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Stuck on the Shelf

You've got a good product and stores are willing to stock it. Can you make shoppers notice without going broke?

The company: In 2005, Julie Arora took her mother's recipe for a healthy breakfast cereal and used it as the basis for a pair of consumer products. Mom's Healthy Secrets cereals are now available in health food stores and at several grocery chains, and Arora is planning to launch three more cereal products.

The situation: Mom's Healthy Secrets scored wins in getting its cereals onto store shelves, including those at chains such as Sobeys, Metro and Wal-Mart. But solid distribution hasn't translated into strong sales. Even though her products are widely available, Mom's is struggling to find ways to tempt consumers to buy them.

JULIE ARORA, CEO of cereal maker Mom's Healthy Secrets, looked around the aisle of the local supermarket and sighed. The store was crowded with shoppers, many of them dressed in workout gear. As they filled their carts, Arora could see that they favoured products that advertised health benefits – just like the cereals she produced at her Oakville, Ont.-based firm. Yet for reasons she could not understand, they hardly noticed the brightly coloured pouches that contained her products.

"There must be something I can do to jump-start sales," Arora thought to herself. "Our product should be perfect for people wanting healthier lives. Why aren't people buying it?" It was a bedeviling question. Although her company was young, Arora had made several strides since she had founded it two years

earlier. Her cereals, based on a family recipe developed by her mother, had been a hit with those who tried them. Featuring ingredients such as fruit, grains and seeds, they also scored high for nutrition and health benefits, and the company's small cluster of devotees spoke highly of the energy boost the cereal gave them in their daily lives. Better yet, Arora had secured

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shelf space in specialty shops in Ontario and at several grocery chains, including A&P/ Dominion, Whole Foods Market, Sobeys and Wal-Mart Canada Supercentres – a coup for a small firm like hers.

But for all the rapid success Arora had achieved on the distribution side of her business, she still wasn't connecting with the mass consumer market she needed. Worse, she wasn't dealing with a single, easy-to-understand problem. Any number of factors could have been at the source of her cereal's sluggish sales. Had she priced her products

If she didn't, she might not have the resources left over to fund a second chance.

BREAKFAST CEREAL IS big business in North America, representing more than \$10 billion annually in retail sales. Large consumer-packaged-goods firms dominate the market, with Kellogg's, General Mills, Quaker Oats and Kraft Foods controlling more than three-quarters of the segment. The remaining share is held by private labels and smaller brands.

Given the scale of the competition, it's to Arora's credit that she has made major

had graduated from university, gone to the U.S. to work as a management consultant and returned to Canada to create a stress-management course for corporate leaders and professional athletes that included yoga, meditation and an improved version of the cereal. Arora's mother made the cereal for her daughter's program. But one day, after making 75 bags by hand in a 48-hour period, Arora's mother announced that the job was too much for one person. "Basically, my mother went on strike and refused to make any more. That was the day I started the company."

Any number of factors could be the root cause for slow sales of Mom's Healthy Secrets cereal. Were the products properly priced? Did the packaging send the right signals? Arora needed answers — fast

correctly? Her cereal wasn't cheap, but it was made with premium products and therefore warranted premium pricing. Had she gotten the packaging right? Arora couldn't see any immediate issues with the brightly coloured pouches, which included text about the family story behind the company and the benefits of eating Mom's Healthy Secrets. Maybe she needed to invest in marketing and promotion, but if so, how much should she spend and on what kind of programs?

Those were the kind of questions Arora needed to answer – and she needed to answer them fast. Her investment capital was running low, and it wasn't being replaced by income from sales. She had to get her next move right.

inroads as quickly as she has, especially considering her company's humble origins. Arora's mother developed the recipe that would become Mom's Healthy Secrets when Arora was a child. Back then, she was simply looking for a nutritious replacement for store-bought products. The mix started becoming popular outside the household when Arora's mother began giving yoga classes and sharing her cereal with her students. "After classes people would ask whether they could buy the cereal," Arora says. "Once they could eat it regularly, they could see the improvement in their energy levels and health."

