Cadbury case analysis marketing essay

John Cadbury, founder of the Cadbury business, opened his first store in the United Kingdom in 1824 (Cadbury, 2011). His philosophy was based on selling coffee, tea, and hot chocolate as healthier alternatives to alcohol, which he believed destroyed people's lives (Cadbury, 2011). In 1831, Cadbury began commercially manufacturing cocoa and chocolate beverages (Cadbury, 2011). The first Cadbury Easter Eggs were produced in 1875; crème was added later in 1923 (Cadbury, 2011). In 1969, Cadbury formally became Cadbury Schweppes, the second-largest confectionery company in the world (Wikipedia, 2011). In 2010, the American food giant, Kraft Foods, controversially acquired Cadbury Schweppes in a $19. 6 billion takeover (Cadbury, 2011). This case will provide a summary and analysis of Cadbury Beverages with an emphasis on product and promotion issues, positioning, advertising, promoting, market dynamics, competitive behavior, and price structure. In addition, an assessment of the company's strengths, weaknesses, opportunities, and threats will be addressed.

Problem Identification

The world's first soft drink maker, Cadbury Beverages, Inc., is the world's third largest soft drink marketer (Kerin & Peterson, 2010). The company acquired the soft drink brands Crush, Hires, and Sundrop from Proctor & Gamble in 1989. In 1990, Cadbury executives decided to re-launch the newly acquired soft drinks in the United States (Kerin & Peterson, 2010). Specifically, senior marketing executives decided to focus attention on the Crush brand. Kim Feil, senior product manager, was assigned responsibility for managing the relaunch (Kerin & Peterson, 2010).

Crush is a carbonated soft drink brand available in orange, grape, cherry, cream soda, lime, and pineapple flavors; orange is the original flavor (Wikipedia, 2011). The original Orange Crush was invented in 1906 and commercially introduced in 1916 (Crush, 2011). Crush refers to the chemical process of extracting oils from oranges (Crush, 2011). Since its introduction, there have been 37 different flavors of Crush. Some flavors are only available in certain countries. For example, Crush Cola is only available in Kuwait and Crush Birch Beer is only available in Canada (Wikipedia, 2011).

Soft drink marketing is characterized by investing heavily in advertising, promoting, and selling to bottlers to retail outlets (Kerin & Peterson, 2010). Cola-flavored soft drinks account for two-thirds of total soft drink sales; orange, lemon-lime, grape, and root beer account for the remaining sales (Appendix A) (Kerin & Peterson, 2010). In 1989, orange-flavored soft drinks accounted for 3. 9 percent of total soft drinks sales (Kerin & Peterson, 2010). Although the Crush line has several flavors, orange accounts for two-thirds of total Crush case volume (Kerin & Peterson, 2010). Feil has the responsibility to become acquainted with the situation and formulate a marketing plan. Marketing executives want to reestablish the bottling network for the Crush line, particularly Orange Crush (Kerin & Peterson, 2010). Specifically, can Cadbury successfully relaunch the Crush brands soft drinks?

Case Analysis

The soft drink industry is a 40 billion dollar a year business (BellyBytes, 2011). Coca-Cola, Pepsi-Cola, and Dr Pepper/Seven Up, Inc. direct over 90 percent of soft drink sales in the United States (Kerin & Peterson, 2010).

These three companies (Kerin & Peterson, 2010) own the top ten soft drink brands, which account for 82 percent of sales in the United States. Dr Pepper/Seven Up, Inc. is the largest division of Cadbury Schweppes PLC, the world's third largest soft drink company (Kerin & Peterson, 2010). American carbonated soft drink consumers guzzle more soft drinks than tap water (Kerin & Peterson, 2010). Research shows that the average American guzzles over 566 12-ounce cans (424 pounds) of soft drinks annually (Kerin & Peterson, 2010).

There are three entities responsible for the production and distribution of the carbonated soft drinks: concentrate producers, bottlers, and retail outlets (Kerin & Peterson, 2010). The three main tasks of bottlers is to (1) convert basic flavors into carbonated soft drinks, (2) package the product in cans or bottles, and (3) sell the brands of the concentrate producers (Kerin & Peterson, 2010). Retail outlets include supermarkets, small retail outlets, vending machines, convenience stores, and fountain services (Kerin & Peterson, 2010).

