

Cadbury | marketing analysis



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Cadbury, the global leader in the chocolate confectionery market, began in 1824 when a young Quaker named John Cadbury opened up a shop in Birmingham. He sold tea, coffee and drinking cocoa and chocolate and one of the main causes of poverty was alcohol, he hoped that his product would prove to be a suitable alternative for it and so he maintained high quality standards for all of his products.

Quakers was not allowed to attend university at that time and his anti-military thoughts also kept him away from the military, so he devoted his time towards business related activities or to other social reforms.

John was selling 11 different types of cocoa and 16 different kinds of drinking chocolate by 1842. His brother, Benjamin also joined the company and they formed Cadbury Brothers of Birmingham. They got the Royal Warranty from Queen Victoria in 1854 and opened their office in London. The partnership failed after six years when John's wife died and due to his deteriorating health. The business was handed over to George and Richard, John's sons and they operated the business later on.

The two brothers continued to expand their business and were earning profit now. Cadbury's Cocoa Essence, which was advertised as "absolutely pure and therefore best," was an all-natural product made with pure cocoa butter and no starchy ingredients. Cocoa Essence was the beginning of chocolate as we know it today. They moved their business to South of Birmingham and the area became popularly known as, Bournville.

Due to profitable business, the brothers also started selling tea in 1873.

Master confectioner Frederic Kinchelman was appointed to share his recipe

and production secrets with Cadbury workers. This resulted in Cadbury producing chocolate covered nougats, bonbons delices, pistache, caramels, avelines and more. In 1897, they manufactured their first milk chocolate and two years later, they were incorporated as a limited company and had hired 2600 people in their factory.

Cadbury supported World War I and sent books, chocolates and clothes to the soldier. Around 2000 of their employees joined the armed forces. These people were allowed to work in the factory after taking educational courses once they were back from the war. During this period trade overseas increased, and Cadbury opened its first overseas factory near Hobart, Tasmania. The next year Cadbury merged with JS Fry & Sons, a past market leader in chocolate.

Cadbury also extended their support in the Second World War. Their factories were used for the manufacturing of arms and ammunitions. Their growing fields were used as runways for the airplanes used in wars. Cadbury St. John's Ambulance unit helped people during air raids and chocolate were provided to soldiers through out the war.

In 1969 Cadbury merged with Schweppes (a brand famous for manufacturing carbonated soft drinks and mineral water) to form Cadbury Schweppes. These two merged companies went on to acquire Sunkist, Canada Dry, Typhoo Tea and more. Schweppes Beverages was created, and the manufacture of Cadbury confectionery brands was licensed to Hershey.

Today Cadbury Schweppes is the largest confectionery company in the world, employing more than 70, 000 employees. In 2006 the company had over \$15 billion in overall sales.

Cadbury Product Timeline

A history of Cadbury's sweet success

- 1824 John Cadbury, the son of Richard Cadbury, opened his shop in Birmingham and sold tea, coffee, hops, mustard, cocoa and drinking chocolate.
- 1866 The Cadbury brothers introduce a new cocoa process to produce a much more palatable Cocoa Essence – the forerunner of the cocoa we know today.
- 1897 First milk chocolate manufactured by chocolate.
- 1904 George Cadbury Junior perfects a new recipe for milk chocolate.
- 1905 Cadbury launched Dairy Milk into the market – contained more milk than any other chocolates.
- 1913 Dairy Milk became Cadbury's best-selling line.
- 1915 Cadbury Milk Tray was introduced.
- 1920 Cadbury Flake was introduced.
- 1923 Cream filled eggs, the forerunner of Cadbury's Creme Egg, were introduced.

- Mid-1920's Cadbury Dairy Milk gains its status as the brand leader in the UK.

- 1928 Fruit and Nut was introduced as a variation of Dairy Milk and Cadbury introduced the “ glass and a half” advertising slogan.

- 1933 Cadbury added Whole Nut to the Dairy Milk family.

- 1938 Cadbury Roses were launched.

- 1956 Cadbury supplied Roses for a Royal tour of East Africa.

- 1958 Picnic was launched.