The idea to make a business out of the cereal took hold in 2005. By this time, Arora

To get her fledgling firm off the ground, Arora needed capital, which she found by tapping into money her parents had been saving to help her finance MBA studies. Next, she contacted an old acquaintance she met during university, a venture capital investor based in the U.S., and made an appointment to meet him at his office in New York City to seek advice on how to proceed. The venture capitalist was impressed with Arora's idea and her enthusiasm. He introduced her to a former food executive, who in turn introduced her to executives at Tree of Life, a distributor of foods in the U.S., Europe and Canada. "The first day, I walked into Tree Of Life's office with a Ziploc bag filled with the cereal,"

INNOVATIVE IDEAS.
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Arora says, laughing. "The president loved it." Motivated by the enthusiastic reception to her idea and her product, Arora spent the rest of the year perfecting her formulation for Mom's Healthy Secrets, creating packaging and lining up manufacturers.

ARORA STARTED THE rollout of her firm in June 2006, and in the months that followed, put two products on store shelves in specialty retailers and major grocery stores.

By 2007, however, it was clear that she needed to do more to push Mom's Healthy Secrets than simply making the products easy to find. Determined to turn the situation around, Arora spent the next year working on several fronts, including developing improved packaging and working with her manufacturer to sort out production hiccups. To keep costs down, she also refused a salary, choosing instead to live at home with her parents so that all revenue from sales of Mom's Healthy Secrets cereals could go back into the company.

If Arora's efforts weren't adding up to the boost in sales she required, she was at least generating attention. *Fortune Hunters*, a CBC television program that profiled issues confronting start-up companies, took interest in her story and featured it in an episode of the show. At another point, a friend suggested that Mom's Healthy Secrets would be able to attract private equity on the basis of its shelf space alone. Arora was intrigued by the idea but ultimately decided against pursuing the option at the time, believing that Mom's Healthy Secrets still had room to grow under her individual ownership.

BACK AT THE supermarket, Arora glanced at the clock on the wall. It was time to go. She was on her way to a health food trade show in Toronto, and she didn't want to be

late. Heading out to the car, she once more ran through the issues facing her company. Getting shelf space had been an important early win, but it wasn't the win she hoped it would be. The bigger challenge was figuring out what to do with it. As she started up her car and drove away, she hoped the health food show might give her some fresh ideas.

The Expert View

By John Currie

Retired CEO, Associated Brands Inc.



IN THE GROCERY products business, getting shelf space is just the first step. Once a company has achieved that, it needs a marketing program to move the product. For small, family-run businesses, a more typical approach would be to build the business in health food stores and specialty stores first. They can use that distribution to build a consumer following and then move on to major chains.

Since Julie Arora has already jumped ahead with Mom's Healthy Secrets, she must now build sales quickly. That can be done, but it will cost money and that funding must come

from somewhere. Arora could look at an equity injection from a venture capital firm, or perhaps her distributor, Tree of Life, can be persuaded to contribute towards marketing expenses. If a distributor really believes in a product, they may decide to step up to the plate.

Once the financing is sorted out, Arora has three possible approaches to get her products moving – promotion, publicity and a longer-term sustained marketing program.

Promotion Every major grocery chain has promotion packages to help vendors move product. Arora might be well advised to ask Tree of Life for their advice as to which packages she should look at. These promotion packages offer many choices, including shelf-price reductions, which are flagged to the consumer through tags on the shelf – 50¢ off or \$1 off.

Other promotions include end-of-aisle displays, coupons in a chain's weekly newspaper ads, and in-store tasting demos where shoppers get to try the product and receive a special coupon to buy the product.

Publicity The company could also look at a public-relations blitz in terms of getting its product on television shows and in newspapers, especially if they can stress the angle of how healthy it is and how much more energy it gives people. But for that, Mom's Healthy Secrets probably needs to engage a PR firm, and that also costs money.

