

Strengths, Weaknesses, Opportunities, Threats

Kellogg Company, Morningstar Farms

Company and Product Analysis

History of Kellogg Company and the Morningstar Farms Brand

“Worthington Foods began marketing its vegetarian product almost 70 years ago as Special Foods, founded by psychiatrist Dr. George Harding. Dr. Harding was committed to providing health for the body and mind with an emphasis on nutrition and vegetarianism. The first products were the meat alternatives Proast (dark meat) and Numete (light meat). Special Foods grew throughout the years and saw a jump in production due to a shortage of meat during World War II.

In 1945, Special Foods changed its name to Worthington Foods. In the decades to follow, Worthington led the market in new vegetarian products, and during the 1950s the company increased in size due to acquisitions and new product developments, such as Soyamel and Veja-Link, the world’s first vegetarian hot dog. In the 1960s, Worthington experienced two major breakthroughs. First, using spun soy fiber to create a meat-like texture helped to bring new vegetarian products to market. Second, Worthington was the first to bring frozen vegetarian food into supermarkets.

In the 1970s, under new ownership by Miles Laboratories, Worthington introduced Morningstar Farms products. The company acquired the Loma Linda brand in 1990, went public in 1992 and was purchased by Kellogg in 1999 (Packaged Facts, 2008).”

“For more than 25 years, the Morningstar Farms brand has been offering creative meatless solutions that inspire people to eat well (Morningstar Farms, 2010).”

Morningstar Farms offers products to suit particular lifestyles. These variations include cholesterol-free, fiber rich, Kosher, lower fat, natural ingredients, and organic soy. The brand also offers products by type, including: Breakfast, Burgers, Chik’n, Entrees, Meal Starters, and Vegan (Morningstar Farms, 2010).

Product Description and Information

Additions and Improvements

Kellogg reformulated some of Morningstar’s products in 2003, mainly its Chik’n line, with new breading that stays crispier when microwaved. This included the Chik’n nuggets, Buffalo wings, and breaded patties (Reyes, 2003).

In the fall of 2005, Morningstar Farms added Steak Strips and Chik’n Strips to its Meal Starters line. It also launched three new items in 2006. The

first was called the Mushroom Lover's Burger, the second was called Veggie Bites Broccoli and Cheddar and the third was called Veggie Bites Spinach and Artichoke (Terrerri, 2006).

In 2007, Morningstar introduced two new vegetarian offerings for breakfast: Breakfast Starters Classic Scramble and Veggie Bites Country Scramble. Also new in 2007 was Morningstar's Veggie Bites Eggs Florentine and Veggie Bites Mushroom Mozzarella (Morningstar Farms Gives Vegetarians Breakfast Options, 2007).

Morningstar Farms has launched 21 new products in the last year, and now includes new vegetarian ready-made meal options, such as Sweet & Sour Chik'n and the Grillers Turk'y Burger (Sant'Angelo, 2010).

Morningstar Farms' most recently launched items are Sesame Chik'n, Chik'n Enchilada, Lasagna with Sausage Style Crumbles, and Sweet & Sour Chik'n (Morningstar Farms, 2010).

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Packaging and Labeling

The Morningstar Farms team recently gave the brand's website a new look, made it easier to use, and added recipes for users featuring Morningstar Farms products. The brand also gave the packaging a new look, so that it now features Morningstar products in recipes that look appealing on the package. The packaging also features recipes on the back for customer convenience (Terrerri, 2006).

Acceptance of Morningstar Farms Brand

"Morningstar is the No. 1 player in the surging \$223 million meat alternative segment (Reyes, 2003)."

"New product development has been led by Kellogg's, through its Morningstar Farms brand. Kellogg's reported in April that the brand continues to perform well, growing internal new sales 5% in the first quarter (Sant'Angelo, 2010)."

"Morningstar Farms Garden Veggie Patties are a top choice, falling somewhere between meatlike and grainlike, and they're especially moist and flavorful (*Consumer Reports*, 2008)."

