



NUTRI-GRAIN

Marketing Analysis

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1 INTRODUCTION

Nutri-Grain is a brand of Kellogg's Company in Northern Hemisphere. Especially in New Zealand and Australia, Nutri-Grain is a popular breakfast cereal that is made from wheat, corn and oats. The original Nutri-Grain breakfast in "block and hole" shape was marketed in Australia in 1976 and 1981 (Kellogg's, 2016). The previous wheat breakfast cereal were made up of sugar and flakes. There were four types of cereal available at start including rye, barley, wheat and corn. The bars of Nutri-Grain became popular during 1990s in Australia while Nutri-Grain breakfast drinks were recently added into line of cereals in 2013 (Kellogg's, 2016).

2 SITUATION ANALYSIS

The situation analysis of Kellogg's Nutri-Grain is given below.

2.1 LEVELS OF COMPETITION

The top competitors of Kellogg's Nutri-Grain cereal are shown in the figure below:

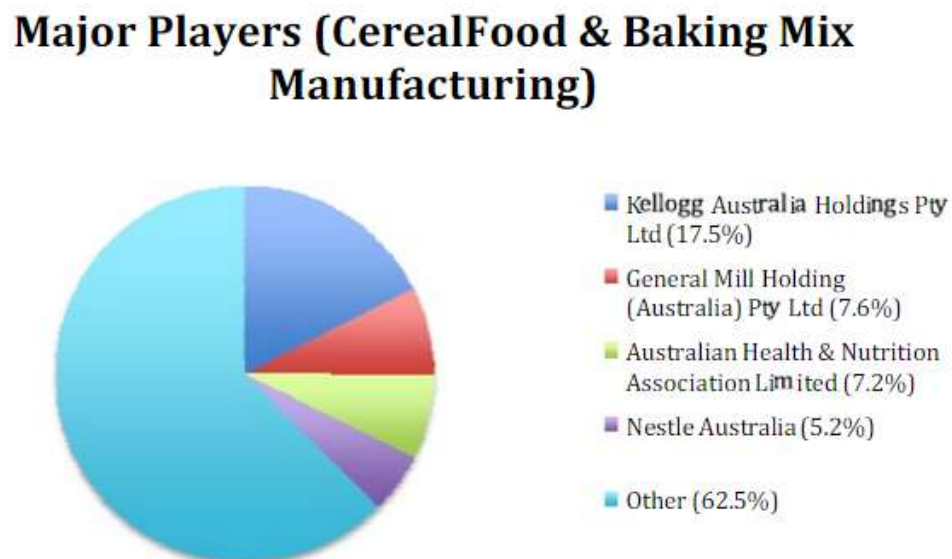


Figure 1: Major Players in Cereal Industry

Source: (IBISWorld, 2016)

2.1.1 Product Form

Product form of competition is about the competitive products with similar product features and same competing market (Lehmann & Winer, 2008). At this level, the competitors offer similar goods and compete for the same turf (IBISWorld, 2016). Under this level of competition, Nutri-Grain has following competitors:

- Weeties
- General Mill Holdings
- Milo Energy Cereal
- Uncle Toby's Oats
- Golden Vale
- Sanitarium

2.1.2 Product Category

Product category competition expands to include the competitive products with similar features regardless of any market segment (Lehmann & Winer, 2008). Under this level of competition, Nutri-Grain has following competitors:

- Australian Health & Nutrition Association
- Nestle
- The Uncle Tobys Company Pty Ltd
- Freedom Foods

2.1.3 Generic

Generic form of competition is the one that includes all competing products but are unrelated to given product (Lehmann & Winer, 2008). These products fulfill equivalent wants and needs. Under this level of competition, Nutri-Grain has following competitors:

- Quaker Oats Company
- Unigrain Australia
- Monster Health Food Co.
- Dorset Cereals

- McCain Foods
- Prestige Food manufacturing
- Jewel Fine Food
- Vesco Foods

2.1.4 Budget

Budget competition is the outermost level of competition that involves the products that compete for same consumer dollar. Under this level of competition, Nutri-Grain has following competitors:

- Many competitors selling different kinds of cereals at different price points ranging from as low as AUD3.19.

2.2 CATEGORY ANALYSIS

The category analysis of Kellogg's Nutri-Grain is given below:

2.2.1 Category Size and Growth

The Breakfast and Cereal Industry of Australia is facing stagnancy as Australians are now choosing healthier cereals and snacking option that has reduced the value share of two major cereal industry players i.e. Nestle and Kellogg's. According to Euromonitor International reports, in 2010 Kellogg's (Australia) had a cereal market share of 40% which dropped down at 27% in 2014. Similarly the value share of Nestle also dropped from 27% in 2013 to 25% in 2014 (Euromonitor, 2016). However, a 39% increase in sales of hot cereals was recognized whereas muesli's sales grew by 27% in the past six years.

