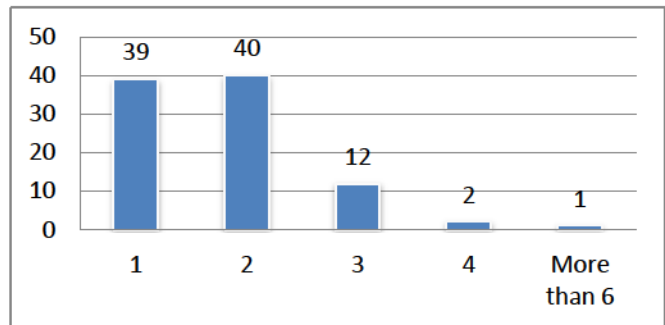
- Up to 20.000€
- From 21.000€-40.000€
- From 41.000€-60.000€
- more than 60.000€

## 15- Survey Analysis Exhibits

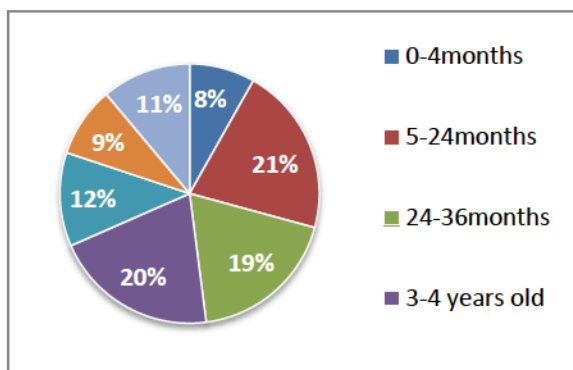
### 15.1- Age



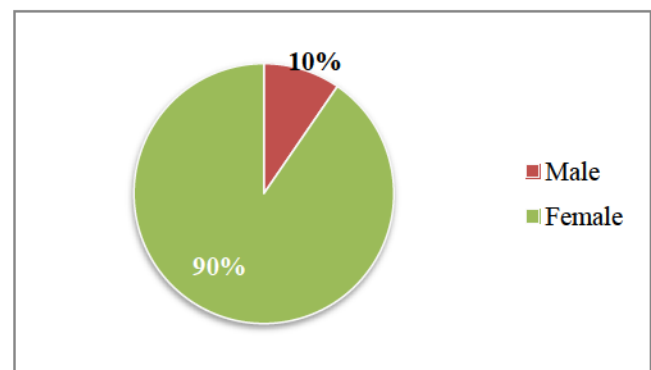
### 15.2- Number of Children



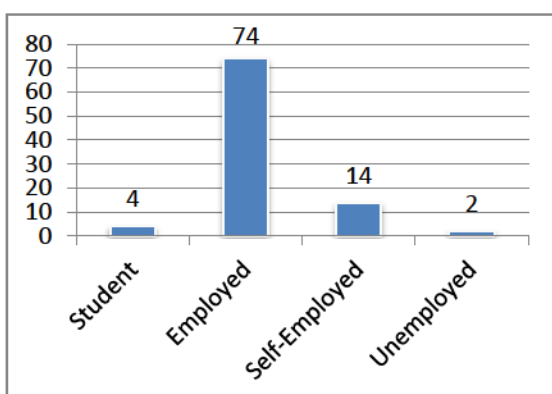
### 15.3- Children's Ages



### 15.4- Gender



### 15.5- Current Occupation



### 15.6- Healthfulness of the overall diet

	Frequency	Percent
Not at all healthful	1	1.1%
Not too healthful	2	2.1%
Somewhat healthful	42	44.7%
Very healthful	46	48.9%
Extremely healthful	3	3.2%
<b>Total</b>	<b>94</b>	<b>100%</b>

**15.7- Cross Tabulation & Chi-square: Overall Healthfulness\* I have the same eating habits as my kid(s)**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	54.384	16	.000
Likelihood Ratio	23.682	16	.097
Linear-by-Linear Association	10.295	1	.001

