Evaluation impact on financial operations cadburys and kraft marketing essay

Choosing the Topic

After completion of all my fundamental papers in August 2010, I waited till the next session to decide to submit a research and analysis project for the Oxford Brooke University. The reason for such delay was the pressure to complete three professional papers in December session. This report is also important to me because I believe by having combination of both Profession qualification and a degree will uplift my career.

To base my project on ACCA provided me with a list of 20 recommended topics to choose from. After reading through the list, the topic that immediately attracted my attention was topic 19 which was " The financial and operational consequences of a merger between two organisations or of the acquisition of one organisation by another".

What attracted me the most about this topic was that, it was all very relevant to my studies as I am thinking to pursue financial management after ACCA. I knew this topic will allow me to try out and learn the all important, analytical skills. Other reason to choose this topic was the much talked about acquisition of KRAFT and Cadbury therefore it encouraged me to choose this topic. Another reason was availability of the vast amount of information through the internet and press release because of recent release of Kraft's recent fourth quarter in the month on February 2011.

Choosing the organisation

Once I chose my topic, I had to choose an organisation to base my research on. I chose Kraft and Cadbury for my analysis; it was an obvious choice as this was the acquisition that impelled me to select this topic. This was one of

the most controversial and largest takeovers in the year of 2010. I believed the takeover by the 2nd Largest Food Giants in its industry would accomplish the objective I had in mind for the project.

Aims & Objectives

The main objective of this report is to evaluate the consequences of the acquisition on the finance and operations aspect of KRAFT FOODS. The financial statements by themselves only provide the quantitative data which need to be analysed by drawn graphs. The main focus of this report, therefore, is as follows:

To analyse the reasons for Kraft to make a strategic choice of acquiring Cadbury and whether it satisfy the strategic fit as claimed by the CEO of KRAFT FOODS in terms of financial and business operations.

The second part of the research aims to analyse whether Kraft is on the track to achieve its targets it promised its stakeholders at the time of acquisition.

Since financial information wasn't sufficient for my research, I need to review the strategic decisions made by Kraft for its subsidiary Cadbury after the acquisition along with the friction identified while integrating both business. The anticipated future of Cadbury under Kraft Group.

In order to achieve the aims mentioned above, I have done qualitative analysis using SFE (Suitability, Feasibility & Acceptability) and Ashridge model along with quantitative analysis using financial ratios and linking both to get an overall picture.

THE ORGANISTAION

Company Profile

Kraft

Kraft Foods is the world's second largest food company headquartered in North Field, Illinois manufactures and market packaged food products, including biscuits, confectionery, beverages, cheese, convenient meals and various packaged and grocery products.(KRAFT FOODS INC, 2009)The business was formed by James L. Kraft and his four brothers who began by wholesaling door to door cheese business in Chicago. Kraft then achieved growth by merging with other companies and increases the size of the business by expanding more product lines.(Wikimedia Foundation, 2011)

Being listed on NYSE, Kraft now has approximately 127, 000 employees worldwide. Kraft sells products to consumer in approximately 170 countries. At 31 December 2010, Kraft had operations in more than 75 countries and made products at 223 manufacturing and processing facilities worldwide. Kraft portfolio included eleven brands with annual revenues exceeding $1 billion each: Oreo, Nabisco and LU biscuits; Milka and Cadbury chocolates; Trident gum; Jacobs and Maxwell House coffees; Philadelphia cream cheeses; Kraft cheeses, dinners and dressings; and Oscar Mayer meats. Kraft portfolio included approximately 70 brands which each generate annual revenues of more than $100 million. (KRAFT FOODS INC, 2010)

Cadbury

Cadbury was a leading global independent business in the exciting world of confectionery, a large, growing, brand-led industry. With an outstanding

portfolio of chocolate, gum and candy brands, the largest emerging markets business and a focused and experienced team, Cadbury is committed to its long-term vision to be the world's biggest and best confectionery company. Cadbury operated in more than 60 countries with a workforce of 46000. (Cadbury, 2008)

Cadbury made its beginning by opening one single shop by John Cadbury. As time progressed John Cadbury moved into the manufacturing of drinking chocolate and cocoa. Cadbury grew bigger through some organic growth and some mergers. During the first world war Cadbury started to achieve great success, its products were regarded as necessities and Cadbury were at their peak. Cadbury kept investing in technology, new factories and in new products to remain ahead of competition. With factories all over the world and a host of well known brand names it has become a household name in many countries. (Birminghamuk, (n. d.))