Unique Product Features

Morningstar offers a product called Veggie Bites, which have different varieties, and are completely new and unique in the veggie foods category. A

Morningstar representative said, “These products have diced vegetables and real cheese in a crispy outer coating. These items are great appetizers, snacks, or even good as a light meal (Terrerri, 2006).

One of the Morningstar Farms category managers said, “We help retailers...avoid duplication and offer variety in the category. The competition is strong in the veggie foods category, with three brands taking up most of the shelf space. But, is it better to offer three versions of Chik’n Nuggets or simply offer one version in order to have space for unique offerings? There are not a lot of unique options for vegetarians when it comes to meat alternatives—so Morningstar Farms wants to give consumers as much of an opportunity as possible to try different great tasting foods (Terrerri, 2006).”

Pricing

The average price of veggie burgers is \$1.07. For the Morningstar Garden Burger, the cost is right at \$1.07 and \$1.08 for the Morningstar Grillers Original Burger—yet they were the highest choice in consumer taste tests (*Consumer Reports*, 2008). Therefore, Morningstar is a good value.

Boca Original Vegan Meatless Burger=\$0.94
Boca All American Flame Grilled Meatless Burger=\$0.96
Gardenburger The Original Burger=\$0.97
Gardenburger Portabella Burger=\$0.98
Veggie Patch Garlic Portabella Burger=\$1.00
Franklin Farms Portabella Fresh Burger=\$1.00
Morningstar Farms Garden Burger=\$1.07
Morningstar Farms Grillers Original Burger=\$1.08
Dr. Praeger’s Sensible Foods California Burger=\$1.08
Amy’s Kitchen All American Classic Burger=\$1.12
Amy’s Kitchen California Garden Vegetables Burger=\$1.14
Lightlife Meatless Light Burger=\$1.48

(*Consumer Reports*, 2008)

Distribution

Product Availability

Morningstar Farms products are generally available at most grocery stores. These include Publix, Super Target, Winn-Dixie, and Wal-Mart

Supercenter Store. Morningstar Farms products are also available online from Amazon, CVS, drugstore.com, Netgrocer, Piggly Wiggly Special Order, and Walgreens (Morningstar Farms, 2010).

Relationships with Retailers

“Working closely with retailers is very important to success in the category. In addition to dedicated category management broker resources in the field, Morningstar Farms employs four full-time category managers who work with retailers on how to best merchandise the category (Terrerri, 2006).”

A member of this category management team said, “We help retailers set up planograms and also help them avoid duplication and offer variety in the category (Terrerri, 2006).”

Promotion

Past and current advertising themes

The newest Morningstar Farms Meal Starters were launched with emphasis on tasting is believing (Terrerri, 2006).

“Part of Morningstar Farm’s success can be attributed to its marketing strategy, which similar to that of Gardenburger involves changing how consumers view meat substitutes. In this vein, the company’s website name — SeeVeggiesDifferently.com — pretty much says it all. In an April 2007 press release, Morningstar Farms announced a contest to drum up consumer interest in meatless products — the Morningstar Farms Veggie Creations Contest — whose goal was to ‘encourage veggie lovers to indulge their creative whims and showcase how they see veggies differently.’ The two categories for entry, recipe submission and photo/video entry, required that participants ‘exert their creativity’ using only vegetables as their props. ‘At Morningstar Farms, we want to help people bring creativity to veggie eating. A lot of inspiration and imagination went into creating delicious veggie products such as our Mushroom Mozzarella Veggie Bites and Spicy Black Bean Burgers,’ explains Jim Poppens, Vice President of Marketing, frozen foods. ‘Vegetables can be so much more than a side dish, and we encourage people to look at veggies in a whole new way (Packaged Facts, 2010).”

