

Kellogg's - Summary

Supply chain from manufacturing to shelf

Introduction

Kellogg's began in 1906 when the Kellogg brothers tried out different ways to cook cereals without losing the goodness. Their philosophy was 'improved diet leads to improved health'. Kellogg's is now the world's leading breakfast cereal manufacturer. It produces in 19 countries and sells in more than 160. Kellogg's business strategy is to:

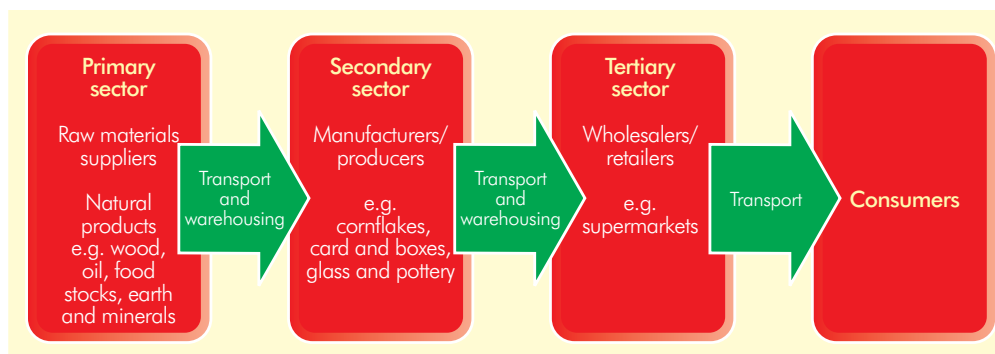
- grow the cereal business – there are now 40 different cereals
- expand the snack business – by diversifying into convenience foods
- engage in other growth opportunities as they arise.

Kellogg's is known for its ethical approach and its commitment to Corporate Social Responsibility (CSR). For example, its programme to promote the benefits of breakfast clubs has provided over one million breakfasts to schoolchildren throughout the UK.

The supply chain

Kellogg's recognises the importance of managing its supply chain ethically and effectively. This includes storing and transporting products both to keep costs down and reduce environmental impacts. 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, like manufacturing and transportation, themselves, which was not always very efficient. Kellogg's now specialises in the area in which it is expert – manufacturing.

The supply chain – the secondary sector

Kellogg's is a secondary sector business. 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.





It needs to consider many different aspects of its operations such as:

- where to locate the business
- size and scale – Kellogg's needs large factories and good transport links
- where its customers are.

The Food and Drink Federation (FDF) represents manufacturers and has called on its members to improve their environmental performance by reducing the use of:

- packaging
- water during production
- transport
- waste to landfill
- energy.

Through the FDF, Kellogg's has signed an agreement with 21 major companies to improve water efficiency, reduce wastage and cut CO₂ emissions.

The supply chain – tertiary sector

The final stage in the supply chain is the tertiary sector. This involves retailers like supermarkets and service companies providing, for example, finance, IT systems or distribution. Kellogg's employs specialist companies to be responsible for its logistics. To keep distribution costs competitive, Kellogg's shares transportation costs with another manufacturer. This saves time, road miles and reduces CO₂ emissions.

Managing the supply chain effectively

Kellogg's manages the supply chain to place its products in stores at the right time and in a cost-effective way. For example, both Kellogg's and its retailers want to hold limited stocks of products to reduce their warehousing costs. Kellogg's therefore uses a system called Just-in-Time. This means that it makes enough products to fulfil orders as they are needed. Both Kellogg's and the retailer can then hold limited stock. Distribution has improved through the collaboration of Kellogg's and partner companies. The lean production system streamlines processes and eliminates waste.

Conclusion

Kellogg's planning helps to ensure that the supply chain for its products is efficient. Its practices also help to address environmental issues. Through effective supply chain management, Kellogg's benefits itself, the environment and other businesses.

