Cadbury's

Case Abstract

This case melds together two different perspectives on the growth and development of Cadburys. Firstly the case consider the story of strategy – charting the development of the business model, the nature of competition and the strategies for growth pursued up to the current day. Secondly the case undertakes an extensive exploration of the ethos and values that have infused the business, from its inception to the current day.

Through study and in class discussion the learner will be able appreciate:

- *The challenges of the global confectionary industry;*
- *The corporate and business unit strategies pursued by Cadbury's*
- *And importantly, the influence of values and organisational culture in both strategy creation and implementation.*

Cadbury's – business development (1820-1990)

Cadbury's started as a drapery business, in Birmingham, around 1794. The retail venture developed into a grocer's store and by 1824 Cadbury's were producing and selling cocoa nibs to be consumed as a nutritious breakfast drink. The business traded primarily in tea and coffee, the cocoa and chocolate products were sidelines until the 1830's. Family members (male) were expected to join the organisation on completion of their apprenticeships in tea and coffee brokering. In the early days the Cadbury's shop was renowned for the use of attractive window displays as a means of promoting products.

In the 19th century products were sold on the strength of the manufacturers' direct appeal to the consumer – so vertical integration, up the supply chain, was a logical move for retailers keen to assure the quality of products they sold. Cadbury's followed this path of development, pioneering the manufacture of cocoa essence and later fancy "eating chocolates" (a selection of flavours and fillings presented in decorative boxes). These early chocolates were enrobed in dark chocolate, rather like the high cocoa solid content products of today. The popularity of cocoa grew as import taxes were reduced, thus lowering the costs of production (Cadbury, 1983).

Cadburys were keen to emphasise the "purity" of their product – even if it was less palatable than their rivals. In a bid to promote the health benefits of "pure cocoa", Cadbury's sent free samples to medical professionals. Fierce battles were fought between Cadburys and Rowntree's over the quality of their respective cocoa products. And what began as an advertising battle eventually spilled over in to the law courts – with Cadburys vehemently criticising the sweetened and spicier "adulterated" Rowntree's product retailed as "Pure Cocoa Essence". But the intense rivalry between Cadbury's and Rowntree's became destructive – serving only to confuse retailers (which was ultimately bad for business). Under pressure from a more marketing savvy Rowntree's, Cadbury's capitulated, developing a sweeter product that was to become known as "Bournville cocoa".

Growth through innovation

Cadburys is perhaps best known for its "Dairy Milk" chocolate bar – a chunky, creamy concoction popular with children and adults alike. Developed in 1905, this became the company's bestselling line in 1913 and Britain's favourite bar by 1931. Despite its widespread appeal, the production of milk chocolate proved a difficult innovation – dominating the research and development agendas of European and American producers at the turn of the 20th century.

It was Henri Nestlé who created the major breakthrough, in 1875, successfully fusing milk and cocoa (by first creating condensed milk and then combining this with the chocolate). The milk must be reduced to and eighth of its volume and then combined with the chocolate at a warm temperate, before being tempered (cooled) into chocolate moulds. The mixed substance is then de-hydrated into form that can be reconstituted into chocolate. The first Cadbury products were developed around

1897, but they were gritty and crumbly. At the time the board was reluctant to invest in this “inferior product”, the market potential was thought to be no more than 5 tons a week (Kennedy, 2000).

It was the boss’ son, George Cadbury Jr, who inherited the challenge of creating a “milk chocolate” product. He left his formal education to study the manufacture of chocolate and - following an apprenticeship in Germany - he set to work creating a product that could be produced in high quantities - for what he believed would be a huge market. Cadbury’s milk chocolate bar was created within 3 years (using Nestlé’s process) but there was resistance to develop this new product from managers wishing to concentrate on dark chocolate. Eventually George Jr got his way and Dairy Milk was launched in 1905. The level of success was unprecedented and the business hurriedly invested in a substantial system of UK factories capable of producing 20 tons a week (eventually rising to 500 tons per week). George Jr was also instrumental in the design of production systems, importantly he automated enrobing thus increasing the number and variety of products that could be coated in milk chocolate.