Effectiveness of past and current communications

“The natural version of Meal Starters was sampled at the Natural Foods Expo in Anaheim, Calif., in March 2006 and was lauded as the Best New Veggie Food at the show (Terrerri, 2006).”

Traditional and non-traditional media utilized

More than 6,000 days of in-store demonstrations were put on display, all featuring stir-fry recipes with vegetables, Chik'n Strips and Steak Strips (Terrerri, 2006).

A national radio promotional effort ran throughout the grilling seasoning 2003 with several "Summer Party Planning" spots. Also, grilling contest and "Summer Watch" events were held at local seaside and sports locations (Reyes, 2003).

Industry/Environmental Analysis

Governmental/Legal/Public Policy

"(Kellogg's) operations are subject to extensive regulation by the US Department of Agriculture, the US Food and Drug Administration and other state and local authorities that oversee food safety standards and the processing, packaging, storage, distribution, advertising and labeling of the company's products. Kellogg's manufacturing facilities and products are subject to constant inspection by federal, state and local authorities. Some of the acts like Clean Water Act, Clean Air Act, Solid Waste Disposal Act (as amended by the Resource Conservation and Recovery Act), Comprehensive Environmental Response, Compensation and Liability Act, Emergency Planning Community Right-to-Know Act, Safe Drinking Water Act, Toxic Substances Control Act, and the Federal Insecticide, Fungicide, and Rodenticide Act, and related state and local laws and regulations, Claims, or enforcement proceedings could affect the company. Additionally, the company is routinely subject to new or modified laws, regulations, and accounting standards. The company's failure or inability to comply with such requirements could subject the company to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which may impact the business of the organization (Datamonitor, 2010)."

Economic Conditions

"The sales for organic food grew by 15.8% in 2008. The growth rates exceeded the growth witnessed by conventional food products. Global demand for organic foods is expected to grow by 46% for a period of at least five years starting in 2009 (Datamonitor, 2010)."

Regardless of the economic downturn, the number of high-end vegetarian products and eateries is growing rapidly. "This growth is prompted by culinary innovation by leading chefs, interest in healthy lifestyles and a

growing belief that carnivorous cuisine is bad for the environment. The majority of food enthusiasts are the increasing number of meat-eaters who are now consuming less meat—so-called ‘meat-reducers’. A market for a new breed of vegetarian is opening up, and opportunities will emerge for creative food product developers, who can achieve great taste without incorporating meat into their latest creation (Sant’Angelo, 2010).”

News Media

Films like Robert Kenner’s *Food, Inc.*, which was said to “lift the veil on our nation’s food industry, exposing the highly mechanized underbelly that has been hidden from the American consumer with the consent of our government’s regulatory agencies, USDA and FDA (Sant’Angelo, 2010),” have increased concern for animal rights and welfare, and have thus increased many consumers’ willingness to try eating a vegetarian diet, even if it’s only one day a week (Sant’Angelo, 2010).

The Meatless Monday campaign started in 2003 in the US as a non-profit public health initiative to set aside one day of every week for meatless eating. The campaign was recently embraced by the San Francisco Board of Supervisors, which voted unanimously in favor of legislation to promote a meat- and fish-free start to the week in San Francisco. Paul McCartney and his daughters, Stella and Mary, launched Meat Free Monday in the UK in 2009 (Sant’Angelo, 2010).

Industry Trends

As people become more aware of the negative effects of unhealthy eating habits, there has been a higher demand for low carbohydrate and low calorie foods internationally. This new emphasis on a healthier lifestyle has caused the loss of a substantial portion of the market share for foods containing trans-fat, high calorie count, and high levels of carbohydrates and fats. These unhealthy foods are losing the market share to natural and organic products that are low calorie and low fat (Datamonitor, 2010).

“An increasing number of U.S. consumers have become what marketers have termed ‘flexitarians’ — as in, those who eschew meat occasionally for reasons of health. Compared with vegetarians, this type of consumer has different demands on meatless products, and puts a premium on taste and texture when deciding on a purchase. As a result, marketers have had to fine-tune their products to appeal to this growing segment... This type of versatility is more important now than ever, as the group of consumers craving meatless entrees and snacks grows (Packaged Facts, 2008).”

