



## Kellogg's - Brief

# Supply chain from manufacturing to shelf

### Introduction

Kellogg's was set up in 1906 by the Kellogg brothers. They tried out different ways to cook cereals without losing their goodness. Their philosophy was 'improved diet leads to improved health'. Kellogg's is now the world's leading breakfast cereal maker. It produces in 19 countries and sells in over 160 countries. It now has 40 different cereals. The company's aims are clear:

- to grow the cereal business
- to expand the snack business – by making and selling convenience foods
- to grow in other markets.

Kellogg's is known for its ethical approach. It is committed to Corporate Social Responsibility (CSR). For instance, it has provided over one million breakfasts to schoolchildren throughout the UK through its support for breakfast clubs.

### The supply chain

Kellogg's supply chain is managed in an ethical way. Kellogg's knows that it needs to store and transport products effectively. This reduces the effect on the environment and also keeps costs down. The supply chain describes the stages through which a product passes from suppliers to end customers. A finished product will use resources from the three different sectors of industry:

- the primary sector provides raw materials
- the secondary sector manufactures or assembles products
- tertiary sector businesses provide services to customers.

In the past, businesses carried out several parts of the supply chain themselves. They might, for instance, have been involved in transport as well as manufacturing. This was not very efficient. Kellogg's now specialises in its area of expertise – manufacturing.



## The supply chain – secondary

Kellogg's is in the secondary sector. To be efficient in this sector it needs to think about:

- where to locate its operations
- size and scale – Kellogg's needs large factories and good transport links
- where its customers are and how to reach them.

Kellogg's largest UK plant is at Trafford Park in Manchester. To be more efficient, it has moved its storage depots to be near this site.

The Food and Drink Federation (FDF) is made up of manufacturers and has called on its members including Kellogg's to be more environmentally aware by cutting down on:

- packaging
- water used during production
- transport
- waste sent to landfill
- energy use.

Through the FDF, Kellogg's along with 21 major companies has agreed to use less water, cut waste and reduce CO<sub>2</sub> emissions.

## The supply chain – tertiary

The final stage in the supply chain is the tertiary sector. This involves retail outlets like supermarkets. It also includes service providers such as finance, computing, storage and transport. Kellogg's uses specialist companies to organise the transport and distribution of its products. Kellogg's also has an agreement with another manufacturer to transport goods in the same lorries. This keeps costs down, saves road miles and reduces carbon emissions.

## Managing the supply chain

Kellogg's needs to manage all parts of the supply chain to place its products in stores efficiently. It provides what customers want, at the right price and in the right place. For instance, retailers want to hold limited stocks to reduce their storage costs so Kellogg's uses just-in-time processes.





This means that Kellogg's makes just enough of the product to fulfil orders. By working with partner companies, Kellogg's has improved distribution. Using lean production methods streamlines processes and cuts out waste.

## Conclusion

Effective planning helps Kellogg's to ensure that the supply chain for its products is efficient. It is also ethical. Through effective supply chain management, there are benefits for Kellogg's, the environment and its customers.