INFORMATION GATHERING

Sources of Data

Data can be collected for any research by the following ways:

Primary Research: Under primary research new information is collected via interviews, survey or questionnaire etc; hence information is collected first hand.

Secondary Research: Also known as Desk Research is gathered from information which has already been provided but may not be for the same purpose. Such information are easy to access and are my cheaper than

carrying out primary research. Such information gathered should be analysed and screened properly so that it fits for the purpose.

Kraft and Cadbury both being listed companies although listed in different countries were required to issue annual accounts for its stakeholders by Sarbanes Oxley and Companies House respective. These companies especially Kraft issued Interim Reports as per the stock list requirement. Therefore much of the quantitative and qualitative date was readily available for analysis. Hence I chose to use secondary data over primary. The only complication I faced apart from time pressure was obtaining latest financial information for Cadbury (2009 accounts). Fortunately Kraft public relation team co-operated and emailed me 2008 and 2009 Cadbury annual accounts on my request. The following are the sources of secondary information I used for my project:

Annual and Interim Financial Accounts and Reports

This is the main source I used for financial aspect of my business and to draw graphs. I had to use interim reports even to demonstrate impact of Cadbury acquisition on Kraft at each and every quarter due to complexity of the business. Kraft's annual accounts were available to view and download on Kraft's Investors Website. However Cadbury financial statement isn't easily available.

Internet

This is the source of limitless information; hence it took me a lot of time to extract information which was relative to the point. Firstly it provided me the qualitative information which was missing or less in the financial statement

of both entities. Secondly it also provided me information from a third party or neutral point of view.

Letters and Reports

Under this source, I analyzed the documents sent by Kraft to Cadbury management or reports addressed to Kraft shareholder explaining them the strategic fit of Cadbury acquisition. These documents were available over the internet.

Library

I used study text published by Kaplan for ACCA to brush my skills and be of aid when I got confused during an analysis phase. Apart from my course books I visited local library for reference books. As I mentioned earlier I didn't had an opportunity to visit British Library for the access of database such as Datamonitor and Mintel. However I was able to get access to Euromonitor through internet and used it as a tool to aid understanding of the application of analytical tools regarding acquisition and both the entities.

Data Collection Methods

It's easy to collect data, but skills are required to make sense of data and using it for the purpose. It was a fiddly job to collect reliable authentic information to base my reports on. Any negligence on my behalf may cause me a failure in achieving the report objectives. I was cautious and took my time to read through all the information once before starting with my project.

As this acquisition was of the biggest acquisition in the year 2010, too much was written by the newspapers and media about it. Reading about the

merger in 2011 gave me this idea to do a project on Kraft and Cadbury, as Kraft were about to issue its fourth quarter results. I started my data collection by reading articles from local newspapers as well as papers or journal published in other counties. I viewed them retrospectively. The most prominent newspaper I viewed was Financial Times, Guardian, Reuters, Wall Street Journal and Economists.

After I got a general idea behind the acquisition and critics claiming the acquisition as a failure. I downloaded the fourth quarter as well as annual report. I need to know what did CEO responded on the acquisition as it had been a year. Then I looked at financial data provided to support any statement by the CEO.

Internet provided me great deal of help in my project. I type in the keywords such as Cadbury Kraft in etc at www. google. com . Find the relevant articles and making notes as well as bookmarks of the WebPages if I needed to read it again for qualitative part of my research.

I even visited many libraries in my local areas; the librarian helped me by giving me advice on referencing as I had no idea on references. Unfortunately I couldn’t make a trip to British Library to access database which could help me in my project. But I was pretty content with the amount of information I already collected to carry out my analysis.

Referencing

I have used the HARVARD REFERENCING SYSTEM for the referencing in my research and to aid readability, I have cited the source below the paragraph if the whole paragraphs were written based on the same single source.