Through large scale production and a reduction in cocoa solid content, milk chocolate was to become an affordable luxury – just as the UK was plunged into depression. Despite difficult trading conditions, the 1930’s was a period of great innovation across the industry, with a proliferation of new products from Mars, Rowntree’s and Cadbury's (See Exhibit 3). Rowntree’s created Smarties, Aero, Kit Kat, Black Magic and Dairy Box. Mars introduced Mars bar, Milky Way and Maltesers to the British market. Competition intensified and Mars, in particular, raised the significance of low cost production.

Mars UK

The origins of the business are complicated, as disagreements between the founder and his son resulted in a fractured firm with head offices in both Chicago (US) and Slough (UK).

Frank Mars first went into business as a candy wholesale business, peddling traditional sweets produced in household kitchens to sweet shops in and around Minnesota (US). As the products were both perishable and brittle, the scope for business development was limited. By 1910 both his marriage and the business had failed – his wife citing “non support” as contributing to the breakdown. She was determined that their son (Forrest) would have a more successful life and he was sent to live in Canada to receive a good education. Eventually, things turned around for Frank Mars when he started to produce his own candies, and despite struggling to find willing suppliers, he had some success with Victorian Butter Creams. This product was soon snapped up by Woolworths and through this contract Mars became a notable regional player.

Frank met Forrest, by chance in 1924. Forrest was now a successful student and something of a businessman too. Soon the two men got talking about their common passion for business. It turned out that Forest was wholesaling meat to the college cafeterias as a means of funding his education. He suggested that Frank take the confectionary business to the next level by making chocolate bars. Not only did chocolate bars have sales potential, they were also easier to transport and could provide the potential for national expansion. But whereas Forrest harboured dreams of a great business empire, Frank seemed more content to keep the business ticking over. He was keen however to experiment with making a chocolate bar, tasting something like the malt drinks the two men had shared on their encounter.

Following Forrest’s advice, Frank produced the first Mar O Bar in 1924. Costs were low as chocolate was limited to enrobing. Nougat, made from sugar syrup gave the bar it’s substantive “malty”form. The successful Mar O Bar was eventually renamed as the Milky Way. Forrest then joined the business helping to take the bar nationwide. A state of the art production facility was built on the outskirts of Chicago, behind a facade more akin to a luxury hotel. In 1930 the Snickers bar was created and was another success. Despite the potential, Frank lacked the aspiration to take the business outside of the United States. Forrest, however, was eager for change. In his own words he yearned for the challenge and tension of a business empire on a far bigger in scale.

By 1932 disagreements between father and son had come to a head.Frank forced Forrest out of the American business – with a parting gesture of $50,000 dollars and crucially the international rights to produce the Milky Way. Forrest went first to Paris and then to Switzerland where (using a pseudonym) he learned the craft of chocolate making taking jobs with Tobler and then Nestle. He then settled in Slough, and it was here where his chocolate empire began. Much like his father the early years were defined by a lack of resources and less than favourable relationships with suppliers. The first Mars bars were made in a household kitchen. Forrest carefully adapted the product to appeal to British tastes – adding the caramel layer. The bar was an instant success and not at all like traditional chocolate bars. Customers warmed to the taste and it's value for money. As soon as the business was stable, Mars saw opportunities in canned pet foods and importing rice. He acquired the Chappie pet foods business and went on to establish the Uncle Bens rice brand. At the advent of WW2 and the death of his father, Forrest saw an opportunity to return to the States and unite the two businesses. But despite his ambitions, Forrest was not welcomed back and he would have to wait until 1945 before he would inherit the American business. In fulfilment of Forrest's dreams, Mars has continued to pursue global expansion, through pioneering emerging markets and development of highly efficient production facilities. But in terms of new product development, very little has changed...

Time to modernise

New product development reached an abrupt halt at the end of the 30's with the onset of WW2. Cadbury's and Rowntree's factories were converted over to food production for the war effort, thus reducing the volume and variety of chocolate products made.