- 1960s Chocolate Éclairs were launched by London confectioner, James Pascall.

- 1971 Halls joined the Adams family and Cadbury Creme Egg was launched. Pascalls was bought by Cadbury, with Eclairs becoming the second largest brand in the company (at that time).

- 1974 Cadbury Eclairs were launched only in the UK.

- 1976 Cadbury Caramel was launched.

- 1979 New advertising idea of “ saying thank you with Cadbury Roses” was introduced.

- 1980-96 Cadbury Eclairs became an international brand.

- 1985 Cadbury Creme Egg launched a new campaign called, “ How do you eat yours?” .

- 1987 Cadbury Twirl was launched and Cadbury Roses became the leading brand in the twist-wrap market.
- 1998 Cadbury Dairy Milk was relaunched only in the UK.
- 1999 Cadbury Eclairs were relaunched as Cadbury Choclairs in important markets.
- 2000 Cadbury Snowflake was launched.
- 2005 Cadbury Schweppes acquires Green & Black's, the UK premium chocolate brand.
- 2010 Company accepted takeover bid from US food giant Kraft.

Interesting Facts about Cadbury

Instead of printing texts on chocolate boxes, Cadbury became the first company to include pictures as well.

George Cadbury emphasized on mother-children relationship and whenever any woman worker had a baby, she was asked to leave the job and take care of the baby.

Cadbury became the first company offering kitchens with dining tables and food for sale in 1886.

A miniature metal animal (elephant, penguin, owl, fox, duck, squirrel, rabbit or turtle) was given away with specially designed cocoa tins in 1934. In the same year, Cadbury's tokens, which came with packs of cocoa, could be redeemed for lamps, kettles and saucepans.

Many children joined Cadbury's Cococub Club in 1936.

Cadbury's World Visitor Center opened in 1990, welcoming 400, 000 visitors in its first year.

A Get Active program was launched by Cadbury in 2003, helping 10, 000 teachers get in shape.

Cadbury – a leader in the global confectionery market

Cadbury is one of the world's leading confectionery firms, selling chocolate, gum and candy under its own name in addition to other brands such as Halls and Green and Black's. It also produces a range of beverages and functional and health foods.

The organization now operates in more than 60 countries, with the United States, New Zealand, Turkey and Canada among the nations in which its various products are sold. It has approximately 45000 employees and works with around 35000 direct and indirect suppliers.

The firm earned a 7 percent rise in their revenue recently.

Key categories and brands

Cadbury is operating in a number of markets at the same time, including the functional and health foods and beverages sectors.

It also sells a wide range of confectionery throughout the world – both under its own brand and a range of other names. Among these are Green and Black's chocolate (UK's leading premium chocolate product).

Other confectionery products include Cadbury Roses – boxes of individually wrapped assorted chocolates – and the Cadbury's Creme Egg.

Flake, Eclairs and Dairy Milk are the chocolates that are sold under Cadbury's brand name. Other products that are offered by the firm within the confectionery sector include Freddo, Caramilk, Old Gold and Wendel Mieszanka Wedlowska.

Cadbury is also a major player in the gum market, with Bubblicious bubblegum among the range of such products. Bubblicious is the number one bubblegum in Canada and the second-most popular in the United States. It comes in a variety of flavours including Watermelon Wave and Strawberry Splash.

Stride is also among the gums available on the US market, while First – a sugar-free gum launched in Turkey in 1995 – has a number of sub-brands such as Neogum Lava. Among this particular product range is First Duo – which contains a number of herbal active ingredients such as parsley, sunflower and extract of green tea aimed at providing clean and fresh breath.

The firm is also active within the beverages sector, with its leading brands here including Bournvita – a cocoa-based drink that can be mixed with water and/or milk which is particularly popular in India and Nigeria – Cadbury Bournville Cocoa and Cadbury Drinking Chocolate.

Cadbury's Halls brand has a major stake within the functional and health foods sector. The range of mentholated products – which includes Halls Defense, Fruit Breezers and Maxair – provide nose and throat relief for those

suffering from colds, coughs and other ailments and has a 22 per cent share of the medicated confectionery market. It also accounts for more than half of all cough drop products sold throughout the world and has licensed medicated status in northern hemisphere countries including Canada, the United States and the United Kingdom. In other parts of the world – particularly in hot, dry countries – Halls' products tend to be purchased for the purposes of mouth refreshment.

