

EAT OUR WHEATIES

Cereality Cereal Bar & Cafe® spices up the most important meal of the day

By Rodger Brown

When the brain trust behind Cereality Cereal Bar & Cafe was ready to announce their new business back in 2004, they condensed the whole pitch behind their venture into one simple equation: "Ninety-five percent of the American public likes cereal; 57 percent likes sex. We've got cereal."

Even without the sex, the concept was so hot that major media around the country lined up to interview the wunderkind behind Cereality, where it's "Always Saturday Morning.™" With only three stores open — in Tempe, Ariz., Philadelphia and Chicago — they did PEOPLE magazine. They did *The New York Times*. They did *The Today Show*.

"It was like announcing the iPod," said David Roth, CEO and co-founder of Cereality. "It was thrilling for us as entrepreneurs. We had hit a nerve around the world."

What Roth and his partner Rick Bacher had come up with was an idea that was startlingly simple in its basic product proposition—serve cereal to customers—but sophisticated in its execution. They would leverage the loyalty consumers already had with name-brand breakfast cereals to create what amounts to a "meta" brand: a trademarked environment where customers are invited to indulge in everything from wistful nostalgia by slurping the milk from a bowl of their childhood favorite, to zany self-expression by mixing their Lucky Charms with Rice Krispies and Pop Rocks.

It would be a brand based on selling other brands. It sounds like a postmodern art project concocted by over-amped marketing consultants on a sugar high, with the brand no longer serving to sell the product itself. Instead, the product, cereal, is used as a delivery system for the brand experience.

"Rick and I were both working in the world of brand development and marketing, and we were helping other clients build relationships between products or services and customers," Roth explained. "It occurred to us, well, there's a category here where there's already a built-in relationship between consumers and a brand-name product, and that's cereal."

Their conversations began around 1997, when single-concept restaurants were springing up in

Manhattan, and Jerry Seinfeld's cereal fetish and kitchen setting were must-see TV.

"No restaurant was dedicated to selling cereal, nor had any retail store even thought about mining the rich, personal experiences people have with branded cereals," Roth said. "To us it was a kind of a hybrid of the best of traditional retail and of great food service coming together.

"No restaurant had ever built a menu around other people's food. But when other people's food was what was so compelling, we said, 'Let's figure out how to do that.'"

Roth began to work full time on the concept in 2000, but it wasn't until 2003 that he and Bacher — and by that time, deep-pocket strategic partners like Pepsico/Quaker — opened their first test store in a 165-square-foot space tucked away down a hallway in the student union at the University of Arizona at Tempe. Two more locations followed, one in Philadelphia and another in downtown Chicago.

The time was well spent. Working with "best of breed" marketing and product development consultants — their head of research and development is the former head of R&D at Quaker — Roth and Bacher developed a brand proposition and designed the decor and product extensions that played off people's already established relationships with breakfast cereals. The servers at Cereality are called "cerealogists" and wear uniforms resembling pajamas. The physical environment is designed to evoke the casual experience of ordering and eating cereal in a home kitchen.

BOWLED OVER

With college students, families, tourists and business people discovering Cereality and returning frequently, Roth and Bacher saw that something was happening that was more than just an insatiable hunger for wheat and oats.

"We realized that what we created wasn't a cereal business," Roth said. "What we created was the 'Always Saturday Morning' promise. No matter where you are, what time of day, if you come to Cereality, you can have a little touch of that idealized Saturday morning. And it resonates with children as much as it resonates for adults."

Roth and Bacher have hit the sweet spot in new restaurant concepts, says Annette McEvoy, a retail analyst with McEvoy & Associates. In addition to serving cereal, the company offers additional products like breakfast bars and smoothies that take cereal "beyond the bowl."

"I think Cereality could be the next big idea in food," she said. "The product is high quality, and the environment is very experiential. It's very fun. It takes an American type of food ritual, which is cereal, and makes it into a community event and a fun thing to eat."

With the product itself already produced (Cereality has relationships with all the major cereal manufacturers, such as Kellogg's and General Mills) the Cereality team has been able to focus on stirring up marketing gimmicks, a relatively easy task, given the host of puns that the names of cereals offer a clever mind.

For example, among the cereal blends offered is "Life's A Bowl of Cherries," made with Life cereal and dried cherries. Recent marketing initiatives include a partnership with Old Navy to hand out Jolly Ol' Breakfast Bars to every Old Navy customer on Black Friday, the busy shopping day after Thanksgiving; catering a party with cereal for a theatrical production of The Pajama Game; and concocting the "All Mixed Up" cereal blend as a promotional tie-in with the movie *She's the Man*, which involves a girl posing as a boy to earn a spot on a soccer team.

With the concept proven by the success of the three prototype restaurants, Cereality is now ready to take the business to the next level.

"I didn't want to create a one-off, faddish restaurant," Roth said. "I was interested in creating a brand that could be replicable in a lot of different settings, a brand that would have the same potency as some

of the other brands of record out there in the coffee category. We wanted to design it right out of the gate so we could franchise it."

NO FLAKES, PLEASE

Cereality is still refining the various templates to use in franchising, including mobile units and kiosks as well as fully developed stores, but in the meantime, executives say they have begun screening some of the more than 6,000 inquiries they've gotten from people who want a piece of "the next Starbucks," as McEvoy puts it.

"We don't want to overextend ourselves or denigrate the brand by having the wrong partners," Roth said, explaining their cautious approach and high standards for franchisees, who need a minimum net worth of \$5 million just to get an interview.

"We're just trying to manage the demand carefully right now," he added. "We plan to have more than a dozen development deals with multi-unit operators signed within the next 12 months."

Though franchisees will have a variety of store formats to choose from, the company will own and operate a limited number of marquee flagship stores in "high-profile" locations "to fully express the brand."

The first of these anchor cafe's was recently announced, and is to occupy 2,400 square feet in Sherman Plaza, a mixed-use development in downtown Evanston, Ill., just north of Chicago. The location will also house the "Always Saturday Morning BootCamp," a training facility for new franchisees, as well as "Cereality Kitchens," for catering and online order fulfillment.

Locations they are considering for placing Cereality stores include lifestyle centers, movie theaters, stadiums, arenas and transportation hubs, Roth says.

"Franchising is a proven strategy in the food arena," said McEvoy. "It's a very fast way to get the concept out. It's very timely and they should do it quickly and this model will work well for them."

But with great brand power comes great responsibility for policing trademark infringement. If there's any dark cloud over Cereality's sunny Saturday morning, it's the need to vigorously challenge any unwanted guests at the kitchen table. Consequently, the company is keeping a close eye

on newcomers with names like "The Cereal Bowl" and "The Cereal Cabinet" and has already persuaded one called "Cerealogy" to change its name.

"With the demand, comes the threat of knockoffs and we monitor copycat behavior very closely," Roth said. "When we see trademark infringements or unfair competitive business practices, we take that very seriously."