“The market shift to address the more environmentally conscious consumer is also having the impact of creating a new vegetarian. Innova Market Insights reported a recent surge in ‘vegetarian’ positioned products, with 990 new products tracked in 2009, up from 484 in 2008 and 427 in 2007. Manufacturers are increasingly promoting their products to be vegetarian, so it is not just simply a case of more vegetarian product launches (Sant’Angelo, 2010).”

“The new vegetarian consumer is not the stereotypical left-wing environmentalist of the past, but does share concerns about the impact heavy meat consumption is having on the environment and also on their own health. A new 2010 HealthFocus report called ‘Shades of Green’ investigated the depth of consumer concerns over the treatment of animals, among other things. Of the total group sampled in the study, on average, 25% consumed vegetarian foods once or more per week; however, 53% of the “greenest” group ate vegetarian foods once or more per week (Sant’Angelo, 2010).”

These new “flexitarians” are meat-eaters who want to improve their health and overall eating habits, and frequently use vegetarian foods to do so (Terrerri, 2006). “The new vegetarian emerging, therefore, will not necessarily choose for an exclusively vegetarian diet, but may simply opt to have a ‘meatless Monday (Sant’Angelo, 2010).’ Those following this philosophy say, “Going meatless once a week may reduce your risk of chronic, preventable conditions, like cancer, cardiovascular disease, diabetes and obesity (Sant’Angelo, 2010).”

Natural Resources

The trend towards sustainability has gathered pace since the economic downturn. Soybeans, palm oil, coffee and cocoa have become a main focus as sustainably sourced ingredients (Sant’Angelo, 2010).

Supporters of having a “meatless Monday” claim that, “Going meatless once a week... can also help reduce your carbon footprint and save precious resources, like fresh water and fossil fuel (Sant’Angelo, 2010).”

The Meatless Monday campaign claims, “The more meat we produce and eat, the bigger (our) carbon footprint will get. A sustainable future demands that we cut down, and yet, between 1961—2007, the world population increased by a factor of 2.2, but, meat consumption quadrupled, and poultry consumption increased 10-fold (Sant’Angelo, 2010).”

Technology

The quality of vegetarian positioned products has improved dramatically in recent years because of the many advances in meat substitute products.

These products are made with other-than-meat protein sources, mostly soy and soy-made products, and they are better able to mimic the texture of meat (Sant'Angelo, 2010).

“Innova Market Insights tracked 405 new meat substitute products globally in the last year (April 2009—March 2010), 186 of which were reported in the U.S. This is comparable more to the 289 launches in the previous 12 months (April 2008—March 2009), 110 of which were recorded on the U.S. market. Many innovations fall into the ready meals segment, allowing consumers to combine vegetarianism with convenience (Sant'Angelo, 2010).”

Competition

Major Competitors

Amy's Kitchen
Kraft Foods, Inc.

(Packaged Facts, 2008)

How They Compete

“Before its acquisition by Kellogg, Gardenburger had embarked on a marketing mission: How to attract men to soy products? To dispel the image that the consumer demographics for its all-natural, meatless products were defined by vegetarians and women, the company created a campaign that would engage men and also show that anyone can enjoy Gardenburger as part of a healthy lifestyle. The challenge was to build a compelling, cost-effective promotion that involved user-generated content and participation, and to launch it in a short time.

The result was ‘Real Men Eat Gardenburger,’ which invited consumers to submit photos of ‘real men’ and to describe why the person qualified. Submissions ranged from men who ‘can cook a four-course dinner and then do the dishes’ to those who ‘get the kids ready for school and tuck them in at night’. Consumers could view submissions and vote online from October to November 2007. To keep consumers at the website, Gardenburger asked visitors to leave comments, play interactive games or answer questions to test their ‘manliness’ (respondents were humorously classified as ‘Arnold-like,’ ‘somewhat manly’ or ‘girly-man’). The contest was an out-and-out success, garnering some 200 photo entries (twice as many as Gardenburger expected), 150,000 page views, more than 75,000 votes and 1,000 user comments (Packaged Facts, 2008).”

