

Lucky Charms Situation Analysis

Bucky Charms

History of the Company

General Mills is a United States food company headquartered in Minneapolis, Minnesota. The company, which was incorporated in 1928, was the product of a merger between several regional flour milling companies.¹ As of May 2015, General Mills produces numerous products including cereals, baking mixes, grain based products, soup and yogurt and manufactures more than 100 brands.²

General Mills engineer and chemist, Thomas R. James, created the “puffing gun” in the late 1930s, which allowed cereal pieces to be produced quickly and efficiently. This invention led to the production of General Mills’ first cereal, Kix. Shortly after, the company developed Cheerios and several other successful cereal brands.³ From June 2014-May 2015, cereal accounted for 22% of General Mills’ total U.S. sales.⁴

In 1963, General Mills’ product developer, John Holahan, developed the first version of Lucky Charms; using Cheerios cereal and Circus Peanuts candy as his inspiration. Lucky Charms was the first cereal to include “marbits,” which are marshmallow pieces. In 1964, Lucky the Leprechaun was introduced in an expensive advertising campaign that used comics and animated ads. Lucky Charms’ first slogan was “Tis a charmin’ cereal... simply charmin’!”⁵ The cereal evolved in 1967 when sugar frosting was added to the oat pieces in response to declining sales, in order to make them taste sweeter.⁶

While Lucky the Leprechaun remained the mascot of the brand across most of the U.S. regions in 1975, he was briefly replaced by “Waldo the Wizard” in New England because focus groups had a preference for Waldo. Later, when the New York advertising agency Dancer Fitzgerald redesigned the Lucky character to be “more friendly,” people began to prefer Lucky and he was reinstated as the only mascot.⁷ Now, Lucky remains the brand’s mascot with the slogan, “They’re Magically Delicious!” and many advertisements feature Lucky being chased by children who want to steal his Lucky Charms.⁸

In 2005, General Mills introduced Chocolate Lucky Charms, which featured chocolate oat pieces instead of the traditional oat pieces, and these are still on the market today. In addition, Berry Lucky Charms were created in 2006, but are no longer manufactured. The shapes of “marbits” in Lucky Charms have changed several times during the cereal’s history.⁹

Today, General Mills is one of the leading food and cereal producers in the United States and boasts more than 40 cereal brands.¹⁰ In a June 2015 blog post, General Mills announced that it would take all artificial flavors out of their cereal brands in an effort to better meet consumer desires for natural foods and to increase company sales. The move from artificial to natural flavors is expected to be completed by 2017 or 2018 at the latest.¹¹ In addition, in July 2015, General Mills announced that they would be producing a gluten-free version of Lucky Charms.¹²

Industry Trends

Cereal sales have declined in the past couple of years and are expected to continue to decline 21.8% in the years 2015-2020.¹³ Cereal industry leaders such as General Mills, Kellogg and Post Holdings all experienced declines in cereal sales in recent reports.¹⁴ For instance, cold cereal sales declined 6.3% for Kellogg and 2.7% for General Mills in 2015.¹⁵ Cereal

manufacturers must create innovative products and marketing campaigns in order to boost cereal sales in a declining market.

There are several explanations for cereal sales declines. People are experiencing higher levels of disposable incomes with economic recovery from the 2008 economic recession. Cereal is seen as an inexpensive breakfast option, and thus is consumed more often during harsh economic times. As Americans re-entered the workforce post-recession, they sought breakfast options that are perceived as more portable and convenient than cereal, such as yogurt and bars.¹⁶ Of people who consume hot or cold cereal, 40% said cereal should be more portable.¹⁷

Americans are increasingly able to afford more expensive breakfast options as they gain more disposable income, such as eating breakfast outside of the home.¹⁸ Justin Massa, CEO of Food Genius, a company that studies food trends, told CNN that there has been an increase in the amount of restaurants that offer breakfast options.¹⁹ This presents a threat to the cereal industry, as the fast food industry is expected to grow in the next five years.²⁰

Americans are becoming more health conscious and will continue to take health and nutrition factors into account during the next five years. Many consumers see cereal as a high-sugar, unhealthy and heavily processed breakfast option. One-third of consumers who ate less cereal between 2010-2015 reported they were doing so because of the high sugar content in many cereals.²¹ There is a growing number of Americans that have intolerance for gluten, increasing the need for gluten-free products.²² The cereal industry has responded for the demand for less processed, healthier products in various ways. General Mills launched Cheerios Protein in May 2014²³ and has a line of organic cereals, Cascadian Farms.²⁴ In the near future, gluten-free Lucky Charms will be introduced²⁵ and all natural flavors will be taken out of General Mills' cereals.²⁶

