Market and economic analysis of cadburys

Cadbury was formed by a merger in 1969 . Since then the business has expanded into a leading international confectionery and beverages company. Through an active programme of both acquisitions and disposals the company has created a strong portfolio of brands which are sold in almost every country in the world. Cadbury has nearly 54, 000 employees and produces Fast Moving Consumer Goods (FMCG).

Its products fall into two main categories:

Confectionery

Beverages.

Its portfolio of brands include leading regional and local brands such as Schweppes, Dr Pepper, Orangina, Halls, Trebor, Hollywood, Bournvita, and of course, the Cadbury masterbrand itself. These Products are sold in a range of countries depending on consumer preferences and tastes.

The core purpose of Cadbury is “ working together to create brands people love”. It aims to be judged as a company that is among the very best in the business world – successful, significant and admired. The company has set five goals to achieve this, one of which relates to Corporate Social Responsibility (CSR) – “ To be admired as a great company to work for and one that is socially responsible to its communities and consumers across the globe”

Cadbury plc is a leading global confectionery company with an outstanding portfolio of chocolate, gum and candy brands. It has number one or number two positions in over 20 of the world’s 50 largest confectionery markets.

Cadbury also has the largest and most broadly spread emerging markets business of any confectionery company. With origins stretching back nearly 200 years, Cadbury's brands include many global, regional and local favourites including Cadbury, Creme Egg, Flake and Green & Black's in chocolate; Trident, Clorets, Dentyne, Hollywood, Bubbaloo and Stimorol in gum; and Halls, Cadbury Eclairs and The Natural Confectionery Company in candy. (Cadbury, 2010).

Impact of social welfare and industrial policy initiatives on Cadbury's and the wider community

The Cadbury Foundation, set up in 1935, is a corporate foundation working under charity commission guidelines, now funded by Kraft Foods. The Foundation believes, as the Cadbury Brothers did all those years ago, that making a positive difference in our local community is not only good news for the community but also good for business. They want The Cadbury Foundation to make the most impact possible in local communities. The Foundation therefore focuses its funding on the areas which we think are really important, they reflect the needs of everyday environment: employability, enterprise, the environment, London 2012, and health and welfare. Doing this means that we can focus our funding and help to make a bigger impact. The Foundation is managed by the Chair, Neil Makin, a retired Cadbury executive, and six trustees. They meet three times a year, in the Spring, Summer and Autumn to consider requests for funding .

The Cadbury's group has a Corporate Community Investment strategy of ' Creating Value in the Community'. This focuses on creating community partnerships that generate real, sustainable added value in:

Education and enterprise

Health and welfare

The environment.

EIRIS (Ethical Investment Research Service) survey 2002 commended the company for its carefully structured community involvement programme. CTB is also a member of the Business in the Community Percent Club; CTB’s community contribution was around two of its UK pre-tax profits.

In 2001 CTB launched its Community – “ You Can Make a Difference” programmes to maximise the impact of the business, its employees and community partners. Over 1, 500 of the company’s 7, 000 workforce have been involved so far. Stakeholder expectations Cadbury Schweppes’ core purpose is ‘ Working together to create brands people love’.

The success of the organisation in meeting this purpose can be measured in terms of the value created for shareholders. However, this success is achievable only if the company respects its commitment to every one of its stakeholders.

CTB believes in creating prosperous, educated and socially inclusive communities, not only because this is part of the company’s heritage but because it is the right thing to do and makes good business sense.

Corporate Community Investment has always been a core part of CTB’s business philosophy. It is also something that its stakeholders expect.

Stakeholders are the groups and individuals that play a part in an organisation.

The external environment

Successful businesses seek to create a fit between their line of business, way of operating and external environment. In recent years, there have been attempts to make UK society more inclusive. Groups that used to be treated as ‘ outsiders’ (e. g. disabled people, single parent families, people living in areas of poverty and educational disadvantage) are being brought into the mainstream of social and economic activity.

The current UK government is promoting social inclusion and the part that businesses can play in bringing it about. For example, the government has encouraged businesses to work in partnership with government agencies and the local community to:

Improve education and training opportunities

Support small local businesses

Promote housing projects

Create employment opportunities through Welfare to Work programme.

