

Kellogg's marketing strategy



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The story of Kellogg takes us back to 1897 when two brothers, Will Keith Kellogg and John Harvey Kellogg, started the Sanitary Food Company. They produced whole grain cereals and marketed their corn flakes as a healthy breakfast food. Eventually, the brothers had an argument over the addition of sugar in their product. The two split, and Will founded his own company called the Battle Creek Corn Flake Company, which eventually became the Kellogg Company. Today, Kellogg is not only the largest cereal producer, but also the industry second-largest snack food company.

The Kellogg company owns a large portfolio through which their products are marketed. Beside the classical cereal, they also promote warm breakfast, toaster pastries, snack-bars, crackers, beverages and fruit flavored snacks. Kellogg employs about 31,000 people all around the world. Their products are manufactured in 19 countries and marketed in over 180 countries worldwide. Source: Information resources Inc. Gable A) 1. 2 Kellogg Corn Flakes Kellogg is the original manufacturer of the popular breakfast cereal made from hulled corn, usually served with cold milk.

Because of the simple and fast preparation, Corn Flakes established itself quickly in the European market and secured a place on the daily breakfast menu. With the original Corn Flakes, Kellogg aims to provide a healthy start to the day. The growth in popularity of healthy lifestyles is an important factor for the popularity of Kellogg Corn Flakes. Although Corn Flakes have been on the market for nearly 100 years, they still meet the purpose of this paper is to compare a single product which is marketed differently in two countries of the European Union.

We will discuss and compare Kellogg marketing strategies in Germany and the United Kingdom in order to reveal similarities and differences. This report will give an insight into the key elements of Kellogg marketing strategy and how they effectively apply it to their product "Corn Flakes", and will contribute to a better understanding of how marketing works in a highly competitive economic environment. We considered three major areas of marketing analysis: The first focus is market segmentation and positioning; second, the classical marketing mix; and third, the marketing models.

After going over these areas in detail, we will sum up the fundamental differences between Kellogg marketing strategies in Germany and the I-J, in order to establish an opinion on what we think works for each market as well as decide which is a better example of what Kellogg is capable of. 2 2.

Segmentation and Positioning When thinking about Kellogg Corn Flakes, the first thought that comes to mind is: "The original breakfast cereal". But how does such a public perception affect the company in terms of segmenting and positioning their products?

How can Kellogg use the image Corn Flakes has created over the last decades in order to influence the rumination of their full line of breakfast products? The response is simple and clever. Continue to use Corn Flakes as a universal building block for all segments. This is done by targeting the audience of all segments with the original Corn Flakes, but also by introducing slight variations of the product, which are further adapted to the specific needs and wants of the target groups. On the table below, there are certain patterns that become apparent.

The first pattern is the continuous presence of Corn Flakes throughout all age groups and target genders. The second pattern is the fractionated targeting of opposite sexes, as seen with the Special-K vs.. Start cereal. In addition to these two major patterns, it is worth mentioning that Kellogg has had great success by only slightly changing their original product. This pattern is best demonstrated by the Chocolate Corn Flakes, Frostiest, and All Bran Crunch cereals, which all have structural similarities with one another.

In short, the segmentation and positioning of products, Kellogg has adopted a mentality of "Less is more". It has allowed them to use the reputation and customer expectations from Corn Flakes or many more of their products, given that the core composition of their cereals essentially remains the same throughout the entire product range. 3 Source: Kellogg. De & Kellogg. Co. UK 2. 1 Segmentation and Positioning 5 3. The Marketing Mix 3. 1 Product The crisp, golden flakes made from sun-ripened corn are commonly served with fresh milk and have become one of the most popular breakfast foods in the world.

They are internationally named "Kellogg Corn Flakes" and come with two different packaging elements: ; Kellogg Corn Flakes carton: Resalable carton box (with the iconic oyster) ; Kellogg Corn Flakes liner: Inner bag that protects the food from moisture, keeping it fresh and crispy It can be classified as a non-durable or fast moving consumer good which is bought with frequency. According to Philip Jostlers, there are three levels to a product. Together they build a complex bundle of benefits that satisfy the consumers' needs. 3. 1 Product 7 Source: Kellogg. De Source: Kellogg. Co. UK 3. 2 Place Nearly all cereals are sold in supermarkets, but even small <https://assignbuster.com/kelloggs-marketing-strategy/>

corner shops or petrol stations make occasional sales. Kellogg Company obtains their raw materials from remarry suppliers around the world on a large scale basis. Most of their production facilities are close to distribution channels and consumers, so products can reach shelves quickly. So how does Kellogg bring their products from its manufacturing plants to the retailers in Germany and the I-J?

