

Case Study | Launching Kellogg's Cornflakes In India

"Mothers know what they want and when; we can't push our offering to them without giving them a reason they value," the Head of Marketing at Kellogg's India clarified. The Kellogg's cornflakes marketing team was struggling to find an appropriate positioning platform for the brand to increase sales and ensure brand growth. The brand was globally accepted but its journey in India has been bumpy. They had struggled to find a suitable place in consumer's heart and mind, and again they were rethinking the growth strategy. Let's delve into the classic case study of Kellogg's launch in India and the valuable lessons it departs.

Breakfast Market in India

The breakfast cereal market in India was pegged at Rs. 12 billion in 2014, an almost 15% growth from Rs. 10.4 billion in 2013, and was expected to grow at a CAGR of 13% over the five-year period. Due to increased health consciousness among consumers, hot cereals and muesli were the fastest growing product categories. Among hot cereals, oats had gained the highest popularity registering a 33% growth in 2014.

Cereal was not a popular breakfast item for Indians, and hence, the market was dominated by international brands from Kellogg's and Pepsico. Bagry's India Ltd and Mohan Meakin were the only two Indian players in the market. Kellogg's India Ltd had the first-mover advantage and was the undisputed market leader with 37% value share in 2014.² Regional players had a competitive edge over bigger brands because of their robust distribution network. Competition also stemmed from other FMCG chains that did not necessarily have packaged breakfast as their core product offering, for example, ready-to-eat players like MTR and Britannia with its range of ready-to-cook upma, porridge, and poha. These products provided consumers with healthy options that were not just quick but also healthy.

Consumer Behavior Towards Breakfast

India did not have the culture of breakfast. A typical, average middle-class Indian family did not have breakfast on a regular basis like their western counterparts. Breakfast was always combined with lunch—"Brunch" as it was popularly called. Breakfast habits (brunch) in India, for the most part, were inclined towards hot, cooked regional items, like flattened rice flakes (chivda/poha) in western and central India, whole wheat grits (dalia) and parathas in northern India along with traditional regional staples such as idli or dosa in the south. In the earlier days, women prepared fresh breakfast for the family. Serving ready-to-eat meals were not part of the cultural norm and such options were also not widely available.

However with urbanization, dual-working households, and lifestyle changes, there was a greater need for convenience. This was also coupled with increasing disposable income and health consciousness. Increasing awareness of health and susceptibility of Indians towards lifestyle ailments like heart disease and diabetes yielded a greater demand for value-added healthy breakfast options.

Hence, consumers, especially in urban areas, preferred a quick-fix breakfast and cereals would fit the bill. The influence of Western lifestyles and "eating out" trends also played a significant role in opening the gateway for experimenting with different tastes and varying eating preferences. This transition from traditional to modern breakfast took place among young Indians (24–35 years), mostly from dual income families. Choice of breakfast options was induced by personal factors like time constraint, work timings, social groups, and family members.

Kellogg's Entry in India

In the late 1980s, ready-to-eat cereal giant and market leader, Kellogg's had reached peak sales occupying a 40% market share in the US. **The company had its presence in 18 countries and over 20 plants worldwide with annual sales of over \$ 6 billion.** However, in the 1990s, competition got tougher and Kellogg's began to struggle when its nearest rival when General Mills introduced Cheerios brand. There was little room for growth in core markets; therefore, the company started looking beyond its traditional American and European countries as a potential cereal-consuming market.

India was a lucrative target market with population of over 950 million, out of which 250 million were middle class and untapped. In 1991, India went through an economic liberalization and removed the barriers to international trade. Three years later, Kellogg's decided to invest \$ 65 million towards launching its number one brand, Corn Flakes, in India. **"Even if Kellogg's had 2% market share at 18 million consumers they would have a larger market than US itself,"** said Bhagirat B Merchant, Director of Bombay Stock Exchange in 1994.

Positioning at Launch

Globally, Kellogg's cornflakes were positioned on the "fun and taste" platform, and they emphasized on the crispiness of its flakes. When Kellogg's entered the Indian market in 1994, it positioned itself to families/households on the health platform, thus emphasizing on the nutritional benefits of the cereal. They tried to communicate to consumers that traditional Indian breakfast options were not as healthy, and hence, cornflakes were a good choice. This was done based on the insight that Indians consumers were not habituated to cereals as a breakfast item and needed to be educated to create acceptance and liking for not just the brand but cereal as a category.

Kellogg's kicked off its India entry with three variants of breakfast cereal: Corn Flakes, Wheat Flakes, and Rice Flakes, packaged with an emphasis on the crispiness of its flakes compared to local cereals. These cereals were best served with cold milk without adding sugar. The tagline to reinforce the positioning was- **"Jaago jaise bhi, lo Kellogg's hi"** ("No matter how you start your day, start it with Kellogg's"). However, the proposition did not find much credibility with households. Average Indian did not pay much importance to iron/vitamin intake.¹⁰ The nutritional benefit was not a differentiated and strong enough proposition for Indians to change their habits and move away from traditional items as they considered their food to be equally or more nutritious.

The initial sales were impressive but Kellogg's knew that this was a result of one-off purchases. Cereals were a new item for the Indian consumer and after the initial excitement wore off, repeat purchases were few. Another barrier to repeat purchase was the

high price. A 500 grams box of corn flakes was almost 30% costlier than its nearest competitor. Indians did not find value in spending so much for an expensive breakfast and often the leftovers from the previous day were cooked or served differently for breakfast next day. In certain households, corn flakes were reserved as a Sunday or special occasions treat.

