

BUSINESS PLAN



A Store for Cereal (Seriously)

LIKE ICE CREAM AND COFFEE BEFORE them, cornflakes and puffed oats are getting an upscale makeover. Cereality, a startup based in Boulder, Colo., is betting that consumer nostalgia for Cheerios and Lucky Charms can be the foundation for a new specialty chain. Cereality served its first bowl at Arizona State University in Tempe in 2003. The pilot store was so successful that co-founder David Roth is opening new outlets in Philadelphia and Chicago this month and plans to add 15 more next year. These are the ingredients of his sales strategy. — MATTHEW MAIER

1 Home Sweet Home

Pajama-clad employees and kitchen-style cabinets create a cozy environment. In larger locations, couches and free Wi-Fi encourage customers to linger (and spend more).

2 Cerealizing the Industry

Customers choose from more than 30 familiar brands, thanks to distribution deals with Quaker (also an investor), General Mills, and Kellogg's. Cereal sales have dropped 8 percent, to \$6.2 billion, since 2000, so industry giants see Cereality as a way to expand the reach of their products.

3 Way Beyond Blueberries

For about \$3, customers can mix two cups of any cereal and select from dozens of toppings. Quaker's Life cereal is the best-seller, but half of all sales come from custom combinations. Cereal bars and smoothies account for a third of sales.

4 Counter Intelligence

Customers can place their orders at kiosks, bypassing lines and paying on pickup. The kiosks also serve as a market research tool: Cereality shares point-of-sale data with its partners.