

Cadbury schweppes plc essay sample



**ASSIGN
BUSTER**

Cadbury Schweppes is one of the biggest beverage and confectionery companies in the world. With a history stretching back over 200 years, today Cadbury Schweppes's products are enjoyed in almost every country around the world.

Their heritage starts back in 1783 when Jacob Schweppes perfected his process for manufacturing carbonated mineral water in Geneva, Switzerland. And in 1824, John Cadbury opened in Birmingham selling cocoa and chocolate. These two great household names merged in 1969 to form Cadbury Schweppes plc.

The products of Cadbury include brands such as Cadbury, Schweppes, Halls, Trident, Dr Pepper, Snapple, Trebor, Dentyne, Bubblicious and Bassett. The company employs over 70, 000 people. Concentrating on the core brands in beverages and confectionery since the 1980s, the company has strengthened their portfolio through almost fifty acquisitions, including brand icons such as Mott's, Canada Dry, Halls, Trident, Dentyne, Bubblicious, Trebor, Bassett, Dr Pepper, 7 Up and Snapple.

For Cadbury Schweppes, the key competitors in the market are: Mars, Hershey, Wrigley, Nestle and Kraft. The confectionery market for Cadbury is highly competitive. In various markets it competes with the regional companies, the national companies and even the multi-national companies. Cadbury not only has to compete in the terms of quality and taste but it also has to compete for the price of the products.

Cadbury is the world's leading confectionery company according to its sales. It holds 9. 90% of the total share in the global market with Mars being a

close competitor having 9% of the total share. The chocolate confectionery is mainly a branded market. Four other companies (i. e.: Mars, Nestle, Hershey and Kraft) sum up to 43% of the world market. Cadbury Schweppes holds 7.50% of the total share. It has been built up by having strong positions in the UK, Ireland, Australia, New Zealand and India.

The candy market is noticeably more fragmented, with a greater presence of the regional brands and private label products. But Cadbury Schweppes has 7.20% of the global market share, which makes them the global leader.

Gum is also a branded market. It is more global in nature with brands and products more consistent across places. Wrigley account for the maximum, 35.90%, of the total global share for gums. Cadbury's strong position in number 2 is built on strong market shares in the Americas, part of Continental Europe, Japan, Thailand and South Africa. The fact that no Global Confectionery Market report would not be complete without the Cadbury-Schweppes brand included proves the extent to its dominance in the market.

The Boston Consultancy Group Matrix (BCG Matrix) Evaluating the products and businesses making up the company help Cadbury Schweppes Plc. to put their resources into their profitable businesses and phase down the weaker sections.

The four main Strategic Business Units (SBUs) are •Chocolates •Beverages •Chewing-Gums and •Candies

The purpose of this portfolio analysis is to find out ways in which Cadbury can best use their strengths to take advantages of attractive opportunities developing in the environment.

The Boston Consultancy Group approach, classifies all the SBUs accordingly in the growth-share matrix.

The areas of SBU circles in the diagram are proportional to the particular SBU sales. The company has its Chocolate SBU in the ‘ Star’ category because it is a high share, high growth business. Cadbury can be encouraged to maintain this SBU so that it will become a ‘ Cash Cow’ as the market matures. Hence this Cash Cow will be regarded as an established and successful SBU. It will produce lot of cash in the future and help the company use this cash in various ways.

In the ‘ Question Mark’ category we find the Gums and Beverages SBUs. It is a low-share business unit with a high-growth market. Cadbury is urged to invest in the more promising Question Marks to make them into Stars.

Having Candies in the Cash Cow is very profitable for Cadbury Schweppes.

The revenue generated from this SBU is helping Cadbury to fulfill the expenses and finance the SBUs, which are in the Star and the Question Mark and the new products that may fall in the ‘ Dog’ category.

The future requires some decisive action concerning the Question Mark. If the financial conditions are strong Cadbury could consider investing more in the Gum SBU in order to build its market shares. Or else we may divest the SBU by selling it or phasing out and use the resources in the Chocolate SBU. Cadbury Schweppes needs to introduce new products and units so that some

of them will become Stars and eventually Cash Cows that may strengthen the finance of the company.

