

Kellogg's



Marketing Plan

Prepared By

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Kellogg's Marketing Plan

Topic 2:



DESCRIPTION OF PRODUCT

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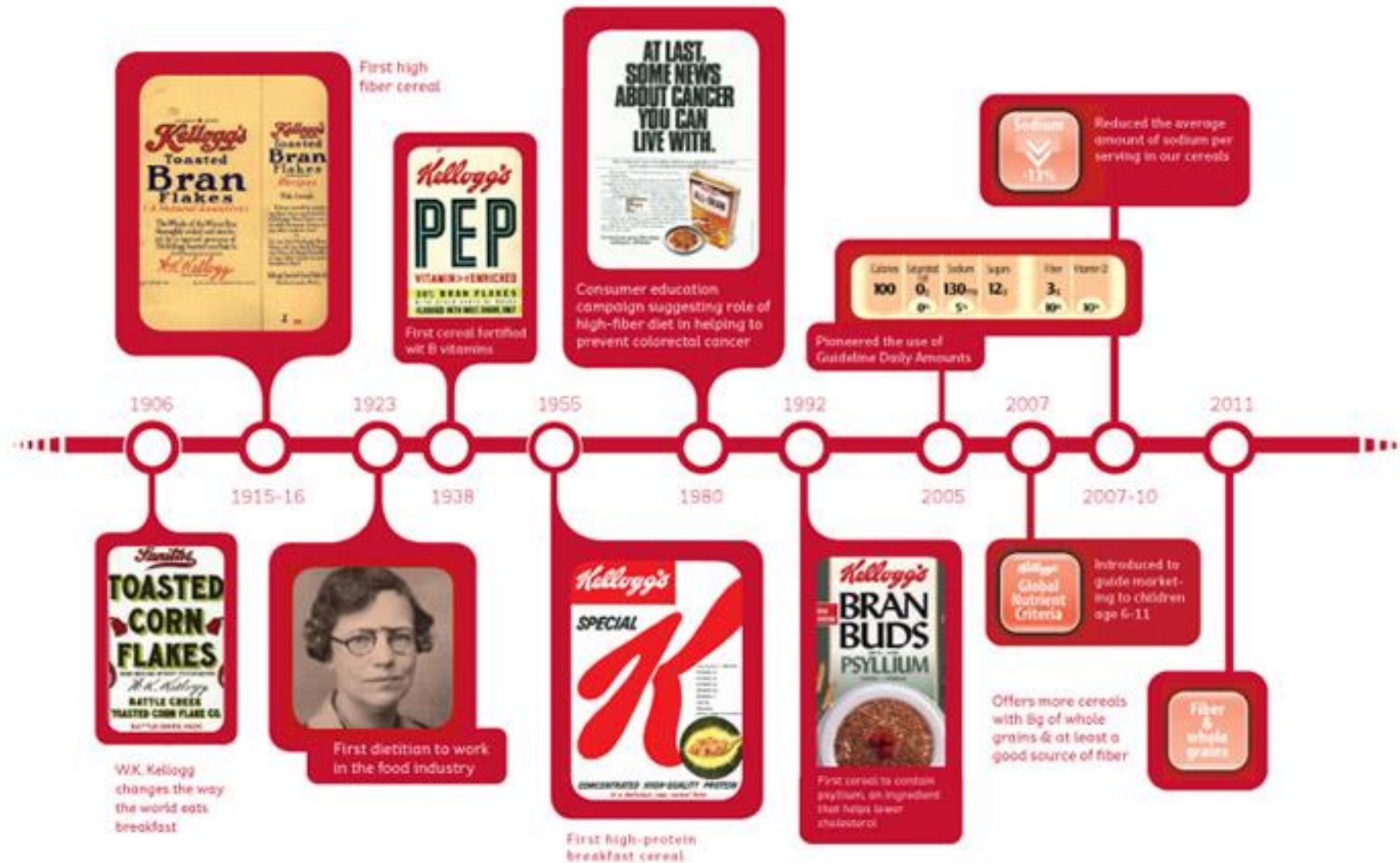
DESCRIPTION OF PRODUCT

- ✓ **The Kellogg company is the largest ready-to-eat cereal manufacturer in the world.**
- ✓ **Employing over 13,000 people.**
- ✓ **Producing over 1 billion kilos of ready-to-eat cereals annually for distribution in over 160 countries. (1)**



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DESCRIPTION OF PRODUCT cont.



