

Growth strategies of kelloggs, india



**ASSIGN
BUSTER**

This report aims at discussing and evaluating the growth strategies adopted by Kellogg's in India. Kellogg's is a universal brand operating in about 160 countries having its manufacturing plant in more than 16 countries to produce breakfast cereals, snack and other confectionary. Kellogg's marked its presence in the Indian market in 1994 to increase its business as it saw huge potential growth owing to India's large population and growth in economy. This report will analyse the main challenges that the company is facing now in India. Further the report aims at recommending and justifying the actions that Kellogg's should take in India to maintain their market leadership.

The present day multi-national food empire of cereals was accidentally discovered by William Kellogg in Michigan, USA in 1870's. On February 19, 1906, W. K. Kellogg's officially filed the papers and incorporated the Battle Creek Toasted Corn Flakes Company which later came to be known as Kellogg's.

Kellogg's India has gone a remarkable growth from 1994 to the present day. To analyse the growth strategy of Kellogg's, various strategical theories can be used like Ansoff Growth theory, the 4ps of marketing, Product development process, etc.

In the initial stage Kellogg's entered the Indian market in the year 1994 with three varieties of cornflakes.

Then Kellogg's improved its growth strategy by changing the packaging and product to be more attractive to the targeted consumers. The company

chased through the process of product development and diversification. To understand it we have to follow the Ansoff's Matrix.

By adding ethnic flavours like coconut and mango, Kellogg's embarked on the process of the product development. Product development is a necessary growth strategy and can be compared with the strategy of market penetration. Kellogg's strategy becomes more effective due to the fact that the organisation not only embarked on product development with just a particular aim in mind in fact Kellogg's early entry in the Indian market draws more attention towards the customer's needs.

Diversification is being demonstrated by Kellogg's when it introduced its products like Sunrich and Cheez-it which were made focussing more on the impulse food rather than the breakfast cereals. The process of diversification helps an organisation to represent its brand name more widely and to decrease the risk of focussing heavily on individual market. Regardless of various attempts and strategies the products of Kellogg's were not successful.

The Marketing Mix and the 4Ps of Marketing:-

Neil Borden brought up the concept of the concept of the 4ps in 1964 (Adcock et al 2001) which include Product, Price, Place and promotion. These are broadly being used by the different companies to take strategic marketing decisions to develop product to satisfy customer's requirements, the right price, taking the product to the right place and then promote it.

1 Product:- Products means the actual product or service that the company offers to its consumers. According to (Levitt, 1969). ' People do not buy products, they buy the expectation of benefits. It is the benefits that are the product.' Kellogg's paid much focus on the products as it continuously changed its product. It introduced flavour like coconut and mango in its cereal products for the Indian taste. The company changed the packaging to attract the target customers. Even some of the products were given the Indian names.

2 Price:- Price provide revenue. Kellogg's has always faced problems for Price in India as Indian masses couldn't afford its products. In 1994, when Kellogg's entered India the average cost of its product was INR 21 per 100gm compared to Mohan's INR 16. 50 per 100gm (Vasudha, 2009). Rather than offering customers small packages of its products, Kellogg's didn't do much in reducing its price.

Place:- Place implies distribution through various medium like supermarkets, offices, grocery shops etc. Kellogg's has over 200 distributors in India which has made its distribution quite efficient. While operating in India, it used to launch a new product every month to target the Indian customers.

Promotion:- This strategy is used by the companies to let people know what they are offering to them with an intention to make them buy and use their products. It involves commercial ads, sales promotion etc. Kellogg's used a lot of promotion techniques to promote its products like sponsoring school programmes, associating itself with JWT ad agency, movies like Spiderman 2 etc. to boost its brand and sales of its products.

To understand the various Challenges, various opportunities and threats that Kellogg's now face in India can be done by examining the external environment of Kellogg's. To understand it the PESTEL Analysis, SWOT Analysis and the PORTER'S 5 GENERIC FORCES have been analysed.

