

Nabisco Oreo Analysis

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Introduction

This paper explores the fundamentals of marketing of Nabisco's Oreos in the United States. It focuses on basic key marketing concepts and illustrates how each concept can be applied in a case analysis of Oreos. It focuses on consumer needs and wants, points of difference for Oreos, the primary target market, product lines and lifecycles, pricing and communications, and last, future possible directions for the brand.

Consumer needs and wants

Steve Ballmer, CEO of Microsoft Corporation once said: *"We can believe that we know where the world should go. But unless we're in touch with our customers, our model of the world can diverge from reality. There's no substitute for innovation, of course, but innovation is no substitute for being in touch, either."* This statement illustrates the importance of meeting consumer needs and wants with a good or service. According to Kerin et al (2009) a consumer "need occurs when a person feels deprived of basic necessities such as food, clothing, and shelter while a consumer want is a need that is shaped by a person's knowledge, culture, and personality."

Double Stuf Oreos fill multiple consumer needs and wants in the US market. . First and foremost, they satisfy hunger. Whether the cookie biscuit is used as a snack or as dessert, it is fulfilling the need of hunger relief because it is nutritional and has caloric value.

Second, Double Stuf Oreos satisfy the need for fun. Kids like to eat "fun" foods – foods that can be eaten uniquely and foods that are a treat. Double Stuf Oreos fulfill both of these things because of its "twist, lick, and dip" commercials and the idea of chocolate and crème filling. Additionally what kid doesn't want to eat "America's Favorite Cookie?" Since Oreos have been in the US market for a long time (Double Stuf Oreos were introduced in the US market in 1975), adults are also reminded of the fun times they had as a child eating Oreos.

The third need that is fulfilled is the nurturing and imitation need. Often, children do not enjoy drinking milk, but when Double Stuf Oreos have been marketed to be consumed with milk,

especially for dipping, children are more likely to drink milk if given a Double Stuf Oreo. They want to do what the kids in the advertising campaigns are doing because imitation is a strong need and desire among children. Because of this, mothers can more easily encourage their children to drink milk for important nutritional benefits, along with their Oreo.

A fourth need fulfilled by Double Stuf Oreos is the need for an easy, portable snack. A majority of families are on-the-go in today's busy world and need to pack lunches and snacks for out of home activities. Double Stuf Oreos are easy to throw into a Ziploc bag or Tupperware and remain fresh and delicious all day long.

Points of Difference

According to Kerin et al (2009) "Once the competitive frame of reference for positioning has been fixed by defining the customer target market and nature of competition, marketers can define the appropriate points-of-difference and points-of-parity associations."

Double Stuf Oreos were introduced in the US market in 1975, after the Original Oreo Cookie had been around since 1912 building a strong brand name. In a market where innumerable snack products are available, Double Stuf Oreos had to offer something to make the brand superior to competitive substitutes. In particular, Chips Ahoy! is a main competitor for Double Stuf Oreos because they are similar in size, price, nutritional value, packaging, and serve the same purposes. Double Stuf Oreos however have two important points of difference that help it maintain its superiority.

First, its brand name and association with the Original Oreo being "America's favorite cookie" and "Milk's favorite cookie" is a point of difference (Oreo America's, Oreo Milk's). People associate Double Stuf Oreos with high quality, consistency, and satisfaction. When a product's original is voted America's favorite, many consumers try the new product just to see if they agree with the claim. After the initial purchase, Double Stuf Oreos relies on its secret recipe and creamy goodness to keep customers coming back and remaining loyal. Word-of-mouth and brand loyalty are both very important. Online brand reputation is a particularly important element in marketing campaigns. Since Double Stuf Oreos have positive reviews and loyal followers, their reputation remains strong. The second point of difference is the fact that the Double Stuf Oreo has twice as much crème filling. This is what truly makes the product unique. Many consumers may choose Double Stuf over Original because they believe that the crème filling is the most delicious part of the recipe. Reading online customer reviews, this is usually the consensus among those posting. By listening and

responding to customer demands, Nabisco invented the Double Stuf Oreo purely because consumers wanted more of the delicious cr me filling. In contrast Chips Ahoy is limited to how many chocolate chips can actually be placed in a small, bite-size cookie, Oreos were able to expand its filling to double the amount because it makes the cookie thicker, but not bigger.

The following SWOT Analysis presents the main strengths and weaknesses of the brand in the US market, as well as the opportunities and threats facing it.

