

Product Intelligence Report



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Ali Boshehry

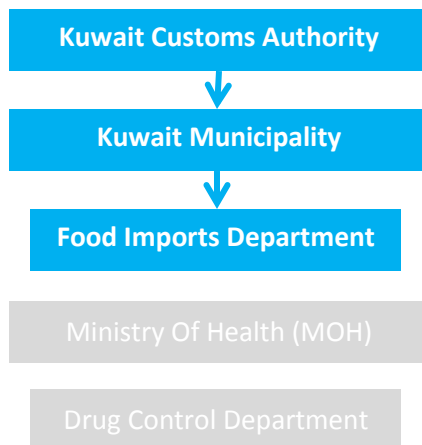
Managing Director

ali@globalmarkets.com.kw

Address	Global Markets P.O. Box 877 Al Souk Al Dakhili 15259 Kuwait
Tel	+965 22498061
URL	http:// globalmarkets.com.kw

Required Approvals

Since the product does not clearly mention any health enhancements effects and food supplements such as vitamins, the only required approvals are from the customs authority and the Food Imports Department at Kuwait Municipality.



Market Review

The current cereal supply market is dominated by Kellogg's and Nestle providing a wide range of product flavors and portions while dominating the biggest shelf share in retail and wholesale outlets. There are other smaller players such as Weetabix, Country Farm, General Mills, and Heaven Birds but they lack the shelf presence and variety in many outlets.

The analysis divided competing supply in the market based on product composition which constitutes of cereal with chocolate filling and/or filling. Direct competition to the proposed product has been introduced recently into the market by Kellogg's with its Trésor brand which comes in two different flavors; milk chocolate and chocolate hazelnut. Indirect competition has been also considered in the analysis by covering chocolate cereal of all

other shapes such rice toasted chocolate cereal, shells chocolate cereal, and coco pops.

Market Segmentation

Supply Segmentation

The study covered 16 outlets in the different areas of Kuwait. The variety of outlets selected covered different consumer characteristics vs. the available selection of products and prices in their areas. The areas covered are:

Area	Governorate
Shuwaikh	Asimah
Al Rawda	Hawally
Salmiya	Hawally
Mishrif	Hawally
Jabriya	Hawally
Qurain	Mubrak Al Kabeer
Addan	Mubarak Al Kabeer
Abu Fateera	Mubarak Al Kabeer
Hadiya	Ahmadi
Al Rai	Jahra

Table 1 Exhibits the areas covered in the analysis

Private supply outlets such as Sultan Center, Lulu Hypermarket, and Géant offer wider range of chocolate cereal products than government owned cooperatives. Table 2 exhibits the diversity of competition in chocolate cereal flavors, shapes, and weights in private and public outlets.

Brand	Private	Public
Carrefour	3	-
Cepro's	3	2
Country Farm	1	6
Diamond	9	-
General Mills	3	-
Heaven Birds	-	4
Kellogg's	47	30
Mornflake	1	-
Mr. Kanny	1	2
Nestle	39	27

Poppins	4	6
Sultan	5	
SweeToon		3
Weetabix	6	1

Table 2 total number of chocolate cereal variations by type of outlet

Table 2 indicates that there is demand generated by expatriates for diversified chocolate cereal products in private outlets than cooperatives. The higher selection of products in the private supermarkets indicates that there is a better chance for consumers to test new products than other locations. Additionally, newly introduced products in the market have a better chance to be recognized in the private supermarkets than in cooperative due the bigger consumer portfolio.