In the modern world the obligations of business to society have broadened and companies like CTB are building on a heritage of good citizenship in a more strategic way.

CTB's community contributions take many forms e. g. cash grants, sponsorship, donations in kind, as well as the time, effort and skills that CTB people put into the communities in which they live and work.

Impact of macro-economic policy and the influence of global economy on Cadbury's.

Here is a terrific example of how a long established business sees an emerging economy not just opportunity for growing sales and profits but also as a centre for production.

MY evaluation of the impact of macro-economic policy is Spurred on by rising incomes and consumer demand, Cadburys is hoping to consolidate its dominant position in the Indian chocolate market by encouraging coconut plantations to switch production and establish a much bigger cocoa production capacity in India. The incentives to expand cocoa supply in India are strengthened by the 30% tariff imposed on imports of cocoa into India from countries such as Ghana and the Ivory Coast. The FT reports that Cadburys is hoping to source all of its cocoa beans domestically by 2015 and coconut farmers may hold the key as cocoa seedlings grow alongside coconut palms in southern India and therefore do not require fresh clearing of forests for plantations.

The FT article claims that Cadbury controls more than 70 per cent of the chocolate market in India with a presence in 1. 2m stores while Nestlé controls about 25 per cent. It enjoys a dominant position in a market where sales are rising by more than 20 per cent per year.

Reinforcing that market dominance is key for Cadburys – it has spent heavily on marketing revamped chocolate brands in the Indian market including heavy cricket-related sponsorship – but having a domestic supply chain will do more that pure marketing plays to keep their profits rising.

Embroiled in what looks likely to be a protracted takeover bid from Kraft, Cadbury's has suffered a blow with the news that its share of the UK confectionery market has dipped below 30 per cent for the first time in a while. The Times reports that Cadbury's chunk of the chocolate market by value slipped 1. 7 per cent to 29. 8 per cent last month, the first time that it has fallen below 30 per cent all year. Market share of Mars, its biggest rival, slipped 0. 6 per cent in the period. There are signs that aggressive pricing of basic chocolate bars by discount retailers such as Aldi and Lidl is having an effect; so too is the growth of sales for own-brand bars offered by Tesco, Sainsbury's and the ongoing battle for customers between Waitrose and Marks and Spencer. Some customers have complained about a 75% rise in the price of a 230g bar of Dairy Milk in the last 12 months. High world cocoa prices have explained some of the price hike but Cadbury's tactic of launching a new 100g bar priced at £1 had led some to claim that their are deliberately trying to anchor their prices at a higher level to raise profit margins as a defence against the takeover bid. The decline in market share suggests that chocoholics are more price sensitive than Cadburys might have forecast.

More than 3, 000 Cadbury employees face a three-year pay freeze unless they opt out of the confectioner's final salary pension scheme.

New owners Kraft Foods, the US food group, has told 3, 600 staff that they must accept a pay cap after it discovered an obscure clause in Cadbury's pension trust deed that makes it almost impossible to close the scheme.

Kraft did not know about the clause, which is at least 30 years old, until after it acquired Cadbury for £11. 6bn ($17. 6bn).

A person with knowledge of the Cadbury pension fund said he did not know why such an unusual clause existed, but it could be linked to Cadbury's Quaker heritage and its doctrine of giving a fair deal to staff and suppliers. Kraft is forcing employees to accept a pay freeze because it believes this is the only way it can get its future retirement costs under control. " The scheme is unaffordable going forward," said one person involved

Kraft came under fire from British workers over its broken promise to save from closure the Somerdale factory in Keynsham, Bristol, thereby safeguarding 400 jobs

Reader M. P., a retired money manger who ran a top-rated fund noted:

So Kraft did not do due diligence and now it wants to play dirty. Is it any wonder that American finance is now despised everywhere, even in the U. K!

Yves here. So welcome to 21st century capitalism, where management never has to admit, much the less bear the consequences of its errors. Just take it out of the hide of the little guy.

My evaluation of the influence of the global economy isThe takeover battle for Cadbury is all but lost, but the political battle may have only just begun.