Cold cereal sales are decreasing while hot cereal sales are increasing. Consumers report that they perceive hot cereal as more nutritious and filling than cold cereal.²⁷ While PepsiCo, Inc. only holds 6.6% of the cereal market share;²⁸ it is by far the leader in hot cereal where it owns 58.1% of the market share (PepsiCo produces Quaker Oats products). General Mills does offer hot cereal options, such as Chex Gluten-Free Oatmeal which launched in July 2014 but only had \$13.6 million in sales, compared to their \$2.9 billion in cold cereal sales in similar time periods.²⁹

The price of wheat, coarse grains and corn-essential ingredients in many breakfast cereals is expected to decrease over the next five years. Also, the supermarket and grocery store industry is expected to grow, creating a larger market for cereal manufacturers to sell their products in.³⁰ However, in the period 2010-2015, cold cereal sales at supermarkets and drug stores declined. This could be due to mass-merchandise stores' ability to sell cold cereal at a lower price.³¹ Focusing on selling to mass-merchandise retailers could boost sales of cold cereal in an otherwise declining market.

Competitive Analysis

Lucky Charms has several competitors in both the cereal industry and breakfast food category. These competitors come from both outside companies and brands within its own company, General Mills.

General Mills', Lucky Charms' parent company, has 21.8% of the market share of the cereal industry. General Mills has three major competitors: Kellogg's with 31.5% of the market share, Post Holdings, Inc. with 9.6% of the market share, and PepsiCo, Inc. with 6.6% of the

market share. Industry concentration is expected to increase in the next five years as these companies continue to acquire healthier and more natural cereal brands.³²

Lucky Charms was the seventh best-selling cereal brand in 2014, with \$260 million in sales. The brands with higher sales than Lucky Charms include three General Mills brands (Honey Nut Cheerios, Cheerios and Cinnamon Toast Crunch), two Kellogg's brands (Frosted Flakes and Frosted Mini Wheats) and one Post Holdings brand (Honey Bunches of Oats).³³ In addition, out of the five "Big G" General Mills cereal brands, Lucky Charms has higher sales than Cocoa Puffs, but is surpassed by Honey Nut Cheerios, Cheerios and Cinnamon Toast Crunch.

Honey Nut Cheerios is the leading brand of cereal in the United States and like Lucky Charms is produced by General Mills.³⁴ Its sales in 2014 totaled \$510 million.³⁵ Honey Nut Cheerios is a version of Cheerios, with a sweeter taste of golden honey. The cereal box claims it can help lower cholesterol, is gluten-free and is a good source of iron and calcium.³⁶

Frosted Flakes, produced by Kellogg's, is the second best-selling brand of cereal in the United States. Its sales totaled \$434 million in 2014.³⁷ It consists of corn flakes frosted with sugar. It contains 10% of the daily recommended Vitamin A and C and has three variations: Frosted Flakes, Frosted Flakes Reduced Sugar with Fiber and Frosted Flakes Choco Zucaritas.³⁸

In addition to other cold cereal brands, Lucky Charms faces competition from other breakfast options such as yogurt and bars. The cereal and snack bar industry is projected to grow 13% from 2012-2017.³⁹

There are various factors that determine how cereal will do in the market. Consumers are concerned with price and would like to get the best value for their dollar. In addition, where the product is positioned on the shelf is important. Best-selling products are typically placed at eye-level to catch the consumer's attention. Products placed lower on shelves are meant to appeal to children, as they are shorter and can better see products placed lower.⁴⁰ In addition, the cereal box's appearance and taste of the cereal are important elements of the product. Among its main competitors, Lucky Charms is intermediately priced and is placed on the bottom shelf of the cereal aisle.⁴¹

