Financial management of cadbury limited

Cadbury Public Limited Company has been a large global company in the confectionary industry. The company was acquired by Kraft Foods in February 2010. Initially, the company was known as Cadbury-Schweppes Public Limited Company before the separation of its US beverage unit which is currently known as Dr Pepper Snapple Group (Cadbury PLC, 2010, p. 5). This process was undertaken through a demerger that took place between the two firms. In 2007, the company was able to close its factory in Keynashan.

2008 saw Cadbury Public Limited Company sold its Monkhill Confectionary for £ 58 million. As a result, 800 employees were transferred to save them from losing their jobs. From 2009, the company started replacing its cocoa butter with palm oil (Cadbury PLC, 2010, p. 4). There was no major improvement in this strategy since it was supposed to enhance taste and texture with a long term target on increased consumer demand. As all this was going on, there was a general backlash from consumers. These strategies and new business approaches were mainly being tried out in New Zealand.

After things failed to materialize, the company was forced to revert back to its initial cocoa butter that had been the core of its business. The company also resolved to source for cocoa beans by using good, open and recognizable trade channels which would not be questionable. Initially, the change to palm oil had reportedly cost the company over 12 million in sales (Cadbury PLC, 2010, p. 7). In January 2010, Kraft Foods decided to buyout Cadbury.

Kraft Foods had made an offer to take over the company for £ 10. 2 billion. This was rejected because the company considered the price as undervalued. It was not until 2010 that a consensus was reached between the companies after a hostile bid. Kraft Foods had agreed to give out £11. 5 billion for the deal. To make this successful, it had to borrow £7 billion (Kraft Foods, 2010, p. 8). In doing all this, the company had a vision of becoming a global confectionary leader.

Kraft Foods decided to base itself in Pennsylvania. As a matter of fact it has a controlling stake in Cadbury chocolates in the United States. In laying more emphasis on this deal, the company had seen it as the best opportunity to increase its market access to a global market that has been increasing considerably over the recent years. This takeover had been widely criticized across all divides as they saw Cadbury as a very crucial company in Britain's economy (Kraft Foods, 2010, p. 4). There had been a general view that this deal was putting 30, 000 jobs at risk.

There was a protest on the amount of advisory fees that banks were charging in overseeing this deal. A bank owned by the government (RBS) was able to finance 84% of the deal. February 2010 saw Kraft Foods finalize the deal by securing 71% of the company's shares (Kraft Foods, 2010, p. 3). It fell short of its expectations of having a 75% stake that could have made it delist Cadbury from the stock market and make it part of Kraft Foods. The company was later on able to achieve this (its targets) which led to the delisting of Cadbury from the stock market. After this, the CEO and the financial officer had to resign.

Discussion

Business

Cadbury has an established business with operations in the United Kingdom, Ireland, Australia, New Zealand and the United states. The United Kingdom confectionary had eight factories with a staff of 3000 employees (Bradley, 2008, p. 5). In the UK some of the products it has been producing are done so under license; like the Cadbury biscuits under the license of Burton foods.

From Ireland, chocolate produced is more than £25 million (Costello, 2009, p. 4). This has been exported bringing in a lot of earnings. Its presence in the US is responsible with the manufacture of mints and gums. The company's Cadburys have been found and sold in the country but they are manufactured by Hershey's. This Cadbury can mostly be found in Hershey's stores (Bradley, 2008, p. 5). In addition to these, the company has factories in both Australia and New Zealand.

To make it more effective the company has been upgrading its manufacturing plant in Claremont. In a more broad perspective, the company has a wide range of products that it has given to the market in a bid to enhance its business. In addition to these, it has its unique brands that have helped to generate enough revenues for the company. To cater for a large market, the company has more than 50 brands with 40 of them being more than 100 years old (MacAlister, 2009, p. 10). In the year 2004 after a decline in sales, the company was engaged in a restructuring program. To strengthen its business the company has been acquiring others to increase its market presence.

Investors and product

Cadbury has a large brand that has always given it a strong market presence. It has a long history of confectionary brands that have always been introduced every year to ensure that the market has variety to choose from. This means that every year has seen a new taste of brands. In addition, the company has beverages that have a long history from 1783 (Costello, 2009, p. 14). On the other hand it has favourite brands like Bassets and Bourn vita amongst others. Cadbury worldwide is a brand name that has established itself well in the market.

The company trades its shares in the London stock exchange market. The last time before the company was acquired; its shares were trading at £863 (Muspratt, 2009, p. 8). Its shares have been doing well in the market because of the long term strategy that had been adopted to increase its value. By investing in the company, investors have a reason to know that their investments will grow as the company has a global presence in a wide market.