Competition

Direct Competitors

Direct product competition to the chocolate cereal products with chocolate filling has the following product characteristics:

- Products that weigh between 300-399 grams
- Cereal with filling

Product Name	Private	Coops
Kellogg's	KWD 1.450	KWD 1.590
Coco Pops Rocks	KWD 1.450	KWD 1.750
Krave	KWD 1.850	
Tresor Blue	KWD 1.590	KWD 1.590
Tresor Red	KWD 1.690	KWD 1.590
Mornflake	KWD 1.100	
Chocolaty Squares	KWD 1.100	

Table 3 direct competition minimum price comparison in private supermarkets and cooperatives

Product Name	Private	Coops
Kellogg's	KWD 2.050	KWD1.760
Coco Pops Rocks	KWD 1.790	KWD 1.750
Krave	KWD 2.050	
Tresor Blue	KWD 1.590	KWD 1.590
Tresor Red	KWD 1.860	KWD 1.760
Mornflake	KWD 1.100	
Chocolaty Squares	KWD 1.100	

Table 4 direct competition maximum price comparison in private supermarkets and cooperatives

Product Name	Private	Public
Kellogg's	KWD 1.734	KWD 1.684
Coco Pops Rocks	KWD1.686	KWD1.750
Krave	KWD1.983	
Tresor Blue	KWD1.590	KWD1.590
Tresor Red	KWD1.759	KWD1.726
Mornflake	KWD 1.100	
Chocolaty Squares	KWD1.100	

Table 5 direct competition average price comparison in private supermarkets and cooperatives

It is clear that companies have different strategies when it comes to pricing their products in private supermarkets vs. cooperatives. For example, KRAVE by Kellogg's is imported and priced by Sultan Center but the product in Sultan Center Jabriya is sold 200 Fils less than Sultan Center Salmiya. Additionally, some Kellogg's product lines are sold cheaper in coops than in private supermarkets.

Indirect Competitors

Indirect product competition to the proposed product includes:

- Products that weigh between 300-399 grams
- Any chocolate cereal products

Brand	Origin	Av. Price
Country Farm	France	KWD 0.865
	Germany	KWD 0.890
General Mills	USA	KWD 1.800
Heaven Birds	Egypt	KWD 1.130
Kellogg's	Germany	KWD 1.744
	Spain	KWD 1.502
	UK	KWD 1.850
	USA	KWD 2.050
Mornflake	UK	KWD 1.100
Mr. Kanny	Italy	KWD 0.980
Nestle	France	KWD 1.243
	Turkey	KWD 1.189
Poppins	Lebanon	KWD 0.922
Sultan	Egypt	KWD 0.692
SweeToon	Lebanon	KWD 1.280
Weetabix	UK	KWD 1.314

Table 6 price comparison of indirect competitors based on brand and country of origin

It is clear that brand name is the key benchmark factor for pricing chocolate cereal product in the market but not country of origin. Mr. Kanny and Country Farm products are EU products but priced at lower category than popular brands such as Kellogg's and Nestle.

Both Kellogg's and Nestle dominate the cereal shelf space in the private supermarkets and cooperatives with wider range of cereal flavors, shapes, and weights.

Product name	Private	Public
Country Farm	KWD0.990	KWD0.865
Choco Flakes		KWD0.865
Choco Shells	KWD0.990	KWD0.865
Choco Snaps		KWD0.865
General Mills	KWD1.800	
Cocoa Puffs	KWD1.500	
Reese's Puffs	KWD2.100	
Heaven Birds		KWD1.130
Choco Pops		KWD1.130
Kellogg's	KWD1.427	KWD1.382
Coco Pops	KWD1.349	KWD1.364
Coco Pops Chocos	KWD1.265	KWD1.135
Coco Pops Jumbos	KWD1.708	KWD1.650
Mr. Kanny	KWD1.200	KWD0.870
Choco Crunch	KWD1.200	
Choco Smile		KWD0.870
Choko Goal		KWD0.870
Nestle	KWD1.216	KWD1.225
Chocapic	KWD1.178	KWD 1.188
Crunch	KWD 1.298	KWD 1.300
Nesquick	KWD 1.176	KWD 1.210
Nesquick Duo	KWD 1.192	KWD 1.183
Poppins	KWD 0.965	KWD 0.893
Choco Bits	KWD 0.975	KWD 0.880
Choco Bumps	KWD 0.975	KWD 0.935
Choco Flakes	KWD 0.935	KWD 0.935
Choco Pops	KWD 0.975	KWD 0.865
Sultan	KWD 0.692	
Choco Flakes	KWD 0.693	
Choco Pops	KWD 0.690	
SweeToon		KWD 1.280
Fulla Chocolate		KWD 1.200
Choco Cereal		KWD 1.320
Weetabix	KWD 1.304	KWD 1.375
Disney Cars	KWD 1.270	
Weetos	KWD 1.321	KWD 1.375