The confectionery market was booming as many multinational firms were entering. Till the mid 80s, chocolate market was small and almost dominated by Cadbury only. It made chocolate for a distinct category with an identity of its own. So chocolates carried a “only for kids” tag ad and kept the adults away.

Cadbury had 80% of the market share by mid 80s. Other categories like Amul and Campco tried to break into the market and reduce Cadbury's market share, but failed. By now chocolate were categorized as luxury and were reserved for special occasions and for rewarding and reinforcing the positive behavior.

Later on Cadbury also dominated the market because it not only focused on children, but on adults also. While its competitors thought and made chocolates only for children, due to which Cadbury had an upper hand in the chocolate market.

Trends in the Industry

- Changes are rapidly taking place these days, so everyone (including the young and the elderly) will change according to the new lifestyle and will adapt to chocolate eating.
- Population and family incomes as well as urbanization are increasing in the industry.
- Approximately 6 million people have upgraded to the middle class.

On February 2, 2010, Cadbury became part of Kraft Foods as both of them merged. Some fast facts on the combined company of Cadbury and Kraft are:

Our Global Reach

- Approximately \$50 billion in revenues
- 25%+ of global revenue from emerging markets
- #1 in global confectionery
- #1 in global biscuits
- More than 50% of global revenue from snacks and confectionery

Our Brand Portfolio

- 11 brands with more than \$1 billion in revenue
- 70+ brands with more than \$100 million in revenue
- 40+ brands over 100 years old

- 80% revenue from #1 share positions

Explanation

Cadbury is considered in the market structure of ‘ Monopolistic Competition’. All the firms in the industry face a lot of competition from each other and Hershey’s and Nestle are some of the major competitors of Hershey’s, to name a few. There is no collusion between such firms and so each firm determines its own pricing policy without considering the possible reactions of rival firms.

They all are producing products with slightly different physical characteristics, offer varying degrees of customer service, providing various amounts of locational convenience or proclaim special qualities, real or imagined, for their products. Product differentiation may also be created through the use of brand names and trademarks, packaging, and celebrity connections, for example, Cadbury included Amitabh Bachan in their advertisements. It shows that the demand for Cadbury products is highly elastic.

Entry and exit of firms in monopolistic competition is relatively easy as economies of scale are few and capital requirements are low and nothing prevents an unprofitable monopolistic competitor from holding a going-out-of-business sale and shutting down.

The expense and effort of the firms would be wasted if the consumers do not know about the product, so the firms often advertise heavily and the goal of product differentiation and advertising is nonprice competition, which is to make price less of a factor and make product differences a greater factor. If

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it becomes successful, the demand curve of the firm shifts towards the right and becomes less elastic.

ADVERTISING & SALES PROMOTION

Advertising and Sales promotion are very essential for a business to prosper and to generate revenue. As Cadbury has many substitutes as well like Hershey's and Nestle etc., so it is in a stage of great competition. It needs to focus a lot on advertising to capture the market share because all of the firms in the industry are selling differentiated products, due to which they are heavily focusing on advertising.

Slogans of advertising are the tools of sales promotion are very important as they persuade the customer to purchase the product.

Following are a few advertising slogans used by Cadbury for introducing the product to the customers:-

THE REAL TASTE OF LIFE

(DAIRY MILK)

THODI SI PET POOJA KABHI BHI KAHI BHI

(PERK)

WHEN EVER ON HUNGER STRIKE

(PERK)

TAN KI SHAKTI, MAN KI SHAKTI

(BOURNVITA)

KUCH ZADA HI SOLID

(PICNIC)

YEH CHOCOLATE KHAE AAP INHE KHAE

(ECLAIRS)

Along with great advertisements, these slogans are beautifully used by Cadbury so they can persuade the consumer to buy the product.

PRICING POLICIES ADOPTED BY CADBURY

Although there is intense competition among different chocolate firms for market share and new products, it has been seen that the prices of chocolates has risen since the last one year.

