

## **Brand Case Study Assignment: *Special K Original* and *Cheerios***

### **Compare and contrast the two branded products' positioning**

#### *Points of Parity:*

*Special K Original* and *Cheerios* have chosen to promote their products as healthy to the lifestyles of consumers. Both branded products share similarities in terms of marketing themselves as nutritional, however they also share similarities to competitors. A competitor to *Special K* includes the range of *Fiber One* cereals (General Mills). The target market of *Fiber One* consists of middle-aged women looking to manage their weight. A prime competitor to *Cheerios* is *Kashi* (Kellogg's), which also promises to lower cholesterol levels.

#### *Points of Difference:*

*Special K Original* is specifically marketed as a cereal low in fat made to help consumers lose weight. It is also advertised as a meal replacement. *Special K Original* is the core product behind the *Special K* sub-brand of Kellogg's. Thus the product stands out amongst other cereals. It targets female consumers looking to lose or maintain a healthy body shape. *Cheerios* is not marketed as a meal replacement, however it is "scientifically proven to reduce cholesterol"; it targets a specific health condition rather than a 'shape'. *Cheerios* targets consumers with heart conditions, and of all ages and gender rather than one demographic.

### **Profile Target Markets**

In Canada, females are the main consumers of *Special K Original*; females are 10% more likely to purchase *Special K Original* over men, who are 11% less likely<sup>1</sup>. On the contrary, *Cheerios* has a more gender-neutral appeal to consumers; there is less of a gap as males are only 4% less likely to purchase *Cheerios*, and females are 4% more likely to purchase the product<sup>2</sup>.

These statistics correlate to the marketing of the two branded products and their target demographics. *Special K Original* emphasizes their aim of helping women achieve their ideal body shapes 'healthily' [See Table 1]. *Cheerios* targets consumers looking for cereals to fit their health-conscious lifestyles, regardless of gender or age.

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<sup>1</sup>Print Measurement Bureau, 2013.

<sup>2</sup>See Footnote 1.

Table 1: The Demographics and Psychographics

Brand	Demographics	Psychographics
<i>Special K</i> (Kellogg's)	<ul style="list-style-type: none"> <li>❖ Females</li> <li>❖ Age 25-45</li> </ul>	<ul style="list-style-type: none"> <li>❖ Females struggling with weight</li> <li>❖ Health/shape conscious women</li> <li>❖ Working females/busy mothers</li> </ul>
<i>Cheerios</i> (General Mills)	<ul style="list-style-type: none"> <li>❖ Women</li> <li>❖ Men</li> <li>❖ Children</li> <li>❖ All Ages</li> </ul>	<ul style="list-style-type: none"> <li>❖ Consumers with high cholesterol</li> <li>❖ Consumers trying to prevent heart disease</li> <li>❖ Parents purchasing nutritious cereals for children</li> </ul>

Product packaging reflects the target market of the two branded products. *Cheerios* uses the heart symbol as a motif to emphasize the brand's focus on wellness, notably cardiovascular health. The original *Special K* cereal places focus on the 'K' of the Kellogg's logo; this is to enforce the parent brand into the mind of the consumer. The packaging also uses an hour-glass shape of a female figure; this appeals to the target demographic as the product associates itself with the ideal figure held by most females. Both products include key nutritional details on the front packaging to clearly represent themselves as health-conscious products.



[The Original *Cheerios*]



[*Special K Original*]

## **Differentiate between goals and perceptions of targeted consumers and how those differences impact brand adoption**

### *Kellogg's (Special K)*

Kellogg's is one of the leading cereal brands in Canada, and has developed a solid reputation amongst its loyal customers. Branching into dietary products in its sub-brand *Special K*, Kellogg's reaches a wider variety of specific consumers. Kellogg's is already a trusted company therefore *Special K* does not have to build a reputation of being a high-quality brand. The target market perceives *Special K* as being a healthy alternative to other products by Kellogg's. Early adopters to this product include consumers who are loyal customers of Kellogg's as a brand.