Also, the emphasis on crispy flakes failed in India as consumers were used to hot milk which made cornflakes soggy. This further diluted the Kellogg's brand promise. On the heels of continuous unimpressive sales, Kellogg's realized that their breakfast option was diametrically opposite to what generations of Indians have been eating. The typical Indian breakfast was still hot, home-made, heavy-as-a-meal, and savory rather than sweet. What Kellogg's was offering was ready-to-eat, best served with cold milk, and bland unless you add a sweetener.

In early 1996, defending the company's products, Managing Director, Avronsart said, "*Kellogg's India is not here to change breakfast eating habits. What the company proposes is to offer consumers around the world a healthy, nutritious, convenient, and easy-to-prepare alternative in the breakfast eating habit. It was not just a question of providing a better alternative to traditional breakfast eating habits but also developing a taste for grain-based foods in the morning*".

Indian consumers did not perceive the Kellogg's differentiators relevant. They were not looking for thicker and crispier flakes with iron and vitamin. They sought basic health and taste which their traditional food and other competitor brands were also fulfilling.

Repositioning and Product Extensions

Kellogg's saw that Indian households were difficult to target and moved their focus to kids with the launch of two of its highly successful international brands, Chocos in September 1996 and Frosties in April 1997. Chocos were wheat scoops coated with chocolate, while Frosties had sugar frosting on individual flakes. Frosties addressed the shortcomings of plain cereals because they were ready sweetened which sweeten the milk when it is added to the bowl. Both these variants were not positioned as breakfast items but as snack items on the proposition of fun and taste combined with health. Now the mother was urged to give Chocos as a mid-meal snack to fulfil nutrition requirement.

These variants found feet in the market and targeting kids helped. However, in 1998, Kellogg's again tried targeting families and households by "Indianizing" its cereal range with the "Mazza" brand. Mazza cereals were available in fusion of local flavours like mango-elaichi, coconut-kesar and rose. The variant did not work. Mazza was more to do with the taste of the product and many consumers thought these were too outlandish.

In 1999, Kellogg's began offering fortified cereals. The "Iron Shakti" cornflakes positioned on the nutrient value of cornflakes and addressed iron deficiency in children. The nutrition platform was more focused and relevant here as no other brand or product spoke of iron supplement. This became the differentiator and sales increased by 17%. Making the brand and proposition sound Indian by using words like "Iron Shakti" and "Calcium Shakti" gave it a local feel. This approach was more successful than the brand's previous attempt to imply that the traditional Indian breakfast was not nutritious—messaging which made the Indian housewife rather indignant. The proposition this time was a nutritious and fun breakfast for kids coupled with goodness of iron (which mothers worry about).

Besides positioning, Kellogg's also changed the communication. It removed the rooster which had an integral association with Kellogg's globally from all its advertisements in India. The promotions focused on inducing product trial by targeting schools across the country. In March 1996, the company gave out specially designed 50 gm packs to shoppers at select retail stores, and door-to-door sampling exercise offering one-serve sachets to housewives in the city.

However, the company knew that very few Indians had breakfast and they could grow only by growing the category. **In 1997, they launched the "Kellogg Breakfast Week" in Mumbai, Delhi, and Chennai, a community-oriented initiative to create and increase awareness.** The campaign focused on making people aware about the prevention of anemia, an iron deficiency disorder, and conducted a series of nutrition workshops to educate individuals and families.

As the brand had sub-segmented the market and offered specific customized variants to each with the relevant proposition, its agency, JWT, wanted to identify the triggers that enabled customers to move towards this category. Their research suggested that though Kellogg's was positioned to kids, they were consumed by the entire family. They also found that healthy afternoon snacking was a large consumer need. Lastly, women in India were becoming more health conscious and desperately wanted to get into shape.

Using these insights, Kellogg's launched Kellogg's multi-grain, fortified cornflakes targeted to adult taste buds. Advertisements also began showing adults eating the cereal, rather than focusing on children alone. The assault on the afternoon-snack segment was led by Chocos. This brand was already popular with children, who were their key consumers for "4 pm munches". The launch communication offered the Chocos variant as a nutritious substitute for chips and other junk food.

Special K: Get into Shape

In 2008, Kellogg's launched their \$1.5 billion "Special K" brand as a weight management cereal targeted at women (25–44 years) who wanted to keep in shape. It was positioned as a low-calorie weight control meal. This was again not categorized as breakfast item but a complete meal. Consultants pointed out that Kellogg's' brand extension strategy helped to increase its relevance across categories. It was a player in the Rs 500-crore weight management market and the Rs 750- crore convenience foods market, apart from the Rs 250-crore breakfast cereal market (which, in turn, was part of the Rs 2,000-crore health foods segment).

The marketing team knew that as against other markets, Kellogg's not only adapted its portfolio to match Indian needs but also made changes to their global positioning to appeal to Indian consumers. Indian market is diverse and unique, and expects the offerings to fit their life pattern. The marketing head at Kellogg's had recently read an article that incorrect positioning was the reason behind 80% brand failures. Kellogg's have been relooking at their 5-year strategy as they have always wanted to be confident on the delivering the promise they have made to its consumers.