- ▶ In 1894 Dr. John Harvey Kellogg and his brother William Keith Kellogg invented the cornflake.
- ▶ It was created as a healthy breakfast alternative for Dr.'s John's patients at his sanatorium. (2)

LEVELS OF PRODUCT: CORE COSTUMER VALUE:

Based on the three levels of products, Kellogg's ready-to-eat cereals remains the most popular breakfast cereal around the world. (3)



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ACTUAL PRODUCT:



This has been largely due to the Kellogg commitment to quality and its refusal to make cereal for anyone else at the time when many of their closest rivals have succumbed to pressure from large retailers and started to produce store's own brand versions of popular breakfast cereals. (4)

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AUGMENT PRODUCT:



Kellogg has grown into a global organization with factories, distribution networks and markets worldwide! (5)

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VALUE PROPOSITION OF KELLOGG:

Figure 6.4 - Possible Value Propositions

		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

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- In referencing the description of Kotler and Armstrong's theory of value proposition I'd place Kellogg in a "more for more" category. (6)

CONT. KELLOGG'S PRODUCTS:



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THE PRODUCT LIFE CYCLE:

- ▶ Kellogg is in the maturity stage of the product life cycle.
- ▶ Kellogg's is the largest manufacturer in the world.
- ▶ They have the biggest market share in the world.
- ▶ They currently control a 38 percent share of the global ready-to-eat cereal market, which is more than triple the market share of any of their competitor. (8)



THE PRODUCT LIFE CYCLE: cont.

- ▶ According to the textbook *Principles of Marketing* Kellogg utilized the process of “modifying the marketing mix”- improving sales by changing one or more marketing mix elements. (9)



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THE PRODUCT LIFE CYCLE: cont.

- ▶ Kellogg used all of the approaches in the product life cycle to keep its 50+-year-old Special K brand from sinking to decline.



- ▶ To reinvigorate the brand, Kellogg first extended the cereal line to include a variety of cereal flavors.
(10)

THE PRODUCT LIFE CYCLE: cont.

- ▶ Kellogg stretched Special K beyond cereals, including meal and snack bars, protein waters and shakes, crackers and chips, and fruit crisps.



- ▶ They even came up with the Special K challenge, a weight management plan built around Special K products. (11)

THE PRODUCT LIFE CYCLE: cont.

- ▶ The Special K brand rejuvenation efforts paid off.
- ▶ The Special K line has grown steadily over the past decade and now accounts for more than \$2 billion in annual sales. (12)



Topic 3:

Current Marketing Situation – Market Description:

SEGMENTATION VARIABLE	EXAMPLES
GEOGRAPHIC	SCHOOLS, HOSPITALS, RESTURANTS, GLOBAL, NATIONAL, GROCERY STORES.
DEMOGRAPHIC	MIDDLE CLASS, WEALTHY, ALL STAGES OF LIFE, ON THE GO LIFE STYLE.
PSYCHOGRAPHIC	SENIORS, SOCCER MOMS, BABY BOOMERS, TEENAGERS.
BEHAVIORAL	WOMEN DIETERS, MILLENNIALS, LOYAL CUSTOMERS OVER TIME.

MARKET DESCRIPTION: TARGET MARKET SEGMENTS:

- ▶ Kellogg should continue to follow differentiated marketing (or segmented marketing) as well as micromarketing.
- ▶ **DIFFERENTIATED MARKETING:** Allows Kellogg to target several market segments and designs separate offers for each.
- ▶ **MICROMARKETING:** Allows Kellogg to tailor products and marketing programs to suit the tastes of specific individuals and locations. (13)

MARKET DESCRIPTIONS: SITUATIONS: 1ST

- ▶ **With differentiated marketing Kellogg's Corn Flakes can be found in all of the countries where Kellogg's distribute their products.**
- ▶ **The manufacturing techniques have been standardized across the world, giving the product their unique and uniform taste across the global market.**
- ▶ **Due to trade constraints and geographical limitations the corn flakes distributed across Europe are produced using a different type of corn from those in the USA. (14)**