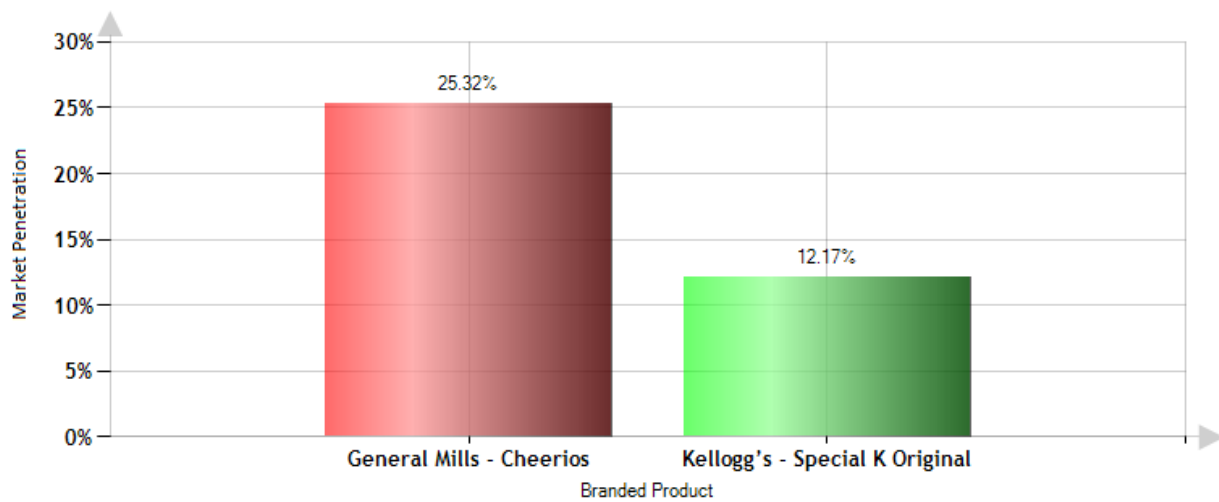
### *General Mills (Cheerios)*

General Mills is one of the largest food companies in the world, with leading brands that dominate the Canadian food market. *Cheerios* is one of the most recognized cereal brands by consumers of all ages. It is seen as 'wholesome' and 'healthy' as it targets a wide range of consumers, from children to senior citizens. Its promise to reduce cholesterol levels brands it as a healthy option for breakfast, and remains popular throughout the years due to its consistent style of marketing. Currently, its primary goal is to continue producing new products and investing in well-known brands while generating "balanced, long-term growth"<sup>3</sup>. According to the graph [below] consumers support this goal as there is an increase in market penetration. *Cheerios'* reputation as an iconic brand secures its position as a leading product. Its popularity attracts early adopters to future products of the brand.

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<sup>3</sup>General Mills 2012 Annual Report, 2012, page 2.

Graph: Market Penetration of General Mills – Cheerios and Kellogg’s – Special K Original



Source: 01 PMB 2013 Spring - 2 YR DATABASE (DE), Kantar Media 2013

**Outline the perceived objectives of each brand and identify barriers which could impede the fulfillment of brand strategy objectives**

Table 2: Kellogg’s (Special K)

Strategic Objectives	Perceived Objectives
Potential for growth	Market power
“...Expand global cereal leadership” <sup>4</sup>	Expand into diet and health foods
Brand evolved – more than just a cereal	Maintain status and reputation

The popularity of General Mills’ *Cheerios* brand serves as a barrier to Kellogg’s strategic objective. [See Tables 2 & 3] As leading competitors present in the cold cereal market, both brands aspire to dominate the market. However consumer perceptions ultimately lead to their success.

Table 3: General Mills (Cheerios)

Strategic Objectives	Perceived Objectives
“Improve established products” <sup>5</sup>	Maintain iconic reputation
Create new products to cater to customer needs	Appeal to all demographics
“Brand-building strategy is key to winning and sustaining leading share positions” in global markets <sup>5</sup>	Supports consumers with heart conditions

<sup>4</sup>Kellogg’s 2012 Annual Report, 2012, Page 4.

<sup>5</sup> See Footnote 3, page 19.