Acquisition for Kraft

Pre Acquisition

To systematic analyse the strategic choice by Kraft to acquire Cadbury, I will be using Johnson and Scholes framework (Suitability, Feasibility and Acceptability Model). (Wu, 2010)

Suitability

Kraft Foods Inc. being the second largest food company still looks for opportunities to grow and try to remain one of the market leaders in the industry and and to spread risk by a diversified portfolio. Kraft believes in rapid expansion by acquiring other businesses. Kraft adopted new strategy implemented by new CEO who believed low growth segment should be disposed of and adopt those strategies that will achieve rapid growth even by means of acquisition . Kraft will look for businesses that will build on its strengths and guide against its threats. Kraft has a successful track record of acquiring iconic brands and businesses and effectively using it for its expansion. We will be using one of the criteria of Ashridge model under suitability. Under Ashridge model we will be examining two criteria; whether Kraft has sufficient skills, resources and understanding of the Cadbury business and whether there are opportunities for helping to achieve critical success factors. (Steiner, 2009)

Source: Euromonitor One key reason for Kraft to acquire Cadbury was to penetrate in those growing markets where Cadbury has good base such as China, India and Mexico. Brands such as Cadbury Dairy Milk dominated such markets by a vast length compared to its rivals. Cadbury did receive 40% of

its revenue from fast growing emerging market. Cadbury's acquisition of Adams played a vital role to increase their market share in Latin America. Cadbury has experienced 12% growth in revenue in emerging market over five years (EUROMONITOR, 2008) this can be beneficial for Kraft as it intends to use Cadbury' s distribution network to sell its brands.

(Cadbury, 2008)

(Cadbury, 2009a)

Kraft being aware of Cadbury' s heritage and its strong confectionery business ranking and its iconic brands makes Cadbury globally number one in chocolate, gum and candy. By attaining all these eponymous brands Kraft will become a global powerhouse in snacks, confectionery and quick meals with exceptional portfolio of leading brands in the world. Hence will be one step closer in achieving organic growth objective.

Feasibility

Under feasibility we would evaluate Kraft's position before acquisition in terms of internal resources of the organization this can even be connected to Ashridge' s model criteria of possessing sufficient resource by Predator Company. Kraft being second largest business in its industry has huge cash reserve which reflects in its Cash flow Statements of 2008 and 2009 ($1. 24 billion and 2. 10 billion respectively). Buts its worth mentioning the disposal of Kraft's North American Pizza to Nestle for total consideration of $3. 7 billion contributed majorly to its high cash reserve. High cash reserve helps them to with acquisition cost and integration cost and any other abnormal cost. Apart from cash reserve Kraft does have reasonable current ratio of 1.

04 reflecting it's above average liquidity position then its peers. Although Cadbury has a strong hold on overall emerging markets Kraft have a greater position in some markets such as Brazil and Russia. As Kraft being a huge conglomerate business it has vast amount of resources in terms of specialist staff, a highly invested research and development teams and finance etc to back up Cadbury to face competition from other rivals such as Hershey and Mars. Kraft can eve use its power over major supermarket chains such Wal-Mart to increase shelf value of Cadbury as majority of its sales come from small convenient store. Kraft is even able to promote Cadbury heritage brand more rigorously due to available of immense resources. It would be worth mentioning the fact that billion dollar Kraft empire has been experiencing an average growth of impressive 5 % over period of four years to 2008 (where it achieved 13% growth than previous year).(Daltorio, 2009)

Acceptability

To carry on with a strategic choice it also need to be acceptable by the stake holders. As shareholders are key stakeholders their consent is highly important. Although Kraft assured them the acquisition would result in increase in shareholders wealth as it fits in into its business culture, some shareholders have different opinion. One of the reasons for such conflict of interests is the fear of increase in company's gearing. By 2008 Kraft had a high gearing of 1. 34 (ratio) compare to its rival Nestle of (0. 36). They fear by acquiring Cadbury, Kraft would issue more long-term debt that may adversely affect the gearing ratio and hence increasing the financial risk of the business and affecting the capability of paying out dividends, hence damaging shareholders interest. The other reason for conflict of interest was

the reaction from one of the biggest shareholders Warren Buffett of Berkshire Hathaway who regarded the acquisition as “ bad deal “. He believed Kraft has overvalued Cadbury for purchase consideration and the disposal of pizza business to Nestle for $3. 7 billion was a mistake. He firmly believed Kraft is paying high premium for the acquisition. One shareholders view didn’t affected Kraft’s strategic choice and Kraft went ahead with the acquisition despite got rejected first time. (Barr, 2010)

Ballast Businesses

CADBURY

Heartland Businesses

Alien Business

Value trap Business

Skills

Opportunity

Low

High

High

According to my analysis I think Kraft values Cadbury as Heartland Business as

Kraft has the skills to exploit opportunities from Cadbury. (UNDER ASHRIDGE MODEL)

