

# THE BUSINESS ENVIRONMENT. KELLANOVA, INC

## Elizabeth Waskom

1. Identify three general environment segments and their important examples for the corporation and explain why they are relevant.

### Sociocultural Segment

Kellanova is important in the sociocultural segment. This company has a focus on healthy diets: “We are inspired by grain and plant-based snacking and are constantly exploring new ways to deliver grains in tasty, nourishing, and relevant ways to people” (*Kellanova*, n.d.). Kellanova operates only in the food-based industry, as they only have products that are food. As a food-based industry, Kellanova has to ensure that it creates the safest and healthiest snacks for its customers. In response, they have reduced their caloric intake of products and allowed for better portions to be placed on their products. “Portion-controlled options can help to make our quality and great-tasting foods more affordable and accessible while also helping people to manage their calories” (*Kellanova*, n.d.).

### Demographic Segment

The demographic segment is also important for Kellanova. With disparities in income levels, Kellanova “works closely with food banks on six continents in more than 30 countries to help feed people facing food insecurity” (*Kellanova*, n.d.). As a food production industry, they are the type of industry that is sought out to make a difference by providing their products to those who require food due to income levels. With Kellanova working globally, they have first-hand access to different income levels around the world. The Better Days Promise

commits to “nourishing 1.5B people with our food” and also “feeding 400M people in need” (*Kellanova*, n.d.). This demonstrates their commitment to feeding not only people in need, but making the food accessible to those who can afford it as well. In response, they have continued to help those in need by working in food drives and food banks.

### **Political/Legal Segment**

As a food-based industry, Kellanova is subject to health and safety regulations put in place for the food industry. Since they carry products that are packaged and frozen, they have to ensure that their products are properly stored and distributed. “Funds for the FDA’s human foods initiatives will modernize the FDA’s capacity to prevent or mitigate foodborne illness outbreaks by investing in necessary tools and processes to strengthen root-cause investigations” (United States, 2024). The modernization of these tools to assess investigations will mean that industries need to comply and abide by those new regulations. Kellanova will have to adhere to these regulations to ensure that they are in good standing with their products. While the products they have adhere to the regulations currently put in place, it does not ensure that these brands will adhere to future regulations. The company needs to focus on continuing to abide by these regulations to ensure the safety of its products.

2. Identify the industry to which the corporation belongs using the [Standard Industrial Classification \(SIC\) Code](#). The U.S. government assigns this four-digit numerical (SIC) code according to business activities. Then, analyze the Forces of Porter in the industry and determine each force’s power level (which force appropriates most of the industry profit). Finally, explain (why?) each force’s power level. Use examples or evidence in your responses.

Kellanova SIC Code: 2096 Other Snack Food Manufacturing

### **Threat of New Entrants**

*Low power level.* The FDA has to ensure that the food products being packaged and disbursed comply with regulations. It takes time for people and companies to gain certificates and achievements that allow the company to sell that given product. The time it takes for a certain company to gain the power to enter the market, the established companies in that industry have already produced other products. This could make it hard for those new entrants to be successful in the industry, making the power low.

### **Bargaining Power of Buyers**

*Medium power level.* Customers have more bargaining power when “there aren’t many switching costs from one business to another” (Bova, 2023). Since the switching costs in the industry are low, the customers can quickly transition to another brand or company. On the other hand, many companies have built reputations so they have loyal customers. These customers will typically stay even with low switching costs, so the power is not high.

### **Bargaining Power of Suppliers**

*Low power level.* Since there are many suppliers in this industry, the bargaining power for suppliers is low. This allows any company in the industry to quickly change suppliers when they please. Since switching costs are low in this industry, the suppliers have much less power over the product. Grupo Herdez had “increased the percentage of domestic raw material suppliers by 1.5%, reaching 95.0% compared to 93.5% in 2022” (Grupo Herdez, n.d.). For suppliers to have more power in this industry, they have to be willing to use lower prices to hope that a company uses that given supplier.