To answer this question we have to take closer look at Kellogg supply chain management. Germany The manufacturing plant in the Humanistic City of Bremen is the best geographical place for the export-oriented Kellogg Comb. They are competitively advantaged because of the infrastructure of this city. The ports are connected with Also, the medium-high yield levels of Lower-Saxony farm land are ideal to grow crops. Unlike in the I-J, as we will discover in the next part, Kellogg Comb has its own distribution center with a total capacity of 33, 000 pallet spaces.

They export more than a million packages to more than 50 countries in Europe, Africa and the Middle East each day. Kellogg Comb has great relationships with large retail supermarkets such as Real, Rowe, Decker and Kaufmann that ensures the availability of shelf spaces. In Germany, Kellogg Corn Flakes is usually located in the healthy cereal section right below their sister product " Special K". 9 The UK The production plant at Tradeoff Park in Manchester, the industrial capital of England, is the largest cereal manufacturing plant in the world.

They produce 67 million boxes of Kellogg Corn Flakes a year and employ over 1000 people on 130, 000 square feet of floor space. Kellogg I-J uses a

Just-in-time system to make their stock inventory more efficient and to avoid late deliveries or inability to deliver. They work with specialist transportation and storage companies, such as TAG (Transport Development Group) that provide computerized stockholders systems and energy efficient warehousing. Furthermore, Kellogg I-J has major relationships with large retail supermarkets such as Tesco and Sainsbury that ensure the availability of shelf spaces.

In the I-J, Kellogg Corn Flakes is usually located in the cereal section right at eye level of the customer. Pricing is one of the most important and far-reaching variables that Kellogg controls. Kellogg was the first cereal brand in the world, and therefore penetrated the market by creating it. They had the power to set the price for its products.

Nevertheless, the prices have been set in accordance to the affordability of the nonuser.

As the market got bigger and competitors entered the market, Kellogg considered following factors for their pricing policy to set themselves apart:

High quality Best of class Good value Value for money High price Over-priced Average Under-priced Low price Rip-off Poor value Cheap and Cheerful Low quality (Table D) Prices in Europe Price for Kellogg Corn Flakes across Europe (in £ per egg) 2.91 .45 Germany The UK Spain France Italy Average weighted price for each country from various sources, see references 13 3.3 Price Prices in Germany and the UK

The I-J cereal market is highly competitive as it has reached its maturity stage. It is well established and is a key sector of the grocery market. Kellogg

can rely on customer's big brand loyalty to compete against other cereal brands. However, contrary to the general tendency of groceries being more expensive in the I-J than in Germany, the prices for Kellogg Corn Flakes are lower in the I-J. This can be attributed to the intensified competition Kellogg is exposed to in the UK as the average spending on cereals each year of 35€ per head is more appealing to cereal manufacturers than an average spending of 6. € in Germany. Money spent on cereals per head (in € per year) 40 20 Italy (Chart B) Source: [http://www. Minute.](http://www.Minute)

[Com/press-centre/press-releases/468/bruits-bowled-over-by-breakfast-cereals](http://www.Minute) 14 How often do you buy cereals? German Cereal Market 40% lax a week 2-xx a month lax a month occasionally never N/A (Chart C) Source: [http://De. Satanist.](http://De.Satanist)

[Com/statistic/eaten/studied/175109/umbrage/chauffeurung-von-muesli-odder-carnelian/](http://www.Minute) For Kellogg and other cereal manufacturers in Germany it is a different task to pass their products on to their customers.

Almost 40% of the Germans do not buy cereals at all and 26. % visit the cereal section in supermarkets less than once per month. The overall demand for cereals is lower. Nevertheless, Kellogg enjoys a product quality leadership in the Corn Flakes market which gives them the privilege to sell Corn Flakes at a higher price than in the I-J. Consumers in Germany make a conscious decision towards Cereals and therefore they are more quality oriented and prefer to buy the original Kellogg Corn Flakes rather than cheaper generics. 15 Information from various sources, see references 16 3.

Promotion Kellogg uses a range of Above the Line Promotion techniques including TV, Press, Posters, Radio, Cinema, Direct Mail, and most recently

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the Internet. Below the Line Promotion is implemented through the use of On-Pack Promotions, Samples, and Sponsorships. Advertisement Strategies Kellogg Corn Flakes currently find themselves in the Maturity Stage of the Product Life Cycle. As a result, the advertising expenditures for this product are kept at a minimum. In previous years there was an increased presence of TV advertisements for Corn Flakes, and new ads were introduced on a regular basis.

Nowadays, the traditional TV advertisements can hardly be found. The evolving landscape investor. Kellogg. Com Chief Marketing Officer Mark Banes, Kellogg tries to implement a comprehensive framework that activates ideas and optimists the deployment of marketing investment. 17 Advertising in Germany and the UK A large portion of Kellogg promotion efforts in Germany and the I-J is focused on nutrition and health. As Chart 4 indicates, Kellogg invested as much as 9% of its net sales into advertising in 2011. They have established a strong brand recognition across Europe.

