

Kellogg's®

THE MARKET

In Australia, and around the world, Kellogg is a leading producer of ready-to-eat breakfast cereals and convenience foods. The Australian breakfast cereal market, including ready-to-eat breakfast cereals, hot and portable breakfasts, is valued at \$751.7 million (AZTEC May 2001). At 51.4 per cent value share, Kellogg is the undisputed category leader (MAT May 2001).

The breakfast cereal market is extremely dynamic and has a high household penetration of around 90 per cent. In recent years, category growth has been driven by the portable breakfast segment with an increase of 17.5 per cent in volume over the last 12 months. Kellogg continues to lead the trend towards better health and nutrition and is continually researching and developing new products to meet the changing health and lifestyle needs of Australian consumers.



Kellogg would not be able to operate without the support of the community and that is why the company is dedicated to giving something back. Each year Kellogg invests millions of dollars supporting a number of important community services including Surf Life Saving Australia, Plan It Youth and the National Heart Foundation. Kellogg is a keen supporter of Australian sport with funds being used to assist National Rugby League, junior rugby league, the junior surf lifesaving movement and the Australian Institute of Sport.

Kellogg is committed to making wholesome nutritious foods for all Australians at an affordable price and is proud of the contribution it has made to healthy eating and community service in this country.

HISTORY

From the very beginning, Kellogg cereals were founded on good health principles. In 1880, Will Keith (WK)

ACHIEVEMENTS

For more than 75 years, Kellogg has led the Australian ready-to-eat cereal market. Today, Kellogg's market share includes 7 out of the top 10 breakfast cereals in the country including Kellogg's Corn Flakes, Kellogg's Nutri-Grain, Kellogg's Coco Pops, Kellogg's Sultana Bran, Kellogg's Just Right, Kellogg's Special K and Kellogg's Rice Bubbles.

Kellogg is proud of the fact that it is able to directly employ over 800 Australians and that over 90 per cent of its cereal products are made in Australia using Australian raw materials as a

priority. In fact, Kellogg sources 87 per cent of its food ingredients and other supplies locally – thereby supporting thousands of Australians outside its direct workforce who grow

the grains, supply the packaging and deliver and sell its products.

Kellogg Australia exports to New Zealand, South East Asia and the South Pacific, resulting in \$250 million in export revenue over the last eight years.

Kellogg Australia purchases more calrose rice than any other food manufacturer in Australia and uses more than 12,000 tonnes of whole corn (maize) each year making the company one of the largest users of Australian corn for food production. Special corn hybrids developed by grain growers in association with Kellogg and their suppliers ensure high product quality. Kellogg is also a major buyer of many other Australian-grown foods including rye, wheat, dried apples, papaya and peanuts.

Kellogg 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.

At the end of the day,

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 laboratory oversight resulted in the creation of 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 Kellogg started up his own company to market them.



The company was called The Battle Creek Toasted Corn Flakes Company, but this soon changed to the simpler Kellogg Company. By 1909, more than a million cases of Kellogg's Corn Flakes were sold across the US. 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 to keep pace with an ever-increasing demand. Today, the Kellogg company manufactures its products in 19 countries around the world and distributes its products to more than 160 markets.

THE PRODUCT

Nutritionists around the world agree that breakfast is the most important meal of the day. Research shows that people who eat breakfast tend to be more relaxed and have improved memory. Children who go to school without breakfast have more trouble concentrating. Regular breakfast eaters also have better diets and generally better health.

Nutritionists recommend that a good breakfast should supply about one quarter to a third of a person's daily nutritional needs. A bowl of breakfast cereal with milk helps do just that, by providing a range of nutrients such as carbohydrates, fibre, and essential vitamins and minerals. A significant number of Kellogg's breakfast cereals such as Kellogg's Sultana Bran, Kellogg's Just Right and Kellogg's Nutri-Grain are 97 per cent fat-free and contain Niacin, Vitamin B6, Riboflavin (B2), Thiamin (B1), Folate, Zinc and Iron.

