

# Kellogg's

## THE MARKET

Grain-based products are at the heart of a healthy American diet. The U.S. Department of Agriculture's food pyramid recommends six to eleven servings a day of products made from grain.

As Americans build grain-based foods into their diets, ready-to-eat cereal plays a most important role. The average U.S. resident consumes nearly 11 pounds of ready-to-eat cereal each year, providing both the goodness of grain and the added value of vitamin fortification.

Kellogg Company, the world's leading producer of cereal, manufactures cereal products and a wide range of other convenient, nutritious grain and vegetable-based products, including toaster pastries, cereal bars, frozen waffles, cookies, crackers, and veggie foods.

Even as Kellogg's® great-tasting convenience foods respond to the growing number of consumers who eat "on the run," the company also serves the approximately 70 percent of children and adults who continue to eat breakfast at home.

## ACHIEVEMENTS

Headquartered in Battle Creek, Michigan, Kellogg Company has a record of nearly 100 years of excellence and a reputation for products that provide value and contribute to a healthy diet.

With projected annual sales of around \$8 billion, Kellogg Company brands include *Kellogg's*, *Keebler*, *Pop-Tarts*, *Eggo*, *Cheez-It*, *Nutri-Grain*, *Rice Krispies*, *Murray, Austin*, *Morningstar Farms*, *Famous Amos*, *Carr's*, *Plantation*, *Ready Crust*, and *Kashi*. Kellogg icons such as *Tony the Tiger* and *Snap! Crackle! Pop!* are among the most recognized characters in advertising.

Over the years, Kellogg's products have won professional as well as consumer acclaim. For example, in 1999, *Kellogg's Raisin Bran Crunch* cereal became the only U.S. cereal ever to win advertising's prestigious Gold Lion Award.

Kellogg Company has compiled a long record of food industry leadership and global business growth. Kellogg products are manufactured in 19 countries and marketed in more than 160 countries around the world.

Kellogg Company also has a substantial record of social and environmental responsibility. In addition, Kellogg Company's largest share owner, the W. K. Kellogg



Foundation, is one of the world's leading philanthropic organizations.

Always committed to environmental stewardship, Kellogg Company is proud of its nearly century-long record of being one of the world's largest users of recycled paperboard. In fact, the very first cartons that came off the Kellogg production line in 1906 were made of recycled fibers.

## HISTORY

Kellogg Company's worldwide leadership in its industry stems from the invention of flaked cereal — by accident — at the Battle Creek Sanitarium.

The "San" was an internationally famous Seventh Day Adventist hospital and health spa. Its elite patients were offered a regimen of exercise and fresh air, plus a strict diet that prohibited caffeine, alcohol, tobacco, and meat.

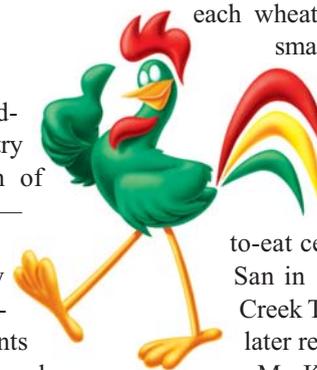
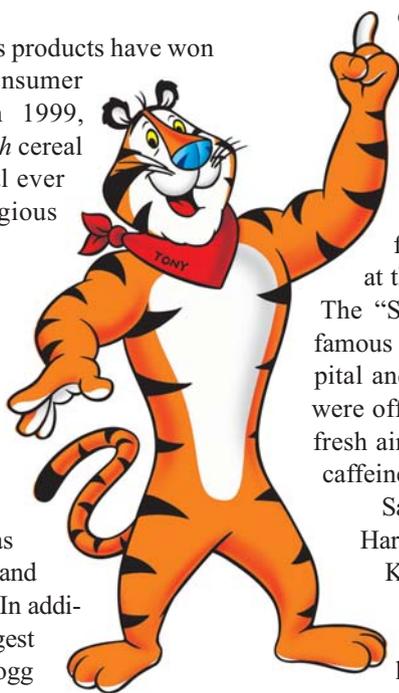
Sanitarium Superintendent Dr. John Harvey Kellogg and Will Keith (W. K.) Kellogg, his younger brother and business manager, experimented to find good-tasting substitutes for the hard and tasteless bread on the San's

menu. Wheat was cooked, forced through granola rollers, then rolled into long sheets of dough. One day, after cooking the wheat, the two men were called away. Although the wheat was rather stale when they returned, the brothers decided to see what would happen when the tempered grain was forced through the rollers.