The company has launched different ads over decades. While the I-J commercials were aimed at reminding the nonuser that Kellogg is a traditional brand, the German commercials were focused on promoting the better taste of Corn Flakes. Nevertheless, ads in both countries include information on promotional offers such as buy 3 get one free or egg value pack for the price of egg. The Kellogg products are strongly linked to the Kellogg brand, which is the reason advertises for newer products like Special K also have a positive impact on the sales figures for Corn Flakes.

The core message to their consumers is “to be different”. They are aiming on becoming a company of choice. (Chart D) 18 PR/Press in Germany In 2002, Kellogg Corn Flakes and UNESCO cooperated with the boxers Williams and Vital Checklist to collect donations for classes taught in countries such as Brazil and Ethiopia. As a further effort to reduce waste and help communities, Kellogg works with Food Banks who receive food close to its expiration dates and distribute it to people in need. In Germany, they teamed up with “Vanderburgh Deutsche Taffeta e. V. To effectively pass these goods on to smaller communities and areas where it is needed. Protecting and conserving natural resources is key to Kellogg mission of sustainable growth. By 2015, it is their goal to reduce their energy use, CO₂ emissions, and water usage by 15-20 percent compared to 2005. In addition, all cereal cartons are already sourced from 90% recycled material. In order to make good use of as many resources as possible, grains that are spilled on the floor during cereal production are sent to third parties which use them to produce animal feed.

This is part of Kellogg primary objective, to not generate waste. 19 school children without breakfast, caused either by poverty or parental apathy, Kellogg launched a nationwide campaign to “Help give a child a breakfast. Currently, the cereal company is raising \$100 million which will be donated to schools in order to help provide breakfasts for children, as well as three million more breakfasts over the next three years. This campaign is a brilliant choice for Kellogg marketing, as it emphasizes the image of Kellogg Corn Flakes being the perfect breakfast to start the day with.

Tim Burgess, Frontal of the English Rockband The Charlatans tweeted his fans about wanting to create a super cereal called Totes Amassable (= totally amazing). Kellogg contacted Tim an hour later and within a few weeks they produced one cage of Totes Amassable (containing a mix of Coco Pops Rocks, shortbread, raisins and "squishy marshmallows") and gave it to Tim who immediately put it up as his profile picture on twitter. Kellogg got a lot of attention with this spontaneous promotion and gained popularity in the twitter community.

4. The Marketing Models

4. Product Life cycle OR concept: (Manfred Bruin) 21

4. 2 SOOT analysts

4. 3 AID - Model

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5. Conclusion After taking a more detailed look at Corn Flakes, it becomes clear that Kellogg success is no coincidence. Kellogg has proven to have a successful strategy. Its ongoing ability to create and adapt its products to individual target markets, while still staying loyal to the one product that has represented the company from the beginning. The marketing strategies that Kellogg employs are a good example of a process that gets results.

In Europe, Kellogg has established itself as a leader of the educational courses. It is our understanding that a company which operates in over 180 countries, has to operate under a uniform system which ensures the ongoing quality of all products. This is where the marketing comes into play - Kellogg sets a ere good example on how a company of its magnitude can get involved and adapt to national markets on an individual basis, while keeping a stable foundation that always remains unchanged. In comparison to the I-J, Germany has a much smaller market for Kellogg products.

Cereal consumption is not as popular in this country and we believe Kellogg has recognized this. Therefore, Germany is much more considered as a strategically important location to export Kellogg products across Europe. Nevertheless, Kellogg has continued to keep Corn Flakes stocked on every store's shelves, while also introducing more market specific products. We believe that the marketing techniques employed for Corn Flakes are allocated properly in relation to Germany's market potential. The I-J however, is our favorite out of the two markets.

Kellogg market in the I-J is very different from Germany's, as it has a much stronger domestic demand and operates at a much bigger volume. The marketing techniques have been adapted to this and have taken the market to a new level of customer loyalty by introducing certain products like Amassable, produced in collaboration with the rock band The Charlatans. We believe that this is a very effective way to engage with your target audience, and also agree that this is another of Kellogg clever moves that helps them stay on top.

Kellogg Corn Flakes is a product that will continue to live on in stores all over the world, for decades to come. The ever evolving market needs are molding Kellogg strategies, but the core of the company will forever remain the same. With this report we hope to have given you insight into the internal workings of this organization, as well as convinced you that with these effective marketing techniques, they will remain part of families all over the world for many more generations. 5 6. References Books Tanner, J. , Raymond, M. A. (2010).