Supermarket sales are the key to successful carbonated soft drink marketing efforts (Kerin & Peterson, 2010). Supermarkets account for 40 percent of carbonated soft drink sales (Kerin & Peterson, 2010). Research shows that the purchase of soft drinks in supermarkets is usually unplanned (Kerin & Peterson, 2010). Soft drink consumers respond favorably to price promotions (coupons), in-store displays (end-of-aisle), and point-of-sale promotions (shelf tags) (Kerin & Peterson, 2010). Industry analysts affirm that display is of paramount importance because a brand is " locked out of 60 percent of the [supermarket soft drink] volume if it can't get end-of-aisle displays" (Kerin & Peterson, 2010).

The typical supermarket consumer of carbonated soft drinks is a married woman with children under 18 years old living at home (Kerin & Peterson, 2010). Consumers over the age of 25 account for the largest percentage of diet beverage consumption (Kerin & Peterson, 2010). However, the heaviest (not by body weight) consumers of regular soft drinks are teenagers (Kerin & Peterson, 2010).

Soft drink sales are seasonal; summer months out-sell winter months (Kerin & Peterson, 2010). The states with the highest per capita consumption of soft drinks are Mississippi, Tennessee, Kentucky, and Alabama (Kerin & Peterson, 2010). It is interesting that the states with the highest rates of obesity are Mississippi, Tennessee, Kentucky, and Alabama respectively (Centers for Disease Control and Prevention, 2009).

Cadbury Beverages is a global soft drink and confectionery marketer located in England; headquarters are in Connecticut (Kerin & Peterson, 2010). The company is credited with being the world's first soft drink maker and forth largest soft drink marketer with a market share of 3. 4 percent (Kerin & Peterson, 2010). In 1989, Proctor & Gamble sold the Crush brand to Cadbury for $220 million (Kerin & Peterson, 2010). Crush brand had worldwide sales of $4. 6 billion in more than 110 countries (Kerin & Peterson, 2010). Sunkist, a competing orange-flavored soft drink, is also owned by Cadbury. Crush has 7. 5 percent of the orange-flavored market share and Sunkist has 14. 4 percent (Kerin & Peterson, 2010).

Mandarin Orange Slice has a market share of 20. 8 percent and minute Maid Orange has 14. 4 percent (Kerin & Peterson, 2010). These competitors account for 84 percent of advertising in this product category (Kerin & Peterson, 2010). The brands are positioned as fresh natural orange and healthier for the consumer (Kerin & Peterson, 2010). Their target market is 18 to 24 year-olds (Kerin & Peterson, 2010). Crush and Sunkist are positioned for consumption by a younger audience (Kerin & Peterson, 2010). Crush and Sunkist spend less on advertising than Mandarin Orange Slice and Minute Maid Orange (Kerin & Peterson, 2010). Crush uses advertising vehicles such as newspapers, television, and outdoor billboards (Kerin & Peterson, 2010).

Identifying the Root Problem Components

Marketing executives at Cadbury made several strategic marketing decisions concerning the Crush brand (Kerin & Peterson, 2010). First, the most notable decision was to concentrate attention on the orange flavor (Kerin & Peterson, 2010). Second, they decided to immediately reestablish the bottling network for the Crush line (Kerin & Peterson, 2010). Third, they decided that prudent consideration of Crush positioning was requisite to build on existing customer franchise and make opportunities for further brand development (Kerin & Peterson, 2010). Finally, they decided to develop an advertising and promotion strategy, which included establishing objectives, expenditures, and strategies (Kerin & Peterson, 2010).

Cadbury executives began an aggressive effort to recruit bottlers for the crush line (Kerin & Peterson, 2010). They recognized that bottlers play a central role in the soft drink industry (Kerin & Peterson, 2010). In the 1980's, Procter & Gamble tested a new distribution system for selling Crush through warehouses rather than bottlers (Kerin & Peterson, 2010). The system focalized bottling to a limited number of bottlers who transported product to warehouses for final delivery to retail outlets (Kerin & Peterson, 2010). The system failed miserably and Crush had the lowest market coverage and sales potential among key competitors (Kerin & Peterson, 2010).