Instead of the usual long sheets of dough, each wheat berry was flattened into a small, thin flake. When baked, the flakes tasted crisp and light. The San's patients loved the new food.

Seeing the commercial opportunity of ready-to-eat cereal, W. K. Kellogg left the San in 1906 and formed the Battle Creek Toasted Corn Flake Company, later renamed Kellogg Company.

Mr. Kellogg boldly advertised his new product. He spent much of his working capital to buy a full-page ad in the July 1906 issue of *The Ladies Home Journal*. The results astonished him. Sales burgeoned from 33 cases to 2,900 cases per day. With more widespread ads and promotions to tell the public about "The Original and Best" Kellogg's Corn Flakes, the small company's annual sales surpassed 1 million cases by 1909.



W. K. Kellogg quickly expanded into international markets. He also expanded his product line, introducing Bran Flakes (1923), All-Bran (1916), Rice Krispies (1928), Kellogg's Frosted Flakes (1952), and Special K (1955) cereals. Pop-Tarts toaster pastries, launched in 1964, became an American institution of its own and, not surprisingly, the company's top-selling convenience food.

Kellogg Company also led the way in communicating good health. In the 1930s, Kellogg Company became one of the first companies to print nutrition messages and recipes on cereal package side and back panels.

In the second half of the 20th century, Kellogg Company's commitment to nutrition evolved into active support of scientific studies that have underscored the value of grain-based foods in a healthy diet.

In the 1990s, even as worldwide consumption of cereal continued to increase, Kellogg Company built an increasingly strong convenience-foods portfolio that now — after its recent acquisition of Keebler Foods — accounts for 43 percent of the company's global sales.

## THE PRODUCT

Kellogg's products are a perfect fit for a healthy lifestyle. Many are low in fat and often help provide the dietary fiber that is lacking in the diets of many Americans. They also provide nutrition, great taste, and convenience.

The appeal of Kellogg's products also encourages consumers to eat what nutritionists agree is the most important meal of the day: breakfast. Research shows that people who eat breakfast tend to have less anxiety and improved memory. Children who go to school without breakfast have more trouble concentrating, and their schoolwork can suffer as a result. Regular breakfast eaters have better diets and generally enjoy better overall health than breakfast skippers.

Kellogg's products also have a long-standing reputation for consistently delivering the highest level of quality to consumers around the world.



## RECENT DEVELOPMENTS

With its world-class research and development resources at W. K. Kellogg Institute for Food and Nutrition Research, Kellogg Company continues to be a global leader in food innovation. Just a sampling of Kellogg Company's recent innovations includes:

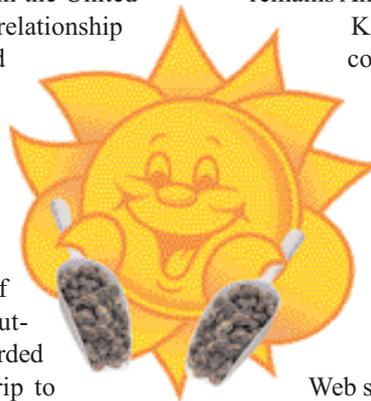
- Kellogg developed a high-potential natural and frozen foods division that includes the acquisitions of Worthington Foods Inc. in 1999 and Kashi Co. in 2000.
- In 2001, Kellogg put the power of red into breakfast with the introduction of Kellogg's® Special K® with Red Berries cereal. This unique cereal combines sweet and crunchy flakes with delicious slices of real strawberries.