SWOT Analysis

Internal Elements	Strengths	Weaknesses
Management	<ol style="list-style-type: none"> 1. High quality product reputation due to the Nabisco brand name and customer loyalty. 2. Oreo recipes are confidential/trademarked to Nabisco and have superior taste to other brands. 	<ol style="list-style-type: none"> 1. Not narrowly defined target market because Oreos can be for any age group and thus it is difficult to define a specific market segment. 2. Competes with other Oreo brands, such as Original or Vanilla, which may ultimately lead to less Double Stuf sales.
Offerings/Product	<ol style="list-style-type: none"> 1. Well known for its "twist, lick, and dip" rule and people enjoy/recognize this. 2. High user reviews and recommendations, which allows word-of-mouth and user ratings online to increase sales. 	<ol style="list-style-type: none"> 1. Nutritional problems, high fat content and calories, does not appeal to the rising health-conscious segment. 2. Double Stuf is not available all over the world and in all stores, whereas Original Oreos usually are.
Marketing	<ol style="list-style-type: none"> 1. Nabisco began a marketing program in 2008, advertising the use of Oreos in a game called DSRL, or "Double Stuf Racing League," to engage young eaters in a fun way (Vasquez). 2. Oreo has formed acquisitions with Dominos and McDonalds, among others to help increase brand name and sales. 	<ol style="list-style-type: none"> 1. Limited advertisements and marketing promotions online (only on Facebook and Twitter recently) as well as few television commercials. Saves money on marketing, but could potentially be losing sales. 2. Plain packaging that doesn't "jump out" at customers while in retail stores could lead a child (or adult) to picking something more "eye-catching."
Finance	<ol style="list-style-type: none"> 1. Affordable product for a snack that lasts a while, especially family size. 	<ol style="list-style-type: none"> 1. Limited ability to raise price due to competitors' low prices, so must stay low to compete and

	<ol style="list-style-type: none"> 2. More value added through packaging and distribution because it is cheap and small. 	<p>maintain customers.</p> <ol style="list-style-type: none"> 2. Sales have slowly declined the past few decades due to rising input costs and consumer spending cut-backs.
Manufacturing	<ol style="list-style-type: none"> 1. Resealable packaging is more appealing, easier to use, and ensures longer freshness. 2. 15% less waste in manufacturing in the last year shows environmental awareness by Nabisco. 	<ol style="list-style-type: none"> 1. Could reduce global footprint even more by reducing waste and using energy efficient machinery and processes. 2. Could reduce shipping and packaging even more by using recycled material and having closer plants to retailers.
External Elements	Opportunities	Threats
Consumer/Social	<ol style="list-style-type: none"> 1. Add more flavor fillings year-round, not just at holidays, to attract more people with more options. 2. Introduce a character to associate with the brand to get kids more engaged and increase brand awareness. 	<ol style="list-style-type: none"> 1. Consumers have many options for cookies/biscuits and can easily buy a different kind on each trip to the store. 2. Growth of private label products/off-brand products as a competitors at lower prices.
Technological	<ol style="list-style-type: none"> 1. Have interactive games on the Oreo website to increase the “fun-ness” of the product and insure customer satisfaction. 2. Offer rebates or coupons online to bring customers back more and more. 	<ol style="list-style-type: none"> 1. Other cookies/biscuits being advertised online and on television may distract customers from Double Stuf Oreos. 2. Consumers can order specialty cookies from overseas and have relatively low shipping costs.
Competitive	<ol style="list-style-type: none"> 1. Spend more on advertising/marketing campaigns to show how and why Oreos are “America’s Favorite Cookie”. 2. Compare nutritional and pricing information with that of competitors’ to show the benefits of Oreos. 	<ol style="list-style-type: none"> 1. Consumers have low switching costs between cookies because they cost about the same and no one keeps personal information about buying. 2. Some other snacks are deemed “healthier” so in a health-conscious world, treats are more of a luxury.