The sight of one of the most famous names in British industry falling to a hostile foreign bid would be controversial at the best of times, yet just months before a general election, the triumph of City short-termism over the job prospects of thousands of manufacturing workers could prove even more toxic than the recent furore over bank bonuses.

To make matters worse, the government has already conceded there is little industrial logic behind Kraft's bid: all about making " a fast buck" is how Peter Mandelson dismissed the original approach. The public intervention of the trade secretary marked a major shift in New Labour thinking towards the openness of the British economy, which has hitherto been held up as one our strengths. But with unemployment rising, and British companies blocked from making foreign acquisitions, it has become harder and harder to defend the tendency of British institutional investors to cut and run at the first opportunity. The Tories, who have been suspiciously quiet on the subject, will find it difficult to sit on the fence during an election campaign fought across the dozens of marginal seats in Cadbury's West Midlands heartland.

A chocolate manufacturer might seem an odd choice of battleground. Though it employs some 6, 000 people in the UK (45, 000 people globally and many more indirectly) this is no high-tech industry of the future. But politicians of all persuasions are beginning to question the cumulative affect of Britain's relatively open market in corporate control. My own estimate is that around 50 leading companies (of a size to qualify for entry to the FTSE-100) have been swallowed up in recent years. In contrast, I can only think of handful of really large acquisitions made by British multinationals: BP's takeovers of Amoco and Atlantic Richfield, Vodafone's bids for Mannesman and Airtouch and the distastrous Royal Bank of Scotland purchase of ABN Amro.

By any international standards, the roll call of British names to lose their independence is stunning. In fact, it’s worth reading the rough and ready list I complied in full to see just how many household names have gone

The mission and values statement for Cadbury’s

Cadburys means quality, this is our promise . our reputation is built upon quality , our commitment to continual improvement will insure that our promise is delivered

Social responsible

A case could be made that shareholders will have a different view of social responsibility to employees in a business. The employees seek better pay and conditions, and opportunities for personal development and a career ladder. The shareholders seek increases in share prices and good levels of dividend. However, the two are really interlinked. A company that provides good working conditions and values its employees will benefit from committed, hard working employees who enhance long term profits.

Cadbury Schweppes takes its corporate social responsibility agenda seriously. As such it is a member of organisations like Business in the Community, International Business Leaders Forum and the Institute of Business Ethics. These organisations seek to improve the impact companies have on society. A key part of the Cadbury Schweppes approach to business lies in its ethical behaviour and close relationship with its stakeholder groups. As a company it believes that: “ Respecting human rights and trading ethically is fundamental to the way we work, not just within our owned and operated businesses but also in how we interact with our wider value chain.*”

In ‘ Our Business Principles’ Cadbury Schweppes continues: “ We believe that good ethics and good business go together naturally, to produce the best long term results for all our stakeholders.”

The original Cadbury company was heavily influenced by the Quaker values of the Cadbury family who started the chocolate business over 150 years ago. The Quakers promote justice, equality and social reform. The legacy of these ideals informs Cadburys’ culture today and unites its many businesses around the world who uphold this heritage and act in an ethical manner.

From the outset, Cadbury treated employees with respect and cared for their welfare. The company’s site at Bournville, near Birmingham, has always been more than just a factory having extensive amenities such as housing, sports facilities and parks all being part of the original complex

Owners

Kraft is the main shareholder of Cadbury,

U. S. food giant Kraft today won its five-month battle for control of Cadbury after shareholders backed its takeover offer.

The vote paves the way for Kraft to snap up Cadbury – ending its 186-year history as an independent company.

Kraft's cash-and-shares deal, recommended by the Cadbury board two weeks ago, values the UK firm at around £11. 4billion.

Kraft's announcement came after one of its key shareholders revealed it had voted against the firm's plans to sell new shares to help fund the proposed Cadbury takeover

However, Hathaway, which owns 9. 4% of Kraft, said it might change its vote if the final bid " does not destroy value for Kraft shareholders".

