

Kellogg's®

THE MARKET

In Australia, and around the world, Kellogg is the undisputed leader in ready-to-eat breakfast cereals.

In 1997, the Australian market was valued at over \$650 million. In 1998 Kellogg had the largest share of the Australian ready to eat cereal market at approximately 45%.

Kellogg Australia is the largest single purchaser of rice in Australia - more than 8,000 tonnes per year, the largest purchaser of Australian sultanas (2,000 tonnes); and each year buys more than 30,000 tonnes of whole corn (maize), making Kellogg the largest purchaser of Australian corn for food production. Special corn hybrids developed by grain breeders in association with Kellogg and their suppliers ensure high product quality. The company also buys many other Australian-grown grains, fruits and nuts.

With the consumption of ready-to-eat breakfast cereals steadily increasing, Kellogg continues to lead the trend towards better health and nutrition. To meet this growing demand and maintain its commitment to quality, nutritious breakfast cereals, Kellogg worldwide spends more than \$70 million (US) a year on research and development.

Kellogg Australia has invested \$400 million over the past 10 years to further develop its Botany plant.

ACHIEVEMENTS

For almost 75 years, Kellogg has led the Australian ready-to-eat cereal market.

In 1997, over 19.6 million packets of Kellogg's Corn Flakes were consumed. Today, Kellogg's share of market includes 7 out of the top 10

breakfast cereals in the country. Kellogg is proud of the fact that 96% of our breakfast cereal products are proudly made in Australia by Australians, from good, wholesome



Australian-grown grains, fruits and nuts. Kellogg Australia leads in exports too. With 22 Australian made breakfast cereals exported into 16 countries.



Kellogg's commitment to buying quality ingredients combined with the company's commitment to nutrition research and development has led to the introduction of new breakfast cereals.

Kellogg's Sustain, developed in conjunction with the Australian Institute of Sport, was produced specifically for Australian athletes to provide energy to keep them going.

In 1997 Kellogg launched Crispix to cater to the consumer need for a fun, health orientated good tasting cereal. By 1998 it was an \$8 million dollar brand. Soon after, Kellogg introduced three more good tasting, highly nutritious cereals including Golden Wheats, Just Right Just Grains and All-Bran Soy 'n Fibre.

Kellogg also holds the majority share in the health oriented convenience food market with Kellogg's Cereal Bars, Rice Bubbles Treats, Coco Pops Bars and Pop Tarts.

HISTORY

From the very beginning Kellogg cereals were founded on good health principles.

In 1880, Will Keith (WK) Kellogg went to work for his brother, Dr. John Harvey Kellogg, superintendent of the internationally famous Seventh Day Adventist Battle Creek Sanitarium in Michigan USA.

Whilst developing a nutritious cereal food for his patients in 1894, a freak laboratory accident resulted in wheat flakes.

The patients loved this new flaky cereal product, and demanded supplies, even after leaving the sanitarium.

Soon after, the Kellogg brothers opened their first wheat flakes factory in Battle Creek. From wheat flakes to corn flakes was a simple process, and in 1906 WK started up his own company to market them.

The company was called The Battle Creek Toasted Corn Flake Company, but this soon changed to the simpler Kellogg Company. By now, the sanitarium's success with its flake products had spawned up to 42 imitations from local rivals. To avoid confusion with his competitors products, WK had his name and signature scripted on each package of Kellogg's Corn Flakes, along with the explanation "The original has this signature." By 1909, more than a million cases of Kellogg's Corn Flakes were sold across the US.

International expansion became inevitable and in 1924, Kellogg Australia was founded and began operations from rented premises in Sydney.

In 1928 Kellogg Australia moved to their newly built factory located at Botany. Over the years the Botany factory has been expanded several times.

Today, the Kellogg Company has operations in 17 different countries, employs over 17,000 people world-wide and distributes its products in 130 countries.

THE PRODUCT

Nutritionists the world over agree that breakfast is the most important meal of the day. Research shows that people who eat breakfast tend to have less anxiety and improved memory. Children who go to school without breakfast have more trouble concentrating and their school work can suffer as a result. Regular breakfast eaters also have better diets and generally enjoy better health.