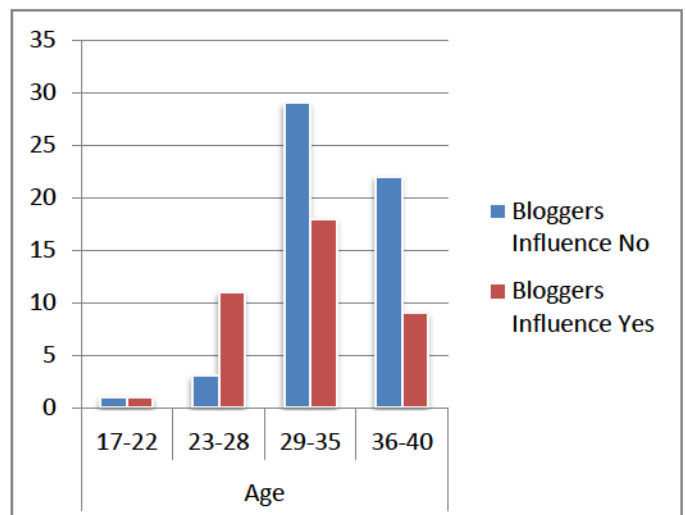
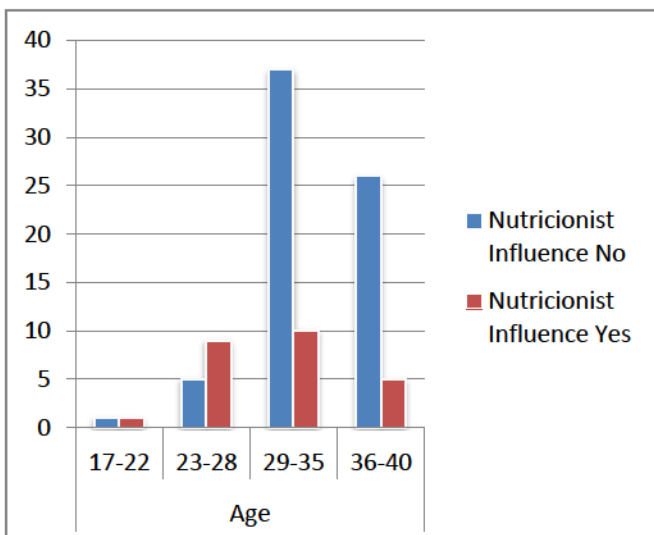
**15.8- Cross Tabulation & Chi-square: Age \*Nutritionist & Bloggers**

**Age \*Nutritionist**

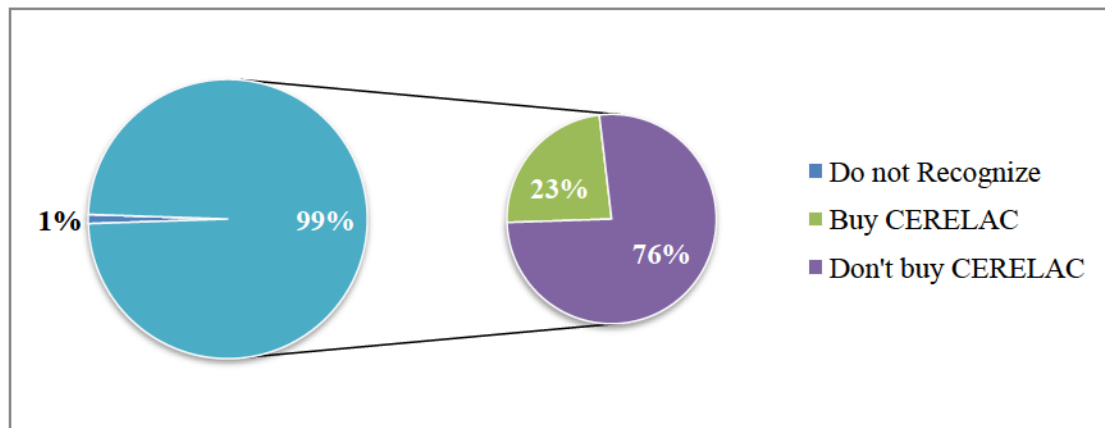
Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.169	3	.004
Likelihood Ratio	11.821	3	.008
Linear-by-Linear Association	8.853	1	.003

**Age \* Bloggers**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.169	3	.017
Likelihood Ratio	10.346	3	.016
Linear-by-Linear Association	7.024	1	.008



15.9- CERELAC awareness and purchase



15.10- Cross Tabulation & Qui-square: Age\* Do you feed CERELAC to your kid(s)?

