

Analysis of kelloggs in india



**ASSIGN
BUSTER**

For an established company like Kellogg's, the above listed problems are also a major concern. In this report, we will look into its marketing mix, business environment in which the organisation exists (macro & micro), segmenting, targeting and positioning strategies adopted by them for their brands and provide some recommendations based on this analysis. This analysis has been done keeping in mind the Indian market for Kellogg's. Other factors affecting this analysis are the limitation of word count and time constraints.

1. 2 Kellogg's in India

Facing a tough competition from General Mills and a stagnant cereal industry in the US and the UK, Kellogg's entered India in 1994. The concept of eating cereals in the breakfast was totally new to the people in the Indian sub-continent. This indicated that Kellogg's had not only to promote its product, but also the very idea of eating the cereals in a country where people start the day with a bowl of hot vegetables. (Haig, 2005)

2. COMPANY BACKGROUND

Kellogg's Company products are relished around the world, of which - Kellogg's Corn Flakes® - has been a part of the starting meal of the day for many for more than 100 years. In 1906 when Kellogg's started, it had only 44 employees in its company located in Battle Creek, Michigan. Kellogg's has its presence in 18 countries as manufacturer and in more than 180 countries for selling its products. Kellogg's is a world leader in cereal industry, innovation and marketing.

With 2009 sales of nearly \$13 billion, Kellogg's Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, fruit-flavoured snacks, frozen waffles and veggie foods.

The Company's brands include Kellogg's®, Keebler®, Pop-Tarts®, Eggo®, Cheez-It®, All-Bran®, Mini-Wheats®, Nutri-Grain®, Rice Krispies®, Special K®, Chips Deluxe®, Famous Amos®, Sandies®, Austin®, Club®, Murray®, Kashi®, Bear Naked®, Morningstar Farm®, Gardenburger® and Stretch Island®.

(Source for figures and company brands: Kellogg Company, 2010)

THE MARKETING ENVIRONMENT FOR KELLOGG'S

Marketing Environment: The factors not relating to marketing which influence the marketing management's competence to create and sustain everlasting bond with the target customers. (Armstrong & Kotler, 2007: 65)

Considering the marketing environment before the marketing planning is a must for any organisation. A marketing environment consists of micro-environment or internal environment and macro-environment or external environment.

3.1 The Micro-environment

The factors within the company influencing its competence to serve the target customers fall in the Micro-environment. They can be listed as Company, Suppliers, Marketing Intermediaries, Competitors and Customers. (Armstrong & Kotler, 2007: 65)

To analyse the micro-environment, one needs to have much of the inside information which is not readily available and easily accessible. Only we can say is that Kellogg's, as an organisation is driven by its vision and mission statements

Vision Statement: ' To be the food company of choice'.

Mission Statement: ' To drive sustainable growth through the power of our people and our brands by better serving the needs of our consumers, customers and communities'

(Kellogg Company, 2010)

Competition in the Micro-environment

Industry Competition

For healthy living, many companies like Britannia, Glaxo Smithkline, ITC, etc. have come up with nutri bars and health biscuits which can affect the market share of Kellogg's.

Brand Competition

Companies like Mohan Meakin and General Mills have been giving Kellogg's a tough competition since it has entered Indian market. In the recent past Britannia and Glaxo Smithkline have also shown interest in involving in the Indian breakfast cereals industry (The Economic Times, 10th November 2010). Also there are low-priced private label brands that threaten to erode Kellogg's market share.

3.2 The Macro-environment

All the external factors influencing a company's competence to serve the target customers fall in the Macro-environment. They are listed as Political, Economical, Social, Technological, Environmental and Legal, also referred as PESTEL. (Solomon et al., 2009: 54)

Competition in the Macro-environment

Kellogg's has competition from many companies, some of which are already in the cereal industry and some of which have shown interest in getting into the Indian breakfast cereals industry. Thus Kellogg's operates in the Oligopoly market with companies sharing substantial market share.

