

Daily Crunch Case Analysis

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September 21, 2025

Daily Crunch, a new entrant to the “better for you” snack marketplace, must evaluate the success of their go-to-market strategy. Significantly impacted by the COVID-19 pandemic, leadership must refocus and set their sights on market growth in 2021 and beyond. To succeed in this new era, Daily Crunch must decide where to focus its efforts; whether on product expansion, broader distribution methods (e.g. entering new grocery stores, expanding DTC online sales, etc.), or stronger digital marketing tactics and brand positioning.

Currently, Daily Crunch is positioned well as a private label snack in the “better for you” category. Each of these distribution methods are set up for growth: private label products make up 41.9% of the market share in “nuts, seeds, and trail mix” and are the only segment in the industry report to experience a growth in share rather than a decrease from 2019 to 2020 (Figure 1). There has been an uptick in consumer interest in healthy snacks; Daily Crunch is not yet visible in all the places where consumers are looking for and purchasing these snacks. Additionally, with some of the third-party sellers Daily Crunch currently works with, profits are significantly limited by seller fees.

DECISION CRITERIA:

- 1) Daily Crunch must reduce their reliance on lower-margin efforts and focus instead on higher-margin distribution channels to increase overall profitability.
- 2) Daily Crunch must expand awareness and excitement for their brand to ensure its positioning in the marketplace as a “better for you” snack option, rather than a fad or trend.

DECISION ALTERNATIVES:

- 1) Daily Crunch could expand its product line beyond the current options to appeal to a wider range of taste preferences. This would increase the likelihood of consumers trying new flavors and attract customers who are more sensitive or particular about taste.
- 2) Daily Crunch could strategically redefine their digital marketing and branding positioning to ensure their product is seen by not only a large audience, but an audience that is likely to be a repeat consumer.
- 3) Daily Crunch could strengthen its relationships with national distribution channels to ensure its products reach target consumers and are competitively positioned against dominant players in the \$41.7 billion snack industry.

ALTERNATIVE 1:

Daily Crunch could **expand its product line** beyond the current options to appeal to a wider range of taste preferences. This would increase the likelihood of consumers trying new flavors and attract customers who are more sensitive or particular about taste.

In Daily Crunch’s original go-to-market strategy, they launched with three flavors (“Just Almonds,” “Coffee-Soaked Sprouted Almonds,” and “Cherry Berry Nut Medley”) in 1.5 oz. and 5 oz. offerings in a variety of pack sizes. During their development stage, the brand spent dedicated time testing and evaluating the best flavor options to launch their product. By the end of 2020, Daily Crunch had expanded their offerings to include two more flavors (“Cacao + Sea Salt” and “Golden Goodness”).

While it may be exciting to implement new flavors into the Daily Crunch offerings, and provide “new news” for the company, I believe the brand should first secure its positioning with their current flavors and offerings. Having been in the market for less than a year, the brand should continue to foster its relationship with new consumers before redefining its offerings. At this point, the brand has not effectively reached the addressable market for which this product could be most relevant.

This alternative could successfully achieve criterion two, expanding brand awareness and positioning in the marketplace, by appealing to consumers who may desire a new product taste. However, it does not successfully achieve criterion one, reducing reliance on low-margin efforts, because of the high upfront cost of research required to effectively launch new flavors following consumer research, product testing, and development. With that being said, the brand should hold off on implementing new flavors, as this will require high upfront capital that I do not feel confident could be effectively returned at this stage of the marketing and distribution strategies represented by the brand.

ALTERNATIVE 2:

Daily Crunch could **strengthen its relationships with national distribution channels** to ensure its products reach target consumers and are competitively positioned against dominant players in the \$41.7 billion snack industry.

