

Kellogg's Frosted Flakes Recipe Change

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Executive Summary

Kellogg's cereal has been a longtime breakfast staple for many families. It's wide selection of cereals, pastries, and waffles has given kids and adults healthy good tasting starts for years. Recently some of Kellogg's competitors have made great strides in being more open to more consumers by making some of their products gluten free. Both General Mills and Post have seized this opportunity and made the most out of it, and have already begun making profits. Instead of ignoring the necessity of gluten free options in today's market, I am proposing that Kellogg's make a change to one of their most popular cereals: Frosted Flakes. The reason I choose Frosted Flakes for this proposal is because of the "2% or less of malt flavoring" in them. Such a small quantity of malt flavoring, taken from barely, is preventing 25 million plus people from purchasing this cereal. A simple ingredient change will give Kellogg's Frosted Flakes an entire new demographic of consumers.

There are millions of Americans who are going gluten free, whether by choice or not. This number is steadily rising and it has created a unique business opportunity for Kellogg's. Changing a single ingredient in one of their most popular cereals will attract a plethora of new customers, increase business for Kellogg's, and give Kellogg's tools to make new gluten free options in the future. This change would take time, as Kellogg's would have to find a suitable replacement to the malt flavoring, implement it in their production process, refine it, and finally introduce it to the public. Although this would take time and money, it would eventually pay for itself. Other companies have already proven this with the changes to their cereals.

The Change: This would be the hardest part for the company, but it would eventually pay for itself.

New Customers: The gluten free craze is still popular in America, and with more and more people being diagnosed with Celiac Disease to join those already gluten free by choice, a whole new demographic of customers opens up.

Business Improvements: Over 25 million potential customers are gluten free as of now, that's a potential set of millions of sales.

Improvements for the Future: Changing or adjusting to the market demands now will prepare Kellogg's for their future endeavors and possible changes.

After seeing that Kellogg's competitors have already begun going gluten free, it only makes sense for Kellogg's to follow suit and reap the rewards of the changing marketplace.

Overview

Kellogg's Cereal has been a great breakfast option since it was founded, in 1906. As time went on, the company has always adjusted to the market, and is always trying to innovate to create fun and healthy options for breakfast. While several new variations of the popular Frosted Flakes have been released recently, I am proposing a different innovation. For years the recipe for the Frosted Flakes and Corn Flakes by Kellogg's has gone unchanged, but in a market flooded with new dietary concerns, it might be time to switch things up. I propose changing the ingredient of malt flavoring to something gluten free, of which there are many options. Doing this small change would open the doors to a whole new set of consumers who previously couldn't eat this popular cereal due to diet restrictions or gluten related health complications. There is evidence to support going gluten free, and evidence to show that this is a huge opportunity for the future success and flourishing of the company.

While this transition won't be easy, it will pay for itself in the future. To add to the positives of this proposed switch, there are multiple possible ingredients that the company could use in place of the malt flavor. Barley is fairly inexpensive to create the malt flavor from, but luckily the next best option, brown rice, is plentiful as well. Brown rice isn't the only option either:

Honey: This classic staple can easily replace malt flavor as a sweetener.

Sweet Sorghum Flavoring: A grain similar to millet, this is much sweeter than malt flavor so less could be used.

Molasses: Similar in usage to honey, this byproduct of sugar refinement is both sweet and gluten free.

Kellogg's has a multitude of options that could work out for those seeking a gluten free breakfast. Doing this would create three main benefits: attracting new customers, increase sales and business, and give the company access and experience with new ingredients. Though this process would be long and potentially costly, it could help Kellogg's in more ways than just financial. Other competing cereal companies have already begun to adopt gluten free variations, or gluten free reimagining's of their current cereal products. It is time for Kellogg's to seize this opportunity and make the best of it.

Attracting New Customers

This would be the first and most obvious benefit of changing the recipes and labels on Frosted Flakes. General Mills cereal brand did this with their Lucky Charms cereal, and it attracted more customers. The reason it did this is because of the changing health and fad climate of the American consumer base. Recent studies show that 22 million Americans have been diagnosed with Celiac Disease, and that a staggering 83% who have the disease are undiagnosed or unaware. Though this only makes up 1% of the American population, the numbers of Celiac cases are steadily rising each year. I was a longtime consumer of Kellogg's products until I too was diagnosed with Celiac Disease. As there are no cures for Celiac Disease, a 100% gluten free diet is the only way to avoid the symptoms and struggles of the disease.