Legal/Regulatory	<ol style="list-style-type: none"> 1. In case laws pass requiring published nutritional information, introduce health and nutritional products (fat free Double Stuf Oreo) to continue contact with the health-conscious. 2. Introduce 100-calorie Double Stuf Oreo packs since Nabisco already owns the 100-calorie brand name. 	<ol style="list-style-type: none"> 1. Laws/regulations and requirements about nutritional labels may decrease sales because Double Stuf Oreos aren't very healthy in comparison to other snacks. 2. False labeling as "America's favorite cookie" if it falls out of top rank.
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Primary Target Market

According to Susan Ward (About.com) target marketing is defined as *"breaking a market into segments and then concentrating your marketing efforts on one or a few key segments"*. Segments can be defined on several different levels including geographic, demographic, psychographic, and behavioral. Determining a product's target market enables more effective and cost efficient marketing strategies and allows the product's goals and mission to be aligned with selling strategies.

The primary target market for Double Stuf Family-sized Oreos in the United States is children, ages four to twelve years old, in middle-class family households. While the primary target market and main consumers of the product are children, it is important for Double Stuf Oreos marketing managers to be aware that most purchases of the product will be through the children's gatekeepers, such as parents or older siblings. Thus, Oreos must have the nutritional information, price point, and convenience that will attract adults as well as the good taste and fun for the children.

The first key element in determining the primary target market is using psychographic segmentation - specifically focusing on the home environment of the children. The lifestyle segment that most of the Oreo-eating children come from is that of a busy, fast-paced family looking for a convenient and price-friendly treat that can be eaten at home or on-the-go. Double Stuf Oreo has responded to the demand for convenience by providing re-sealable packaging for consumption. To satisfy the place element of the marketing mix, distribution in a wide variety of stores provides the opportunity for convenient purchasing.

Another factor is the demographics of the primary target market – specifically, the age of the children and the income of the family they are a part of. Double Stuf Oreos are usually consumed by families of four to five people that have a middle income status. The age of the children is an important determining factor because of the “twist, lick, and dunk” tagline. Also, parents who pack lunches for school children can put Oreos in the lunch because of their convenience and ability to stay fresh.

The geographic segmentation is more complicated for the Double Stuf Oreo because the taste and variety of package sizes are consistent across areas in the United States. However, the placement of advertising and distribution can be segmented. Since, the target market is children of more suburban-type families, having Oreos available in Target and Wal-Mart in suburban areas makes it easier for families to purchase. Furthermore the marketing techniques and tactics vary in different countries. Children of different ethnicities can be shown in commercials, as well as different languages. Additionally product modifications may be necessary. For instance the Chinese Oreo was introduced in the Chinese market in 2006 with a slightly different recipe because Chinese consumers thought it was too sweet and too expensive. Oreo made necessary changes to make the cookie less sweet through alternative ingredients in order to respond to the customer’s demands. As a result, Oreo’s sales doubled in China and became China’s best-selling cookie accounting for 7.3% of the country’s entire cookie market.

Another element is using behavioral segmentation. For example the advertising media needs to be on children television channels or websites in order to best use the communication element of the marketing mix. To illustrate, Double Stuf Oreo cookies commercials are aired during shows such as Hannah Montana rather than during weekday day-time shows that are typically watched by older non-working people. Also, the usage rate is a helpful tool to understand how often consumers purchase the product. Seventy percent of people purchase Oreos “whenever they desire” versus only four percent purchasing them “weekly” (Samreen 2010).

A fifth element that is important for Oreo’s overall marketing strategy to determine their primary target market is the idea of mass versus niche marketing. Oreo is both the United States’ and China’s “favorite cookie” and thus appeals to the mass market. The simplicity and consistency of the cookie appeals to large numbers of consumers and gives the cookie the opportunity to command a leading sales position.

Product Line Extension Opportunity

Many marketers seek to introduce product line extensions for their leading brands. A line extension must meet three requirements: have a current brand name, current product class, and it must enter into a new market segment. A possible line extension for the Double Stuf Oreo would be a Double Stuf Oreo Sandwich. This would involve an increase in the individual size of the cookie. It would be comparable to the size of a regular homemade chocolate chip cookie. This sandwich would be marketed toward a new segment of young adults. Because of its size and individual packaging, the sandwich would be easier to take along as a snack for work or school. This could still satisfy the consumer want for fun and entertainment while consuming a giant Oreo cookie. These over-sized Double Stuf Oreo Sandwiches could in fact mean more fun and a greater treat!

This over-sized Oreo Sandwich could also satisfy the customer need for nutritional value and hunger relief. By reducing the number of cookies per serving to one, the nutritionists designing the new cookie size could create a product that has fewer calories per fat per serving as well as other nutritional benefits.