Based on data trend of 2007-2012, the Australian Bureau of Statistics indicates that Australian Cereals and Bakery sector will continue to increase in value at CAGR of 1.3% between 2012 till 2017 (Euromonitor, 2016). This rising number of consumption is due to Australians focus on healthier life style with much focus on low fat, low calorie and low cholesterol products.

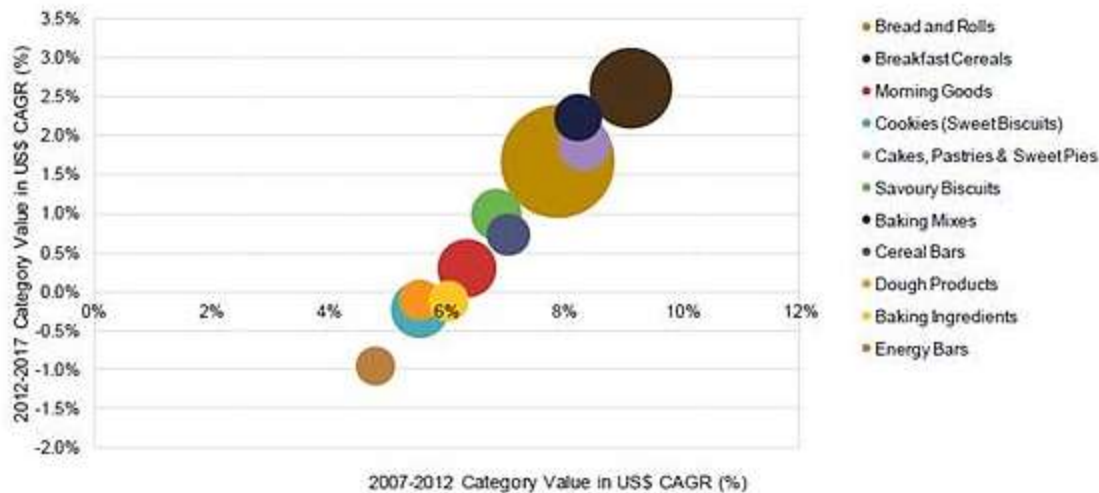


Figure 2: CAGR of Ready to Eat Foods in Australia (2007-2012 trend)

Source: (Euromonitor, 2016)

2.2.2 Channel Analysis

Kellogg's possesses a well-equipped and leading storage system for ensuring that products reach the customers in best quality. Kellogg's annual report (2015) presented that one of the greatest opportunities for growth in the country is to expand geographically along with acquisition of new high-potential channels of distribution. Sydney's new café launch by Kellogg's is an example of such step. Kellogg's follow intensive distribution system for ensuring that all of its products including Nutri-Grain are widely distributed and is in reach of everyone. Kellogg's has been achieving saturation coverage through contracting with local distributors and retailers like Tesco, Walmart, Dunnes and ASDA for distributing its products especially Special K and Nutri-Grain Bars (Kellogg's, 2015).

2.2.3 Stage of the Product Life Cycle

The product life cycle is based on four main stages i.e. introduction, growth, maturity and decline (Stark, 2015). Nutri Grain's prime purpose was to allow the eaters to have quick breakfast in short time. Convenience and healthy ingredients underpinned the product (Kellogg's, 2015). During introduction stage, Nutri Grain became successful after being recognized as the most popular breakfast cereal. During market growth stage, the sales grow at faster rate while industry profits reach higher rates. Advertisement plays major role in growth stage while competitors keep on entering the market. At this point customers tend to see the product everywhere and gain more knowledge about the product. In Australia and New Zealand, Nutri-Grain became a popular breakfast cereal made from corn, wheat and

oats. In 2002, Nutri-Grain's sales increased as the product was promoted as a popular healthy breakfast alternative. The sales improved due to development of flavors. The market position of the Nutri-Grain also re-established at all-day healthy snack. In the maturity phase, the profits are at maximum and brand name is built. Kellogg's All Bran Bars and other manufacturer's Alpen Bars started facing slower sales and ate away some of Nutri-Grains market position. Right now, Nutri-Grain cereal is at decline stage where the products lose its value to customers and a resolution related to redesigning, reformulating or repackaging of product is required. In 2005, Kellogg's extended the life of Nutri-Grain by repackaging and reformatting the product at \$3 million marketing strategy (MARSD, 2017). However, currently Kellogg's is operating in an oligopoly market with being at mature life cycle stage.