BBC business editor Robert Peston said that, as a result, Kraft's plans to buy Cadbury were now in jeopard

Products

Cadbury chocolate

Cadbury Creme Egg Twisted Bar

Cadbury Double Decker

Curly Wurly

Cadbury Dairy Milk Freddo

Cadbury Boost

Bournville

Creme Egg

Caramilk

Crispy Crunch

Crunchie

Dairy Milk

Fingers

Flake

Fudge

Mini Eggs

Picnic

Roses

Shots

Snack

Star Bar

Former Brands

Aztec (UK)

Animals

Country Style (UK)

Crave (Australia)

Creme Egg Mint (UK)

Dairy Milk Almond & Honey

Dairy Milk Orange Chips

Dairy Milk with Shortcake Biscuit

Dairy Milk with Creme Egg

Dairy Milk Crispies

Dairy Milk Wafer

Double Decker with Nuts

Dream with Strawberry

Fry’s

Chocolate

Chocolate Cream – dark chocolate with fondant centre

Peppermint Cream

Orange Cream

Five Centres (no longer in production)

Turkish Delight

Green & Black’s

Green & Black’s is range of upscale organic and Fair trade chocolate. The “ Maya Gold” variety was the first UK product to be awarded Fairtrade certification in 1994. Green & Black’s also produces a range of ice cream, biscuits, and hot chocolate.

Milk

White

Maya Gold – dark chocolate with orange and spices

Almond

Raisin & Hazelnut

Hazelnut & Currant

Mint

Caramel

Cherry

Ginger

Butterscotch

Hazelnut, Almond & Brazil

Espresso – dark chocolate with coffee flavour

Dark & Almond

Sweets

Bassett’s

Liquorice allsorts

Fruit Allsorts

Desert Allsorts

Sports Mixture

Jelly Babies

Milky Babies

Fruity Babies

Party Babies

Sherbet Lemons

Fruit Bonbons

Lemon Bonbons

Pear Drops

Dolly mixture

Sweetshop Favourites

Assorted Toffees

Murray Mints

Mint Creams

Mint Favourites

Imperials

Imperials Spearmint

Everton Mints

Animal Mix

Snakes

Sour Squirms

Sour Squirms

Maynards

Sours

Midget Gems

Fuzzy Peach

Fruit Gums

Wine Gums

Swedish Berries

Mints and chewing gum

Trebor

Mints

Extra Strong Mints

Extra Cool Mints

Spearmints

Softmints

Softmints Peppermint

Softfruits

Softmints Ice (Pakistan)

Mini Mints

24-7

Trident

Trident Soft

Peppermint

Spearmint

Tropical Twist

Strawberry Smoothie

Trident Splash

Strawberry and Lime

Vanilla and Mint

Raspberry and Peach

Apple and Apricot

Citrus and Blackberry

Trident Fresh

Oooh Peppermint

Aahh Spearmint

Coool Lemon

Trident Sweet Kicks

Mint with Chocolate

Hollywood Chewing Gum

Original

Style

Sphere

2 Fresh

Sweet Gum

Cadbury Adams

Cadbury Adams products.

Miscellaneous

Beverages

Bournvita

Cocoa

Orange Crush (Canada)

Cool Ridge – spring water (Australia)

Export Cola (Australia)

Highlights – low calorie hot chocolate

Highlights Chocolate

Highlights Dark Chocolate

Highlights Mint

Highlights Orange

Highlights Fudge

Highlights Toffee

Highlights Café Latte

Highlights Espresso

Drinking Chocolate – hot chocolate powder

Instant Hot Chocolate

Passiona (Australia)

Spring Valley Juice (Australia)

Solo (Australia)

Baking

Bournville Cocoa

Cooking Chocolate

Milk Cooking Chocolate

Dark Cooking Chocolate

Minis

Buttons Minis

Curls Minis

Sprinkles Minis

Others

Bytes (India)

Cadbury Dairy Milk Ice Cream – Chocolate chip ice cream

Cake Bars

Cake Bars Milk Chocolate

Cake Bars Fruit & Nut

Cake Bars Caramel

Cake Bars Mint Crisp

Cake Bars Orange Crisp

Cake Bars Strawberry Jam

Chocolate Gateau

Chocolate Tart

Milk Chocolate Spread (Produced under licence by Premier Foods)

Mini Rolls

Mini Rolls Milk Chocolate

Mini Rolls Caramel

Mini Rolls Strawberry

Vichy Pastilles (Cadbury France)

Employees

the last time this was recorded in 2008 it was 71, 657

Cadbury is more than a business, it is a British institution with worldwide reach and employees across 60 countries. So whilst the investors, shareholders and foreign competitors savour the chance to make a quick buck, spare a thought for the 45, 000 Cadbury employees who have many more months of uncertainty ahead of them.

