

Business analysis kelloggs company

Business



Kellogg Company Environment Denjah Harte MGT/521 September 10, 2012

Dr. John Grabarczyk Kellogg Company Environment Analyzing a company is one function a mutual fund manager performs when deciding to invest. The organization should conform to a strategic goal, evaluate new product developments, and have an increased market potential. Kellogg Company is a multinational, diversified, food manufacturing company producing cereals, snacks, and other foods. A mutual fund manager would recommend investing in the Kellogg Company based on long-term profitability and financial stability.

Originally named The Battle Creek Toasted Corn Flake Company in 1906, in 1922 W. K. Kellogg renamed it Kellogg Company. According to Kellogg Company (2012), " Kellogg Company is the world's leading producer of cereal, second largest producer of cookies and crackers and - through the May 2012 acquisition of the iconic Pringles business - the world's second largest savory snacks company. In addition, Kellogg is a leading producer of frozen foods" (para. 1). An analysis of Kellogg Company reveals strengths, weakness, opportunities, and threats that single out some key issues within the company.

As a company, Kellogg has several strengths: it is a widely known brand name, the advertising campaign slogans are famous, and the company holds the largest global market share for pre-sweetened cereal. Every company has weaknesses as well - Kellogg has not developed many new cereal lines, their market share in the United States is declining, and the pricing approach is out-of-date. Kellogg Company has grown in the international market,

making strides by acquiring the Pringles Brand in May 2012 (Kellogg Company News Room: In the News, 2012).

Kellogg Company expanded to Europe, South America, and Asia Pacific, observing a slow growth to keep expenses from exceeding profits. Kellogg Company must lower prices to stay competitive and cost-effective in the core areas, and reduce costs to keep a large share of the market. One threat Post, Quaker Oats, and General Mills uses against Kellogg Company is opposition pricing and other discount cereals imitate brand name cereals to try to chip away at Kellogg Company's market share. Kellogg Company must combat these threats to stay invulnerable.

The key to investing in Kellogg Company stems from the profitability in the long term. Diversifying product lines and moving focus away from cereal is rational and sound thinking. Increased economic instability and agricultural issues will cause upheaval but if judiciously anticipated, Kellogg Company will add to their market share. The addition of the Pringles Brand in early 2012 declined the profitability of Kellogg Company in the first half of the year because of cash outlay; however, the second half of the year projects larger profits as the product line aligns with the rest of the company.

Kellogg Company has shown excellent leadership foresight to expand into new territory globally, develop better products to suit the demand in those areas, and potentially increase profits for stakeholders. The internal and external stakeholders for Kelloggs Company play a crucial role in the organization, especially in how they "perceive the performance of the organization" (Yukl, 2010, pp. 377). Executives, managers, and employees represent internal

stakeholders while investors, suppliers, the community, and consumers represent external stakeholders in Kellogg Company.

The needs and requirements of the stakeholders differ, depending on the stakeholder relation to the company. Executives need to expand the company while keeping the company profitable and expenses to a minimum. Managers and employees need employment, want the potential to advance, and to earn good salaries. Investors need to see a profit, or a plan to increase profits, before they will want to invest more in a company. Suppliers need a demand for their own product and want the demand to continue.

The community needs greener ways of producing products, using resources in a sustainable manner, and producing less waste. Consumers are complex in many aspects. Consumers are the end user of the product, the focal point of the strategic planning, and whose views influence the direction the organization takes in the global and local community. Consumer wants are many: a cheap cost, a nutritious product, an available supply, long storage life, and easy accessibility to a large variety.

The consumer needs are simpler to define: they need food, shelter, and clothing. Kellogg Company fulfills the needs of the stakeholders in various ways. Kellogg expanded from its headquarters in Battle Creek, Michigan, across the United States, Canada, and into Mexico. The company extended globally to Europe, South America, and Asia Pacific, opening the door to new opportunities, careers, and partnerships for stakeholders. Kellogg Company encourages a value system for employees at every level in the organization.

Integrity, respect, accountability, passion, simplicity, success, humility, and hunger along with a Global Code of Ethics guide the business practices of employees of Kellogg Company worldwide. Kellogg Company calls these the 'K Values'. Suppliers, like wheat, corn, and rice farmers, grow the grains for Kellogg Company. According to "Kellogg's Corporate Responsibility: Responsible Sourcing" (2012), Kellogg Company "requires supplier companies to comply with fair labor practices and ethical business standards, along with pertinent standards around environmental, health and safety issues" (para.). Kellogg Company upholds suppliers to this high code of conduct. Community needs are a concern for Kellogg Company. The environmental impact of a growing world population is significant and Kellogg Company works to produce more with less energy, fewer greenhouse gas emissions, less water, and less waste (Kellogg's Corporate Responsibility: Environment Outlook, 2012). Water reclamation, wastewater discharge, wellhead protection, and soil conservation are a few global environmental community projects currently performed by Kellogg Company. Kellogg Company considers consumer needs as well. From sustainable packaging made from recycled materials, to communicating the product and the nutritional information, Kellogg Company gives consumers a familiar product on the shelf, recognized from the advertising slogan, and it is nutritious. Consumers see the brand name and may not realize the sustainable grains, recycled material packaging, or the reduced carbon footprint of the transportation in getting the product to the shelf - they see food. Kellogg Company does not fulfill every stakeholder need.

Investors saw stock prices drop because of economic depression worldwide, the steady decline of the demand for breakfast products, and the market trends lean toward more nutritious snack foods. Kellogg Company acknowledged the change in vision and scope, adjusting to adapt to new ideas and performing a gap analysis at the end of 2011. Kellogg Company diversified their portfolio of products, acquiring Pringles Brand snacks, and presented the second quarter financial results report to investors with solid, forward-looking statements and projections for the remaining fiscal year along with a projection for the years to come. Kellogg Company is a solid investment. Mutual fund managers considering Kellogg Company inclusion to a portfolio will benefit the client with an organization that truly has earned accolades and achievements for diversity and expansion goals as well as awards for civic, global, and environmental awareness. Representing the Olympics in 2012 is another achievement and excellent approach to sponsor good health and habits on a global scale. References Kellogg Company. (2012).

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