Swot pestle of cadburys plc marketing essay

Given the recent takeover of Cadbury PLC by Kraft Foods, and the inevitable fall out of the takeover in terms of the position of the company I the global economy, this PESTLE/SWOT analysis comprise of recent information to do with Kraft Foods and historical market data for Cadburys. It is to be seen as a best fit of the situation as it stands today.

The political aspect of the external environment is charged in relation to Cadbury PLC as it has become one in a long line of British owned companies to have been brought by foreign companies. The sale off of UK PLC as it Is known has come at a time when a centre left government has enjoyed power, this is unusual because stated socialist aims resist the ownership of indigenous companies by foreigner capital. However the New Labour manifesto has seemingly been one fof deregulation of the financial markets and non intervention in takeovers and acquisitions. At a grass roots level there has been a growing resistance to this kind of take over with popular press and media declaiming the selloff of UK PLC as a harmful thing. As such the wider political implications will be significant, especially given that the UK is currently in the run up to a general election.

The UK Economy is in a fragile recovery, along with most of the rest of the world. Growth is at a snail's pace and there is still little liquidity in the markets. The takeover was seen as a significant undervaluing of the company, but at times of illiquid markets it is often that case, especially since the introduction of mark to market accounting under the IFRS, that companies are undervalued. The absorption of Cadburys into a company saddled with billions in debt is a significant risk. Further the product line of Cadbury's would fit into the luxury segment of the market, despite its popularity in times of recession and slow recovery spending on these products is reduced.

The brand is a stalwart of the UK market, having an interesting and illustrious history over a hundred years. There has been significant social backlash at the point of takeover and this is compounded by the closure of some of the production facilities. Kraft is seen at best as an unwanted intruder, or at worst as an asset stripper more focused on the brands than on the tradition of the company and its staff. Given the historical relevance of the Cadbury production heartlands in the north of England, any movement of these facilities is potentially going to cause damage to the wider brand, at least in the UK. Similarly there has been a cultural shift from a national sweet tooth to a health conscious collective psyche. Sweets are increasingly seen as negative, especially in terms of children, who it is assumed are a large part of the consumer population. Government, Health and media pressures are creating an environment where it is seen to be bad form for parents to buy their children sweets and as such there are significant ramifications to the company in terms of its market.

The retail of confectionary does not benefit from the advance of the internet as a medium of consumerism as much as other industries and a part from manufacturing technologies here is little advantage or disadvantage. There are however risk associated with the way that Cadbury manufactures some of its products. The recent discovery that Tran's Fats, a technologically produced food stuff, is potentially harmful to health has brought controversy. Further in the macro environment there is a shift towards the tracing of all ingredients and products used in production. Further there is a significant risk to price shock through over reliance of fossil fuels in the supply chain.

There exists a tenuous relationship in the light of the takeover and closure of some production facilities between the company and Unions, specifically UNITE. It is uncertain, but not unheard of whether or not the Unions will seek to mount a legal challenge of the takeover. Further there is a tenuous relationship between he public anger at the takeover and the source of Kraft's funding from the Royal Bank of Scotland, which is majority owned by the government. It is unlikely that legal redress will be available to shareholders or staff, but it is not beyond the scope of the Unions to mount such a challenge and to have a popular support in the UK. The company does not have the usual legal troubles of protecting intellectual property and Brand as it is one of the most recognisable Brands in the world. Although there are many substitutes for its products on the market it would seem that Cadbury has a strong enough brand to outstrip its competition. The future is uncertain for confectionary producers in the age of obese children and health scares about trans fats. If risks associated with trans fats prove to be serious then there may be exposure to litigation. In terms of the obesity epidemic it is not beyond the pail to expect some sort of litigation on the aprt of parents or customers in the future, especially in an ever more litigious society.

Environmental pressures continue to affect all companies. The use of fossil fuels in the supply chain is increasing in cost and alternatives are required in the future. Further an environmental image is an important part of brand management in the modern world. As such it is important to culture a sustainability approach which in the case of Cadbury's would take the form of analysing the supply chain, investing in ‘ green’ technologies and ensuring that all of its products and ingredients are traceable.

Considering this general view of the macro environment it is important to gauge how ready Cadburys is to face the challenges of the short, medium and long term. As such the company is assessed in terms of the Pestle analysis as to its relative Strengths, weaknesses, Opportunities and Threats. Cadbury has many strengths, it is a well established brand with recognisable marketing. It is a market leader in the confectionary industry and has a grass roots consumer base of many generations. Therefore it does not suffer from threats of substitution. It has a wide production and logistics network which supplies its markets. Cadbury’s has all of the benefits of a well established company, with a high market share of the confectionary industry. There are significant problems facing the company. Its recent takeover has prompted a flurry of speculation of the owners potential aims and goals. It has an understandably rocky relationship with the union which its workers, at least in the United Kingdom belong to and faces the challenges of a corporate restructuring amid an economic recession. Cadburys is unique in that its corporate behaviour towards staff has the potential to damage its brand image. It faces significant internal change and a resistive workforce, and moving production may well be the only answer to the return the company now needs to make to satisfy its banking covenants. It is inherently weak in the face of the shift in opinion on health and lifestyle in wider society and uses trans fats in its products, of which there are significant negative media.

Cadburys now belongs to a bigger group of companies and in the climate of globalisation this could open up new markets for the company, especially the emerging markets of the east. Many companies are switching their production and focusing distribution in countries such as Russia, China and India, the so called Tiger Economies. Perhaps Cadburys, now a part of Kraft has the opportunity to capitalise in these markets in a way it did not have before. It could as many fiorms do, cut costs and rationalise the supply chain in the wake of the takeover, production from some UK factories have already been switched to near eastern companies. As such it is important that the company ensure that it balances the negative press of moving the companies local focus, with the advantages of the new combined company. Similarly it is important that the brand retains its strong identity in the wake of the takeover. As has been said one of the biggest advantages the company has is that it is one of the world’s most recognised brands. It has the ability to charge a premium price for a product which is not so different from many on the markets. Dilution of the brand in terms of the takeover by Kraft foods is one of the biggest threats it faces and care will need to be taken in managing the brand moving forward.

In conclusion it is plain to see that the company is moving through a rapid period of change and restructure brought about by the takeover of the company by Kraft. It has many strengths and significant opportunities but at the same time it has some significant weaknesses and threats to cope with. The strategic direction of the company has to be to make rational choices on the streamlining of operations and logistics whilst carefully considering the negative societal and legal aspects, plus the damage to the brand, in terms of negative press.