MARKET DESCRIPTION: SITUATIONS: 2ND

- ▶ In micromarketing Kellogg has positioned the company to develop cereals and convenience foods that will meet the unique preference of the selected high potential markets.
- ▶ Kellogg's products which have a chocolate coating are produced using the same Kellogg's product as a base (i.e. coco pops are produced using rice krispies as a based); however, the chocolate coating placed on the product alters dependent upon the tastes of the counting or region.
- ▶ The Spanish prefer a sweeter type of chocolate than consumers in the U.K., whereas consumers in Greece prefer a chocolate that is less sweet.
(15)

Topic 4: Current Marketing Situation

Product Review:

- ▶ Kellogg company named one of world's most ethical companies of the seventh time since 2007 by Ethisphere Institution world's most ethical companies list. (16)



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Current Marketing Situation: Product Review: cont.

► **“Building on our legacy of integrity, we wanted to ensure our global codes of ethics incorporated all of our “K values...” (17)**

Jim Sholl, Vice President of Kellogg's Internal Audit and Compliance



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Current Marketing Situation: Product Review: cont.

- ▶ **“Every day, our consumers invite us into their homes and make our products a part of their daily and special eating occasions. We earn our trust one bite at a time.”(18)**



**Jim Sholl,
Vice President of Kellogg's
Internal Audit and Compliance**

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Current Marketing Situation: Product Review: cont.

- ▶ Kellogg company named a TOP company for executive women by the National Association for Female Executives (NAFE).(19)



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Current Marketing Situation: Product Review: cont.

- ▶ **“Women hold a great deal of economic power, represents a larger than ever portion of the workforce and make most of the decisions about food purchasing and preparation. Meeting their needs in the workplace and marketplace requires that our workforce and leadership are reflective of those we’re serving.”(20)**

Wendy Davidson, President of Kellogg’s U.S. Specialty Channels

Topic 5: Needs and Corresponding Features/Benefits Chart:

TARGETED SEGMENT	CUSTOMERS NEEDS	FEATURE/BENEFITS
TODDLERS/SCHOOL AGE CHILDREN	FRUIT LOOPS, COCO POPS, RICE KRISPIES, CORN POPS, FROSTED FLAKES, APPLE JACKS, POP TARTS, EGGO.	TASTY, FILLING, VERSITAL, HIDDEN PRIZES.
TEENS/COLLEGE STUDENTS	KRAVE, FRUIT LOOPS, CHEEZ-IT, POP TARTS, RICE KRISPIES, PRINGLES, KEEBLER COOKIES.	SPECIAL FLAVORS, SNACKS, QUICK TREATS, HEALTHY CHIPS, JUNK FOOD.
WORKING ADULTS/SENIORS	FIBER PLUS ANTIOXIDANTS, CORN FLAKES, ALL BRAN, RAISIN BRAND, SPECIAL K, KEEBLER CRACKERS, KASHI FOODS.	FIBERWISE, WEIGHTWISE, SNACKS, GOOD HEALTHY FOOD,GOOD TO YOU AND FOR YOU.

Topic 6:

Competitive Review:

Kellogg is a market leader in the cereal segment.

COMPANY COMPARISON			
COMPANY	NET REVNUUE (IN MILLIONS)	INTERNATIONAL REV. AS % SALES	GROSS MARGIN %
KELLOGG	\$12,575	32.3%	42.9%
GENERAL MILLS	\$14,796	18.2%	38.7%
KRAFT	\$40,386	41.4%	36.2%

Topic 7: Distribution Review:

- ▶ **The Kellogg company has been using a large-scale linear program, the Kellogg Planning System (KPS), for more than a decade to guide its operational (weekly), production, inventory and distribution decisions for breakfast cereal and other foods.**
- ▶ **In addition, KPS helps Kellogg to make tactical decisions on budgeting, capacity expansion, capacity reassignment and other similar issues. (21)**

Distribution Review: cont.

- ▶ Kellogg operates five plants in the United States and Canada: Battle Creek, Michigan; Memphis, Tennessee; Omaha, Nebraska; Lancaster, Pennsylvania; London, Ontario.(22)



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Distribution Review: cont.