### Threat of Substitute Products and Services

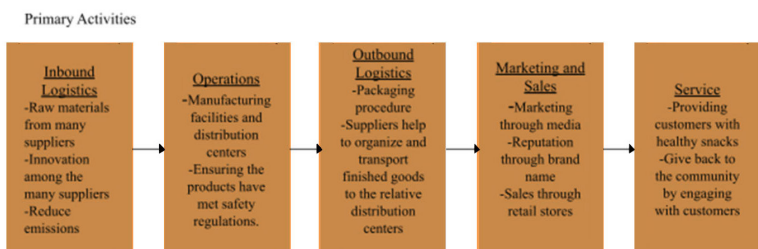
**Medium power level.** With many suppliers present in this industry, this allows for other companies to obtain the same materials. This opens a window for other products to be produced as substitutes. There are substitutes for several different snack foods which is where customer loyalty plays a big factor. The more loyal the customer is to a certain company, the less likely that substitutes will catch their attention, therefore the power is medium.

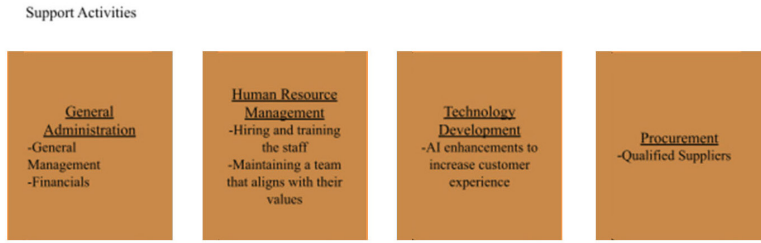
### Intensity of Rivalry Among Competitors in an Industry

**High power level.** When considering snack foods, many people have certain snacks that they prefer. The loyalty in certain companies makes for greater competition. There is also a wide range of snack foods that are offered which shows that there is a great level of competition in the industry. For companies to attempt to gain the attention of other companies' loyal customers, the rivalry increases significantly.

### Internal Environment

1. Represent the value chain of your corporation using one (1) [process modeling tool](#) (flow chart, RADs, etc.). In the representation, clearly identify and describe the relevant primary and support activities. Then, discuss how the company created value for customers. In doing so, identify the customer needs to be addressed by your corporation (products or services) and how the delivery is (fast, slow, cheap, expensive, a combination, etc.)



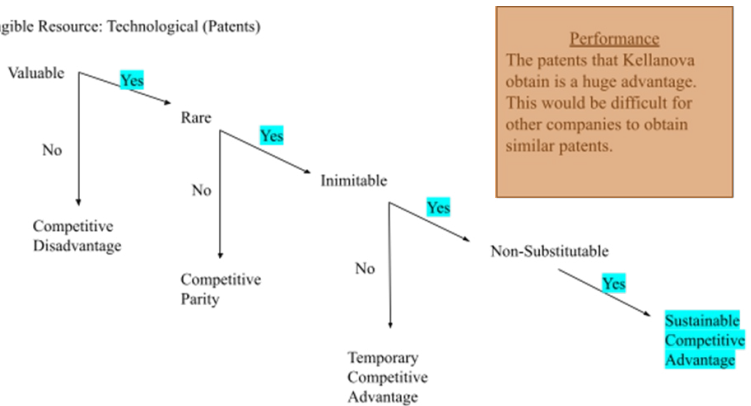


Kellanova is a company that adds value to the customer in several ways. With Kellanova's concern for the environment and desire to help the planet, they strive to create products that align with that value: "Reduce greenhouse gas (GHG) emissions and enable a climate-positive future" (Kellanova, n.d.). With their legacy, they are well-known in the market. Customers want companies that they can rely on, and since Kellanova has built a reputation, they have a greater chance of having loyal customers. When they parted from Kellogg, they gained access to those customers based on the company. As they continue to excel in areas that are important to the consumer, they gain loyalty for their new name, Kellanova. Kellanova must show their customers that they are putting them at the forefront of the decisions. "Standardizing our food date labels and educating consumers if food is safe to consume, as well as delivering tips and packaging innovation to help them reduce unnecessary food waste at home" (Kellanova, n.d.). They continue to show that they are assessing customers' needs as they go. Consumers have a desire to know the products that they are purchasing.