Stakeholders analysis by Mendelow’s Matrix for Cadburys

Following categorisation of stakeholders in a manufacturing company:

Low + Low : Small customers, Small Shareholders

High + Low: Major Customers, Central Govt, Media

Low + High: Employees, Environmental Groups, Local Community

High + High: Institutional Investors, Local Planning Authority

A Stakeholder Analysis is an approach that is frequently used to identify and investigate the Force Field formed by any group or individual who can affect or is affected by the achievement of the objectives of an organization. Stakeholder Analysis identifies the ways in which stakeholders may influence the organization or may be influenced by its activities, as well as their attitude towards the organization

stakeholders

Owners

Buyers

Employees

The power and influence of stakeholders:

The extent to which stakeholders affect the activities of an organisation depends on the relationship between the stakeholder and the organisation. Mendelow’s matrix provides a way of mapping stakeholders based on the power to affect the organisation and their interest in doing so. It identifies the responses which management needs to make to the stakeholders in the different

Cadburysannualreport2008

2008 Highlights

- Base business1 revenue up 7%; strong growth across emerging markets and focus brands

o Good growth across all categories; chocolate up 6%, gum up 10%, candy up 6%

o Emerging markets up 12%; five year compound average growth of 12%

o Focus brands up 8%; Cadbury Dairy Milk up 11%, Trident up 11%, and Halls up 9%

- Underlying margins up 150 bps driven by Vision into Action cost reduction initiatives

o Reported margins up 180 bps to 11. 9%

o Price realisation offset input cost increases

- Strong financial performance

o Proforma EPS up 16%; up 30% at reported currency o Recommended final dividend of 11. 1p (2007: 10. 5p); full year dividend 16. 4p, up 6%

o Improved Return on Invested Capital, up 110 bps

o Secure financing – average maturity of long-term debt 6 years

- Transformation of the business into a category-led pure-play confectionery company

o Demerger of Dr Pepper Snapple Group completed in May

o Announced a conditional agreement to sell Australia Beverages for £550m

(Except where stated all movements use constant currency – see Basis of Preparation on page 3 for impact of exchange)

Todd Stitzer, Cadbury's CEO said: " In 2008, Cadbury completed its transformation into a pureplay

confectionery company. Our strong revenue growth and significant improvement in operating

margin demonstrate the relative resilience of our focused business model. Whilst we will not be

immune from the continued weak economic environment, at this early stage in 2009, we expect

to deliver revenue growth around the lower end of our 4-6% goal range and to make good progress toward our goal of mid-teens margins by 2011.”

Results for the year 2008

The Financial Statements for the year ended 31 December 2008 are presented in the appropriate section of this Report.

The summary of performance is as follows:

The Group The Company

2008 2007 2008 2007

Nm Nm Nm Nm

Turnover 24, 298 19, 937 21, 729 18, 018

Loss before Tax (2, 848) (4, 198) (3, 087) (3, 987)

Group turnover grew 22% (2007: 4%) with Gross Margin at 27% (2007: 23%). Loss before taxation also improved

compared to the prior year with a reduction of N1. 4 billion or 32%. Loss after tax increased due to the decreased impact

of the deferred tax credit in the current year compared to the preceding year.

Investment in fixed assets was moderate at N0. 6 billion (2007: N0. 7 billion) for the year. As a result of the decrease in

operating cash flows, there was an increase in overdrafts and short term borrowings of N73. 5 million compared to a reduction of N1. 5 billion in the prior year. Interest paid increased to N2. 1 billion (2007: N1. 9 billion) arising from

increased borrowings during the year as well as an increase in borrowing rates from an average of 13% in 2007 to an

average of 16. 5% in 2008. The cost of interest on bank borrowings makes equity re-financing necessary to accelerate

the ability to pay future dividends. These results show a good growth of the business in spite of the circumstance of

2006, and reflect the benefits of our strategic focus, which will see us advancing our competitive position even further in

