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Teaching Notes

Case Summary

This case discusses the pricing and production of M&Ms. It is focused on a National Public Radio Planet Money podcast in which the journalist does a deep dive into the possible reasons why the sizing of regular M&Ms and peanut butter M&Ms may be different. This case may be discussed from a variety of angles, including marketing, food marketing, or pricing.

Teaching Objectives

1. Students should be able to describe the possible reasons why two different versions of a product may not be the same size.
2. Students should be able to pick a product line and critically analyze the sizing and packaging decisions that went into putting the product to market.
3. Students should be able to critically analyze brand extensions and why marketers may choose to have them relate to the initial product.
Target Audience

The target audience of this audio case can vary as it is meant to provide discussion material for a number of courses, including marketing, supply chain management, and pricing.

Suggested Role-Play or Exercise

Discussion questions 2 and 4 may be used as standalone experiences where students either create their own product extension or look at the product line of a company that is already on store shelves. This helps prompt discussion surrounding the case as most students will not be aware that all pasta sauces, boxes of Cheerios, and orange juice cartons may not be the same size. The audio case is a useful starting point because it gives some reasons for M&M product sizing adjustments, but each product category may have its own unique reasons for sizing differences ranging from shrinkflation (not mentioned in the audio case) to reasons that the case actually dismisses. This will also encourage students to be more conscientious shoppers when they compare products at the grocery store rather than assuming that different product packages are all alike.

Suggested Teaching Strategy

All courses should start with a discussion of the case. Question 1 is useful in that it helps students remember the major reasons why M&M packages may differ in size and helps orient the class to then extend the case from M&Ms into other products. The instructor can then move forward from M&Ms into other product categories of their choice, where they can discuss reasons why packaging might differ between different flavors or product extensions in the same category. Finally, instructors can also allow students to engage in a group activity where they propose a brand extension to a category and then discuss how the brand extension should be positioned. In other words, should the size of the packaging be kept the same, or should it be differentiated in other ways?
Marketing Course

A marketing course can focus on questions 1, 2, 3, 5, and 6 through its discussion.

Food Marketing Course

A food marketing course can focus on all questions, particularly if students are expected to have in-depth knowledge of ingredients.

Pricing Course

A pricing course can focus on questions 1, 2, 3, and 5 through its discussion.

Suggested Answers to Discussion Questions

1. What are the different reasons that the episode lists as to why peanut butter M&Ms might have a different size than regular M&Ms?

   a. According to the episode, there are a number of reasons why the different versions of M&Ms might have a different size. Peanut butter M&Ms might be more expensive to make. While this is debunked in this episode, this may be a good reason for some pricing decisions in other product categories, so students should be aware of this reason as they read the case.
   b. The case also discusses and debunks that the machinery might be the reason that the peanut butter M&Ms have a different sizing for their packaging.
   c. Another reason might be to avoid going over 250 calories per package for candies.
   d. The weight of the peanut butter in the M&M also changes the total weight of the M&M versus a standard, milk chocolate M&M.

   Instructors could bring in packages of both regular and peanut butter M&Ms and ask students to weigh the same number of both versions on a small kitchen scale to determine the difference in weight between the two sets of M&Ms.
Instructors could also ask students to count the number of regular and peanut butter M&Ms in similarly sized packages. Do the packages contain the same number of M&Ms?

2. Pick a food product category that has several different flavors or potential brand extensions. Compare pricing and sizing of the flavors and brand extensions. What stands out to you and why?

e. While answers may differ, one example can be seen in the pasta and cereal categories. There are many variations of Cheerios, for example, which, while sold for the same price, do not have the same weight. The reason for this is likely due to the higher cost or longer production process of the specialty Cheerios products. For example, Honey Vanilla Cheerios or Blueberry Cheerios may require a higher cost to produce than regular Cheerios.

f. In the food industry, it is also important to note that raw ingredients are not the only component of pricing. Economies of scale may play a role as well. If a certain specialty flavor doesn’t have much demand but still requires the same amount of time to change over the production line, the fixed costs required to produce it are spread over fewer boxes.

g. Students may also see some examples of products in the pasta category where the fancier shapes are more expensive rather than being smaller. In this case, the company wants to overtly signal that these are premium products rather than to lump them in as being the same price as their core product line.

3. How might marketers decide whether or not to change the price or sizing of a brand extension? What are the pros and cons of each approach?

h. Generally, a price change signals that the product is either upmarket or down-market of the other products from that brand in the category and is accompanied by another packaging or name signal. If the company instead chooses to create a brand extension with the same price but a slightly different sizing, that is sending a signal that the product is for the same type of customer rather than a different segment of the market. Pros and cons of each approach should focus on market perceptions and overall positioning of the products. In fact, some companies can use their consistent price and sizing options as a way to advertise their willingness to battle against shrinkflation.
4. Create your own line of products, researching the costs of ingredients as well as demand, to create the positioning of a product line for your favorite food brand.

i. This question is intended to be research-intensive and more open-ended. It requires students to do in-depth research into creating a line of products. This question is most appropriate for a more food-oriented class where students can do in-depth research on costs associated with supply chain and ingredient prices for their chosen product.

j. Another consideration that might become important for students in this scenario is what the FDA considers a serving size for their particular product (or the reference amount customarily consumed [RACC]).

5. In the face of rising inflation, why might some companies decide to purposefully decrease the contents of their packaging?

k. This practice, also known as shrinkflation, is fairly common during periods of recession and high inflation. In these cases, rather than raising prices, companies often decrease the amount of product in a package so as to lower their costs. In some cases, customers may see the same package in two different sizes for the same price in a store during a period of transition. This, along with skimpflation (changing out expensive ingredients for cheaper ingredients), has been quite common in many products post-Covid-19 pandemic.

6. Why are numbers like calorie counts important considerations in package content?

l. Consumers pay attention to the numbers associated with the products they buy. Consumers will often set arbitrary thresholds on the number of calories or amount of added sugar that a product can have per serving before they will no longer consider buying it. In many cases, they use small servings such as 100 calorie packs to control the amount that they are eating.

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