Igor Ansoff's Growth Strategies

Cadbury's must aim to achieve deeper Market Penetration. They can have more outlets for the products and apart from selling them through retailers or even their own Exclusive Cadbury Store, which would sell only Cadbury Schweppes products to the customers and which may be strategically located in various places, easily accessible for the common public. Effective advertisements for such outlets and have enhanced services and affordable prices for the products available in the stores. The outlets will have unique designs which will encourage customers to shop by more often, stay longer and even buy more in their each visits.

Secondly, Cadbury must consider the possibilities for Market Development by reviewing new geographical markets, fragmenting the Regions into smaller divisions, for Cadbury, so that they can have a better control over each division, making the company partially decentralized. Expanding into smaller cities in some Regions across the world so that they not only develop a new market but also make the products more popular among the masses. After reviewing the geographical markets, the focus on the demographic market must be given priority. Customized advertisements for the groups which will appeal to the public in a better way.

Thirdly, Cadbury may consider Product Development, in which they can offer new products to the present market. Cadbury could enter a niche market

and introduce a new range of reduced-calorie products, and healthy extra dark chocolates for the health-conscious customers.

Diversification has been pursued by Cadbury Schweppes on a related level. As we noted their key strategic business units (SBUs) are centered on Chocolates, Beverages, Candy and Chewing-gums. In more recent times, they have also considered the packaging industry, yet nothing significantly unrelated to branch away from the core business and brand identity.

SWOT Analysis

Strengths: • Cadbury Schweppes plc is a very profitable organization, with a well-reputed brand name. • The global chocolate brand has been built upon a reputation for fine quality products and services. • Cadbury Schweppes plc was one of the Fortune Top 100 ‘Companies to Work For’ in 2005. The company is a respected employer that values its workforce. • The organization has strong ethical values and an ethical mission statement

Weaknesses: • Cadbury has a reputation for new product development and creativity. However, they remain vulnerable to the possibility that their innovation may falter over time. • The organization has a strong presence in the United States of America, UK and India. It is often argued that they need to look for a portfolio of countries, in order to spread business risk. • Cadbury’s recall over 1 million chocolate bars over salmonella fears.

Opportunities: • The company has the opportunity to expand its global operations, new markets with new products that are limited in particular region. • Cadbury has decided to focus on a few of its key brands (that have

high sales) such as Cadbury Dairy Milk, Bournvita, Eclairs and Halls to drive growth for the company. • Co-branding with other manufacturers of food and drink, and brand franchising to manufacturers of other goods and services, both has potential. • The increase in the demand of confectioneries is the perfect opportunity for Cadbury. • Regional and National festivities are another opportunity to increase the sales with suitable advertisements and packaging.

Threats: • We are uncertain if the market for Cadbury will grow and stay in favor with customers, or whether another type of beverage or leisure activity will replace them in the future. • Health concerns and the barriers for new development

• Cadbury is exposed to rises in the cost of chocolate, dairy products and all relevant natural resources. • Natural factors, including the disasters that may wipe out entire sources of raw materials. This is a rising concern, especially now, with freak weather patterns occurring across the globe. • Entry into salted snacks was ruled out so it is important to do new innovation and marketing research.

The Product Life Cycle

Product life cycle (PLC) is connected to the sales and profits of a company over its lifetime. It consists of 5 stages, which are: product development, introduction, growth, maturity and decline. (Phillip Kotler&Gary Armstrong, 2002).

Research and analysis leads us to believe that Cadbury, as a whole, is at the maturity stage due to the following factors.

Cadbury is an internationally renowned brand with a wide range of confectionery brands and beverage with more than 200years experience as an organization. It has been speculated recently that Cadbury is currently the fourth largest supplier of chocolate and sugar confectionery to the world. There is no heavy expense needed for introduction of the brand. At the same time, advertisement for building product conviction and purchases are also not in a necessary base.

References

http://www.valuebasedmanagement.net/methods_bcgmatrix.html