Horrible as Celiac is, 1% probably isn't nearly enough of a new consumer base to change an important ingredient over. While reported cases of Celiac have been on the rise, the numbers for those are nothing when compared to the number of Americans who choose to willingly go gluten free. A recent 2017 Forbes study shows that the number of Americans who don't suffer from Celiac but have gone gluten free anyway has nearly tripled since 2009. Many of these people have an intolerance to the protein of gluten, but most are doing it for the health benefits a gluten free diet provides. Recent estimates show that 3 million plus Americans have gone gluten free of their own accord, and this number is also growing. With the numbers of gluten free consumers increasing at a steady rate, it is a great opportunity for Kellogg's to adjust to their market and change their products. Doing so will open the door to an entire new group of consumers while still holding the door open for non-gluten-free consumers.

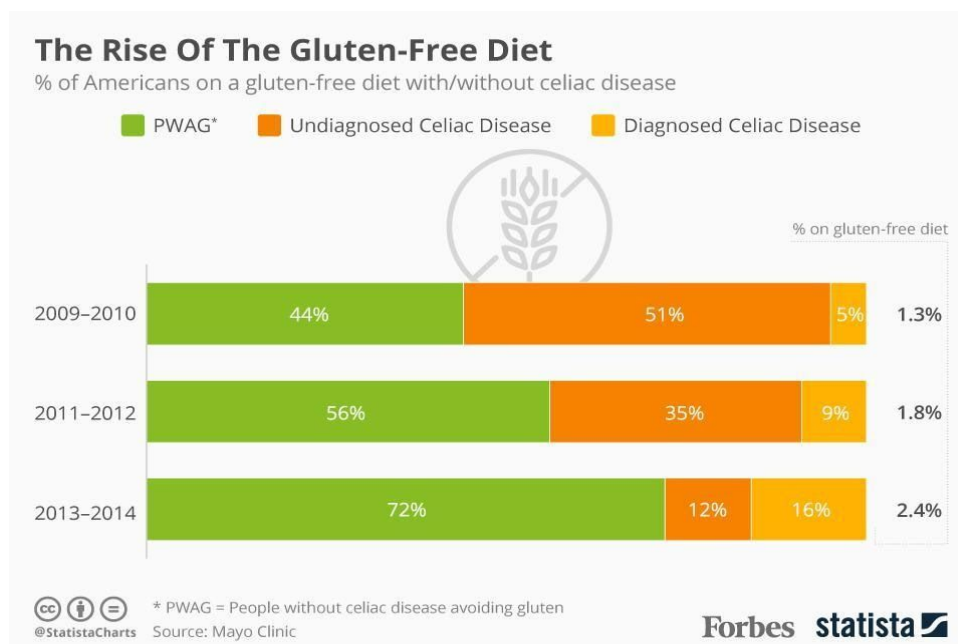


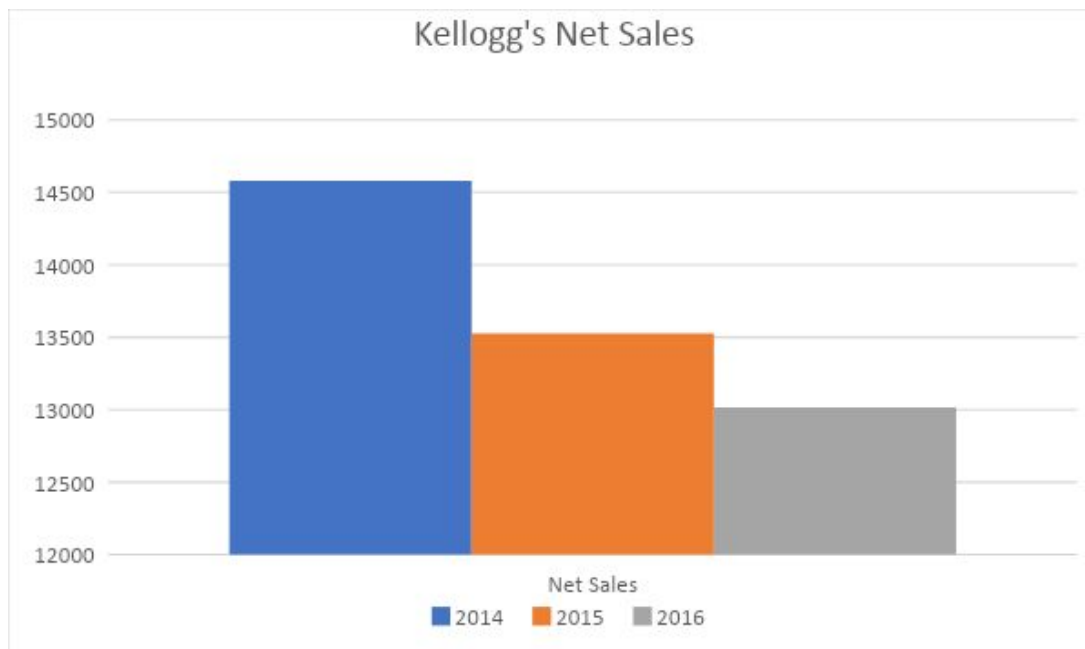
Table 1

Taken from a recent Forbes study, Credit to Forbes and Niall McCarthy

<https://www.forbes.com/sites/niallmccarthy/>

Increased Sales

Though Kellogg's remains a successful company, their net sales profits have been going down. While this shouldn't cause too much concern in a company as large as Kellogg's, the gluten free Frosted Flakes proposal would introduce an entire new consumer base, and this would lead to increased sales. There is already evidence available to show that going gluten free can increase the sales of a product. General Mills' Cheerios recently went gluten free, and their sales are still rising, even with a massive recall that had to be done due to a production mistake. Sales went down during the recall but sales have since grown 3% and then 4% the next year. General Mills also changed its productions to allow Lucky Charms to be gluten free, and their labeling for both cereal products has been changed as well. While Kellogg's does have variations of Special K that are gluten free, this cereal is often marketed as a weight loss cereal, and this narrows down the field of consumers who are going to purchase it. This is especially true with Celiac patients, as they are oftentimes trying to gain weight due to the fact that their diets are so restricted.



Graph 1

Info taken from
Kellogg's 2016
Annual Business
Report

With the recent success of General Mills going gluten free, Kellogg's could use this opportunity to also have more gluten free options. This might help their sales go back up, which would be better for their company and their stock holders.

Future Opportunities

