Kellogg’s Indian Experience

This case was written by A. Mukund, IBS Center for Management Research. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
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TEACHING NOTE

SUMMARY:

The case, ‘Kellogg’s Indian Experience’ analyzes the causes that led to the failure of the Kellogg breakfast cereal brand in the Indian market. The case examines the measures the company adopted on the marketing front to rectify its mistakes and at the efficacy of these measures.

TEACHING OBJECTIVES & TARGET AUDIENCE:

The case is so structured as to enable students to see how mistakes on the pricing, positioning and distribution fronts led to Kellogg’s poor performance in the initial stages. Students can gain insights into the company’s efforts to turn itself around through various marketing initiatives.

The case is aimed at MBA/PGDBA students, and is intended to be a part of the Marketing elective curriculum.

TEACHING APPROACH & STRATEGY:

The case can be used effectively, both in classroom discussions as well as in distance learning programs.

The moderator could initiate discussion through some questions:

- Would Kellogg be able to become a success in the Indian market in the long run?
- Was the premium pricing responsible for the poor demand?
- What is the main reason behind Kellogg’s initial failure in India? Do you think the brand is a success now?

The moderator can provide inputs regarding the importance of a right marketing mix - a good product, proper pricing, promotion and distribution. The case can be discussed as an example of a company going wrong on all these fronts – and then taking steps to correct the mistakes it made with each one of the marketing mix elements.

ANALYSIS:

1.

Kellogg’s initial offerings comprised cornflakes, wheat flakes and Basmati rice flakes. Even with quality products and a strong media push, the company failed to live up to its expectations. Kellogg’s failure can largely be attributed to the fact that it failed to study the eating habits of the Indians properly. Many Indian families do not have the habit of having breakfast on a regular basis like in Western countries. If they did have breakfast, it usually comprised milk, biscuits, bread, butter, jam or certain local preparations.
On the positioning front Kellogg committed a mistake by positioning itself on the health plank, unlike in the US, where it had positioned itself as a ‘fun and taste’ brand. This positioning resulted in the brand acquiring the image of a health product. Also, Kellogg’s price was high when compared to the products being offered by competitors such as Mohun and Champion. The premium pricing restricted the product’s reach to the premium segment of the Indian market. The mass market was totally out of reach for the company. As a result, it could not generate substantial volumes.

Kellogg’s did not at first launch its products nationwide. It was first launched in Mumbai in 1994. The company found that the demand from Mumbai was very encouraging - within a year Kellogg acquired a market share of 53%. But supplies from the Mumbai market were sent out to other parts of country as well. Kellogg thought the entire demand was being generated from Mumbai alone, and launched its products on a large scale throughout the country. However, the demand from Mumbai began declining as the supplies to other parts of the country stopped.

Another mistake committed by Kellogg was its decision not to use all the retail outlets nationwide. The company focussed only on the premium level stores and because of this it could not reach large sections of the population. Poor strategic planning was thus definitely a major reason behind Kellogg’s initial failure. The company failed to understand the food habits of the Indian population and it committed the mistake of assuming that there was a substantial niche market for premium products.

2.

After the initial failure of its products, Kellogg revamped its marketing mix in the following manner:

**Product**

Initially Kellogg had launched three products - cornflakes, wheat flakes and Basmati rice flakes – which did not do well. This was because while the product was supposed to be eaten with cold milk, Indian consumers preferred to use hot milk. This made the cereal soggy. Kellogg then launched two new products Chocos and Frosties, which were very successful, as they were eaten as snacks. Moreover, they did not become as soggy as the earlier products when hot milk was poured on them. The company also decided to ‘Indianize’ its products as much as possible. This move led to the launch of the ‘Mazza’ range in three local flavors.

**Promotion**

Kellogg revamped its advertisements to make them more in tune with the Indian market’s requirements. It attempted to localize its campaigns instead of merely copying the international promotions. The company organized a ‘Kellogg Breakfast Week,’ to generate awareness about the breakfast meal, conducting a series of nutrition workshops for both individuals and families.

Kellogg also tied up with the Indian Dietetic Association (IDA) and launched a nationwide public service initiative to raise awareness about iron deficiency problems. This gave the company a good image, highlighting its concern for the health of the consumers and its commitment to nutrition education.

Kellogg increased its focus on promotions that sought to induce people to try its products and covered 60 schools in the metros for this purpose. The company also offered freebies like pencil boxes, water bottles and lunch boxes with every pack.

**Pricing**

Kellogg’s price positioning was consciously in the top-of-the market slot. Many consumers thought the product was too expensive, as they did not see Kellogg offering any additional advantages over local brands. This led to an increase in the sale of local brands like Mohan Meakins and Champion. However, after Kellogg’s new product Mazza began to be sold in pouches, the price was brought down substantially. The introduction of larger ‘value-for-money’ packs also helped the company to address the pricing problems. The biscuits and snacks launched later were all priced on the lower side to generate volumes from the mass market.
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Place

Kellogg had initially planned not to penetrate the Indian retail chain deeply. It wanted to focus only on the premium and middle level stores because according to company sources, it would not have been possible to maintain uniform quality of service across too many shops. However, this meant that the Kellogg’s products were not available to a large section of the population. To address this problem, Kellogg decided to increase its distribution coverage in the years to come.

3.

Though the marketing-mix revamp at Kellogg did result in improved performance, it cannot be denied that cornflakes were still a long way from being a popular breakfast cereal in India. The company seemed to have realized that there just was not enough demand for its traditional ‘US style cornflakes’ in India. Kellogg conducted extensive research to offer products better suited to the local tastes and launched the Mazza range of products in coconut-saffron, mango-cardamom, and rose flavors. They hoped that the new flavors would find favor among Indian consumers. The company’s research showed that many Indian families consumed milk and biscuits as breakfast, along with other traditional Indian breakfast dishes. Kellogg also felt that by restricting itself to cornflakes, it would land up in a very ‘narrow’ category in India. Kellogg therefore launched Chocos biscuits and the Krispies Treat snack – both priced rather low, unlike other Kellogg offerings. The idea behind this was to offer mass-market products, which would help the company create wider awareness for the Kellogg brand.

FEEDBACK:

The case was discussed amongst a group of research associates and faculty members as part of the faculty development program at IBS Center for Management Research (ICMR), Hyderabad, India.

The participants felt that when Kellogg’s initially launched its cornflakes in India, it failed to customise the product to suit the Indian taste. Realising that the Indian market was difficult to crack, Kellogg’s decided to Indianise its flakes. In 1998, the Mazza series was launched in three local flavours. This seemed to have been well accepted by the consumers.

Kellogg’s realised that its advertising and promotion strategy also needs to be customized to appeal to the Indians. Thus, the rooster that was associated with the brand elsewhere was not included in India. Kellogg’s initially tried to cater to the niche market. A 100 gm Kellogg’s was priced Rs 21 higher than its competitor Mohan Meakin’s Rs 16.50 for the same size pack. But Kellogg’s later realized that Indian market is volume driven and not value driven. So when it launched Mazza series, it was not positioned as a product catering to a niche market.

Some participants felt that more information relating to the cornflakes market, market share of competitors and their marketing strategy is needed.
Additional Readings & References:

7. www.kelloggs.com