

Cadbury schweppes: competitive advantage and business level choice essay sample

[Literature](#), [Russian Literature](#)



Ownership: The Board of Directors made up of internal and external directors to provide a balance of experience. J F Brock and I D Johnston are both directors and also the Managing Director of the Beverages and Confectionery streams respectively. 0000

Mission statement: Cadbury Schweppes' objective is growth in shareholder value. Managing for value is the process that supports the achievement of the strategy by providing the overall strategic direction.

Scope and Diversity: Cadbury Schweppes competes in confectionery and soft drinks markets, the logic behind this is so that it can develop specialist skills and remain one of the key players in these markets. This position is enhanced by its strategy to acquire companies who have products closely related to those produced by the Groups own SBU's, and also by the Managing For Value Programme. Cadbury Schweppes product ranges are not diverse. All products, including acquisitions, are closely related in order to maintain the Groups skills base and competitive advantage.

Global dimension: Cadbury Schweppes is a global player, leading the market in the UK, Poland and China in its field. The challenges faced in these markets are such that the Group must constantly innovate to remain ahead of the competition. Cadbury Schweppes follows global strategies that offer cost reductions, improved quality, and better ability to meet customers' needs and increased competitive leverage.

This can be seen in its agreements with bottling companies to produce Dr. Pepper and 7UP in the US at reduced costs and by its recent acquisitions of

Snapple and Wuxi Leaf chewing gum. It has a total of 85 manufacturing and bottling facilities, 30 of which are engaged in the manufacture and bottling of beverage products, and 55 that are engaged in the manufacture of confectionery products. The Group trades in almost 200 countries throughout the world.

Competitive Advantage. Cadbury Schweppes' competitive advantage comes from its SBU's being highly related and producing similar products, therefore building on existing technologies. Products such as Time Out Chunky, Wispa Gold, and Wispa Bite can demonstrate this. Cadbury Schweppes targets similar product markets as well and many of its customer bases overlap. Building on the Groups core competences through acquisitions of established companies extends its competitive advantage further. (See resources, capabilities and sources of advantage.) The corporate governance strategy followed by the Group is such that it provides strategic direction for the SBU's through managing a smaller number of related businesses. This is of great benefit to the shareholders, as is shown by an underlying earnings per share increase of 16% and a 6% increase in sales to £2 billion in 1999.

Bases of SBU strategy.

“ Competitive strategy is the basis on which a SBU might achieve competitive advantage in its market.” (Johnson and Scholes, 1999: 269). In beverages the Groups' strategy is to develop and expand markets for its various brands by using the most efficient and value creating route to market. In chocolate and sugar confectionery the Groups' strategy is to build

strong positions in prioritised markets through internal growth and value enhancing acquisitions, in addition to identifying best practices within its operations and implementing them across the stream to realise efficiencies and enhance competitiveness.

Synergy is created through the SBU's not being radically different and building on similar technologies, offering cost savings to the Group. In confectionery the Group follows a variation of a "no-frills" price strategy combining a low price with the low perceived added value of the majority of its products to the customer to focus on a price sensitive market. It doesn't compete on price alone, the strategies adopted by different SBU's target cost reduction in the value chain, demonstrated by the acquisition of Wuxi Leaf.

In soft drinks, it offers a differentiation strategy, as the majority of its products are unique (Dr. Pepper). Coca Cola doesn't produce mixers, its main competitors here are supermarkets and other smaller manufacturers.

Cadbury Schweppes' products do target different customers within the same segment, i. e. mixers, fruit juices, lemonade and New Age Soft Drinks e. g. Snapple. This is particularly important in terms of global competition and patents and licenses, which protect against product imitation, further enhance its competitive advantage.

Cadbury Schweppes' confectionery products are sold in 170 markets, its beverages stream has bottling and partnership operations in 10 countries and licenses its brands in a further 21 countries around the world. Following

the sale to Coca Cola of its beverage brands in 160 markets it now focuses on the US, Australia and Continental Europe. The Group must be careful not to shoot itself in the foot in the chewing gum market as its competitors have more experience, however, the strategy of backwards integration means that Cadbury Schweppes has acquired knowledge and expertise that should be carefully managed to ensure future success and competitive advantage.

Alternative Directions for Strategy Development.

Appendix 5 shows a matrix of competence development, which has had a positive effect on the Groups global position. Cadbury Schweppes has also benefited from Internal Development of highly innovative products for example Tango Crunchie, and are examples of fit-led competence strategies. They could also be achieved at a cost benefit to the Group. Acquisitions have been a major strategic force for Cadbury Schweppes recently.

This has been prominent in both the soft drinks and confectionery segments and has given competitive advantage by enabling Cadbury Schweppes to enter new markets successfully without the lengthy process of research and development. This strategy may have been heavily influenced by PepsiCo and also by the fact that that both markets in which it competes are relatively static and all competitors benefit from relatively stable market shares. During the past five years the Group has spent a total of £1849 million on acquisitions and £997 million on capital expenditure, including investments to expand in new markets such as Poland, China and Russia.

Russia has proved difficult and will be discussed further in the section on Strategic recommendations.