Currently, Daily Crunch is distributed in four separate avenues: Fulfillment by Amazon (FBA), Daily Crunch’s online store, in boutique retail, and through national grocery distributors. Each of these channels provides unique opportunities, as well as challenges, for the brand. To best understand the profitability of each channel, a comparison of the fees and expenses as well as the net profit expressed in each venue was conducted. FBA accounted for the lowest net profit at 8% (\$5,107.33) while carrying the highest rate of fees and expenses at 35% (\$19,829.40). By comparison, the website saw 15% of the fees but accounted for 29% of the net profit, boutique retail accounted for 28% of the fees and 34% of the net profit, and national distributors accounted for 23% of the fees and 30% of the net profit. It is clear that the partnership with Amazon is least profitable, and therefore should be prioritized least. (Figure 2)

As stated in criterion one, Daily Crunch must reduce its reliance on venues that provide low margins and strengthen avenues that deliver more consistent profit margins. With this alternative, the brand would focus more on relevant placements for their products in places positioned for profitable growth. The net profit provided by boutique retail, distributors, and their online store provide areas where we can see positive growth in the coming year. Due to the recent expansion with KeHE, I believe the most natural transition is a greater emphasis on national grocery distributors. By expanding their product reach further than the originally intended Nashville, TN market, the brand is positioned to achieve criterion two, as well: expanding awareness and excitement for the brand, helping to cement itself as an evergreen brand in this market.

Daily Crunch has established relationships with distributors such as Faire, Mable, KeHE Distributors, and Lipari. By maintaining these partnerships and expanding into more in-person stores nationwide, the brand is positioned for scalable growth online and in person. Ideally, the product will be in stores where its target consumer is already shopping. In-store placement

captures the consumer at a time they are already in a purchase mindset, increasing conversion potential compared with digital sales. Targeting consumers this way engages them during the purchase stage of their journey, making it a safer and more effective strategy to introduce the product to new purchasers.

ALTERNATIVE 3:

Daily Crunch could **strategically redefine their digital marketing and branding positioning** to ensure their product is seen by not only a large audience, but an audience that is likely to be a repeat consumer.

As Daily Crunch expanded throughout its first year, its social media audience grew, but this did not translate into increased sales. Much of the audience became aware of Daily Crunch through its association with similar brands, meaning their needs were already being met by competitors. This has made it harder for Daily Crunch to stand out online, especially as a new player in the market. While social media has been slow to deliver results, Daily Crunch has seen positive outcomes from its digital marketing efforts, including paid search and email strategy. Digital marketing is typically more effective in the long run than in the short. Since this strategy is currently working for the brand, it makes sense to continue focusing on alternatives that increase profit before redefining marketing efforts.

Website sales have provided 29% of net profit over the past year while accounting for only 15% of fees (Figure 2). Based on these margins, driving more sales to Daily Crunch's website could be financially optimal as it incurs a lower financial strain. However, the brand does not yet have the website "foot traffic" to justify focusing solely on an online selling strategy. Digital marketing could provide "foot traffic," but for this particular challenge we are more concerned about conversions than views. Online has proven to be a profitable avenue, achieving goals stated in criterion one, and should remain as is: a convenient purchase option, a touchpoint for educating consumers about the brand, story, and offerings, and a source of valuable consumer data for research and development. Implementing more focused digital marketing *could* be helpful, and *will* be helpful in the future, but as of right now the brand must be focused most on tactics that provide the highest opportunity for net profit increase in accordance with criterion one.

Regarding criterion two, this alternative could be a way to increase awareness of the brand as well as a way to retarget previous consumers and encourage a repeat purchase. Securing repeat purchases will be key to ensuring that Daily Crunch becomes a "household name" rather than a trend or fad in the meantime.

RECOMMENDED ALTERNATIVE:

Daily Crunch could **strengthen its relationships with national distribution channels** to ensure its products reach target consumers and are competitively positioned against dominant players in the \$41.7 billion snack industry.