Brand	Sales (2014)	Manufacturer	Price (biggest box on shelf)⁴²	Features	Shelf Position
1. Honey Nut Cheerios	\$510 million	General Mills	\$4.25 (21.6 oz. box)	Cheerio shape, golden honey taste	Eye-level, middle of aisle
2. Frosted Flakes	\$434 million	Kellogg's	\$3.75 (19 oz. box)	Corn flakes with sugar frosting	Bottom shelf, end of aisle
3. Honey Bunches of Oats	\$387 million	Post Holdings, Inc.	\$4.50 (27 oz. box)	Flakes, oat clusters, hint of honey	Eye-level, front of aisle
4. Cheerios	\$340 million	General Mills	\$4.15 (18 oz. box)	Whole grain oat cereal	Higher than eye-level, middle of aisle
5.	\$314	General Mills	\$4.00	Wheat and	Eye-level,

Cinnamon Toast Crunch	million		(20.25 oz. box)	rice squares with cinnamon and sugar	near front of aisle
6. Frosted Mini Wheats	\$270 million	Kellogg's	\$3.75 (24 oz. box)	Shredded wheat pieces with frosting	Eye-level, near back of aisle
7. Lucky Charms	\$261 million	General Mills	\$4.00 (20.5 oz. box)	Toasted oat pieces with marshmallows	Bottom shelf, near front of aisle

Front of Cereal Aisle *Pick 'N Save, Brookfield, WI*



Middle of cereal aisle

Front of cereal aisle

Back of Cereal Aisle *Pick 'N Save, Brookfield, WI*



Back of cereal aisle

Middle of cereal aisle

Consumer Analysis

There are slightly more females consuming Lucky Charms than males. Two-thirds of Lucky Charms consumers are ages 25-54. People ages 18-44 are more likely to consume Lucky Charms, while people age 55-65+ are less likely to consume Lucky Charms. 72.6% of Lucky Charms consumers are white, and the southern region of the United States has more Lucky Charms consumers than any other region. Lucky Charms consumers tend to be more politically conservative (35%) than politically liberal (17%). People who consider their diet to be healthy are less likely to consume Lucky Charms.⁴³

There is a correlation between Lucky Charms consumers and family makeup. Of Lucky Charms consumers, 62% have one or more children in the household, and people with one or more children in their household are more likely to consume Lucky Charms. A quarter of Lucky Charms consumers have a child ages 6-9 years old in their house.⁴⁴ Children can be considered

influencers of Lucky Charms consumers as they may influence their parents to buy the cereal for them.

Ken Powell, chief executive officer and chairman of General Mills, told Food Business News that “adults consume nearly half of all Lucky Charms cereal.”⁴⁵ In addition, of those who reported eating cereal, 67% of those ages 18-34 and 64% of those ages 35-44 said that the same cereal brands they enjoyed as children are still their favorites. Since Lucky Charms has been around for more than 50 years and has an extensive history as a brand, this could provide an advantage. Also, it indicates that adults could be purchasing Lucky Charms not only for their children but for themselves.

Younger men and women ages 18-34 were more likely to indicate that they were eating more cereal.⁴⁶ Full or part-time college students are more likely than the average population to consume Lucky Charms. People ages 18-24 are also more likely than the average population to consume Lucky Charms. 40% of Lucky Charms consumers are ages 18-34. This shows that Lucky Charms consumers are typically young.⁴⁷

Primary Target Market

Lucky Charm’s primary target market is people with one or more children in the household ages 25-54.

Secondary Target Market

Young adults ages 18-34 without children who may be eating cereal as a snack as well as a breakfast option.

Brand Analysis

Lucky Charms is a strong performer for General Mills; in fact, it’s the seventh best-selling cereal in the United States.⁴⁸ The brand thrives on connecting consumers with a breakfast cereal that relies heavily on the element of fun and applies numerous strategies to connect consumers with this brand image.

The cereal uniquely brands itself with two main headlines, claiming “it’s magically delicious!” and “part of a nutritious breakfast.” The brand amplifies these taglines by describing the *magic* found in Lucky Charms through numerous social media and advertising strategies.⁴⁹ Beyond the popular taglines, Lucky Charms also heavily relies on its mascot Lucky the Leprechaun throughout its advertising campaigns.⁵⁰ Lucky is the face of the cereal and promotes the majority of the brand’s messaging. This mascot has become the face of Lucky Charms and has heightened brand awareness in comparison to other cereals without a clearly formed mascot.

Lucky Charms is seen as a brand that has been with consumers for a long time. People have high awareness of the brand and are fairly aware of its historical prevalence. This has allowed the brand to remind audiences of the place Lucky Charms have held in consumers’ hearts for the last 51 years. “Retro” branded boxes and commercials have worked well to convey this idea to consumers⁵¹.