ACQUISITION for Kraft

The long clashing 5 month battle between Cadbury and Kraft was finally over on 2nd February 2010 as Kraft clinches control over Cadbury by 72% holding. Kraft then took total control of Cadbury on June 2010. Cadbury shareholders had a deadline of 2nd February to accept Kraft offer of 500 pence in cash for each Cadbury share and 0. 1874 new Kraft shares for each Cadbury share which altogether values each Cadbury share at 840 pence including a special 10 pence dividend. This sums up the total valuation of Cadbury business to approximate of £11. 9 Billion ($19. 4 Billion). Kraft offered this purchase price on 19th of January after a long negotiation with Cadbury management. Kraft tried to make hostile takeover on 7th September by a bid worth 300 pence in cash and 0. 2589 new Kraft shares for each Cadbury share (valuing it 745 pence a share). However Cadbury rejected the bid immediately and regarded it “ derisory”. Kraft sweetened the bid by raising the original offer and increasing the cash component from 40% to 60% to make it more appealing for Cadbury shareholders. (Cimlluca et al, 2010)

http://graphics. thomsonreuters. com/0210/EZ_CBRY0210. gifI have extracted this graph from Thomson Reuters to illustrate the impact on the share price for both involved parties after the announcement of take-over. We notice an increase of almost 40% in the market value of Cadbury. The increase in Cadbury’s share price was triggered by the initial announcement by Kraft of its intention to take over Cadbury in early September of 2009.

The announcement was received well by Cadbury Shareholders causing an increase in demand and thereby price of the stock. However we see a fall in the share price of Kraft food at the time announcement (graph below), some analysts believe this was due to Warren Buffet dissatisfaction of Kraft Acquisition. He regarded the acquisition as ‘ bad deal’, which caused chaos amongst other shareholder hence a price falls. This price fall deteriorated the purchase price offered by Kraft which was immediately rejected by Roger Carr, Chairmen of Cadbury. http://graphics. thomsonreuters. com/0210/EZ_CBRY0210. gif

(Wiggins, 2009)

Source: Digital Look(Munya , 2010)

http://data. moneycentral. msn. com/scripts/chrtsrv. dll? symbol= kft&E1= 0&LPR= 2&C1= 2&C5= 6&C5D= 1&C6= 2009&C7= 6&C7D= 1&C8= 2010&D5= 0&D2= 0&D4= 1&DD= 1&width= 612&height= 258&CE= 0&CF= 0&palette= 2&AF= 2

KEY POINTS FOR FINANCIAL ANALYSIS

Kraft foods acquired Cadbury plc in February2 2010. Hence Cadbury results are restricted to 10 months rather than full 12 years and it’s subject to fluctuate with moving exchange rates. Cadbury data was adjusted from IFRS (previously applied by Independent Cadbury) to U. S GAAP followed by its new Parent Kraft Foods Inc. Cadbury previous year’s figures couldn’t be compared with unless comparison is made in percentile due to the size difference of both businesses. Kraft even revised its Net Revenue retrospectively 2009 onwards. Post Acquisition

Financial Perspective

The above graph represents s the growth and decline in sales over a period of 4 years by means of percentage. The 2010 information contains data post acquisition, specifically contribution from Cadbury of $9143 that has been converted using the exchange rate of $1. 595 per £1. 00 for the aid of analysis. It can clearly be noted the reason why Cadbury was so desirable by Kraft. Cadbury attained significant growth from 2007. In June 2007 Cadbury introduced their Vision into Action plan which insisted in strengthening their position in emerging market. This strategy was immediately effective and can be reflected in the graph. As stated earlier in this research report one of the key reasons for Kraft to acquire Cadbury was their better position in emerging market as compared to Kraft. Although Cadbury has just been acquired for 11 months under Kraft we see a marginal fall of 4% in Cadbury sales than its preceding years. This maybe because Kraft maybe getting acquainted to Cadbury's operation and network hence not utilizing Cadburys full potential. (Cadbury, 2009a)