Prices of important brands like Nestle's Kitkat and Cadbury's Dairy Milk have rose by 25 per cent each and prices of brands like Cadbury's Eclairs have also rose.

Cocoa is one of the most important inputs of Cadbury's chocolate and accounts for 45% of the total cost of chocolate production. Since its domestic production (estimated at 4500 to 5000 tonnes for the current year) is not increasing in India, so they have to import it at a higher price. More than half of the cocoa used in production is being imported. This is one of the major reasons why a rise in prices of Cadbury's chocolate can be seen. Along with it, the Indian rupee is also depreciating, so it makes the company worse off.

Another reason is that internationally the prices of cocoa has risen, so the production cost of firm increases which compels the firm to rise its prices. The excise duties have imposed a heavier charge on imports by increasing the tax paid on excise duties from 8% to 18%. Maximum retail prices have been introduced in the budget which adds to the cost of production.

All these factors have risen the cost of production of the firm and it is unlikely that the prices will recede in the near future.

FACTORS INFLUENCING PRICING OF CADBURY

Internal Factors

Corporate and marketing objectives of the firm.

The image sought by the firm through pricing.

The characteristics of the product.

Price elasticity of demand of the product.

The stage of the product on the product life cycle.

Use pattern and turn around rate of the product.

Cost of manufacturing and marketing.

Extent of distinctiveness of the product and extent of production differentiation practiced by the firm.

Other elements of the marketing mix of the firm and their interaction with pricing.

Composition of the product line of the firm.

External Factors

Market characteristics.

Buyer's behavior in respect of the given product.

Bargaining power of major customers.

Competitors pricing policy.

Government controls regulations on pricing.

Other relevant legal aspects.

Societal (or social) considerations.

Understanding, if any reached with price cartels.

Cadbury objective of pricing

Profit maximization in the short-term.

Profit optimization in the long-term.

A minimum return (or target return) on investment.

A minimum return on sales turnover.

Targets sales volume.

Target market share.

Deeper penetration of the market.

Entering new markets.

Target profit on the entire product line irrespective of profit level in individual products.

Keeping competition out, or keeping it under check.

Fast turn around and early cash recovery.

Stabilizing prices and margins in the market.

Cadbury vs Kraft Confectionery Market Value Share by Region – 2008

The Kraft/Cadbury strategic fit

It is the end of 3 years turnaround plan and its redeveloped growth strategy is strongly based on selected primary categories, such as chocolate, biscuits and coffee.

It has secured a leading position after the attainment of DANONE's biscuit and cereals division in the global market with 18.4% value share, the company seems to follow the same policies in order to gain a leading position in confectionery market. The joint value share of Kraft and Cadbury in the global confectionery market will be 14.9%, it captures the top position from current leader Mars (14.5%).

Kraft's further expansion in confectionery market is dependent on its current reforms strategies and its aim is to become a " global powerhouse in snacks, confectionery and quick meals". It is expanding its activities in confectionery

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which will fully complement the Danone biscuits and cereal product operations.

Even though Kraft's market share is higher in all region except for the smallest Middle East, Africa and Australia is comparatively higher than Cadbury's, in confectionery Cadbury has a noteworthy lead over Kraft, except for Eastern Europe where Kraft was one of the first multinational movers to enter the market. With this attainment Kraft will gain a strong value share and leading position in many major developing markets in Latin America, the Middle East and Africa and Asia-Pacific, such as India

As well as wider geographical reach, Kraft will also benefit from Cadbury's brands meeting its own chocolate and sugar confectionery portfolio as well.

Attaining Cadbury Kraft will get leading position in global confectionery and it helps it expand its geographical coverage in meeting regions. However, even confectionery is expected to perform below overall packaged food growth over the 2009-2014 period, with a 1.5% CAGR compared to a 1.7% CAGR, respectively.

Asia Pacific and Latin America are most relevant set, gains of Kraft. As their confectionery market of 2009 and 2014 are expected to post CAGR of 2.3% and 2.6% respectively

DANONE's biscuits and Cadbury are Kraft's latest acquisitions and are revealing the company's strategic direction of establishing strong growth platforms in categories in which it can benefit from complementary operations and significant economies of scale.