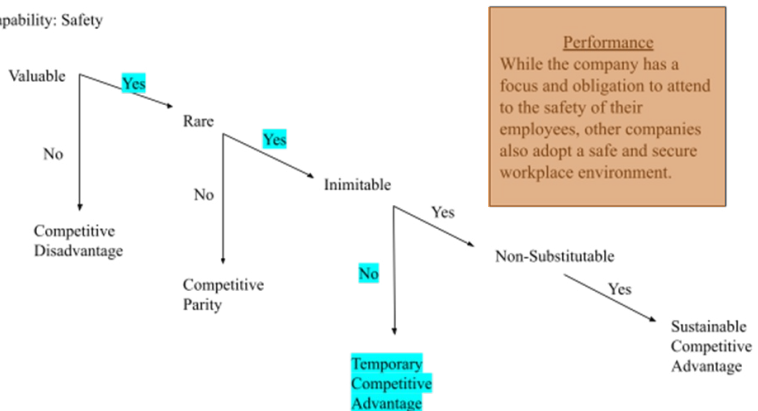
For delivery, they ensure safety and quality. They also allow for consumers to visit their websites. In having an online presence, it allows for the consumer to gain the products more efficiently. Due to the wide range of distribution locations that Kellanova has, they can ensure quicker deliveries as they are most likely to have distribution centers close. Kellanova does not determine if their delivery services are up to par, but rather they allow customers to take surveys to assess their services and delivery skills. The results help Kellanova shape its delivery services moving forward.

2. Represent the resource-based-view analysis of your corporation using one (1) [process modeling tool](#) (flow chart, RADs, etc.). In the representation, identify and clearly describe your corporation's relevant resources or capabilities (at least two resources and two capabilities). Then, appraise if they are valuable, rare, difficult to imitate, and difficult to substitute. Finally, discuss the advantage each resource and capability would offer the company (competitive disadvantage, competitive parity, unused competitive advantage, or sustainable competitive advantage).

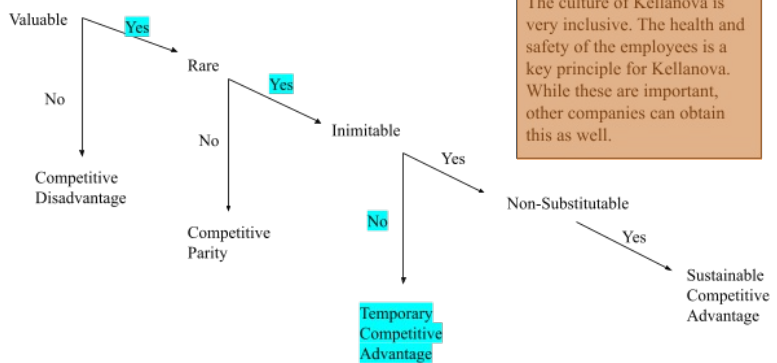
Tangible Resource: Technological (Patents)



Capability: Safety

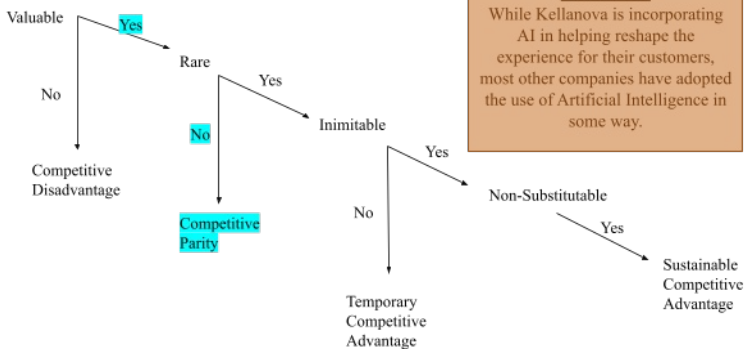


**Intangible Resource: Company Culture**



Performance  
 The culture of Kellanova is very inclusive. The health and safety of the employees is a key principle for Kellanova. While these are important, other companies can obtain this as well.

**Capability: Customer Service (AI Enhancement)**



Performance  
 While Kellanova is incorporating AI in helping reshape the experience for their customers, most other companies have adopted the use of Artificial Intelligence in some way.

**Tangible Resource: Patents**

Patents are very important for companies to obtain. They show a “detailed examination of its impact on industry standards and its potential to revolutionize the market” (Mudholkar, 2024). Obtaining the patents that Kellanova has, exemplifies how valuable Kellanova is in the industry. It shows their dedication to obtaining the patents. It takes time to obtain them which means it is not easy for other companies to imitate. These are valuable and rare due to not everyone being able to obtain them. It gives Kellanova a sustainable competitive advantage.