Kellogg's has come out with several variations of their popular Frosted Flakes cereal. They have come out with a cinnamon variation and a chocolate variation. They are clearly open to innovation, so I say, why not gluten free next? Even releasing a gluten free line of Frosted Flakes would work, as an ingredient change would entail a long and costly process of switching recipes and production lines. This is a massive opportunity for Kellogg's, and many of their top competitors are already seizing it. They are already marketing their gluten free products and many of them are reaping the rewards of it. Walmart is the single largest distributor of Kellogg's goods, so it is also guaranteed that Kellogg's new products would be widely seen and bought, giving Kellogg's a set of their own rewards.

Making a designated gluten free cereal option now opens up the doors for Kellogg's future endeavors. They could use the gluten free production facility for new lines of gluten free cereals, and other new breakfast products. They could even use it to bring the gluten free craze to their popular toaster pastries, Pop Tarts. There have been many new Pop Tart flavors in just the past 2 years, so it'd work great for gluten free Pop Tarts to be released next. Many of Kellogg's competitors have to rely solely on breakfast cereal sales whereas Kellogg's has several different products that they can use for profit. Introducing a gluten free cereal like Frosted Flakes would hasten the steps for more gluten free goods, and increased sales for the company. It would also really help out the people who struggle to find good foods to eat, as they would have a number of new good tasting options open for them. In the end, it's really a win-win for the company and the consumers.

Closing Statements

Mr. Bryant, I am convinced that this change to your company and its cereal will be an entirely positive experience for you and your shareholders. With the amounts of people going gluten free each year on the rise, and your ingenuity, I think that this is an opportunity that simply cannot be missed. With this change you will be marketing to an entire new demographic of consumers and with the business you have with Walmart, you will be ensured to get new customers purchasing your gluten free products.

This project would take a time and money, but if it began this year, it could be finished this time next year. As I am not privy to the financial standings of the company, I wouldn't know the costs, but with the research and numbers available, it appears that this change will inevitably pay for itself.

Your competitors have already begun their own gluten free endeavors, and they are already making profits off of it. As an outsider looking in, this makes it seem like you have a high chance of making good profits for you and your company by taking this proposed change to heart. I wish you the best, and hope that you consider this proposal.

Sincerely,

Joe Barbieri

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