Nutritionists recommend that a good breakfast should supply about one quarter to a third of a person's daily nutritional needs. Kellogg's breakfast cereals help to do just that, providing a range of products with nutrients such as carbohydrates, fibre, and essential vitamins and minerals. A significant number of Kellogg's cereals also contain Niacin, Vitamin B6, Riboflavin (B2), Thiamin (B1), Folate, Zinc and Iron.

RECENT DEVELOPMENTS

Innovation has always been the key to Kellogg's success. In 1998 Kellogg launched Just Right Just Grains.

The launch of Kellogg's Crispix, Golden Wheats and All-Bran Soy 'n Fibre was next. Crispix attained a 1.6% value share and Golden Wheats took 0.4% value share.

Kellogg's major cereal brands increased share of market during 1998, boosted by on-pack consumer promotions plus important on-pack messages about good nutrition and community involvement.

Kellogg's is committed to the environment and

has a long record of environmentally responsible practices. More than two billion Kellogg packages a year display the "Recycled" symbol. Kellogg packaging, of course, is also recyclable.

Kellogg also cares about the community and has developed major sponsorships with Kids Help Line, Surf Life Saving Surf Safe Summer Program and Life Education Centre.

PROMOTION

A man ahead of his time, WK Kellogg realised that promotion was vital to growing his brand. In 1906, he invested in an ad in The Ladies Home Journal with astounding results. Sales grew from just 33 cases a day to 2,900.

Spurred on by this success, WK embarked on a series of sales promotions. Kellogg was also one of the first companies to use free gifts or premiums in or on pack.

By 1911, Kellogg's had spent \$1 million on advertising - a huge sum in those days.

The Kellogg Company was swift to use TV. In the early 60s, Kellogg's first Australian TV advertisement appeared, promoting Kellogg's Corn Flakes. Since then Kellogg's has maintained a consistent presence on Australian TV.

In 1930, WK gave up a large proportion of his shares to set up the WK Kellogg Foundation, to "help people help themselves."

Over the years, the foundation has contributed over one billion dollars to projects in health, education, agriculture, leadership and youth. Every year, it supports up to 400 different projects worldwide and is one of the largest private philanthropic organisations in the world. Kellogg has voluntarily involved itself in promoting several areas of fitness, health and safety, perhaps the most significant being its support of the Australia Surf Life Saving movement. Kellogg's sponsorship includes financial assistance for Surf Life Saving Clubs around the country, plus Surf Safe Summer messages printed on over 15 million packs going into 75% of Australian homes.

To help teenagers cope with depression and the turmoil of adolescence, Kellogg's sponsorship of

Kids Help Line was launched in 1998. Australia's only free, 24 hour, anonymous and confidential telephone counselling service for kids aged 5 to 18, the Help Line receives an average of 30,000 calls a week.

Kellogg takes pride in being a socially responsible corporation and is committed to taking a leading role in projects that advance and improve the health of the Australian community and environment.



BRAND VALUES

In the far-sighted words of the Kellogg founder, WK Kellogg, "We are a company of dedicated people making quality products for a healthier world."

One of those products, Kellogg's Corn

Flakes, has enjoyed a long history of popularity based on its taste and high nutritional value. Driven by the belief that cereals can provide an integral part of our diet, Kellogg's Corn Flakes continue to win over the hearts and minds of today's increasingly health-conscious consumers.

A key reason is Kellogg's corporate culture. A culture that's a direct reflection of Kellogg's four corporate values. Profit and Growth. Investment in People. Quality in Everything. Social Responsibility.

It is through these values that the original vision of WK Kellogg continues to thrive, with an ongoing commitment to quality breakfast cereals that are nutritious and an ever-increasing commitment to the future health of the nation.

THINGS YOU DIDN'T KNOW ABOUT KELLOGG'S

- Kellogg was the first to print recipes, product information and nutrition messages on the side and back panels of its cereal packages.
- A key to WK Kellogg's success in the breakfast cereal industry was the emphasis he placed on advertising. Even when Wall Street collapsed in 1929, Kellogg doubled its advertising budget.
- The Australian operation was the first Kellogg facility to be established outside of America.
- The first box of ready-to-eat cereal to roll off the Kellogg production line in 1906 was packaged in recycled paperboard.