Sustained marketing programs Over the longer term, Mom's Healthy Secrets needs to carry out a sustained consumer advertising and promotion campaign. Large companies such as Kraft Foods and Kellogg's are able to carry out sustained consumer advertising on new products because they can use the profits from their older, more mature products. A smaller company like Mom's Healthy Secrets doesn't have that option. So unless Arora

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can raise the marketing funds quickly, the alternative is to retreat back to health and specialty food stores and build consumer demand before trying again with the big-name retailers. At that point, Arora could select one or two of the big chains instead of trying to bulk up her marketing to target all of them. If Mom's Healthy Secrets decides to focus on

JULIE ARORA SHOULD BE congratulated for her success in attracting retailers to list her new product. She made massive progress in a very competitive category. But now it's time to deal with flat sales at the store level since 2006. Arora has to turn this around to keep her listings and grow her business. Here are the issues she must consider:

freshness by encouraging sales representatives to refresh the product regularly. Freshness at the store level should be the first priority. I would also consider increasing the size of the packages as a 340-gram bag yields only six servings – less than a week of breakfasts.

Distribution The decision to market nationally and in larger retail chains might have been premature. A demonstrated success in the entrepreneur's local market should be the first test before going further afield. Customers and retailers can provide constructive feedback at this time, and the investment is still small enough to allow the entrepreneur to be flexible in revising the product. Finally, I would carefully and strategically select the points of sale and the pace of the product launches, while working individually with retailers to ensure that the cereals become a success.

Sell-through of Mom's Healthy Secrets has to turn around or Arora could lose her listings

health and specialty food stores, the company should look at distribution across North America, instead of focusing on Ontario.

There's one additional option. If this product is really as good as Arora believes it is, she could take it to a company like Loblaw's and target a house brand like President's Choice. If she can convince them of its benefits, she could start producing it for them under the company's private label. That way the grocery chain takes care of the shelf space and of the promotion.

But this strategy is a long shot. And it takes time – a minimum of a year – even if you can get the grocer excited. And that's not easy: They see thousands of products every year. So it's not something Mom's Healthy Secrets could hang its hat on, but it's an option.

By Belinda Murray
VP, merchandising and marketing
Denninger's Foods of the World



Product The product does not look like a specialty cereal when you see the mix through the window on the package. Larger pieces of fruit and a larger percentage of fruits and seeds would look and taste more appealing.

Mom's Healthy Secrets also retails for \$5.99 for 340 grams. Fruit, seed and nut-loaded muesli and grain cereals are available in larger pack sizes at lower price points. This product is made in Canada and should be more competitively priced.

Shelf positioning and display A product line with only two stock-keeping units (SKUs) gets lost on supermarket shelves. I took a recent tour of Whole Foods Market, and I noticed a competing brand that was presented on three shelves in an eight-foot section with at least 20 SKUs. Mom's Healthy Secrets was relegated to the second shelf from the bottom, with only eight units of product. A permanent, dedicated floor stand would ensure product placement and sufficient stock levels. The point of sale would also serve as a communications centre, where Arora could distribute product fliers, the company newsletter and free samples.

Packaging Mom's current packaging does not convey the image Arora's company wishes to project. Mom's story on the back panel needs to be edited and a clearer summary of product features would also help customers.

The fact that there's no best-before date on the packaging makes rotation at the store level very difficult. A best-before date ensures

The Outcome

WITH SLENDER RESOURCES, Arora knew she couldn't possibly afford a major marketing campaign. Instead, she decided to establish connections with charitable organizations to help promote her brand, reasoning that a grassroots approach might appeal to her target consumer.

With plans to launch three new cereal products in 2008, Arora has contacted the Canadian Cancer Society and arranged to donate a portion of sales, a relationship she notes on her packaging. With her two original products, she makes donations to the Canadian Diabetes Association. "That encourages consumers to try us. They're contributing to worthy causes," Arora says.

In the meantime, she has made improvements to her product packaging, such as putting her new cereals in boxes, a move she believes will help put Mom's Healthy Secrets on a level playing field with market leaders. Finally, she is reconsidering bringing in an equity partner and is exploring other options.

Note: The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The views represented here are solely those of the case authors and are based on their own professional judgment. Certain names, scenarios or identifying information may have been disguised to protect confidentiality.