



## **The IIHMR University, Jaipur**

**Institute of Health Management Research**

**MBA Hospital and Health Management (2014-2016)**

### **Marketing Management**

**Time-2.5 Hours (Case reading time-15 min extra)**

**M.M-70**

Kellogg Company, with its global headquarters in Battle Creek, Michigan, USA, is the world's leading cereal company, and a major producer of convenience foods. It markets more than 1,500 products in over 180 countries all over the world. Founded in 1906, with a commitment to nutrition, Kellogg Company has always been focusing on its products and processes. Today, with more than 100 ready-to-eat cereals around the world, consumers count on Kellogg for providing great-tasting, convenient and healthy food choices that meet their nutrition needs. Kellogg entered India in 1995 with nourishing breakfast cereals. With a range of brands appealing to kids, adults and the entire family, Kellogg's dreams of becoming a common feature on breakfast tables across Indian homes today. Launched in September 1994, Kellogg's initial offerings in India included cornflakes, wheat flakes and Basmati rice flakes. In India, Kellogg is known for its flagship brand Kellogg's Corn Flakes along with its range of exciting flavors. The Indian market held great significance for the Kellogg Company because its US sales were stagnating continuously.

#### **Products**

- Kellogg India launches Chocos in September 1996, which is well accepted by kids. Kellogg's
- Special K is launched in February 2008 among women. Special K is a low fat breakfast option for women. A low-fat breakfast, as part of a healthy, everyday lifestyle with well balanced eating practices and moderate exercise, can help in managing weight. Special K begins a special journey with its new brand ambassador, Lara Dutta.
- Heart to Heart Oats is launched in July 2010. Heart to Heart oats is made with 100% natural Australian wholegrain oats. It contains soluble fiber, which helps reduce cholesterol.

#### **The problems**

According to analysts, out of every 100 packets sold, only two were being bought by regular customers; with the rest 98 being first-time buyers. Converting these experimenters into regular buyers had become a major problem for the company.

- A typical, average middle-class Indian family did not have breakfast on a regular basis like their Western counterparts. Those who did have breakfast, consumed milk, biscuits, bread, butter, jam or local food preparations like idlis, parathas etc.
- The company's advertisements and promotions initially focused only on the health aspects of the product. In doing this, Kellogg had moved away from its successful 'fun-and-taste' positioning adopted in the US. This positioning had given the brand a 'health product' image, instead of the fun/health plan that the product stood on in other markets.
- Another reason for the low demand was deemed to be the premium pricing adopted by the company.
- At an average cost of Rs 21 per 100 gm, Kellogg products were clearly priced way above the product of its main competitor, Mohun's Cornflakes (Rs 16.50 for 100 gm). Another small-time brand, Champion was selling at prices almost half of that of Kellogg. This gave the brand a premium image, making it seem unattainable for the average Indian consumer.
- Kellogg had also decided to focus only on the premium and middle-level retail stores. This was because the company believed that it could not maintain uniform quality of service if it offered its products at a larger number of shops.

#### **Brand Extension**

- Disappointed with the poor performance, Kellogg decided to launch one of its highly successful brands - Chocos (September 1996) in India. Chocos were wheat scoops coated with chocolate.
- Chocos is reintroduced in an all-new avatar in 2010, with the goodness of "Wholegrain". Karishma Kapoor signed on as the new brand ambassador for Chocó's. This was followed by the launch of Chocos Breakfast Cereal Biscuits.

The success of Chocó's led to Kellogg's decision to focus on totally indianising its flavors in the future.

#### **Integrating Marketing communication Mix**

- Kellogg's advertising had not been very impressive in the initial years. Apart from 'Jago jaise bhi, lo Kellogg's hi,' the brand had no long-term punch lines. Later, Kellogg attempted to indianise its campaigns instead of simply copying its international promotions.
- One of its campaigns depicted a cross section of individuals ranging from a yoga instructor to a kathakali dancer attributing their morning energy and fitness to Kellogg. The advertisement suggested that cornflakes could be taken with curds, honey, and banana.

#### **Community- oriented initiative**

- In April 2012, Kellogg launched 'The Kellogg Breakfast Week,' a community-oriented initiative to generate awareness about the importance of breakfast. The program focused on prevention of anemia. The company tied up with the Indian Dietetic

Association (IDA) to launch a nation-wide public-service initiative to raise awareness about iron deficiency problems.

- Kellogg also targeted schools across the country for this.
- The company offered specially designed 50 gm packs free to shoppers at select retail stores in Delhi. This was followed by a house-to-house sampling exercise offering one-serving sachets to housewives in the city.
- The company also offered free pencil-boxes, water bottles, and lunch boxes with every pack. Plastic dispensers offering the product at discounted rates were also put up in petrol pumps, super markets, airports etc.

### The Positioning

- The company's research showed that the average Indian consumer did not give much importance to the level of iron and vitamin intake, and looked at the quantity, rather than the quality, of the food consumed.
- Kellogg then launched the Chocos biscuits, claiming that cereals being a 'narrow category,' the foray into biscuits would create wider awareness for the Kellogg brand. Biscuits being a mass market product requiring an intensive distribution network, Kellogg's decision to venture into this competitive and crowded market with stalwarts like Britannia, Parle.

In breakfast cereal market, Kellogg's had been growing at 4-5% per annum yet, Kellogg continued to have the image of a premium brand and its consumption is limited to a few well-off sections of the Indian market. The launch of biscuits and snacks could be attributed to the fact that the company had been forced to look at alternate product categories to make up for the below-expectation performance of the breakfast cereal brands.

**Note-** In light of the information given in the case answer the following questions. Attempt all questions in not more than 1000 words.

1. Analyze the main challenge faced by the Kellogg's cornflakes brand in the external environment in light of the information given using appropriate method? Suggest a new product line which you would like to recommend to Kellogg's group and why. (10)
2. Describe the consumer behavior in the context of Kellogg's cornflakes brand. Explain what factors will influence consumer's decision making before buying the Kellogg's cornflakes. (10)
3. Prepare the questionnaire which the Kellogg's cornflakes can use to measure existing consumer satisfaction & Explain the steps for conducting marketing research. (10)
4. Identify and critically analyze the segmentation variable and target market for Kellogg's cornflakes Brand. Suggest the suitable positioning strategy for Kellogg's cornflakes for a proactive health conscious housewives. (10)
5. What marketing recommendation on elements of marketing mix (4 P's) would you make to Kellogg's cornflakes to help them position among proactive health conscious housewives according to its situation in product life cycle? (7.5 mark each).