PESTEL Analysis

Political Analysis: India is a stable democracy with political equilibrium which confides international companies to invest in India. Kellogg's being an US-based company did not have problems entering the Indian market due to the friendly relations the two nations share.

Economic Analysis: India has a developing economy with moderate spending power of its residents. Before investing in the country, a MNC like Kellogg's will want to determine this factor. Moreover the economic benefits sought after investing will also be analysed. India has even introduced Special Economic Zones (SEZs) which offer free trade and many tax exemptions.

Social Analysis: Social aspects like the acceptance of the products and the availability and willingness of the people of the country to work for that company are also analysed. Kellogg's being a global brand had no concerns

with the acceptance of the product. By entering a country with a population of 100 billion, it was a boon as it created employment. It also engages in employee development programs which will improve skills of the employees. (Kellogg Company, 2009 Corporate Responsibility Report, p. 49)

Technological Analysis: In a developing country like India, the use of technology is also increasing. With the entry of Kellogg's automation in the food industry was also introduced. With the amount spent on R&D the company will still introduce technological advancements.

Environmental Analysis: Kellogg's decided to enter India where there is a potential to meet the raw material requirement adequately. (Ministry of Food Processing Industries, Govt. Of India, 2007). Also Kellogg's has undertaken many initiatives to reduce the usage of energy and water and properly plan the waste management and CO2 emission. (Kellogg Company, 2009 Corporate Responsibility Report, p. 51)

Legal Analysis: Legally, India has some flexible rules for a MNC to establish itself, but the company has to follow the laws regarding the food and packaging laid by the Food Corporation of India. Kellogg's staunchly follows all these laws.

Figure: 3. 1 Managing Marketing Strategy and the Marketing Mix

Source: Armstrong, G. and Kotler, P. (2007: 49). Marketing: An Introduction, (8th Ed.). New Jersey: Prentice Hall

Looking at a friendly marketing environment that was available, Kellogg's just had to go ahead by properly managing marketing strategy and the marketing mix.

4. KELLOGG'S & THE MARKETING MIX

To create a reaction of the target market, a firm mixes the set of regulatory tactical marketing tools-Product, Price, Place and Promotion which is known as Marketing Mix. (Armstrong & Kotler, 2007)

Product: This marketing tool accounts as to how anything can be tendered to satisfy the ever changing needs and preferences of the customers.

(Armstrong & Kotler, 2007) Healthier life styles are currently in trend which has offered many opportunities for Kellogg's to introduce many products in the cereal breakfast industry.

Price: The amount exchanged by customers for the product offered (Armstrong & Kotler, 2007). Being a super brand and the quality of the product offered, Kellogg's has the liberty to charge premium for its products.

Place: Where a company's products are available for purchase is an important tool in marketing. (Armstrong & Kotler, 2007) In a country like India with a mix of urban and rural population, Kellogg's have to make its products available even in every smallest outlet.

Promotion: Communication about the availability and merit of a product is also an essential marketing tool. (Armstrong & Kotler, 2007) Kellogg's has used above the line promotion like TV advertising and below the line promotion like on-pack promotions and free sampling.

4. 1 Kellogg's & The Initial Marketing Mix

4. 1. 1 Product: Looking at the product that Kellogg's had to offer, it seemed that it tried to forcibly change the Indian food habits, which did not suit the taste of the Indians. Also the product was not hunger satisfying and concentrated more on the health aspects.

4. 1. 2 Price: Taking into consideration this new breakfast concept and that Kellogg's initially had to just offer its product which was manufactured outside India, the price was very high. In fact it is deduced that the pricing adopted by Kellogg's was direct conversion of US Dollars to Indian Rupees. Thus, adopting a prestige pricing policy.

4. 1. 3 Place: Kellogg's made its product available only in premium and middle level stores, neglecting the rural markets which form a majority of the Indian market.

