



# THE TIMES 100

## Kellogg's summary

### Introduction

Kellogg is the world's leading producer of breakfast cereal. In 2007, it was Britain's leading grocery brand. Its product lines include both ready-to-eat cereal (like *Rice Krispies*) and cereal bars like *Nutri-Grain*. Kellogg separates its various markets into six segments so that marketing can be carefully targeted. Each brand is expected to succeed in its market. If a brand is not performing as well as it should, the business must recognise this and take appropriate action.

### Product life cycle

Each brand goes through its own life cycle, being born, reaching maturity and eventually going into decline. There is an important stage before launch, called research and development, when the product is designed to meet the needs of the market. *Nutri-grain* was designed to appeal to busy people who had missed breakfast, providing a healthy cereal breakfast in a bar.

- At launch in 1997, *Nutri-Grain* immediately gained 50% market share;
- Growth was maintained by bringing out new versions or variants and repositioning the bar as an all day snack;
- At maturity, competitor brands (like *Alpen*) started to chip away at market share. Some variations (such as *Minis* and *Twists*) struggled, whilst some variations (like *Elevenses*) grew but not sufficiently to halt overall decline.
- At saturation, the market is full and better or cheaper competing products have come to market. By mid-2004, *Nutri-grain* faced declining sales in a growing market.
- Decline: at this point Kellogg had to decide whether to let the product die or use an extension strategy to lengthen its life.

### Strategy

Strategically, Kellogg had a strong position in the market for both healthy foods and convenience foods and *Nutri-Grain* accurately fitted the profile of its aims. Kellogg therefore decided to develop an extension strategy. It used Ansoff's matrix to decide on the most appropriate strategy.

### Extending the cycle

Kellogg had to decide whether the problem with *Nutri-Grain* was the market, the product or both. It could see that the market for such products was growing, but that customer tastes were changing. The choice is therefore between product development or diversification. The first of these carries much lower costs and risks. Research showed Kellogg what to address:

- The brand message was not strong enough.
- Some other Kellogg's products (like *Minis*) had taken the focus from *Nutri-Grain*.
- The variants *Soft Bake* and *Elevenses* did not receive enough marketing support, despite representing 80% of sales.
- Growth was being driven by discounts, rather than underlying factors.

### Implementing the extension

Kellogg re-branded and re-launched in 2005 with a new brand image and a much stronger unique selling point (*Nutri-Grain* is more healthy because it is baked). It also refocused investment on the core brands and dropped some of the variants. As a result, *Soft Bake* Bar sales grew with *Elevenses* sales up by almost 50%. The *Nutri-Grain* brand achieved growth rate of almost three times that of the market and maintained this after the initial re-launch.



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## **Conclusion**

Kellogg could see that *Nutri-Grain* was a good product that fitted well with its aims. It used business tools and techniques to decide on its future, successfully meeting its aims.