2.2.4 PEST Analysis

PEST analysis is undertaken to review the political, economic, social and technological (PEST) factors affecting the products and firms operating within an economy (Fullen & Podmoroff, 2006). A PEST analysis correlates the external factors with success of a particular company or industry with a subsequent business (Fullen & Podmoroff, 2006). The PEST analysis of Nutri-Grain is given below:

2.2.4.1 *Political*

Kellogg's needs to adhere to exportation and importation of the boards under Australian New Zealand Food Standards Code for regulating a proper cereal manufacturing.

2.2.4.2 *Economic*

Cereal industry grows with high usage of cereal along with affordable prices.

2.2.4.3 *Social*

Ready to eat cereals have emerged out to be effective in servicing the busiest lifestyles of many customers. Cereals are also becoming popular as companies are advertising the health benefits that are associated with eating breakfast.

2.2.4.4 *Technological*

Technology is also used more to harvest the wheat that helps in producing cereals. Moreover cereals have emerged out to be highly computerized industry that is seeking new advancements for reducing carbon footprints.

2.3 COMPANY AND COMPETITIVE ANALYSIS

2.3.1 Product Features and Analysis Matrix

Component	Uncle Toby's Lift	Sanitarium WeetBix	Milo Energy Cereal
Price	\$4.99	\$4.19	\$4.98
Variety	Protein Lift and Sports Lift	Kids, Oats, Barley and Multi-grain	Milo Duo and Energy Cereal
Weight	460 grams	750 grams	350 grams
Value Proposition	Has real plump, fruits and nuts	Favorite cereal of Australians from past 40 years	Made with wholegrain and fiber to deliver great nutrition
Promotion	Celebrity Endorsement through Emily Seebohm and Grant Hackett	Official sponsors of Socceroos and WeetBix kids try Athlons	Milo in cricket and celebrity endorsement

3 SEGMENTATION AND TARGET MARKET ANALYSIS

Market segmentation is defined by Hutt and Speh (2009) as a group of present or optional customers that have common characteristics. The segmentation and target market analysis for Nutri-Grain Cereals is given below:

3.1 SEGMENTATION ANALYSIS

The cereal market of Australia can be broadly segmented into four main categories namely Sweet Tooth, Healthies, Body Watchers and Energy Junkies. Nutri-Grain is a cereal that is opted and consumed by those customers that value nutrition over every other attribute of product. “Healthies” segment, particularly is the main segment that is interested in nutritional value of cereals that helps in maintaining overall well-being. On the other hand, “Sweet Tooth” customers are the ones that consume cereals based on taste. This segment is dominated by kids between ages of 5 years to 12 years. Moreover, “Body Watchers” segment consists of conscious women that are extremely confident and fall in the age bracket of 25 to late 30s. Lastly, the “Energy Junkies” segment is the one that enjoys active lifestyle and is involved heavily into sports and exercise. Segmentation summary is given in the table below.

Behavior	Sweet Tooth	Healthies	Body Watchers	Energy Junkies
Segmentation				
Benefit	Tasty Cereal	High Nutritional Value	Maintain Weight	Take Energy
Knowledge of Product	Medium to High	High	High	Medium to High
Usage	Low-Medium (Snacking and Breakfast)	Low (Only Breakfast)	Medium (Only Breakfast)	Low (Only Breakfast)
Loyalty	High	Medium	Low	Low
Price Sensitivity	Low	Low	Low	Low