Daily Crunch should strengthen its relationships with national distribution channels to ensure its products reach target consumers and are competitively positioned against dominant players in the \$41.7 billion snack industry. Each of the proposed alternatives holds unique value for the brand, but there is a clear order in which they should be accomplished to support long-term growth, cementing their place as a household name. Increasing digital marketing (especially retargeting and encouraging repeat purchases) will be more effective once more offerings are available on the website. However, the brand should not devote significant energy to new product development until it has a stronger presence in nationwide grocers. These steps create a domino effect for future strategy, but the top priority should be positioning Daily Crunch in the spaces where consumers are most likely to discover and fall in love with the brand.

The snack industry is already highly competitive, requiring new entrants to strategize creatively to stand out to their target consumers; the main risk of prioritizing national distribution in grocery stores is limited consumer awareness. Sprouted almonds are a relatively new snack category, many shoppers may be unfamiliar with their benefits. Living Intentions, a competitor in the sprouted nut category, spent four years educating consumers before going to market. Daily Crunch does not have the same luxury of time and must instead rely on effective product placement and promotions to quickly capture consumer attention. This risk can be mitigated through positive press and consumer-awareness campaigns. The brand has already begun addressing this through press coverage in Forbes, Good Housekeeping, PopSugar, and other outlets, with upcoming spotlights in Martha Stewart Living. In addition, grocery distributors are adept at product placement and can help Daily Crunch position its products where target consumers are most likely to see and purchase them.

By effectively positioning themselves for growth in the coming calendar year, as well as establishing themselves as long-lasting players in this market, Daily Crunch will be able to see profitable growth as well as lay the foundation for future marketing campaigns and product expansions.

APPENDICES:

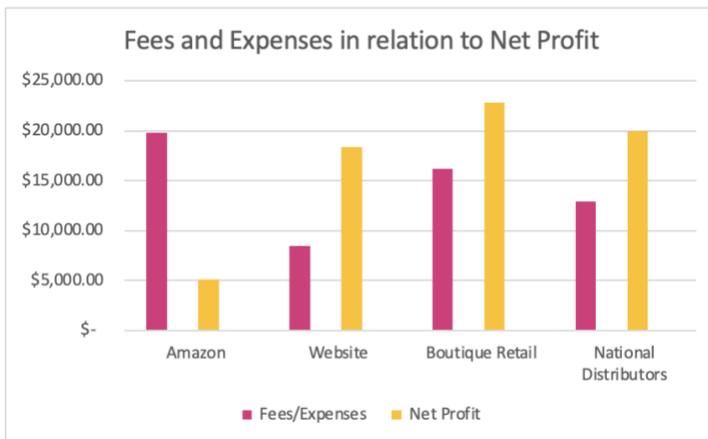
Figure 1:

	52 weeks ending October 6, 2019 (US\$ millions)	Market Share (%)	52 weeks ending October 4, 2020 (US\$ millions)	Market Share (%)	Share Change (%)
Key Industry Players**	2506.9	38.4%	2447.1	35.9%	-2.5%
Private Label	2737.5	41.9%	3106.9	45.6%	3.7%
Others	1290.9	19.8%	1260.9	18.5%	-1.3%

** The Kraft Heinz Company, The Wonderful Company LLC, Blue Diamond Growers
John B. Sanfilippo & Son Inc., Campbell Soup Company

Figure 2:

Distribution Channel	Fees/Expenses	%	Net Profit	%
Amazon	\$ 19,829.40	35%	\$ 5,107.33	8%
Website	\$ 8,471.53	15%	\$ 18,363.43	27%
Boutique Retail	\$ 16,164.25	29%	\$ 22,808.64	34%
National Distributors	\$ 12,951.17	23%	\$ 19,934.79	30%
All Channels	\$ 56,416.35	100%	\$ 66,924.38	100%



(The percentage of net profit and fees/expenses represented by each channel, calculated as each channel's share of the total reported across all channels)

*All information is taken directly from the case, "Daily Crunch: Marketing a Start-Up During a Shutdown"