This graph explains what did Kraft's CEO meant by " GLOBAL POWER HOUSE". If we examine the two graphs we see a change in the revenue from developing and North American markets. The main reason for Kraft to takeover Cadbury was to derive maximum benefit of Cadbury's strong hold in emerging market. Although Kraft is one of the largest companies in food industry it drives more than 57% of its revenue from its Home Market US. As US market is experiencing economic recession Kraft needed to adopt an effective strategy to broaden its operations globally. Hence Cadbury looked more attractive from Kraft's perspective. It's worth mentioning that Cadbury

earns more than 40% from the fast emerging markets portraying its position being better than Kraft.. It should be taken into consideration that fact that Kraft hasn't launched any new aggressive marketing scheme or any strategic step via Cadbury in emerging markets. In 2010 Kraft has continued to run Cadbury operation without making any major changes. Talking quantitatively Cadbury boosted Kraft's net revenue in emerging markets by $3382 million which can be seen clearly in the graph at the bottom. Kraft's strengths in Russia, Brazil and China along with Cadbury great position in United Kingdom, India and Mexico has spread its revenue source which has reduce the risk of a recession affecting Kraft's sales . By acquiring Cadbury Kraft enhanced its distribution channel which became effective in the first year of acquisition and clearly be seen in the 2010 net revenue segments. In 2010 revenue from US market contributed less than 50% to Total Net Revenue minimizing the business risk driven by recession. (Farrell et al, 2010)

The above illustrated graphs represent the change in Kraft's revenue source after the acquisition of Cadbury. Krafts adopt a rational approach and pursue the strategy of selling off less profitable brands and achieving quick growth by acquisition. Kraft faced fierce competition from private label companies in the cheese and packaged meat market. Therefore Kraft acquired Cadbury to diverse its revenue source as there were dangers of fall in revenue from its main segments. There is an increase of 16% in the contribution made by confectionery segment. This segment is a high potential growth segment and Kraft would like diverse its business risk by investing more in promotion of this segment. (Trefis, 2011)

The Gross margin shows the amount of gross profit generated by the company as a percentage of the sales revenue. Kraft Gross Profit Margin has been plotted against each quarter from 2009.

It can be analyzed by the graph that Kraft tried to maintain its Gross Profit Margin in mid 30s percentile despite economic downturn in US market and increase in raw materials Kraft is able to maintain its objective, the main grounds for such level gross profit margin was the acquisition. By acquiring Cadbury Kraft has widen its distribution network as Cadbury's main selling networks are convenient stores open on High Street therefore reach of every individual.

Talking in respect on cost of sales (100 – Gross Profit Margin) Kraft will benefit from economies of scale especially regarding purchases as Kraft will be bulk buying and using Cadbury suppliers rationally to minimise cost of sales as possible. (Szalai, 2011)

Net Profit Margin is an indicator of profitability, calculated as net income or net profit divided by net revenue.

As shown by the graph, we see a downward trend in the net profit margin against each quarter in 2010. Despite the fact that there has been a 27% increase in Net Revenue in 2010 as compared to its preceding year, we notice a fall of 23% in net profit especially in the fourth quarters of 2009 and 2010 ($711m and $547 respectively. However in aggregate there has been an increase in the net profit from 2009. The major reason for such deteriorates result for the fourth quarter was the cost associated with integration between Kraft and Cadbury. The pizza business of Kraft did

contributed to the net profit in 2009 , by the sale of its pizza business to Nestle , Kraft has deprived itself from the positive contribution of its disposal component.(BBC, 2011)

The Prime objective of making investment in any business is to obtain satisfactory return on capital invested. Hence, the return on capital employed is used as a measure of success of a business in realizing this objective. Return on capital employed establishes the relationship between the profit and the capital employed. It is used to show the overall profitability and efficiency of the business.

By analysing we see a fall in return on capital employed although the sales and net profit overall has increased however it hasn't increased by the proportion of investment made by KRAFT FOOD. As Mr. Warren Buffet feared that Kraft did overpay for the acquisition this can be reflected in diminish of return on capital employed. I have also included a graph showing fall in earning per share that illustrate the point of less return for the investors this maybe due to issue of new share to Cadbury shareholders. (Wilson , 2010)

I have included this graph in my research report especially to breakdown the positive and negative contribution made by Cadbury to Kraft operating income in 2010 as compared to Kraft in 2009.

As announced by CEO of Kraft Foods, Kraft is highly likely to expect $1 billion in incremental revenue synergies apart from $750 million in cost saving by 2013. In order to achieve the synergies Kraft has budgeted to spend $1. 5 billion in the first three years following the acquisition to combine and integrate the two businesses and already incurred $657 million in 2010. As

stated in Kraft Annual Account 2010, Kraft incurred and expensed transaction related fees of $218 millions in 2010 and $40 million in 2009. Kraft has recorded the mentioned costs under selling, general and administrative expenses in Profit and Loss Statement (Statement of Comprehensive income). However in the above graphs include figures which has been given in the Kraft 2010 annual accounts analysis of operating profit rather than actual incurred cost as some cost have been taken under finance cost which hasn't been included in arriving at operating profit for 2010. This seems a draw back in the acquisition objective and maybe criticizes by its stakeholders as integration cost has reduced Kraft's earning by 33%.