- It has seven core distribution centers in Los Angeles and Chicago and roughly 15 co-packers that contract to produce or pack some of Kellogg's products.(23)

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Distribution Review: cont.

- **By reviewing all of the documentation on this topic, it is my professional opinion that Kellogg has a more than adequate system in place. I feel no adjustments should be made at this time.**



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Topic 8:

Strengths/Weaknesses:

Strengths

**Largest manufacture.
Biggest market share.
Strongest brand
recognition.
Higher levels of brand
loyalty.
Highest advertising
recollection.
Control 38% share of
global ready-to-eat
market.**

**Slow to develop
new products.
A decline in their
U.S. market share.
Is a follower in
pricing strategies.**

Weaknesses

Topic 9:

Opportunities/Threats:

Opportunities

Continue diversification in the breakfast food industry.

Expand the snack business.

International expansion is the biggest area of growth.

Rising price for corn and wheat.

Intense completion from General Mills and Kraft.

Discount generic cereal are growing in popularity.

Other manufactures are using competition and product proliferation to erode Kellogg.

Threats

Topic 10:

First Year Objectives and Issues for Achieving It:

- ▶ Kellogg's should continue to capitalize on their lead within the marketplace with the strongest brand and advertisement recollection of all the cereal manufacturers.
- ▶ I recommend that Kellogg update their KPS computer system. I'm sure there had been over all computer updates that should be integrated to maximize efficiency. It can only help a great system operate much more smoothly.
- ▶ I believe Kellogg should really devote time, money and effort to develop new products. They cannot afford to keep falling behind in this area.
- ▶ Kellogg's should also find a way to make some of those other brands work and make some money.

Topic 11: Positioning Strategy

- ▶ Kellogg's competitive strategy is to differentiate its products from that of its competitors on the basis of quality and its policy of not making cereals for anyone else, backed by the slogan *"If it doesn't say Kellogg's on the box it isn't Kellogg's in the box."*(24)
- ▶ According to the textbook, "Through product differentiation, brands can be differentiated on features, performances, style and /or design."(25)
- ▶ I believe what matters the most is that the customer remembers your product or service and will go out of their way to get your establishment to use your product. Whatever it takes to drive in traffic, the owner should use all means available to their disposal.
- ▶ According to Professor Woodall in Week 3, she states, "Positioning is a market mix phenomenon. It is much more than advertising."(26)

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Topic 12: Product Strategy:

- ▶ Kellogg is a national brand. Traditionally, Kellogg's principle products are ready-to-eat cereals, where the company currently leads the global ready-to-eat cereals category with an estimated 38% annualized share of the worldwide volume.(27)
- ▶ According to Professor Woodall in Week 4, "Companies must continually manage their brands carefully, making sure to constantly communicate the brand's position to its customers.(28)
- ▶ I think that brands must reinforce what they have established in areas that they have gained the upper hand.

Topic 13: Pricing Strategy:

- ▶ **The pricing of goods preforms a strategic role in Kellogg's business functions as a consequence of deregulation, intense global, competition, slow growth, and the opportunity to strengthen market position.**
- ▶ **Price impacts upon finical performance and has an important influence on buyer's perceptions and positioning of the brand.(29)**

Pricing Strategy: cont.

- ▶ **The pricing strategy of Kellogg's requires continuous attention because of changing external conditions, the actions of competitors and own brand varieties and the opportunities for gaining a competitive edge through pricing actions.(30)**
- ▶ **Price is important, but it is not everything. I believe value is just as important. If a company has a great product or service it only helps if it it's a great value for a reasonable price.**

Topic 14: Distribution Strategy:

- ▶ Kellogg's methods of distribution cannot be truly globalized due to the different barriers to entry and the costs of transportation in the large number of countries to which it exports.
- ▶ In countries such as the U.K. where Kellogg's has production plants, occasionally during periods of high demand the three-stage distribution network is used with products being transported directly from the plant warehouse to some of the larger retailers, however more often the four-stage network is used.(31)

Distribution Strategy: cont.

- ▶ **When it comes to retail the primary placement for Kellogg's products is still centered on grocery stores, although the increase in the number of convenience foods it produces has meant that more impulse locations are being sought, such as vending machines and gas stations.(32)**
- ▶ **I think this process should be continued. Gas stations need all the options they can get.**

Topic 15:
Marketing Communication and Public Relations:



Marketing Communication and Public Relations: cont.