• Kellogg acquired Keebler Foods Company in March 2001, the second-leading cookie and cracker manufacturer in the United States. A multiyear global relationship formed between Kellogg and Disney in 2002, and several new cereal and snack food products have been introduced to the market as a result.

• In 2002, Kellogg celebrated the 50th birthday of *Tony The Tiger*™. Ten outstanding children were awarded \$10,000 scholarships, a trip to New York City, and the opportunity to appear on boxes of *Kellogg's Frosted Flakes*® cereal with *Tony The Tiger*™.

• Today, Kellogg produces more than 40 different cereals on six continents. The company markets its products worldwide and employs over 15,600 people in its worldwide organization.



## PROMOTION

W. K. Kellogg was a master of creative advertising and promotion.

In the company's early years, "Give the Grocer a Wink" won shoppers free samples of Kellogg's Toasted Corn Flakes. *The Funny Jungleland Moving Pictures* book in 1910 became the first of thousands of premiums offered to consumers who bought Kellogg's cereal. From the world's largest electric sign at Times Square in New York City to small grocery store windows, the Kellogg name, written in W. K. Kellogg's distinctive script — *Kellogg's* — reminded the public that "None Genuine Without This Signature."

Kellogg Company's marketing leadership continued through the decades as consumers sent their box tops to Battle Creek for Kellogg premiums, and as Kellogg became a leader in creative radio and television advertising. Kellogg sponsored early family shows on TV, including *Superman* and *Wild Bill Hickock*.

The tradition of marketing leadership continues today as Kellogg has launched the cereal industry's first frequent-flyer promotion, with American AAdvantage Miles, as well as promotions based on popular Disney and Cartoon Network characters. Kellogg also leverages sponsorships such as

NASCAR, the Olympics, and the Susan G. Komen Breast Cancer Foundation Race for the Cure to bring value-added promotions to its consumers.

## BRAND VALUES

Nearly a century after Kellogg Company was founded, Kellogg remains one of the best-known and most popular brand names in America and all around the world.

Kellogg's brands enjoy tremendous consumer loyalty. For example, more than 40 percent of the millions of

Americans who eat Kellogg's Frosted Flakes have been doing so for more than 20 years, and it remains America's favorite cereal.

Kellogg Company's commitment is to continue to build its brands and to deliver superior value to consumers in the new century.

Consistent with the words of founder W. K. Kellogg, "We are a company of dedicated people making quality products for a healthier world."

More information about the company's products, vision, marketing, and mission is available at Kellogg's

Web site, [www.kelloggs.com](http://www.kelloggs.com), and Keebler's Web site, [www.keebler.com](http://www.keebler.com).

All characters and products are trademarks of the Kellogg Company, ©2001 Kellogg Company. ®NASCAR is a registered trademark of the National Association for Stock Car Auto Racing, Inc. ®Komen Race for the Cure is a registered trademark of The Susan G. Komen Breast Cancer Foundation. ®American Airlines and AAdvantage are trademarks of American Airlines, Inc. ™Cartoon Network is a trademark of the Cartoon Network. ®Disney is a registered trademark of Disney Enterprises.

## THINGS YOU DIDN'T KNOW ABOUT KELLOGG

- *Kellogg's Pop-Tarts* toaster pastries are incredibly popular with American consumers. If all the Pop-Tarts produced each year were laid end-to-end, they would circle the earth more than six times.
- With powerful brands such as *Kellogg's Raisin Bran* and *Kellogg's Raisin Bran Crunch* cereals, Kellogg Company is the largest purchaser of raisins in the United States — about 60 million pounds each year.
- *Tony the Tiger* is as well liked by young American children as Mickey Mouse.
- The Kellogg product providing the most dietary fiber is *Kellogg's All-Bran with Extra Fiber* cereal, which provides 13 grams of fiber per serving, which is about half the daily amount of fiber recommended for adults.
- Twenty percent of *Kellogg's Rice Krispies* cereal is used to make marshmallow squares at home.