Strengths and Weaknesses of Competition

Kraft Foods' vegetarian brand, Boca, is a strong competitor of Kellogg's Morningstar Farms. Boca burgers compete for the loyalty of meat lovers who are trying to cut back on their meat consumption. Boca burgers were also cheaper than most other veggie burger patties tested in *Consumer Reports* (*Consumer Reports*, 2008).

"If you're looking for a meat wannabe, consider Boca All American (burger), cheaper than most at 96 cents per burger. Eaten on a bun with condiments, it could be mistaken for ground beef (*Consumer Reports*, 2008)."

Branding/Image of Competition

Kraft's Boca Brand offers an interactive website that is easy-to-use, helpful, and fun. It includes an entire "Healthy Living" tab that focuses specifically on the benefits of eating soy, exercising, and living a healthy lifestyle in general. It offers a list of nutrients and the benefits provided by each, as well as healthy recipes using Boca products (Boca, 2010).

Kraft's Boca Brand also offers Weight Watchers endorsed products, which furthers their healthy brand image and attracts consumers who are using the Weight Watchers program (Boca, 2010).

Amy's Kitchen offers an entire 2-week diet plan that uses Amy's Kitchen products along with other healthy foods to help users lose weight. The Amy's Kitchen website provides the diet plan for free, along with testimonials from consumers who have had success with the plan (Amy's Kitchen, 2010).

Amy's Kitchen also offers its products on over 500 college and university campuses, which targets college students who are fed up with dining hall food, and want something that is quick, healthy, and tastes good (Amy's Kitchen, 2010).

Consumers/Target Markets

Demographic Profile

26.1% of U.S. households (or 28.9 million) used meat alternatives, which includes tofu and tempeh/seitan as well as meat-alternative versions of burgers, hot dogs, pizza, breakfast items, chicken/poultry, deli meats and ground meat/crumbles (Packaged Facts, 2008).

The following chart provides detailed demographics, percentages and number of households found among consumers who used meat alternatives in the U.S. in 2007.

Demographic	Percent	Number (000)
Overall	26.1	28, 913
<i>Age</i>		
18-24	32.5	2,313
25-34	27.7	5,469
35-44	30.7	6,441
45-54	24.7	5,402
55-64	23.8	4,322
65-74	22.3	2,752
75+	20.6	2,213
<i>Gender</i>		
Male	23.8	10,843
Female	27.6	18,071
<i>Highest Level of Educational Attainment</i>		
Non High School Grad	36.6	6,043
High School Grad	24.4	8,074
Some College	22.5	7,284
College Grad	24.4	3,696
Some Grad School	27.3	892
Grad Degree	27.4	2,925
College Grad or More	25.0	7,512
<i>Employment Status</i>		
Full-Time	24.9	13,600
Part-Time	30.1	3,604
Self-Employed	31.3	2,245
Homemaker	27.3	2,059
Retired	21.3	4,852
<i>Occupation</i>		
Management	19.7	1,645
Professional/Technical	30.6	5,441
Sales	26.3	1,697
Administrative Support	20.1	2,332
Labor	27.2	6,060
<i>Individual Employment Income</i>		
Under \$20,000	33.1	6,263

\$20,000-\$39,999	24.0	5,251
\$40,000-\$59,999	21.6	2,37
\$60,000-\$74,999	21.4	1,078
\$75,000-\$99,999	22.4	969
\$100,000 or More	23.7	907

Source: (Packaged Facts, 2008)

Psychographic Profile

The chart below details the usage of selected soy food and beverage products (the soy food and beverage market as a whole) by agreement with psychographic statements and percentages of U.S. households that agree with the statement.