		Age				Total
		17-22	23-28	29-35	36-40	
Do you feed CERELAC to your kid(s)?	Never	0	7	17	9	33
	Sometimes	2	7	27	17	53
	Always	0	0	3	5	8
<b>Total</b>		2	14	47	31	94

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.452	6	<b>.375</b>
Likelihood Ratio	7.889	6	.246
Linear-by-Linear Association	2.205	1	.138

15.11- One-way ANOVA

**Robust Tests of Equality of Means**

		Statistica	df1	df2	Sig.
Eat fish	Welch	3.952	2	19.374	.036
	Brown-Forsythe	4.087	2	24.735	<b>.029</b>
Eat dairy products	Welch	2.642	2	17.763	.099
	Brown-Forsythe	3.183	2	35.739	<b>.050</b>

**15.12- Cross Tabulation & Qui-square:** When I eat unhealthy food, I give my kid(s) a healthier option instead\* Do you feed CERELAC to your kid(s)?

When I eat unhealthy food, I give my kid(s) a healthier option instead

		Strongly Disagree	Somewhat Disagree	Neither Agree or Disagree	Somewhat Agree	Strongly Agree	Total
Do you feed CERELAC to your kid(s)?	Never	0	2	5	18	8	33
	Sometimes	0	4	8	27	14	53
	Always	1	2	0	4	1	8
<b>Total</b>		<b>1</b>	<b>8</b>	<b>13</b>	<b>49</b>	<b>23</b>	<b>94</b>

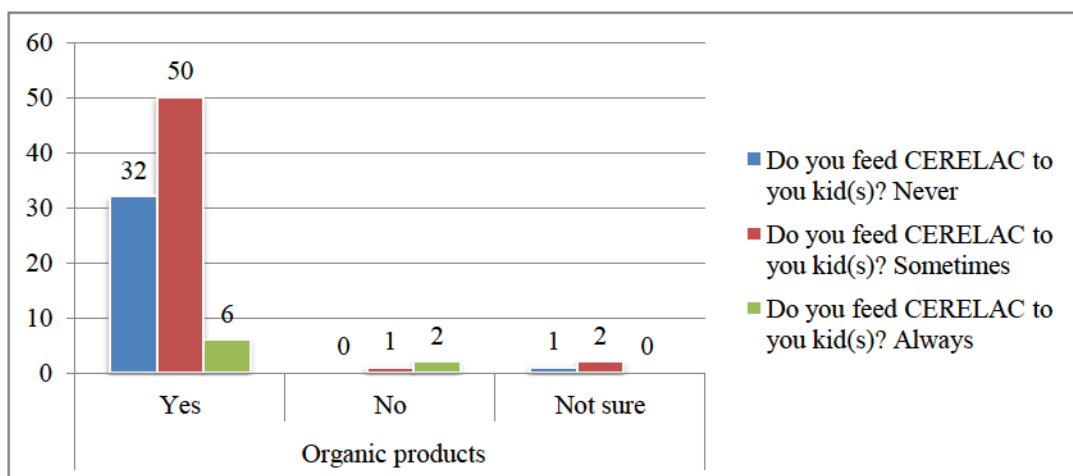
**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.415	8	<b>.052</b>
Likelihood Ratio	9.942	8	.269
Linear-by-Linear Association	1.944	1	.163