Offering Double Stuf Oreo Sandwich would also revolutionize the packaging. Instead of coming in a large quantity, re-sealable package, these over-sized cookies could instead be individually packaged with ten per box (similar to granola bar packaging in the US market). A ten pack could be attractive to the Nabisco Company because it would require customers to make more frequent purchases, but it is also a sufficient number to not discourage customers from purchasing this new product. It could also eliminate the need for the additional purchase of Ziploc bags or containers to carry original-sized Oreos. Additionally the individual packaging would also satisfy the customers desire for convenience, especially for on-the-go young adults.

Product Life Cycle

The product focused on in this paper, Double Stuf Oreos, is currently in the maturity stage of the Product Life Cycle (PLC) in the US market. As noted earlier, Double Stuf Oreos were added to the Oreo product line in 1975 as a new product in order to boost sales for Nabisco (Samreen 2010). Original Oreos had already created a strong brand name (since their establishment in 1912) so Double Stuf Oreos was able to quickly take advantage of in order to secure a large market share. Since that time, Double Stuf Oreos have gone through the growth stage and have had rapid sales increases. In the last few years, however, Double Stuf Oreos have entered the maturity stage of the product life cycle.

Reflecting this, the majority of the Double Stuf Oreo consumers are either repeat purchasers of the cookie or have tried and abandoned it for competitors. As noted earlier, seventy percent of Oreo consumers purchase the treat “whenever they desire” which implies that they have tried the cookie before and it has met their expectations, so they will repurchase the treat again whenever they want (Samreen 2010).

As Double Stuf Oreos have been in the market since 1975, the cookies have had thirty-six years to grow and become a staple cookie for its consumers. The Double Stuf Oreos probably went through a rather rapid growth stage due to the popularity of the original Oreo cookie, and the brand recognition that this gave the new cookie.

Double Stuf Oreos was developed as a low-learning product because of its similarity to the original Oreo cookie. This meant sales began immediately because very little learning was required by the consumers and the additional ingredients were widely understood and, for the most part, accepted by the market (Kerin et al 2009).

Another important aspect of the maturity stage is that sales increase at a decreasing rate as fewer new buyers enter the market. Double Stuf Oreo net growth in sales over the past four years have been -0.62% (bankregdata.com, 2011). This is a subtle and gradual drop in sales, which indicates the Double Stuf Oreo has not quite yet reached the declining stage of the product life cycle but has definitely reached its maturity. In order to remain in the maturity stage, Nabisco has continued to attempt to further differentiate the Double Stuf Oreo. Specifically, they have redesigned the packaging to be resealable in an attempt to maintain the freshness of the cookies for a longer period of time.

Pricing

Double Stuf Oreos use a demand-oriented pricing approach in the US market in order to find an approximate price level. Demand-oriented pricing weighs factors underlying expected customer tastes and preferences more heavily than cost, profit, and competition (Kerin et al 2009). For example, research suggests consumers preferred the vanilla filling over the chocolate cookie covering. This is also demonstrated through the “twist, lick, dunk” slogan because people are more concerned with licking the vanilla frosting rather than eating the cookie as a whole.

Oreo pricing has been set in alignment with the marketing truism, "A product is only worth what a customer is willing to pay for it." This means that Nabisco has developed a price range for Oreo that is affordable to most consumers, with certain specials and promotions throughout the year during holiday seasons such as Ramadan (Samreen 2010).

More specifically, Double Stuf Oreos follow a target pricing model. Nabisco works backward through the markups established by retailers, such as Target, Wal-Mart, and with food retailers around the world, to determine what price it can charge for the Double Stuf Oreos that consumers will be willing to pay. Nabisco must try to estimate this price in order to make profits on the cookie bearing in mind the prices these retailers are charging. "Manufacturers deliberately adjust the composition and features of a product to achieve the target price for the consumers" (Kerin et al 2009). This is demonstrated by the fact that the Original Oreos are the same price as the Double Stuf Oreos. This may lead consumers to believe that if they purchase Double Stuf Oreos they are getting more bang for their buck. In reality there are fewer cookies in the package because of the increase in width of the Double Stuf Oreo cookies (Karina 2006).