PESTEL ANALYSIS:-

Political: - The political challenges and threats Kellogg's is facing results from the rising ethnic conflicts in the disturbed areas of India like Kashmir and the other regions of it. According to the latest report of IFC and the World Bank, India is being ranked 134 in the list of 'Ease of Doing Business' 2011. Further Indian Government's policy under Foreign Exchange Regulation Act (1973), which requires foreign investing companies to dilute their equity holdings to 40% act as a political challenge to it.

Economic: - According to the CIA Factbook 2001, about 1/4th of Indian population lies below poverty line. Kellogg's products are quite high priced. No doubt the Indian economy is booming as one of the largest economies of the world, still people feel price reluctant to buy Kellogg's product. Further being a huge country, there is a huge difference in the spending power of the people.

Social: - Difficulty in understanding the mindset of different geographical segment of customer's i. e. Indian customers, e. g. Indians misunderstood how to eat cereals with cold milk. Instead, they used to take it with hot milk and thus make it soggy.

People prefer the traditional Indian breakfast dishes. But still people are changing their traditional way to more global cultural traits owing to the factors like health benefits, 'Getting in Shape' predominantly among women, increment in the awareness of convenient foods and growing concern for the deficiency of vitamins, minerals and other micronutrients especially among the kids.

Technological:- The increasing use of the internet provides a useful medium for communication. Consumers remain up to date of the global trends.

Environmental:- India is a vast country which requires a widespread and well set up distribution infrastructure.

SWOT Analysis:- .

Strength:- Kellogg's is a leading brand with international quality standards. Kellogg's strength includes its advertising campaigns. It is the first manufacturer with the highest experience of ready to eat breakfast cereals which gives it a competitive advantage over the new companies. Kellogg's has a great distribution channel that help its products to reach the target consumers. It has a wide range of innovative, nutritional and convenience products that helps it to suit a range of customer taste and preferences.

WEAKNESS:- Kellogg's failed to analyse the taste of customers culturally and biologically. E. g. Northern Indians used to eat 'Paranthas' and South Indians used to eat 'Idli/Dosa'. A complete and thorough Indian market research was needed before introducing Kellogg's in India. Its high prices act as a weakness as most of the Indian masses find it difficult to afford it. It did not

succeed in repositioning itself as a convenience food company. E. g. its product 'Cheez-It' was far away from breakfast and was an impulse food, therefore a different strategy was required for it. The fluctuating oil prices, non availability of good power supply hinders Kellogg's to lower its prices.

Porter's 5 Forces:

Threat of New Entrants:- Multinationals like Heinz, Nestle etc. have entered in Indian market owing to its potential growth. So threat of entry is high.

Threat of Substitute product:- Threat is medium owing to local breakfast meals.

Rivalry:- Threat is low as there are just a few competitors for Kellogg's.

Supplier's bargaining power:- Low threat as suppliers have more opportunity to bargain in terms of new organisations entering the market.

Buyer's bargaining power:- High threat as buyers have an open option to buy from other organisations like Heinz etc.

Recommendations and Justifications:-

On the basis of above report following recommendations can be given to the organisation:-

Kellogg's should spotlight more on the market research and monitoring before launching any product or conducting any other activity. This is quite important as India is a huge market place with diversity in terms of customer's spending power. Kellogg's should increase its communication

channels so as to address the huge population of India. Further one of the main challenges for Kellogg's is to find product to suit well to the Indian taste. It should find products that could appeal well to the Indian masses. Kellogg's should collaborate with other small local companies of India which can lead to saving its costs and adding constancy to its productions. As India is one of the booming economies of the world with a vast potential of growth, so Kellogg's moving to Indian market is fully justified. Its entrance in the Indian market was not quite easy as it had to suffer huge loss due to unacceptance of its products by the Indian masses. Kellogg's used a lot of innovative strategies to remain in the Indian market. There are a lot of challenges which Kellogg's has to face in India like fluctuating oil prices, repositioning its brand correctly, conducting good market analysis and monitoring the Indian culture, taste and price sensitive market.