**Compare brand positioning choices as they pertain to pricing, communications, promotions and channels of distribution**

To stand out amongst its competitors, Kellogg’s has introduced the *Special K Challenge*. To summarize, it is a two-week eating plan that requires individuals to consume two *Special K* cereal servings with one regular meal a day. The diet plan also allows for the consumption of *Special K* snacks. This is also a successful tactic in building brand equity; the *Special K Challenge* validates *Special K* as a brand dedicated to providing healthy cereal and snack alternatives to consumers. Consumers are more likely to trust the brand as a provider of healthy and balanced foods.

Table 4: Comparison of Cheerios and Special K in Brand Positioning Choices

Brand	Brand Equity	Promotion	Place	Pricing Strategy
<i>Cheerios</i>	<ul style="list-style-type: none"> <li>❖ Iconic Brand</li> <li>❖ Broad Target Market (Wholesome and Health Appeal)</li> <li>❖ Reduces Cholesterol levels</li> <li>❖ Consumer-directed Marketing (19)</li> </ul>	<ul style="list-style-type: none"> <li>❖ <i>Cheerios</i> Kid (Past)</li> <li>❖ Television Commercials</li> <li>❖ Print/Magazine Ads</li> <li>❖ Coupons/Promotions</li> <li>❖ Annual report: goal to use social media</li> </ul>	<ul style="list-style-type: none"> <li>❖ Grocery Stores</li> </ul>	<ul style="list-style-type: none"> <li>❖ Sold at low-price positioners (Wal-Mart)</li> </ul>
<i>Special K</i>	<ul style="list-style-type: none"> <li>❖ Well-known Brand</li> <li>❖ Specific Target Market (Health and Diet Appeal)</li> <li>❖ Speaks to Women</li> <li>❖ Part of the <i>Special K Challenge</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ The <i>Special K Challenge</i></li> <li>❖ Links to products listed under <i>Special K</i> (snacks)</li> </ul>	<ul style="list-style-type: none"> <li>❖ Grocery Stores</li> <li>❖ Online Ordering</li> </ul>	<ul style="list-style-type: none"> <li>❖ More expensive than competitors</li> <li>❖ Consumers willing to spend more for quality of brand</li> <li>❖ Sold at low-price positioners (Wal-Mart)</li> </ul>

As a brand, *Cheerios* has grown over the years by building its brand equity through promising a wholesome product [See Table 4]. Its associations with providing a healthy breakfast choice for people of all ages has garnered it a wholesome reputation. The original *Cheerios* (Yellow Box) focuses on heart health; targeting consumers with cholesterol, a very common health issue, has given *Cheerios* the reputation of being available to all types of consumers. There are more product line extensions produced to appeal to more of the market; various flavours and health benefits are constantly introduced, similar to the marketing methods of *Special K*.

There was a \$1 billion increase in Kellogg's 2012 net sales, with internal net sales growing by 2.5% in comparison to the previous year. [See Table 5 for more details] <sup>6</sup>

Table 5: 2012 Financial Highlights (Kellogg's)

<b>2012 Financial Highlights</b>	<b>Kellogg's</b>
Total Shareowner Return	+13%
Five-year Cumulative Annual Return on Shares	21%
10-year Cumulative Annual Return on Shares	112%
Net Sales	\$14,197 (millions)

In 2012, General Mills generated a growth of 12 percent. In Canada, the company's cereal brands generated a two-point gain in market share. [Table 6] <sup>7</sup>

Table 6: 2012 Financial Highlights (General Mills)

<b>2012 Financial Highlights</b>	<b>General Mills</b>
Net Sales	\$4.2 billion
Canadian Market Share (Cereals)	2 Point increase

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<sup>6</sup>See Footnote 4, Page 12.

<sup>7</sup>See Footnote 3, Page 1.

**Sources:**

General Mills. (2012). General Mills 2012 Annual Report. Retrieved from [phx.corporate-ir.net/External.File?item...t=1](http://phx.corporate-ir.net/External.File?item...t=1)

Kellogg's. (2012). Kellogg Company 2012 Annual Report. Retrieved from <http://www.annualreport2012.kelloggcompany.com/highlights.htm>

Print Measurement Bureau. (2013). Cold Cereal Brands. PMB 2013 Category Report: Groceries. Retrieved from PMB database.

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