Table 7 indirect competitors' prices in private vs. public outlets

Product Positioning Scheme

Based on the market review findings which can be summarized as follows:

- There is no correlation in price between chocolate cereal product sold in private super markets and in cooperatives.
- Product brand is the key factor in pricing chocolate cereal products rather than the manufacturing origin
- Competition offer wide range of chocolate cereal products in shape, origin, weight, and price.
- The average price of a direct competing product in private supermarkets is KWD 1.700 and KWD 1.685 in cooperatives
- The average price of an indirect competing product in private supermarkets is KWD 1.245 and KWD 1.180 in cooperatives

Product Name	Private		Coops	
	Minimum Price	Maximum Price	Minimum Price	Maximum Price
Mornflake	KWD 1.100	KWD 1.100		
Chocolaty Squares	KWD 1.100	KWD 1.100		
Kellogg's	KWD 1.450	KWD 2.050	KWD 1.590	KWD1.760
Coco Pops Rocks	KWD 1.450	KWD 1.790	KWD 1.750	KWD 1.750
Tresor Blue	KWD 1.590	KWD 1.590	KWD 1.590	KWD 1.590
Tresor Red	KWD 1.690	KWD 1.860	KWD 1.590	KWD 1.760
Chocolate Cereal with filling	KWD 1.690	KWD 1.690	KWD 1.690	KWD 1.690
Krave	KWD 1.850	KWD 2.050		

Recommended Pricing Scheme

It is worth to note that selling above average retail selling prices is not recommended to newly launched products and brands. Price sensitivity is the dominate consumer attitude in Kuwait. Consumers weigh prices over quality. This is witnessed in the market survey where high quality products from Europe but limited consumer awareness of the brands forced the companies to sell them at lower than average market prices for the chocolate cereal category.

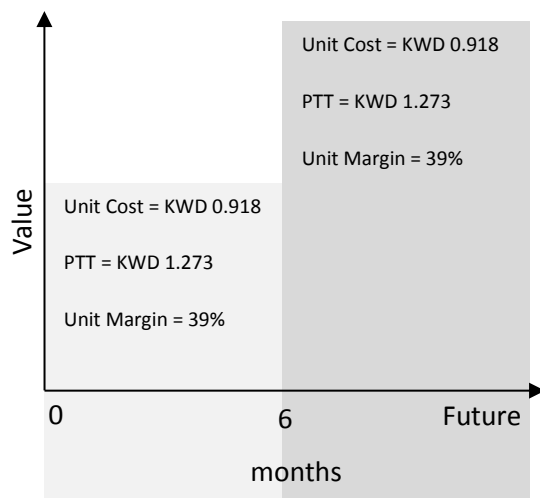
We recommend phasing out the product launch into the following phases:

Phase 1

Unit Cost	KWD 0.918
Unit Price to Outlets	KWD 1.273
Unit Price to Consumer	KWD 1.400
Profit Margin	KWD 39%
Phase Duration	6 months

Phase 2

Unit Cost	KWD 0.918
Unit Price to Outlets	KWD 1.536
Unit Price to Consumer	KWD 1.690
Profit Margin	KWD 67%



Launching the product at below average the market price while marketing the product as high quality Swiss product would attract both the price and quality sensitive consumers.

It is important that approvals for the pricing scheme is obtained based on the phase 2 prices to avoid battling a price increase approval from the Union of Consumer Cooperative Societies (UCCS).

Definitions

- UCCS is Union of Consumer Cooperative Societies
- Unit Cost = is total cost of the product unit sold by source including transportation, taxes, customs, and other charges carried by the product until received by local agent's warehouses.
- $Profit\ Margin = \frac{Price\ to\ trade - unit\ cost}{unit\ cost} \times 100$

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