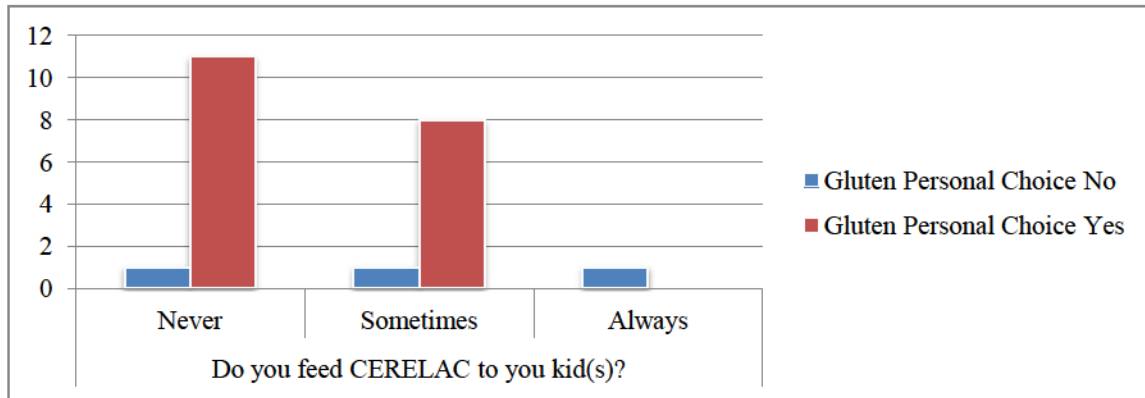
**15.13- Cross Tabulation & Qui-square:** Recognize organic products\* Do you feed CERELAC to your kid(s)?

**Chi-Square Tests**

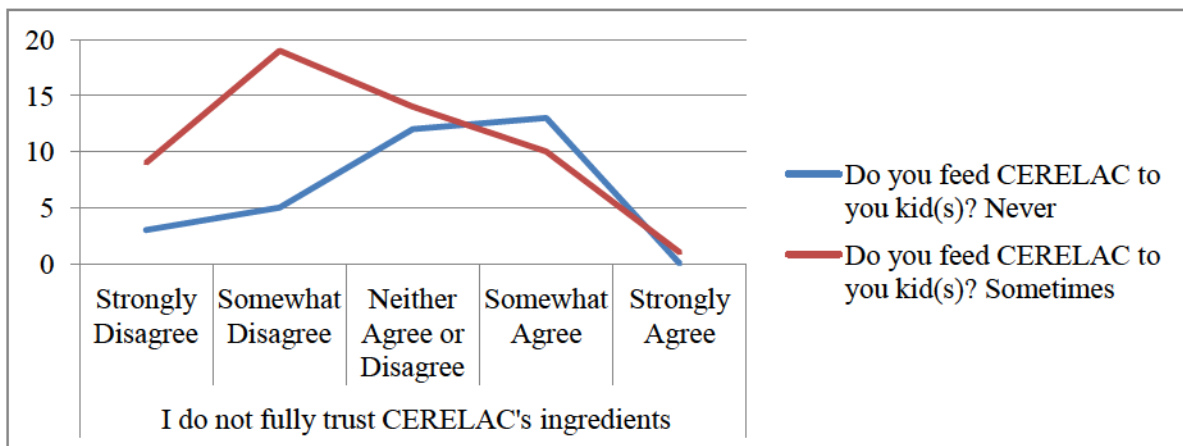
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.911	4	<b>.008</b>
Likelihood Ratio	8.109	4	.088
Linear-by-Linear Association	1.097	1	.295



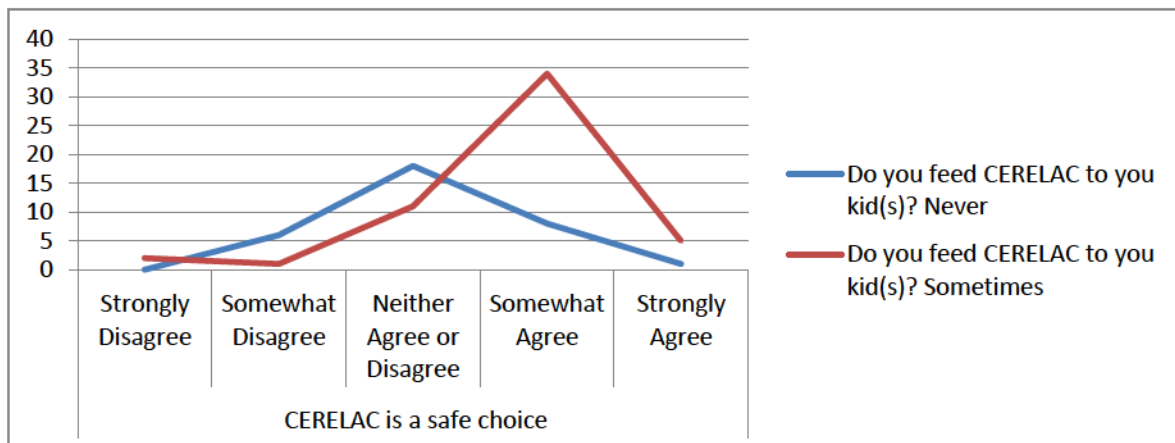
**15.14- Cross Tabulation & Qui-square: Gluten consumption Personal Choice\_\* Do you feed CERELAC to your kid(s)?**