Parents’ Perception of the Brand

Lucky Charms is extremely popular with children, but it has struggled with advertising to families due the unhealthy perceptions of the cereal. Though there are marshmallows in the cereal, the other parts are made up of whole grains. This is a significant distinction because though parents are feeding their children a cereal with some healthy ingredients,⁵² the marshmallows often appear to outweigh the nutritional value. However, children push their

parents fairly hard to purchase Lucky Charms because the advertising appeals so greatly to them. Lucky the Leprechaun is always shown interacting with kids and the advertisements' messaging is clearly tied to a young target base.⁵³ Our customers are separated by their desire to eat a fun, sugary cereal while also trying to balance families' diets from a nutritional standpoint. There is good news for the brand on the horizon; General Mills has instilled plans to cut out artificial food coloring and flavors from many of their brands, and Lucky Charms is one of them.⁵⁴ This will hopefully increase consumption and bring more validation to advertiser's health conscious focus while still seeming fun.

Adult Consumers' Perception of the Brand

Unlike other cereal brands that have either a child or adult consumer market, Lucky Charms successfully appeals to both audiences. Almost half of Lucky Charms consumers are adults and General Mills reports that this segment of the market responds well to advertisements aimed at them.⁵⁵ General Mills has relied heavily on nostalgia to reconnect adults with the brand they loved as kids. Mintel reported that 20% of Millennials surveyed said they purchased and/or consumed Lucky Charms within the last month; this is paired nicely with the iGeneration who came in at 27%.⁵⁶ Despite having many branding strategies aimed at younger generations, adults still seem to be attracted to Lucky Charms.

Media Usage Analysis

Nowadays advertisement delivery is more complicated. Resource allocation is of great importance when companies need to decide where to spend the advertising budget. Though online advertising was described as an efficient method to target potential customers, it is becoming harder to reach the audience. In the second quarter of 2015 alone, 16% of the US Internet users blocked ads thanks to different ad-blocking applications or extensions. The number of users who block ads in the United States increased by 48% in the last year, reaching 45 million monthly active users during the second quarter of 2015. Moreover, iOS 9, the latest generation of Apple's mobile operating system, allows users to block ads on mobile devices.⁵⁷ This may affect the mobile advertising industry since half of mobile phone users access the Internet primarily through their mobile phone

With that being said, Lucky Charms still uses television to advertise their product. Lucky Charms aired 15-second-long TV commercial during the season finales of American Idol and The Voice, both of which are very influential TV shows.⁵⁸

According to the annual financial report from General Mills, the advertising and media expense in 2015 is \$823.1 million, which is slightly lower than the figure four years ago. In 2011, the expense was \$843.7 million. In fact, from 2012 to 2015, the advertising and media expense dropped \$90.6 million.⁵⁹

Lucky Charms also strategically focused on the adult market by employing nostalgia. As General Mills CEO, Ken Powell, said, a generation of consumers grew up with Lucky Charms and therefore has a deep affection for the brand. Many adults still consume the same cereals they did as when they were growing up. The ad campaign resulted in a 3% increase in sales.⁶⁰

The mobile game, Chase for the Charms, was launched on both the iOS App Store and Android Google Play store, in April 2013. It did not receive many responses from players, and the game was not updated since it was launched because it was only a campaign for a short time period.⁶¹ However, the game did a very good job at combining augmented reality with mobile games. According to Greg Pearson, the brand's marketing manager, the purpose of this mobile campaign is to attract "another layer of adults that we don't typically reach with our TV plan." In

2015, eight years after the first generation of the iPhone was introduced, mobile games on smartphones or tablets have become a very huge market. 48 million people in the United States play mobile games.⁶²

Category Creative Analysis

Since 1964, when General Mills introduced Lucky Charms cereal to the market, their advertising and branding practices have remained consistent. The first box released in 1964 was red, featured a photo of the cereal and included a photo of the cartoon L.C. Leprechaun.⁶³ It wasn't until later that the character's name officially became Lucky. To this day, Lucky the Leprechaun remains the icon associated with Lucky Charms.⁶⁴ Lucky Charms' first television commercial was black and white, and advertised itself as a cereal that paired well with milk. It was the most expensive television commercial to roll out at that time. In addition to the television commercial, colored ads in comic books featured Lucky the Leprechaun.⁶⁵