### ***Capability 1: Safety***

At Kellanova, safety is a priority. “The mission of Employee Health and Safety (EHS) at Kellanova is to nurture a culture that believes zero injuries are possible, while minimizing our impact on the planet and communities where we live, work and source” (Kellanova, n.d.). The company continues to strive to provide its employees with benefits in the workplace that increase their safety and health in the workplace. While this is valuable and rare, safety regulations are put into place in every workforce. Some happen to be more strict and ultimately safer than others.

### **Intangible Resource: Company Culture**

Kellanova challenges its employees to be the best. The culture “celebrates boldness and empowers our people to challenge the status quo, achieve results, and win together” (Kellanova, n.d.). They implement suppliers from minority groups to ensure that they are incorporating a diverse culture. They have a vision to make management roles for men and women to be 50/50. Kellanova needs to embrace the culture because it shows how they can have a temporary competitive advantage. While it is valuable and rare, other companies have the availability to adopt a positive company culture.

### ***Capability 2: Customer Service (AI Enhancement)***

Kellanova has made advancements in its customer service by implementing Artificial Intelligence. “AI and ML algorithms are adept at processing large volumes of data and identifying patterns (Galorath, 2024). In the food industry, Kellanova needs to keep up with consumer trends. By using AI, Kellanova can produce products that are going to attract customers and their needs. Being able to assess data as a whole using AI, the company can focus solely on the results and not the detailed work of assessing the data. While this is valuable for the company, AI is so common in the workplace that it is not rare. It gives Kellanova a competitive parity.

## Integration

1. Create a SWOT matrix for the corporation based on external and internal analyses. Remember to use examples or evidence.

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| <p><b>STRENGTHS</b> (Internal)</p> <ul style="list-style-type: none"><li>• One strength that Kellanova possesses is its Brand name. Previously known as the Kellogg Company, Kellanova is “building on the strong brand equity and legacy built over the previous 117 years as Kellogg Company” (<i>Kellanova</i>, n.d.).</li><li>• Kellanova has reached global attention. They work on “six continents in more than 30 countries” (<i>Kellanova</i>, n.d.). Reaching global attention allows them to have an advantage over other companies in the industry.</li><li>• “Kellanova Better Days Promise is committed to advancing sustainable and equitable access to food” (<i>Kellanova</i>, n.d.). This shows their commitment to sustainability as they have specific goals set out for this promise.</li></ul>  | <p><b>WEAKNESSES</b> (Internal)</p> <ul style="list-style-type: none"><li>• The interest expense has doubled for the quarter which represents a debt issue (<i>Kellanova</i>, n.d.). They have to find a way to ensure that their revenue increases or their debt burden could continue to increase. If the debt becomes too much, the financial stability of the company will decrease.</li><li>• Their brand portfolio can also be a weakness for the company. As newer generations arise, the demand for older products may diminish. As Kellanova is building on its “117 years” of legacy, other companies are coming out with new products (<i>Kellanova</i>, n.d.).</li><li>• Along with the outdated portfolio, the company is not as present in the emerging markets. Since they have been in the market for decades, they are not as up-to-date as the emerging markets are.</li></ul> |
| <p><b>OPPORTUNITIES</b> (External)</p> <ul style="list-style-type: none"><li>• The industry is very innovative. With the raw materials that are presented, many different products can be produced. While they focus on plant-based snacks, they can also look for higher protein meals and reduced sugar meals.</li><li>• With a focus on plant-based foods, Kellanova can use these products and engage in another trend which could be health-oriented. In engaging in another market, they are potentially expanding their revenues.</li><li>• Kellanova has thought about incorporating AI which would “reshape our consumers’ and shoppers’ experiences and expectations” (Cotterill, 2024). If they can utilize this to differentiate themselves in the industry, they can excel above competitors.</li></ul> | <p><b>THREATS</b> (External)</p> <ul style="list-style-type: none"><li>• The industry is highly competitive. Since snacking foods have such a wide range, Kellanova needs to ensure they stay on the high end of things. They have to continue to market their products for the attributes they have over others.</li><li>• Over the past few years, inflation has increased. In the stores, customers can see a clear rise in prices. This is a threat to Kellanova as they produce food. This directly affects the shelf price for Kellanova’s given products.</li><li>• “Organic brands have been gaining significant momentum over the past several years” (Reinders and Bartels, 2017). This shows how consumer preferences are changing. Since Kellanova has been producing the same products for years, they are not as prepared to adapt to consumers’ needs.</li></ul>                  |

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