**15.15- Cross Tabulation & Qui-square: I do not fully trust CERELAC's ingredients\* Do you feed CERELAC to your kid(s)?**



**15.16- Cross Tabulation & Qui-square: CERELAC is a safe choice\* Do you feed CERELAC to your kid(s)?**



## 16– Teaching Notes: Answers

**1. Briefly describe CERELAC’s strategy. What are the main challenges the brand faces in the next years, considering the market competitiveness and consumers’ demographic and behavioral trends.**

To better answer this question, students must include:

Market competitiveness:

- **Private labels:** The success of private labels, with good quality products and low prices are a common threat for any brand, compromising the majority of volume sold in the packaged goods.

Demographic trends:

- **Low birth rates:** With the expected decline of 7.3% in 2020, the low birth rates will contribute to the decrease of baby food consumption.

Behavioral trends:

- **Industrial product:** Being perceived as an industrial product, can cause misconceptions about the “freshness” and how “natural” the ingredients are.
- **Homemade, organic trends and new eating trends:** Food safety is an on-going topic that increases concerns among consumers, especially with baby food. Many consumers are shifting their eating habits and opting for homemade versions of the products and organic options. Additionally, the increase in the consumption of product with no dairy and gluten, can be a challenge
- **New “influencers”:** When it comes to baby food recommendations, health professionals are not the only influencers in the purchasing behavior of the parents. Millennials seek for peers’ recommendation on social media.

**2. In your opinion, do you think that there is a match between the actual positioning and the CERELAC’s aimed positioning? Please explain the reasons why.**

Students’ must analyze the CERELACs’ aimed positioning:

- **Heritage, history and tradition** create an inevitable association between CERELAC and the **consumer’s childhood memories**. This positive association is what the brand wants to emphasize, and is what makes this a **top of mind product** in the baby food category.
- As part of being the world’s leader in Nutrition, Health and Well-being, Nestlé’s main priority is to follow its consumers at every stage of their lives, by providing tasteful and

nutritionally balanced products. CERELAC also aims to be strongly connected with **quality**.

- Additionally, by demystifying the **origin of the ingredients** and proving to the target audience, that although they are industrialized products this does not affect the existence of natural ingredients. Being perceived as a **more natural product** is one CERELACs' claims by "showing the consumers the steps taken since we harvest the cereals to the baby's spoon"

For the CERELACs' actual positioning students must analyze the research findings:

- This positive association was tested on millennial parents, and it was also verified a symbolic dimension to this product due to the positive association to the consumer's childhood. Additionally, as the brand expected, CERELAC is a top of mind product/brand in this category by the millennial parents.
- The brand aims to create a strong connection with quality, by delivering the best formula possible for babies' special needs – "*Nutrição completa para pequenas barriguinhas*". For millennial parents, the research finding did not match this aimed position, since quality one of the main reasons for non-consumer to choose other brands.
- CERELAC is making efforts demystifying the origin of its ingredients, so it can be perceived as a more natural product. CERELAC's positioning is not consistent between consumers and non-consumers, according to the market research findings.
- Some of the non-consumers do not have a clear opinion about the safety or trustfulness of CERELAC's ingredients, as other confirm that they do not fully trust those ingredients. On the other hand, a considerable amount of the occasional consumers trust the ingredients and believe that the product is a safe choice.
- As proved by the research findings, the brand image of Cerelac is not consistent throughout the desired target, as non-consumers have negative associations when thinking about the brand, unlike the occasional consumers.

### **3. Taking into account the research findings, should CERELAC change any element of the marking mix in order to attract millennial parents? If so, which?**

This question is should be answer as a class discussion, where there should be mention at least two main changes: In the communication (promotion) and Product.