The efforts to strengthen the bottler network paid off. New agreements were arranged and trade relations with 136 bottlers were established (Kerin & Peterson, 2010). The regenerated network allowed Crush to be available in markets that represented 75 percent of total orange category sales (Kerin & Peterson, 2010). According to Feil, " We knew that reestablishing trade relations was an important first step. However, we also knew that new and existing bottlers would be gauging the kind and amount of advertising and promotional support we would provide when we re-launched Crush" (Kerin & Peterson, 2010).

While the bottler recruitment process was underway, the issue of positioning became a paramount concern. First, a concern arose regarding the cannibalization of Sunkist brand sales because Cadbury also marketed Sunkist (Kerin & Peterson, 2010). It was requisite for Orange Crush to have a noticeably different position in the marketplace in order to decrease the likelihood of cannibalization (Kerin & Peterson, 2010). Second, Mandarin Orange Slice and Minute Maid Orange Juice brands had dominated Crush in attracting the diet consumers of orange drinkers (Kerin & Peterson, 2010). Therefore, executives were concerned about placing positioning emphasis on regular and diet Crush compared to the previous two brands (Kerin & Peterson, 2010). Third, positions had to be built on the current consumer franchise held by Orange Crush that did not conflict with previous positions (Kerin & Peterson, 2010).

Crush brand enjoyed high brand awareness in the markets served by new and existing bottlers (Kerin & Peterson, 2010). Crush had the highest orange-brand awareness in metropolis cities such as Boston, Chicago, Los Angeles, Miami, New York, San Francisco, and Seattle (Kerin & Peterson, 2010). However, there were additional several concerns regarding advertising and promoting Orange Crush.

First, objectives for advertising and promotion strategies had to be communicated to the agency representing Crush (Kerin & Peterson, 2010). Second, determining emphasis on customer advertising and on the various types of trade and customer promotions was necessary. Particularly, allocating and maintaining an advertising budget that would be spent on a per case basis for promotions (Kerin & Peterson, 2010). A formal statement of projected expenses and revenues was requisite for presentation to senior management (Kerin & Peterson, 2010). Feil alleged, " This required a case volume forecast for Orange Crush that realistically portrayed market and competitive conditions and 'the quality of my marketing program'" (Kerin & Peterson, 2010).

Evaluation of Alternatives

For the first three years of operation, Crush must establish a comparable pricing strategy, create a differentiation strategy, acquire new consumers of orange-flavored soft drinks, increase the target market to include Hispanics and African Americans, revert to its traditional positioning image, and utilize effective push and pull strategies.

Crush must have a comparable pricing strategy. Consumers subconsciously create price expectations for beverages that are not the market leaders in the industry. Crush must price their beverages comparably and favorably to the prices of its competitors.

Crush must create a differentiation strategy. The company needs consumers to perceive the beverage as being unique in the soft drink industry. Crush can emphasize brand image, taste, flavor, health, and other aspects specific to their beverage. Crush's unique soft drink beverage should increase profit margins which are equal to or higher than industry average. Conditions that support a differentiation strategy include a creative marketing team, effective beverage formulation, and ability to perform industry research.

Crush is the first brand consumers' recall when they think of orange-flavored soda. Consumers who are indifferent to orange-flavored soft drink brands may purchase solely based on price. Acquiring new consumers will be financially advantageous because of future brand loyalty. Since the target audience of Crush is 13 to 19 year-olds, the company can advertise through media that is popular with teenagers, such as Facebook and MTV. Capturing the palate of teenage consumers will result in immediate and longitudinal sales.

In order to decrease cannibalization with Sunkist, Crush needs to revert to its traditional positioning. Crush brand has historically been marketed to families and individuals 13 to 39 years based on a position of taste (Kerin & Peterson, 2010). In 1985, a 22 percent market share was achieved by using this positioning (Kerin & Peterson, 2010). In 1986, an 18 percent market share was achieved, even with competition from Orange Slice and Minute Maid (Kerin & Peterson, 2010). However, Sunkist dropped from 32 percent to 20 percent (Kerin & Peterson, 2010). The company amended promotional advertisements and regained market share and brand equity (Kerin & Peterson, 2010).