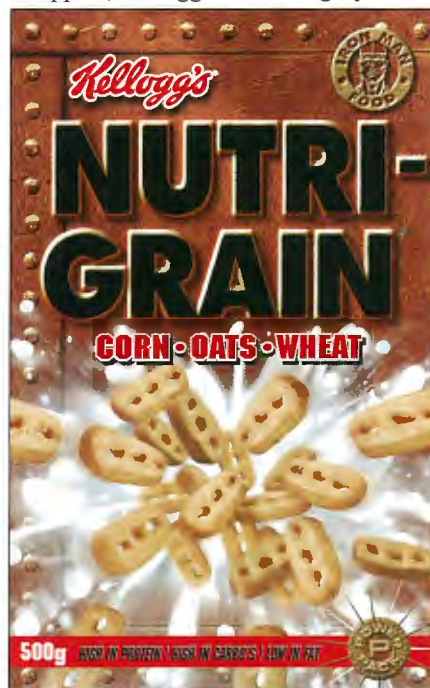
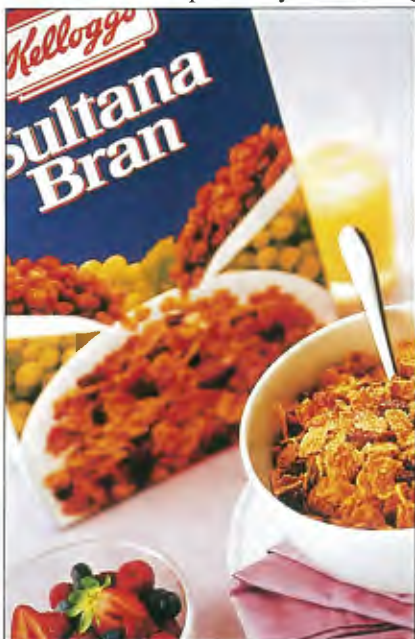
RECENT DEVELOPMENTS

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

Innovation has always been the key to Kellogg's success. In 2000, Kellogg launched Kellogg's Goldies, a range of three wheat biscuit cereals with added ingredients like honey and sultanas to provide the nutritional goodness mums seek with

the taste kids desire.

In response to consumer demands for healthy products with sophisticated taste appeal, Kellogg created Special K Red Fruits. Launched in 2000, Kellogg's Special K Red Fruits features freeze dried pieces of strawberries, raspberries and cherries and has already developed a loyal following



among consumers who want a delicious, yet nutritious breakfast cereal.

The other major driver of the breakfast cereal market is convenience. Kellogg has responded to this current market trend with the development of its K-Time range of cereal bars and baked foods. K-Time has become one of Kellogg's best performing brands. It accounts for 9.3 per cent (\$MAT) of the nutritious snacks market. K-Time has shown tremendous growth over the past year growing significantly ahead of the market at 47.3 per cent versus market growth of 10 per cent. The majority of this rapid growth has been due to the introduction of innovative new products like K-Time Twists, which are filled with either fruit, or fruit and yoghurt. K-Time Twists now account for over half of K-Time sales. Kellogg's Pop Tart has also grown 85.5 per cent in the last twelve months with the launch of the new Pop Tart Pastries and Pull-A-Parts range.

Kellogg's major cereal brands maintained a good share of market during 2000 through a combination of effective advertising, on-pack consumer promotions plus important on-pack messages about good nutrition and community involvement.

In recent years, Kellogg's Nutri-Grain, which is the major sponsor of the Kellogg's Nutri-Grain National Surf League, has grown to become



Kellogg's best selling cereal brand owning 11.1 per cent of the ready-to-eat category (\$MAT). Australians eat approximately 17 million packs of Kellogg's Nutri-Grain a year and the brand continues to grow at a rate

of 5.2 per cent in volume. This makes Kellogg's Nutri-Grain one of the fastest growing brands in the category.

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 Kellogg 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.

In the early '60s, Kellogg's first Australian TV advertisement appeared, promoting Kellogg's Corn Flakes. Today, television is

just one part of the marketing mix with on-pack promotions, sponsorships like the Kellogg's Nutri-Grain National Surf League, public relations and the internet forming important parts of the company's marketing activity.

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 is a direct reflection of Kellogg's five corporate values: profit and growth, people, consumer satisfaction and quality, integrity and ethics and social responsibility. It is through these values that the original vision of WK Kellogg continues to thrive, with an ongoing 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 packs.
- The Australian operation was the first Kellogg facility to be established outside America.
- Kellogg's Nutri-Grain is a uniquely Australian breakfast cereal developed in Australia by Australians for active Australians.
- The first box of ready-to-eat cereal to roll off the Kellogg production line in 1906 was packaged in recycled paperboard.