Kraft Foods has a wide range of brands for the market to suit the distinct and diverse tastes and preferences. These brands are spread out in more than 155 countries that the company has a presence in (Weisenthal, 2009, p. 9). Its strong brand presence has helped to build its core business in the market. With its 50 brands, the company has been able to serve a wide market satisfactorily without any problems.

This has been well done to ensure that everybody has a good taste. As a result, consumers have been more passionate about their brands. The company trades its shares in the New York stock exchange market. In addition to these, those who have invested in the company are given dividends as the company has a dividend yield of 4. 0 (Weisenthal, 2009, p. 19). Those who wish to be part of the company are encouraged to do so as information regarding its performance is provided.

Financial market environment

This environment is responsible for an effective marketing management. The two companies have had a good history in terms of their financial performance save for a few occasions. Before the acquisition, the company (Cadbury) had started outsourcing most of its activities including marketing.

Because the company has a wide global presence it has spent a lot of money in marketing activities to increase its market share. This has not been resisted at all as it has been aimed at increasing its value with investors in mind. Marketing activities have got the necessary financial support to strengthen the company’s brand in the market.

After acquiring Cadburys, the company (Kraft) has ensured that it engages in active marketing campaigns to strengthen its presences. The company has a wide global market that is competitive. Because of this, the management has always provided a good budget for marketing activities. This can be well demonstrated in the TV commercials that the company has been running in different countries.

Since the company has a presence in more than 155 countries it has ensured that its marketing is felt in every place (MacAlister, 2009, p. 15). Marketing has been done with an aim of increasing the company’s market value which has helped to increase revenues. Because the company has a large financial muscle, a sizeable amount of money has been allocated to the management to ensure that its marketing activities are felt in the market.

Business strategy

The two companies have had progressive growth because of good business strategies. Cadburys has had a strategy of ensuring that it has presence in different markets to reach a wide base of customers (Holson, 2000, p. 9). To ensure that its manufacturing activities are not interfered with, it has plants in different countries for uninterrupted business activities.

Because of a wide market, the company has ensured that it continues being innovative in giving customers new products every now and then to suit their divergent tastes and preferences (Weisenthal, 2009, p. 4). The company has adhered to healthy and safety practices to give itself a good name in the market. From its history it can be noted that it has introduced new products every year for continuity.

Kraft Foods has been involved in a lot of research to come up with new products to increase its wide range of brands. The company has over 70 brands and this has made consumers more comfortable with their wide range became of choice (Holson, 2000, p. 2). Apart from this, the company has operations in more than 155 countries and this has enabled it to reach a wide market that it can sell its products to.

It has also been involved in acquisitions to give it a wider market presence that the initial companies had. These activities have been done to enhance its financial position so that it can improve on its operations well (MacAlister, 2009, p. 5). To capture the attention of the market well with an impact, the company has engaged in promotions to enlighten the public about its products. These promotions have made consumers more knowledgeable about the company and its activities.

Recommendations to develop Forex strategies

With Forex exposures, the company has been unprotected in different areas. Because the company has a wide market presence (global), it is exposed to economic, translation and transaction Forex exposures. It can experience problems when their foreign accounts have appreciable loss. This problem can be brought about by currency devaluation and political events in different markets. It is recommendable for the company to always hold foreign currencies for the shortest time possible before conversions to avoid such problems.

The company might develop a foreign sales channel as it continues going global as part of its strategy. This implies that it will have to come up with a way of hedging against any future devaluation. It will need to use Forex futures to project the future cash flows when they are denominated into the dollar as it is the globally acceptable currency for business.

The new company should invest in currency exchange traded funds. This will protect it from Forex exposures with a long term approach to enhance investors' value. The company has a long term strategy of increasing the value of shareholders to encourage more investments. In cases where the company feels threatened, it can sell short of the currency exchange traded funds.

In addition, the company has to enhance their operational activities to develop a good Forex strategy. This means that the company must have clearly laid down responsibilities that will be reviewed by the management regularly. It will also need to have an effective Forex trading and reporting system as it has a global presence. To enhance this, the management has to ensure that there is effective reporting, centralized tracking and good uniform accounting policies in place.

Data capture will also save the company from a lot of Forex exposures. This means that the accounting practices that are being used have to be accurate in presenting reports. On the other hand, the company must ensure that its business engages in solid data capture processes.

Good policies have to be put in place supported by effective personnel as a way of ensuring sustainable Forex strategies. This means that all the policies that the company will engage in must be approved by the board before they can be used anywhere else. To enhance this, employees need to be well educated and informed.

Conclusion

The company has good prospects ahead because it has consolidated itself as a result of integrating acquisition strategy. This means that it has a high probability of attaining a wide market reach.