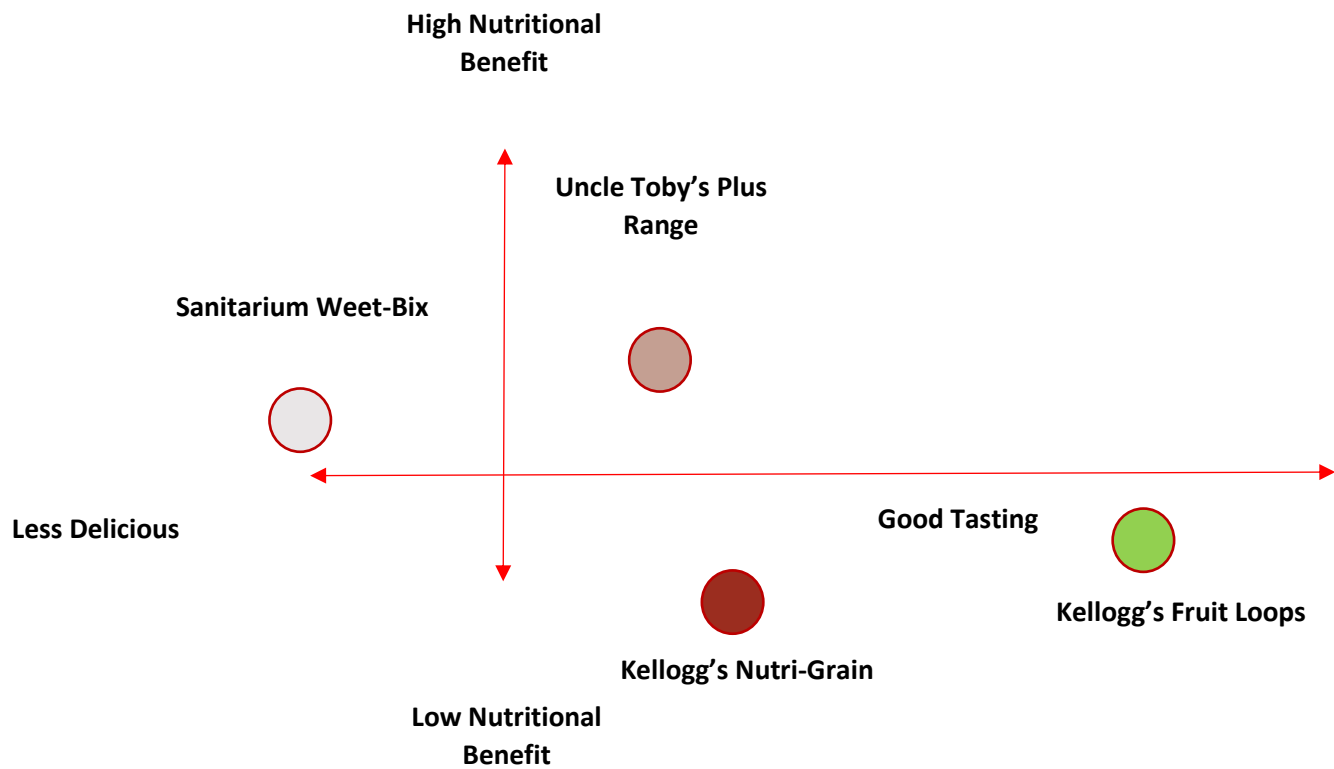
Demographic Segmentation	Sweet Tooth	Healthies	Body Watchers	Energy Junkies
Life Cycle	Children	Adults	Women	Growing Kids and Adults
Age	5 to 13	30s to 40s	25 to late 35s	12 to 25

Psychographic Segmentation	Sweet Tooth	Healthies	Body Watchers	Energy Junkies
Lifestyle	Care Free	Healthy	Urban/Modern	Active/Sporty
Values	Fun	Health Consciousness	25 to late 35s Modern	12 to 25 Energetic/outgoing
Brand	Froot Loops, Frosted Chocolate Flakes, Coco Pops	Weetbix, Multigrain, Oats	Special K by Kelloggs, Light 'n' tasty by Sanitarium	Nutri-grain, Weetbix, Milo, Uncle Toby's Plus

3.2 TARGET MARKET

The target market for Nutri-Grain in Australia will be Energy Junkies. The focus of Nutri-Grain is to promote healthy heart with staying smart concept. Mainly adults are chosen as the target market based on the assumptions that adults (parents) have buying power and can control decision making. In Australia and mainly Queensland, cereal is generally regarded as affordable product in which Nutri-Grain is regarded to be a cereal with great taste. However, it still needs repositioning as a healthy product.

3.3 PERCEPTUAL MAP



4 SWOT

This methodology is based on analyzing the strengths, weaknesses, opportunities and threats of the firm and describes the position of firm in the outer world. It helps in scanning the environment with focus on internal and external factors. The SWOT analysis of Nutri-Grain Cereal by Kellogg's is given below:

4.1 STRENGTHS:

- Kellogg's has strong reputation in more than 17 different countries.
- Kellogg's hold 42% of the global market share.
- Kellogg's has global brand recognition
- Nutri-Grain's association with Iron Man Series and Surf Life Saving has also enhanced its visibility.

4.2 WEAKNESSES:

- High sugar and sodium in Nutri-Grain cereal
- Controversies regarding the product recall
- Nutritional value of Nutri-Grain under scrutiny by government agencies

4.3 OPPORTUNITIES:

- Development of intensive distribution channels in other countries
- Tying up with schools, restaurants and hotels to boost business
- Diversification of healthy snacks

4.4 THREATS:

- Increasing competition of readymade breakfast segment that reduces the business for Kellogg's.
- Fake imitation of food products by competitors.
- Strict food regulation by government and food authorities.