Double Stuf Oreos use this pricing approach for several reasons. One key reason is likely to be because Nabisco has used this approach on their other hundreds of consumer packaged food items. By leveraging their capabilities and resources, Nabisco can save time, effort, and money rather than expending all of these on a new pricing model. Another reason is because consumers can easily switch between competitor brands available in the same retail location. If Nabisco provides a consumer-sensitive price Double Stuf Oreos have a better chance of being purchased than competitor brands. A third reason why Nabisco may use this pricing model is because of the low profit margins on food. In fiscal year 2010, Nabisco had a profit margin of just 6.14% which placed them in the lower third of the US food industry companies (theonlineinvestor.com 2010). As a response, the company can use this pricing model because it will help determine input costs (which have a direct bearing on the subsequent profit margins!)

Communications Mix Elements

Branding has an important effect on a product's success. It is used to identify and distinguish products. Double Stuf Oreos brand managers have done a good job of leveraging the original Oreo's branding to help the Double Stuf branding. As noted earlier, the Original Oreo Cookie has been around since 1912 in the US building a strong, recognizable brand name which allowed the Double Stuf Oreo to enter the market with a competitive advantage.

Specifically, Double Stuf Oreos applies two communications mix aspects well. The most important of these is the color. The bright blue color with hot pink and white accents allows the consumer to easily spot the product from down the aisle in retail stores. These colors have been the same since 1912, so consumers have been associating these colors with Oreos for decades. Also, "Oreo aims at making their customer's life beautiful with their mouth watery products by filling those with the beautiful colors of love and care" (Samreen 2010). By having a positive brand personality through the use of blue and pink (supposedly representing care and love), this helps the consumer paint a positive image in their minds when eating the cookie.

A second important communications mix aspect for Double Stuf Oreo is the slogan. Most consumers in the US market for the product are familiar with the catchy and popular phrase, "Twist, lick, dunk" that is associated with the fun and entertaining way to eat a Double Stuf Oreo. This tagline emotionally attracts not only children, but also adults, because many of their childhood memories may be connected to eating Oreos with loved ones. Children love to eat food that is fun, so by having an amusing and engaging slogan for the cookie, Nabisco appeals to the target market of children and their parents (their actual purchasers).

Central to Nabisco's success with the Double Stuf Oreos are the actual communications methods that it uses to reach its target market. It mostly uses reminder product advertising and consumer sales promotions.

First, in terms of reminder advertising, Oreos has been in existence for a long time and consumers are very aware of the brand, but they do need to be reminded about the brand given the crowded marketplace. Reminder advertising is good for products with a well recognized position in the maturity stage of their lifecycle, with not much growth (Adams 2011). Oreos is in precisely this position. Historically Nabisco has not changed this product much, but by reminding consumers about the product, sales can hopefully be maintained. The message that Oreos are "America's favourite cookie" can be continuously reiterated.

Second, coupons and samples are the principal sales promotional tools used to stimulate sales. Having coupons increases the likelihood that consumers will make the purchase the next time that they are at the retail outlet. Contests are also used to maintain brand visibility, increase consumer excitement, and build the customer base. Also, Oreos are relatively easy to present as free samples at participating retail outlets, and entice children to ask their parents to buy the cookies.

The Future

Further to the threats outlined in the earlier SWOT Analysis, Double Stuf Oreos may begin, or may already have begun, to lose market share in its core US market. As a result, Nabisco may be faced with declining sales with the brand. Adults may feel compelled or pressured to stop letting their children consume unhealthy treats and replace them with fruits and vegetables (or at least other somewhat healthier processed products).

Two ways that Nabisco could respond to this situation with Oreos is by either highlighting the nutritional benefits to young children that the cookie provides or by creating a line extension using low-fat and healthier ingredients. Each of these two ideas would be intended to reposition the product in consumer's minds through changing a marketing mix element, respectively promotions or product). Redoing the packaging and highlighting benefits are both promotional initiatives, while a line extension would be a product initiative.

First, by redoing the packaging and highlighting how every child needs a special treat to boost the sugars in their metabolism while stressing how children love the Oreo cookie, Oreos could maintain market share. Emphasizing the benefits of the current cookie that everyone loves would discourage people from seeking alternatives and entice them to continue to enjoy "America's favorite cookie."

A second option would be for Nabisco to create a line extension of the Double Stuf Oreo that responds to consumer's concern with healthy eating. They could use low-fat, sugar-free additives to improve the healthiness of the cookie. By doing so, Nabisco could demonstrate that they respond to consumer needs and wants. Not only would this increase brand loyalty of current users, it may also attract new buyers away from competitors' products.

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