

Case study: individually mixed muesli (source: Fueglistaller / Müller / Volery 2008)

Over the past few months, Hubertus Bessau and his two fellow students have gained a good overview of the German muesli market. In April 2006 the three friends are sitting in a beer garden in Passau and are thinking about which business model is best suited to offer each of their future customers an individually mixed muesli with the resources available to them.

How everything began

It was a radio spot that gave Hubertus Bessau (24), Philipp Kraiss (24) and Max Wittrock (22) the idea of selling their own muesli: In July 2005, the three of them were sitting in the car together and were on their way to the swimming lake when they heard a radio advert for cereal. They found the radio spot old-fashioned and agreed: "We can do better!" It was already clear in the evening that they wanted to produce not just their own radio spot, but their own muesli with a modern image. At the time, all three were still students with about two more years until graduation.

Hubertus and Philipp met on the first day of their business studies. They later met Max, who was studying law at the same university in Passau while he was completing a journalistic training course at the "Passauer Neue Presse". During his studies Hubertus specialized in marketing and IT and Philipp in financial planning and IT. For Hubertus and Philipp was not the first company. Hubertus already had his first trade license at the age of 16. He earned his first money programming websites. In November 2002 he founded his first company with Philipp: a fully automated video store that allowed customers to Lending videos around the clock, seven days a week. Customers' fingerprints were used for authentication - a technological innovation at the time. In Germany, they were among the first five providers of this type with their fully automated video library.

Business was going well, but when the two went to Budapest while studying to get an additional Master of Business Administration degree, they sold the video store. It would have been difficult to oversee the business from abroad, and sooner or later the two of them wanted to start something else anyway. In addition, by selling the business, they received money that they could invest in new ideas.

Now they were planning to enter a completely new business field and they knew that it would be necessary to better understand the "cereal market".

The market

They decided to get firsthand information about the current range of cereals. In the summer and autumn of 2005 they searched the offers of over 20 supermarkets. She described the main findings as follows: In the supermarkets there was a wide range of muesli products with some dominant brands such as Dr. Oetker, Vitalis, Kellogg's, Kölln, Seitenbacher and various discount brands. Most of the products looked dated in terms of packaging and branding. The packaging showed pictures of an unspoiled nature or pictures of ingredients that seemed overly artificial. They couldn't make out a real premium brand.

Later in their research, the three found something else that they found very interesting. Many people viewed cereal as a healthy meal. However, a look at the nutritional table said something else: Most cereals are extremely high in sugar and saturated fat. In no way could they be called healthy per se. If fruit was contained in a muesli, it was mostly raisins, as they are very cheap compared to other fruits, although many people do not like raisins at all. They concluded that while they would have to compete with a whole range of cereal products, it would be relatively easy to stand out from other products and develop a USP.

However, they knew that knowing the competition would not be enough to assert oneself successfully in the market. They also had to understand their future customers. They therefore developed a questionnaire to find out more about the breakfast habits of their future target group. Among other things, they asked where, with whom and for how long breakfast was generally eaten, what was the favorite breakfast and whether a certain cereal product was preferred. They posted the questionnaire on the Internet. They then sent the link to their friends and asked them to fill out the questionnaire and forward the link again. More than 500 people answered the questionnaire. The three main results summarized as follows: For the respondents it seemed extremely important to see or touch food before buying it. Hardly anyone said they wanted to buy food online. People who enjoyed eating cereal often had more than one variety at home. Despite the large selection of muesli products, it seemed very difficult to find the "right" muesli.

At this very early stage of their research, the three decided that they wanted to offer their customers an individual, tailor-made muesli; an offer that according to the knowledge of the three was only offered by a few health food stores and health food stores.

First thoughts on the business model

The key question, however, was: How could you ensure that the individually composed cereal products tasted good? What exactly was the reason why a muesli tasted good or bad? They decided to do blind tests to answer the question. For example, they tested cranberries, sour cherries, mulberries and some exotic ingredients such as goji berries (berries from Tibet that are reputed to have anti-aging properties).

The blind tests produced the following results: Compared to conventional fruits, organic fruits reliably won all blind tests. On the other hand, organic fruits often didn't look very appetizing, just think of shriveled strawberries. But if you wanted to make sure that your products would always taste good, organic ingredients seemed like the right choice from you. In addition, the blind tests confirmed something that they had already found out in previous online surveys: the tastes of certain ingredients varied greatly. Philipp and Max, for example, loved honey pops, while Hubertus shuddered when he had to eat them.

Taking into account all the information and impressions they had gained through their research, it was clear to them what added value they wanted to offer their future customers: They wanted to sell healthy, individually composed muesli that consisted of organic ingredients and had a modern image. What they did not yet know: where and how should customers be able to combine the ingredients according to their wishes? How should you then bring the finished muesli to the customers? And how should they do both with the resources available to them? They thought about what the right business model should look like.

Finding the right business model

Hubertus, Philipp and Max discussed several options to offer future customers an individual muesli:

- **Muesli vending machine:** Together with a vending machine manufacturer, they would develop a muesli vending machine that gave customers the option of putting together their own muesli, comparable to vending machines that could be used to make French fries at the push of a button. The machine would be placed in supermarkets so that customers could take the cereal with them during their normal shopping.
- **Muesli on the Internet:** The three founders would program a website where you could put together your own muesli with a few clicks of the mouse. The muesli would then be put together according to the selection and sent to the customers by post.
- **Muesli counters in the supermarket:** Muesli counters would be set up like cheese or sausage counters that can be found in the supermarket. For this purpose, cooperations could be entered into with certain supermarket chains. The customers could then have the service staff or nutrition experts put together and weigh them according to their ideas. Hubertus, Philipp and Max's company would then be responsible for keeping the counters tidy and filling them up again. If possible, they would use a subcontractor to do this.

Next Steps:

In April 2006 the three of them sit in a beer garden in Passau to discuss the various business models with which they would be able to exploit the gap in the market. In doing so, they had to take into account the expected income, their knowledge and skills and, of course, necessary investments. Hubertus knew that they would have to agree on a business model and set up an activity plan over the next few weeks that would allow them to set up the company during or shortly after their studies.

Case study questions:

1. How did it come about that Hubertus, Philipp and Max discovered an entrepreneurial opportunity?
2. How did the three founders evaluate the entrepreneurial opportunity?
3. What are the advantages and disadvantages of the different business models for using the entrepreneurial opportunity? What other alternatives are conceivable?
4. What activities must be started before starting the company?