(BBC, 2011)

Liquidity ratio expresses a company's ability to repay short-term creditors out of its total cash. The liquidity ratio is the result of dividing the total cash by short-term borrowings.

This Graph represents the two liquidity ratio one normal current ratio and another quick test ratio. Unlike Current ratio, quick ratio focus on the most liquid assets hence it exempt inventory from current asset while calculating ratio.

Some of the key points that need to be addressed before analysis of the graph are the disposal of the pizza business and all the working capital relating to it. We should also account for the current assets and current liabilities acquired by Kraft such as Net Receivable of $ 1333 m and Accounts Payable of $ 1605 m etc. Another point to be mentioned is that while

calculating Quick ratio I haven't excluded the deferred tax asset, while some analyst exclude deferred tax asset as they don't regard it liquid.

We see a significant difference between both ratios as inventory has occupied much of the working capital. Comparing it to the last year it is almost consistent with the growing sales. We notice a slight deterioration in both the ratio of 2010. The $3. 7 billion cash raised by disposal of the pizza business was used to pay cash component of the acquisition. The rise in the actually figure is in line with the growing and diverse sales (Kraft Foods Inc, 2010)

Gearing Ratio is a measure of financial leverage, demonstrating the degree to which a firm's activities are funded by owner's funds versus creditor's funds (investopedia). The above graph represents how much company has borrowed compare to equity raised by KRAFT FOODS.

Kraft had issued a long term debt of $9. 379 billion (net proceeds) to support the cash component of Cadbury of acquisition along with proceeds from Pizza Business. Kraft even made a repayment $2. 1 billion of long term debt during the year. This has increased the total debt of the business from $18990 million to $28724 Million.

Kraft has also issued 262 million shares to existing Cadbury shareholder as part of purchase consideration. This has enlarged Kraft's share capital affecting the gearing ratio.

By taking into consideration the above mentioned circumstances, we see an increase in the gearing ratio of 7%. This may cause some concerns amongst

shareholders and lenders of Kraft as the financial risk of the business has increased as more interest will be paid from the profits available to pay dividends to shareholders. (Tradition Financial Concept.). This may even damage the creditability of KRAFT FOOD in lender's market as it has borrowed 80% to Equity, hence it may be charged high interest rate by the lenders in future.

(Kraft Foods Inc, 2010)

(Hoskins, 2010)

Interest cover is a measure of the adequacy of a company's profits relative to interest payments on its debt. This ratio will help to explain the previously mentioned financial due to increase in gearing.

Due to the increase in leverage we see a fall of 0. 94 in interest cover which means there would be less profit available for dividends. This maybe is one of the reasons why Warren Buffet (one of the major shareholder in Kraft) reduced its stake from 9% to 6%. The ratio is over 2 which is considered strong by analyst and reflects Kraft's strong position in borrowers market. However Fitch, one of reputed credit rating agency, has downgraded the default rating on both companies to BBB-. However its rivals haven't downgraded the rating as yet but our reviewing if they should follow their peers. Flitch has downgraded the rating due to anticipated increase in financial leverage of the combined Kraft/Cadbury. (Peters et al, 2010)

Operational Changes Post Acquisition

The significant changes in operations along with their impact on KRAFT FOOD GROUP as a whole:

Closure of Somerdale factory

Days after acquisition Kraft announced the closure of Cadbury factory in Bristol. During the acquisition struggle, Kraft pledged to retain Somerdale Factory. The announcements created a chaos amongst Cadbury workforce and British Unite trade union as 400 employees were being made redundant. It would be worth mentioning; Cadbury prior to its acquisition (in year 2007) had already announced the closure of its Somerdale factory as they had invested more than £100million in the production plant in Poland to be cost effective. However at the time of acquisition Kraft assured Cadbury stakeholders that it will keep the Somerdale factory running. Kraft tried to justify the closure by stating that they made a genuine attempt to keep it running but its irrevocable. This had a negative impact on the motivation of 5400 Cadbury employees working United Kingdom as they feared less job security . Kraft faced high criticism from British media which lead to boycot