Research reveals that Hispanics and African Americans (Blacks) make up a significant percentage of orange-flavored beverage consumers (Kerin & Peterson, 2010). Marketing specifically to Hispanic and African American consumers would be highly lucrative due to the growing number of minorities in the United States. Therefore, it is financially advantageous for Crush to design a media campaign that portrays print and television advertisements in their respective geographic areas.

" According to Strategy Research Corp., 55. 4 percent of Hispanics prefer to see and hear ads in Spanish, while 30. 3 percent would choose English and 13. 2 percent don't have a preference between the two languages" (Kerin & Peterson, 2010). Therefore, it is profitable to design a media campaign that is culturally specific and bilingual in English and Spanish. Advertisements in Spanish can be targeted to Spanish speaking consumers in California and Texas; two states where more than half of all Hispanics live (Kerin & Peterson, 2010). Crush can also target major cities where Hispanics comprise a significant percentage of the population such as New York, Chicago, and Phoenix.

Crush enjoys recognized brand awareness and can emphasize the push strategy and the pull strategy. The push strategy would involve delivering Crush directly to the consumer to ensure the consumer is aware of the brand (Marketing, 2011). This strategy can be achieved through end-of-aisle displays. The pull strategy would involve motivating consumers to seek out Crush in an active process (Marketing, 2010). This strategy can be achieved through utilizing coupons. Additional promotion strategies can be implemented, such as special volume offers, samples, and contests. Crush wants to attract the highest volume of consumers, which can be achieved by utilizing these strategies in supermarkets.

SWOT Analysis

Strengths

Crush was the world's first soft drink maker and is currently the world's forth largest soft drink marketer (Kerin & Peterson, 2010). The company is the largest confectionery producer in the world. They have solid financial strength and sufficient resources. Consumers associate the Crush brand when recalling orange-flavored beverages. It is also the most recognized brand in orange-flavored soft drinks. Crush has high brand awareness in large metropolis cities and cities with large numbers of Hispanics and African Americans.

Weaknesses

The company has limited brand diversity in the soft drink industry. Orange-flavored soft drinks account for 3. 9 percent of total market share. The company has a smaller advertising budget compared to larger rivals like Coca-Cola and PepsiCo. Crush has the lowest market coverage in orange-flavored beverages because of the strategy to distribute Crush through warehouses instead of bottlers. The lack of distinct positioning falls short when compared to Sunkist. In addition, there is a cannibalization risk with Sunkist.

Opportunities

Crush can increase sales in other countries due to high international confectionery demand. The company can promote a new line of beverages to increase the brand portfolio. Crush can market itself as healthier than colas because of orange-flavored ingredients. Crush can market a sugar-free diet soft drink. In addition, Crush can formulate beverages using natural and organic ingredients.

Threats

Competitors have a greater allocation of budget spent on marketing, research and development, product placement, and brand awareness. Obesity is an epidemic in the United States and consumers associate weight gain with soft drinks. There are several orange-flavored soft drinks on the market that consume a greater market share. Aggressive pricing and promotion strategies by competitors limit Crush's profitability.

Recommendation

There are several effective recommendations that will help relaunch the Crush brand. First, Crush should avoid competition with larger rivals, such as

Coca-Cola and PepsiCo. A frontal attack might trigger a price war and Cadbury wants to remain a unique marketer. Second, Crush should avoid cannibalization with Sunkist and position its brand with family and children. Children and teenagers are generally labeled as energetic and they desire a tasty beverage. Diet Crush can position its brand as a healthier alternative for energetic young adults in large metropolis cities. Individuals at this age are concerned about remaining active so Crush can market and move towards a healthier lifestyle. This strategy is consistent with the consumption profile of diet soft drink consumers. Third, Crush should allocate a larger percentage of revenue for advertising and promoting the brand in order to capture market share. Crush has high brand awareness of which it can capitalize to secure a greater market share. Increasing brand awareness will have a positive effect on Cadbury's financial success. Finally, immediate attention needs to be given to reestablish the bottling network. The past failed distribution system has left a bitter taste in the mouth of bottlers. According to Feil, " We knew that reestablishing trade relations was an important first step. However, we also knew that new and existing bottlers would be gauging the kind and amount of advertising and promotional support we would provide when we re-launched Crush" (Kerin & Peterson, 2010).