Revenue Performance by Category

Throughout the year there was a good demand for chocolates and bagged candies the expected beneficiary of stay at home culture. At the same time, regardless to a softer start to the year, the more functional or activity related product, like medicated gums and candies delivered a positive growth from the end of second quarter.

Chocolate (46% of revenue in 2009) delivered revenue growth of 7%, reflecting strong performances in the UK, India and South Africa. India and South Africa benefited from continued investment behind affordable products, supporting chocolate growth in emerging markets of 11%. Australia delivered progressively good growth, benefiting from the relaunch of the core Cadbury Dairy Milk (CDM) brand in the second quarter of the year. Similarly, our business in Poland benefited from the relaunch of Wedel in the second half, leveraging the experience of the UK relaunch of CDM in 2008.

Gum (33%) revenue growth improved strongly in the second half (up 5%) more than compensating for the weak first quarter. As a result, Gum was up 2% for the year as a whole. Despite weak market conditions overall, our businesses improved market share in nearly all key markets, including the US where the launch of Trident Layers in the second half re-established strong growth momentum in the category.

Candy (21%) revenues grew 5% for the year as a whole reflecting strong second half growth of 9% with significantly improved performances from Halls, Éclairs and other mainstream candy brands. Halls benefited from

product innovation and a good start to the cold and flu season. Innovation drove strong growth in other focus brands, including Éclairs (up 29%) and The Natural Confectionery Co (up 24%).

Revenue Performance by Market

Our performance by market reflected some local market share performances, even though weak economic conditions in many developed markets, in addition to the different mix between chocolate, gum and candy. Generally, based on the markets for which we have recent share data available, that represent 90% of our revenue, market share, progress has been very good. Cadbury has generated over 70% of our revenue.

In emerging markets (38% of revenue in 2009), revenue growth was again very strong for the year as a whole, up 9% (up 7% in the first half and up 10% in the second half), led by strong performances in India, the Middle East and Africa and South America. While trading in European emerging markets was challenging, Russia and Turkey improved toward the end of the period, and both countries delivered growth for the year.

In developed markets (62%), revenue grew 2% with an improved second half (up 3%) offsetting the slow start to the year. The impact of weak market conditions in developed Europe was mitigated by strong growth in the UK and significantly improved performance in the US and Canada.

VISION

The governing objective for Cadbury is to deliver:

Superior Shareholder Value

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Cadbury in every pocket

The company believes this requires:

Broadening our consumer appeal and extending their reach to newer markets

Sustained growth of their market share through aggressive product development

Striving for international quality in their products and processes

Focusing on cost competitiveness and productivity in their operations and innovative utilisation of their assets

Investing to develop people.

Developing a product which would gain a permanent place in the company's product portfolio is not an easy task. It takes a minimum of 58 new product ideas in order to come up with one successful new product and some researchers estimate to a 100 ideas. Majority of the ideas fail even before they are made to the consumers, a rest major portion fails during the marketing test process and do not make it to national distribution. With the enormous investments needed to fund such projects it becomes essential that the entire project is carefully researched. Successful new product development is mainly team work research and development, marketing and sales, market research, production, engineering and finance. At Cadbury, the marketing role is fulfilled by the Product/Brand Manager, function is to coordinate and mastermind the project through from the initial brief to national launch, until the largest sales capacity has been achieved. The

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initial incentive for embarking on a New Product Development project can be:

Changes in consumer lifestyles

Technology developments where new processing techniques have been devised

The need for market extension abroad, particularly into Asia Pacific, and the demise of trade barriers.

However, products cannot be simply transferred from one market to another without review and possible adaptation to suit differing expectations and cultures.

Whether the product strategy is:

Existing product improvement

New product development within the current range of activity

Production diversification.

Situational factors when designing market planning and analysis of environment is serious as it would allow Dairy Milk to capitalize on organizational strengths, minimize any weaknesses, exploit market opportunities and avoid any threats.