Colors play an important role in the recognizability of Lucky Charms. The Lucky Charms box resembles a rainbow and is visually appealing to children who may find that it stands out in an aisle in the grocery store. The Leprechaun on the outside of the box is fun and engaging for children. Over the brand's history, Lucky's appearance has changed with artistic and technical innovations. The original Lucky was more of a simplistic cartoon, but as time has gone on and technologies have advanced, his appearance is more digitally animated. The colorful box parallels the colorful marshmallows that are inside the box. The original marshmallows inside of the Lucky Charms cereal were bells, fish, arrowheads, clovers and Xs, green clovers, pink hearts, orange stars and yellow moons. Of those original marshmallow pieces, only the pink heart remains.⁶⁶

In the iconic commercials that Lucky Charms produces, they follow the consistent theme where children are chasing after Lucky in hopes of getting his Lucky Charms. In 2014, Lucky Charms released a television commercial that seemed to be targeting Gen X and Baby Boomers, because it captured the sense of an old-school video game.⁶⁷ Throughout the history of Lucky Charms, the brand has employed a nostalgic tone in advertising several times. However, both children and Lucky the Leprechaun are still very much present in the commercial.

Much like the mascot and commercials, the slogans and jingles of the General Mills cereal brand remained relatively consistent. Many consumers would recognize Lucky Charms by its simple yet memorable jingle: "They're Magically Delicious." This catchy tune, which is ranked as the third most memorable cereal taglines of all time,⁶⁸ is not the brand's only successful copy. In the first commercial ever aired for Lucky Charms, Lucky the Leprechaun can be heard saying "It's a charmin' cereal, simply charmin',"⁶⁹ but this is never mentioned in either the present day slogan nor jingle.

In addition to the visual differences between the cereal boxes of the 1960s and the cereal boxes of the present day, there are some subtle differences in the text that appears on the packaging. In the mid 1960s, when General Mills first released Lucky Charms, the box consisted of a large, and maybe over-sized, General Mills logo at the top. The packaging was relatively bare in terms of wording. Aside from a tagline that read "Goodness in toasted cereal with marshmallow bits," in which the word "goodness" was similar to the font of the General Mills logo, the only other scripture on the box informed consumers of a game on the back of the package.⁷⁰ On the other hand, the boxes that can be found nationwide in stores today contains copy such as the jingle "They're Magically Delicious" and describes the product as a "Frosted toasted oat cereal with marshmallows." Furthermore, cereal brands including Lucky Charms

started to emphasize nutritional facts, so consumers are able to find such facts in the upper right hand corner of the front of the box.

The noticeable tagline used by the Lucky Charms brand is “They’re Always After Me Lucky Charms!” In current commercials, the Leprechaun can be heard claiming that people are always after his cereal in his Irish accent.

Honey Nut Cheerios is the leading brand of cereal in the United States. Most of the advertisements for Honey Nut Cheerios are centered on its whole grain content and the notion that it can help lower cholesterol. Consumers have become increasingly concerned with cholesterol and heart disease, leading Honey Nut Cheerios to focus their advertising on the health benefits that come with eating the cereal.⁷¹

Frosted Flakes is the second best-selling brand of cereal in the United States. Frosted Flakes mascot is Tony the Tiger and many of its advertisements are focus on sports and exercise, emphasizing the cereal’s ability to be used as “fuel.”⁷² This advertising also connects the brand with a healthy lifestyle, while maintaining a “fun” mascot.

These advertisements are able to appeal to children, parents and adults without children. The marketing of Honey Nut Cheerios and Frosted Flakes appeals to many generations and to an increasingly health conscious market. While these brands are perceived as healthier than Lucky Charms, Lucky Charms is similar in calorie count and sugar content to each of these brands. While Lucky Charms has 110 calories and 10 grams of sugar per serving,⁷³ Honey Nut Cheerios contains 110 calories and 9 grams of sugar per serving⁷⁴ and Frosted Flakes has 110 calories and 10 grams of sugar per serving.⁷⁵ Though Lucky Charms is similar in nutritional facts to its competitors, it does less to emphasize its health benefits (like the vitamins and minerals it contains), creating a brand perception that could be less likely to appeal to adults today.