- ▶ **Push vs. Pull Strategy:** Kellogg uses the pull strategy in which they direct their marketing activities (primarily advertising and consumers promotion) toward their final consumers to induce them to buy the product. (33)
- ▶ **Message Strategy:** Kellogg has gone beyond cereal into other convenience foods. This allows for Kellogg's customers to have a wider variety of options. By providing these products at the local grocery store and all over the world everyone and anyone can onsite Kellogg's into their life.

Marketing Communication and Public Relations: cont.

- ▶ **Integration of Promotion Mix Tools:** for Kellogg I recommend several consumer promotions such as; producing product samples, coupons and point-of-purchase displays to contests and sweepstakes.
- ▶ I would also encourage Kellogg's to sponsor some children's sporting teams, music camps, medical camps for sick children, after school programs, early morning breakfast for children 5-18.
- ▶ I would then have Kellogg order advertising specialties or promotional products with the Kellogg logo. I'd pick t-shirts, hats, jackets, pens, mugs, water bottles, key rings, calendars, flash drives, mouse pads, tote bags, coolers, golf balls and pill boxes.
- ▶ At trade promotions shows I would actually get a booth and promote all Kellogg's products. I would also provide lunch on one of the days to show we care about how you start your day.

Marketing Communication and Public Relations: cont.

ADVERTISING

KELLOGG'S SHOULD CONTINUE RADIO, TELEVISION, INTERNET, PODCAST, SATELLITE RADIO, GAS STATIONS, RADIO STATIONS, TELEVISION COMMERCIALS/LOCAL CABLE PUBLIC TELEVISION.

PUBLIC RELATIONS EFFORTS WITH SOCIAL MEDIA

KELLOGG WILL NEED TO SEND OUT PRESS RELEASE, TEAM UP WITH ACTORS, SPORTS FIGURES, BUSINESS PEOPLE, AND REAL PEOPLE WHO SHARE THEIR LIVES WITH KELLOGG'S PRODUCTS.

Topic 16: Corporate Responsibilities:

- ▶ **I would like for Kellogg to continue their philanthropic efforts. Kellogg cares about the people who work for the company. As well as the people of the world.**
- ▶ **I'm glad Kellogg is committed to the sustainability of the environment. I'm sure they use and provide a safe environment with properly working equipment.**
- ▶ **Kellogg was voted as the most ethical company. I believe that is a wonderful honor.**
- ▶ **I live in Michigan and after learning about what Kellogg does and how they give back to the community, state, world and environment I will make it a point to go see where all the magic began.**

Footnotes:

- ▶ 1. ProQuest website, Kellogg's internationalism verses globalization of marketing mix. <http://search.proquest.com/docview/219119385>. Accessed on April 6, 2015.
- ▶ 2. Ibid
- ▶ 3. Ibid
- ▶ 4. Ibid
- ▶ 5. Ibid
- ▶ 6. Ibid
- ▶ 7. Ibid
- ▶ 8. Ibid
- ▶ 9. Philp Kotler and Gary Armstrong, Principles of Marketing, 15th ed. (Upper Saddle River, NJ. Pearson, Prentice Hall, 2014) p. 277.
- ▶ 10. Ibid
- ▶ 11. Ibid

Footnotes cont.:

- ▶ 12. Ibid
- ▶ 13. Ibid
- ▶ 14. Ibid
- ▶ 15. Ibid
- ▶ 16. Kellogg Company.com. News Release/Statement. PR Newswire, 2005
- ▶ 17. Ibid
- ▶ 18. Ibid
- ▶ 19. Ibid
- ▶ 20. Ibid
- ▶ 21. Ibid
- ▶ 22. Ibid
- ▶ 23. Ibid

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Footnotes cont.:

- ▶ 24. Ibid
- ▶ 25. Ibid
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- ▶ 27. Ibid
- ▶ 28. Ibid
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- ▶ Kotler, Philip and Gary Armstrong. (2014). Principles of Marketing, 15th ed. (Upper Saddle River, NJ: Pearson Prentice Hall. p 193, 203, 205, 212, 277, 280.
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