Strengths

Cadbury would realize several possible advantages in going abroad. By penetrating a foreign market the company could:

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- Maintain a stable growth of a company by maximizing the use of its production capacity and thus increase economies of scale and scope.
- With its brand name, Cadbury could counterattack the competitors it faces in the domestic market by attacking their domestic market.
- Keep up with the financial strength by increasing its sales and profit, indeed the foreign market could present higher profit opportunities than the domestic products.
- Acquisition rules in UK reduce its dependence on the UK market and therefore diversify its market specific risks.
- Overall, Cadbury has been successful through the new products (development) it has to offer.

Weaknesses

Overall, Cadbury has a weak position in the US market; therefore, need to change its target to a different location. It lacks of distribution network, it also has a small total of market share altogether. Therefore in order to market the product in France successfully, Cadbury has to find out how it should improve, in order to have great performance. It should also find out, what are the situations they can avoid in order to be successful. In order to market products the following issues should be considered:

- Total French production of chocolate bars and confectionary, which has increased by 24.5 % between 1988 and 1991, has slowed down in more recent years, partly due to the economic fall.

- Intake of chocolate products, which has been growing since 1991, remained properly still in 1992, causing a fall in demand due to the gloomy economic situation.

- Sales of milk chocolate bars, which account for 24% by volume of total sales of chocolate bars, came down by 3.7 %.

Opportunities

Through its confectionary product line, least to mention is to build feasible positions in focused markets through biological growth and acquirement. Besides what is mention above, Cadbury has opportunities to have developed market in Russia and China. The Timeout Candy Bar market is growing worldwide. This company is also at the same time distributing its products through the internet – Develop Gourmet Line. Besides developing the “ Low Calorie” variety of chocolates and sweets, they also offer the “ Sugar Free” sweets variety. This has therefore completely opened a Cadbury world in US.

In order to get the product into a new foreign market, France, Cadbury would have good opportunities in store for them. Opportunities are as follows:

- In terms of political issues, France has advanced parliamentary democracy and is highly stable politically. The political power is nationalized in the parliament, the Prime Minister and the President. The country specific risk is insignificant. France is a member of the European Community and has excellent relations with the UK.

- Economically, France has the fourth largest GDP in the world. It has an advanced market based economy. Despite a recent recession, its economy is very strong and also highly relaxed in line with European Union policies. France represents a very large potential market with a high standard of living and purchasing power. The economy is highly open internationally and conducts a high percentage of trade within its European partners.
- With regards to its social situation, France has a broadly central/southern European culture which has many similarities with the UK. However cultural differences do exist and these must be considered when planning for the market.
- France has a high technological level and a lot of industries are based in the technological sector. This technological base constitutes one of France's competitive advantages.

Threats

Due to its confectionary products, it is very important for Cadbury threat that is present or eminent. The company should take note of the changes in the consumer's buying trend. It is perceived that consumers might shift from chocolates to "Healthy" snacks. If this were to happen, there might be a poor product development which would stain the Cadbury's name. Useless to talk about price wars would occur between its competitors like Mars, Hershey and Nestle. Due to the abovementioned, there would be seasonal sales slumps all year round which will reflect to an increase in cost of the raw materials needed. Cadbury would then have to be prepared for growth of small local gourmet chocolates and regional candy manufacturers.

However if Cadbury were to market its products in France, the company has to be aware of the risks it could meet. It might:

- Not understand foreign customer preferences and fail to offer a competitively attractive product;
- Not understand the foreign country's business culture or know how to deal effectively with foreign nationals;
- Underestimate foreign regulations and incur unexpected costs.
- Threat of entry due to the competition growing through acquisition.

Although the company has come up with a few current products, it is targeting to a new market. Despite the competition against the rest (Hershey's, M&M Mars and Nestle), Cadbury needs to have a bargaining power of the buyers in order to be competitive in the market. The company even needs to know that substitutes are not a major concern. Finally, to conclude that Cadbury is in the Market Development, they would have to have the bargaining power of suppliers as they are not in power position due to commodity like nature. And also to be aware of the cost of packaging materials as it has increased over time.

There are a few strategic recommendations that Cadbury could come up with in order to market its products not only in the region of France, but also to market its products successfully. After much discussion on the position of the product