Product	Percent
Am a Vegetarian	55.4%
Am Usually First to Try New Health Foods	51.7%
Look For Organic/Natural Food Products	49.1%
Try to Eat Gourmet Foods Whenever I Can	43.4%
Usually Quick to Try New Nutritional Products	42.9%
Usually Only Snack on Healthy Foods	41.6%
Normally Count Calories	39.9%
Nutritional Value Is Most Important In The Foods I Eat	39.0%
Consider My Diet To Be Very Healthy	38.4%
Am Currently Dieting	37.9%
Like To Try Out New Food Products	37.4%
Look For Freshest Ingredients When I Cook	36.2%
Work At Eating Well-Balanced Diet	35.4%
Try To Eat Healthier Foods These Days	35.2%
Most Snack Foods Are Not Healthy	33.6%
Treat Myself To Foods That Aren't Good For Me	32.3%
Nothing Wrong With Indulging in Fattening Foods	32.3%
Eat Foods I Like Regardless of Calories	31.7%

Source: (Packaged Facts, 2008)

The following chart provides further insight into the mindsets of frequent

meat-alternative using consumers in 2007. It details the specific usage of meat alternative foods by agreement with psychographic statements and percentages of U.S. households that agree with the statement.

Product	Percent
Am a Vegetarian	45.7%
Am Usually First to Try New Health Foods	40.3%
Look For Organic/Natural Food Products	37.7%
Try to Eat Gourmet Foods Whenever I Can	35.4%

Source: (Packaged Facts, 2008)

The following chart provides detail about the type of meat alternatives used by U.S. households in 2007.

Product	Percent	Number in Millions
Burgers	16.3%	18.1
Hot Dogs	13.2%	14.7
Pizza	12.2%	13.5
Breakfast Items	11.1%	12.3
Chicken/Poultry	10.4%	11.6
Tofu	8.8%	9.8
Deli	7.7%	8.5
Ground/Crumbles	7.1%	7.9
Tempeh/Seitan	5.3%	6.9

Source: (Packaged Facts, 2008)

Analysis of Present Customer's Behavior

“Following among the prime consumers, psychographically speaking, are those somewhat or strongly inclined to try new health foods, to look for organic/natural foods or to seek out gourmet foods. Gourmet consumers are at least 10% more likely than average to use the individual soy product types tracked by the Simmons survey, and over half again more likely to use tofu (Packaged Facts, 2008).”

The most frequent consumers of meat alternative products, such as Morningstar Farms products, are self-employed women of ages 18-24 who earn under \$20,000 per year. Of people interviewed, only 45.7% identified as

being vegetarian, which indicates that a large part of consumers who purchase meat alternative products enjoy them as part of a balanced diet in addition to the meat they consume.

In addition, these consumers are creative, adventurous eaters, but many of them strive to maintain and/or lose weight, and look for great tasting, yet low-calorie foods to aid them. They are healthy and nutritionally conscious, but they do not want to sacrifice quality, taste or texture in their food.

Strengths-(internal/controllable, positives)

- Products considered the best tasting in the veggie foods category
- Unique product variety
- Large share of retail shelf space
- Market leading brand image
- Dedicated team members and category managers

Weaknesses-(internal/controllable, negatives)

- Little or no current advertising apart from packaging and website

Opportunities-(external/uncontrollable, positives)

- New emphasis on health consciousness could drive new consumers to buy the product
- Expected growth of organic foods is 46% within 5 years starting in 2009, could use this expected growth to market more organic products—not simply vegetarian
- Emergence of the “flexitarian”—meat-eaters who use vegetarian foods to improve their overall eating habits
- New technology is better able to mimic the texture of meat using soy and soy-based products

Threats-(external/uncontrollable, negatives)

- Strong Competition
- Other brands have better and more advertising
- Extensive government regulations