Public Opinion and Stakeholder Analysis

Public Opinion

General Mills attempts to reach a diverse population with Lucky Charms, including LGBTQ members, nostalgic adults and health-conscious Americans. In 2013, Lucky Charms launched its #LuckyToBe campaign in alliance with the LGBTQ community. The hashtag encouraged “people with Pride to tweet and post online their reasons for why they're prideful.”⁷⁶ Also in 2013, General Mills’ spokeswoman, Maerenn Jepsen, said adults were returning to Lucky Charms consumption, associating the cereal with nostalgia. She said this was attributed to a campaign that began in January 2013, which focused on reigniting adults’ childhood love for Lucky Charms.⁷⁷ Their recent focus, in 2015, is on consumers increasingly concerned with the ingredients going into their food. Concerns over substances such as artificial flavor, high fructose corn syrup and gluten are in popular debate. In response to this, General Mills announced in June 2015 the removal of artificial flavors in their cereal. GM said the marshmallows in Lucky Charms make it one of the hardest cereals to recreate.⁷⁸ The decision to remove artificial flavors is supported by the Nielsen report, *We Are What We Eat*, which said 59% of North Americans are lowering sugar in their diets to lose weight and 60% are eating more natural, fresh foods.⁷⁹ Then, in July 2015 General Mills’ chairman and CEO, Ken Powell, announced the evolution of gluten-free Lucky Charms, which will be produced from oat flour used to create gluten-free Cheerios.⁸⁰ With regards to the economy, in September 2015, employers decreased hiring, after adding fewer jobs in July and August than anticipated. Only 142,000 new jobs were added to the American economy in September, due to job cuts by manufacturers and oil drillers. However, U.S. consumers are “spending at a healthy pace.”⁸¹ Additionally, *The New York Times* said 90%

of American households say they buy ready-to-eat cereal. Demographic trends that influence cereal consumption include the declining birthrate and Latinos and Asians choosing other breakfast foods. Consumers between ages 14 and 32 are less likely to eat the traditional three meals a day, and when they're eating they are choosing healthier options.”⁸²

Stakeholders

1. General Mills Company & Stockholders
 - a. General Mills is the owner of Lucky Charms, so the cereal can contribute to an overall gain or loss in company sales. Currently, General Mills' stock costs around \$57. The company beat first-quarter profit expectations.⁸³
2. General Mills employees
 - a. 42,000 full and part time employees as of May 31, 2015
 - b. As of May 31, 2015, GM operated 66 production facilities⁸⁴
3. Lucky Charms consumers
 - a. The purchasers of Lucky Charms determine the fate of the product. There are consumers of Lucky Charms and Chocolate Lucky Charms. Consumers include young adults, parents buying cereal for their children and nostalgic adults.
 - b. In 2012, a General Mills' blog post said, “traditionally, 45% of Lucky Charms users have been adults.”⁸⁵
4. Potential Lucky Charms consumers
 - a. Through the resurgence of cereal sales, new Lucky Charms consumers offer potential for brand growth and an increase in sales.
5. Retailers
 - a. Wal-Mart Stores, Inc. accounted for 21% of consolidated net sales and 30% of net sales in U.S. retail in fiscal year 2015. Other retailers include Target, grocery stores and convenience stores.⁸⁶
6. Farmers
 - a. Whole grain oats and corn are two commodities that are part of Lucky Charms listed ingredients. The demand for Lucky Charms determines how much farmers must produce and food production determines how much farmers can sell to General Mills. Additionally, milk producers can benefit from increased cereal consumption, for those that eat their cereal with milk.

SWOT Analysis

Strengths

- Brand awareness among customers
- Brand consistency in advertising strategies
- Inclusion of healthier options through introduction of gluten-free product and loss of artificial flavors

Weaknesses

- Perceived as unhealthy, unnatural and sugary by customers
- Advertising geared toward children, not adults who purchase the brand
- Seen as strictly a “breakfast” product

Opportunities

- Emphasizing healthiness of product
- Promote that it can be eaten anywhere, at home or “on the run”

- Promote ability for product to be eaten at any time of day

Threats

- Consumers turning to more portable, convenient and healthy breakfast options
- Consumers becoming increasingly health conscious
- Consumers eating less breakfast as lifestyle changes occur