4. 1. 4 Promotion: Kellogg's mainly chose T. V. advertisements as means for promotion, but these advertisements lacked a main factor i. e. 'Cornelius Rooster', the Kellogg's mascot. The packaging also was not that attractive and this mascot was absent there too.

The Product Life Cycle in India would have seen a decline because of this Marketing Mix. (Figure 4. 1)

C: UsersAnkit ChandorkarDesktopplc1. png

Figure 4. 1: The presumed Product Life Cycle of Kellogg's in India with marketing mix adopted in late 90's.

Adapted from: Newman, N. (2010). Lec 5: Marketing the Product (MGT 6045), Sheffield: The University of Sheffield

This was certainly not going according to plans that Kellogg's had. This hinted Kellogg's to change its marketing mix through a proper marketing planning. (Figure 4. 2)

E: Kellogg'splc. png

Figure 4. 2: The expected Product Life Cycle in India with a change in the marketing planning.

Adapted from: Newman, N. (2010). Lec 5: Marketing the Product (MGT 6045), Sheffield: The University of Sheffield

4. 2 Kellogg's & The Changed Marketing Mix

4. 2. 1 Product: Kellogg's did not change the product, but 'Indianised' it. Thus following an outside-in perspective.

A. Branding Strategies

Kellogg's is a very well-known and established brand all over the globe. It has always adopted the Fixed & Flexible endorsement strategy. It gives the advantage of new product development and also a chance to explore new markets worldwide. An idea developed somewhere could be easily adapted and applied worldwide.

B. New Product Development

Kellogg's adopted Market-Oriented Product Development. (Figure 4. 3)

Figure 4. 3: Market-Oriented Product Development by Kellogg's.

Source: The Times 100. (2010). New Products From Market Research. (15th Ed.), [Online]. Available from: http://www.thetimes100.co.uk/download-kelloggs-edition-15-full-case-study_6_115_115 [Accessed on 12/11/2010].

Kellogg's India Head Marketing Vikram Bahl promises to introduce more Kellogg's products in India to meet present and new customers' needs. Introduction of flavours like Elaichi, Kesar, Rose, etc. have increased the sales. Kellogg's has also introduced Special K, Chocos and Frosties into the Indian market.

4. 2. 2 Price: Kellogg's opened a plant in Taloja, India by teaming up with Corn Agra. This reduced the cost effectively. Also it changed its packaging by introducing sachet packets for its products. Kellogg's has successfully shifted from Cost-based pricing (prestige pricing) to Competitor-based pricing (market penetrating pricing) with new products to offer.

4. 2. 3 Place: In the new marketing mix, place, where the products will be sold were more important as Indianised products were available and at affordable price. Kellogg's made its products available throughout India with increased number of outlets. However, the focus is still on the Indian metropolitan cities.

4. 2. 4 Promotion: 'Cornelius Rooster', the Kellogg's mascot was introduced. Kellogg's also Indianised its ad campaigns with a tag line: "Jago jaise bhi, lo Kellogg's hi". It teamed up with the Indian Dietetic Association (IDA), thus gaining confidence of parents in its products. It promotes its products in

schools and offers them for discounted rates. Kellogg's also offers free samples for its new products.

G: Kellogg'splc2. png

Figure 4. 4: The Product Life Cycle of Kellogg's in India with changed Marketing Mix.

Adapted from: Newman, N. (2010). Lec 5: Marketing the Product (MGT 6045), Sheffield: The University of Sheffield

Adaptation of the new marketing mix after proper marketing planning, the product life cycle of Kellogg's in India has again started from growth stage. (Figure 4. 4)

5. SEGMENTATION, TARGETING & POSITIONING IMPLEMENTED BY KELLOGG'S

5.1 The Segmentation Strategy

The process to serve the common needs of one or more segments, a company plans its marketing efforts, which is known as Segmenting. (Kotler et al., 2009) Kellogg's has segmented the market in India mostly using the Geo-Demographic Segmentation and Behaviour Segmentation upto some extent. The reason for adopting Geo-Demographic segmentation is that Kellogg's wants children and males and females from all age groups falling under the middle income to the higher income group to buy its products. Also, as its products have nutritional and health values, the Behaviour Segmentation is also adopted in accordance to the end users.