Responsibilities of Cadbury's to its stakeholders and the strategies

Stakeholders

Any individual or group that has a legitimate interest in an organisation and what it does and capacity to effect the organisation

There are three type of stakeholders in an organisation

Internal

Connected

External

Internal

Intimately connected and lot of influence over how the organisation run

Connected

Outside the organisation but have a vested interest in the success of the organisation

Shareholders /owners return on inv is their prime interest, ethical performance can be important

Bankers security of loan

Customer -want the product or service , large customer have influence over price , quality and development

Suppliers receive payment

External

Diverse objective and a vary ability to influence the organisation

e. g central government

local government

pressure group

To stakeholders, key legal responsibilities eg consumer employment, disability discrimination and health and safety, diversity and equal

opportunities, stakeholder pensions; wider responsibilities including ethical, environmental and ethical practice. (HNC Business, 2010).

stakeholders

1. Owners

2. Buyers

3. Employees

Cadbury Cocoa Partnership:

In 2008 Cadbury set up the Cadbury Cocoa Partnership to secure the economic, social and environmental sustainability of around a million cocoa farmers and their communities in Ghana, India, Indonesia and the Caribbean, through:

Improving cocoa farmer incomes: by helping farmers increase their yields and produce top quality beans

Introducing new sources of rural income: through microfinance and business support and introducing additional income streams

Investing in community led development: to improve life in cocoa communities

Working in partnership: Farmers, governments, NGOs, international agencies and local organisations will work together to decide how the funding is spent and turn plans into action

This ground-breaking initiative, which is carried out in partnership with the United Nations Development Programme (UNDP) and other partners, marked 100 years since the Cadbury brothers first began trading in Ghana and aims to holistically support the development of sustainable cocoa growing communities. Cadbury is investing £45 million over 10 years.

In June, 2009 Cadbury awarded Gold today for sustainable business practice by Business in the Community in their Corporate Responsibility Index, launches its Geography online educational resource this month. Skills Space supports the work of the Cadbury Cocoa Partnership and the Cadbury Dairy Milk Fairtrade certification.

Skills Space enables students to learn about Ghana, how cocoa is grown, the lives of cocoa farmers, the interdependence between Ghana and chocolate manufacturers, and discover more about sustainable farming.

Alex Cole, Global Director of Corporate Affairs at Cadbury said: " As a global company, we have access to a huge amount of information and resources that can inspire and have real value to young people studying business and associated subjects.

" We have always received a large number of enquiries from teachers and pupils looking for real-life case studies to support learning in the classroom. Skills Space has been developed in specific response to this demand, and we hope that this new online resource will prove to be a useful tool in their studies."

Through Skill Space, Cadbury reflects that it is more important than ever for businesses to acknowledge the impact they have on society and the environment, and commit to tackling the issues, not just because they should, but because it's good for business, as acknowledged in the BiTC CR Index.

Main Aspects of Porter's Five Forces Analysis

The original competitive forces model, as proposed by Porter, identified five forces which would impact on an organization’s behaviour in a competitive market. These include the following:

- The rivalry between existing sellers in the market.

- The power exerted by the customers in the market.

- The impact of the suppliers on the sellers.

- The potential threat of new sellers entering the market.

- The threat of substitute products becoming available in the market.

Understanding the nature of each of these forces gives organizations the necessary insights to enable them to formulate the appropriate strategies to be successful in their market. (Thurlby, 1998).

The Degree of Rivalry:

The intensity of rivalry, which is the most obvious of the five forces in an industry, helps determine the extent to which the value created by an industry will be dissipated through head-to-head competition. The most valuable contribution of Porter’s “ five forces” framework in this issue may be its suggestion that rivalry, while important, is only one of several forces that determine industry attractiveness.

- This force is located at the centre of the diagram;

- Is most likely to be high in those industries where there is a threat of substitute products; and existing power of suppliers and buyers in the market.

The Threat of Entry:

Both potential and existing competitors influence average industry profitability. The threat of new entrants is usually based on the market entry barriers. They can take diverse forms and are used to prevent an influx of firms into an industry whenever profits, adjusted for the cost of capital, rise above zero. In contrast, entr