Key Issues and Implications

1. Lucky Charms is perceived as an unnatural and unhealthy cereal by many consumers due to its colorful marshmallows and appeal to children as a “magically delicious” cereal. With the inclusion of gluten-free Lucky Charms and the loss of artificial flavors and colors, Lucky Charms must emphasize its health benefits and lose the stigma of an unhealthy, unnatural product.
2. Many consumers are turning to breakfast options other than cereal as their lives become busier and they have more disposable income. Many consumers no longer have the time or desire to sit down and eat a bowl of cereal with milk. Becoming a “snack” that can be enjoyed anytime and anywhere will make Lucky Charms a more versatile product and will lead to increased sales.
3. Many aspects of Lucky Charms’ marketing is geared toward children. Children help to influence the things their parents are buying, so by gearing communications and advertising towards children, Lucky Charms can isolate some adult markets. By appealing to adults, Lucky Charms can expand its target market.

¹ <http://www.generalmills.com/en/Company/history>

² <http://www.generalmills.com/en/Brands/Overview>

³ General Mills History Book PDF <http://www.generalmills.com/en/Company/history>

⁴ General Mills 2015 Annual Report http://investors.generalmills.com/quarterly-earnings?_ga=1.64888175.1552848656.1442586108

⁵ <http://blog.generalmills.com/2014/03/lucky-charms/>

⁶ <http://mentalfloss.com/article/55538/50-year-history-lucky-charms-65-marbits>

⁷ <http://www.neatorama.com/2015/03/18/Waldo-the-Wizard-The-Forgotten-Lucky-Charms-Mascot/>

⁸ <http://blog.generalmills.com/2014/03/lucky-charms/>

⁹ <http://mentalfloss.com/article/55538/50-year-history-lucky-charms-65-marbits>

¹⁰ General Mills History Book PDF <http://www.generalmills.com/en/Company/history>

¹¹ <http://time.com/3930511/general-mills-remove-artificial-flavors/>

¹² <http://blog.generalmills.com/2015/07/lucky-charms-going-gluten-free/>

¹³ Mintel, Hot and Cold Cereals August 2015 Report, “Market Breakdown”

¹⁴ <http://money.cnn.com/2014/09/18/investing/cereal-stocks-sales-down/>

¹⁵ Mintel, Hot and Cold Cereals August 2015 Report, “In cold, the large companies struggle most”

¹⁶ IBIS World, US Industry Report- Cereal Production January 2015, “Key External Drivers”

¹⁷ Mintel, Hot and Cold Cereals August 2015 Report, “What’s Working”

¹⁸ IBIS World, US Industry Report- Cereal Production, “Key External Drivers”

¹⁹ <http://money.cnn.com/2014/09/18/investing/cereal-stocks-sales-down/>

²⁰ IBIS World, US Industry Report- Cereal Production January 2015, “Industry Outlook”

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²² <http://www.adweek.com/news/advertising-branding/why-dont-americans-breakfast-cereal-anymore-159497>

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- ²⁸ IBIS World, US Industry Report- Cereal Production January 2015, “Major Companies”
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- ³⁰ IBIS World, US Industry Report- Cereal Production January 2015, “Key External Drivers”
- ³¹ Mintel, Hot and Cold Cereals August 2015 Report, “Market Breakdown”
- ³² IBIS World, US Industry Report- Cereal Production January 2015, “Competitive Landscape”
- ³³ <http://www.bakeryandsnacks.com/Markets/Top-10-best-selling-US-cereal-brands-2014-IRI-data>
- ³⁴ <http://www.adweek.com/news/advertising-branding/why-74-year-old-cheerios-still-america-s-no-1-cereal-166715>
- ³⁵ <http://www.bakeryandsnacks.com/Markets/Top-10-best-selling-US-cereal-brands-2014-IRI-data>
- ³⁶ <http://www.cheerios.com/Products/Honey%20Nut%20Cheerios.aspx>
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- ³⁸ <https://www.frostedflakes.com/FlakeBreakdown>
- ³⁹ Mintel, Cereal and Snack Bars March 2013 Report, “Scopes and Themes”
- ⁴⁰ <http://www.realsimple.com/food-recipes/shopping-storing/more-shopping-storing/grocery-store-layout/shelf-layout>
- ⁴¹ *At Pick ‘N Save, Brookfield, WI
- ⁴² Prices taken from Pick ‘N Save, Brookfield, WI
- ⁴³ Simmons OneView
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