5.2 The Targeting Strategy

To enter any segment, a company has to gauge potential success each market segment has to offer. This is called Targeting. Kellogg's uses Differentiated Targeting strategy. (Figure 5. 1)

Figure 5. 1: Differentiated Targeting Strategy

Adapted from: Newman, N. (2010). Lec 4: Segmenting, Targeting & Positioning (MGT 6045), Sheffield: The University of Sheffield

The chance of target marketing strategy becoming successful is totally dependent upon the marketers' expertise of recognising and choosing a befitting market segment. (Solomon et al., 2009, p. 227)

Kellogg's has been successful with this strategy globally.

5.3 The Positioning Strategy

Positioning is the perception of the target consumers for a product in relation to competitor's product. Companies position themselves to change this perception of the target consumers for their benefit. Kellogg's has positioned its products as healthy and nutritional breakfast to its most sought after alternative bread and butter which is less nutritional. Also it has positioned its products to be affordable to general public compared to its competitors and peers.

This positioning has helped Kellogg's to increase the consumption of its Cornflakes and thus increase its revenue by making people think beyond breakfast. It now provides twice a day meal plan for nutritional benefits. Special K has been successful in reaching working women as a weight

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management snack. For children, Chocos has been a nutritious substitute for junk food like chips, etc. In fact the marketing mix for Chocos has repositioned its image as a more fun-filled snack than nutritional snack for children; however the nutritional factor cannot be ignored.

Figure 5. 2: Positioning Map for Cereal Brands in India

Adapted from: Newman, N. (2010). Lec 4: Segmenting, Targeting & Positioning (MGT 6045), Sheffield: The University of Sheffield

After positioning the company, only discussions and talks will not do. It demands some serious steps to be taken. (Kotler et al., 2009)

Kellogg's has been instrumental in taking these concrete steps and has positioned itself better than other competitors. (Figure 5. 2)

6. RECOMMENDATIONS

Kellogg's already manufactures its products in 18 countries and sells them in more than 180 countries, but it can still look for more international expansions, for its growth.

Taking the advantage of its super brand status, Kellogg's should take its advantage and leverage to consider brand extension. This extension can be in related product categories. Furthermore, Kellogg's can slowly diversify to increase its profitability, whilst doing proper justice to its core business which is cereals.

To grow in India, Kellogg's should introduce flavours which go along with the Indian palate. It should not make consumers strangers to their own culture.

Moreover in a country like India, where people look for 'value for money' products, Kellogg's has to offer affordable prices maintaining the quality of the product with proper pricing strategy. Also it can offer these low prices by introducing smaller packs, thus reducing the cost and increasing the market share.

To lure kids it can introduce cereals in various shapes, like stars, fruits, flowers, animals, etc. Further it can also include free toys in the packs meant for children.

Kellogg's has products to offer as breakfast meal signifying health aspect (Kellogg's Cornflakes and Kellogg's Chocos) and two time meal for working women signifying weight management aspect (Special K). It already has mascots for each product, but can have a brand ambassador for each of its meal like an athlete or a sports personality for its health meal and an actress or a model for its meal for working women, conveying the importance of these meals in day to day life.

Kellogg's should have an Indian website for more information for the people of India. Also having a website is an added advantage for promotions.

Lastly, to conclude, it can be said that marketing strategy is the base of any company to sell its products, but all other departments have to give an equal contribution in today's customer oriented market. Finally, to sum up on the basis of this analysis, it can be said that Kellogg's has a good marketing strategy in India which can be bettered in the long run.