Post war Cadburys' grew substantially through internationalisation, energised by a stronger marketing orientation. Brands were rejuvenated through television advertising and a number of memorable product strap lines were created, many of which are still recognised today (See Exhibit 4).

Cadbury's remained a family firm until 1962 with successive family members working across the business, usually in positions where their passions and skills could be harnessed. Succession from within was the norm and the family dominated the Board – with all members assigned the title of "Managing Director". But structural problems were beginning to show in this increasingly internationalised and diverse organisation. While the senior team met frequently there was a notable lack of strategic planning (Cadbury A. cited by Kennedy, 2000). Operational concerns seemed to dominate and, over the years, ill defined, informal management roles created confusion over responsibilities.

It was the strategic partnership of Dominic and Adrian Cadbury that would modernise the business – emphasising the need for competitiveness and organisational clarity. Dominic joined the firm at 24 after completing an MBA (rare for such a young manager).External consultants were also brought in to help develop formal reporting structures and greater clarity between the senior roles. Cadburys diversified initially into foods such as dried potato, powdered milk and cakes. The bargaining power of UK retailers had increased (with the growth of supermarket multiples) and so food and drink manufacturers went in search of economies of scale; in a bid to both lower costs and improve contractual relations. Crucially, in 1969, Schweppes merged with Cadburys, increasing the stable of food brands and establishing a sizable drinks business, comprising of carbonated drinks, tea, coffee and cordials. It was through this partnership that Cadburys gained an important foothold in the US.

By the end of the 90's Cadburys looked and operated much like its "global" rivals (Nestle, Mars and Kraft). The acquisitions of 7Up, Dr Pepper and later Snapple in 2000, expanded the organisation's market share in soft drinks and simultaneously increased its dependence on the US. The confectionary business was more geographically dispersed with an enviable presence in Commonwealth countries. Rowntree's was acquired by Nestle in 1988 and Jacob Suchard was acquired by Philip Morris (Kraft Foods Inc) in 1990 thus putting the majority of the world's confectionary business in a handful of super conglomerates. Cadbury's had been modernised, internationalised and structurally brought up to date - but by the end of the 1990s, opportunities for growth seemed limited . New product development was challenging and economies of scale were not the preserve of any single firm.

Cadbury's would now need to rethink the strategic opportunities. Should it remain committed to confectionary, or follow rivals diversification strategies? But diversify into what? While Cadbury's, Nestle, Mars and Kraft may contend with similar market conditions, these firms differ in terms of: corporate portfolios, global reach and business ethos. Are Cadbury's values and resources distinct? And what are the implications for strategic management?

Cadbury's – a values perspective

Cadbury's originated in Birmingham - a known centre for Quaker commerce. Young entrepreneurs were attracted by plentiful sources of finance and a network of "friends" providing free business advice. This supportive consultancy helped to instil the principles of hard work, honesty, fair dealing, attention to financial management and social equality, across the business community. For Cadbury's, the quest for social reform was most prominent in the early business. But this strong desire to align economic performance and social welfare was contrary to business practice of the time.

As early as 1850, Cadburys employees benefited from:

- A lunch "hour" and refreshments provided by the company
- An additional half day holiday per week (6 day working work was standard practice in Victorian times)
- Organised excursions on Saturday afternoons
- Time off to attend education, and later, compulsory education for all employees under 18.

The organisation was characterised by close and consultative relationships between workers and managers. It was Quaker practice to shun the use of titles and all employees were referred to on a first name basis – including the Cadbury's family. An employee could even choose their name of reference if they disliked their birth name! Leisure and work relationships were enmeshed; and sports teams were formed combining workers and managers. While the Cadbury family lived in relative austerity they were seen as "loving" towards employees. Sharing meals and prayers in the workplace was common practice. In return, staff demonstrated a deep loyalty to the family and the firm. Adrian Cadbury (cited by Kennedy, 2000) noted that while this approach to industrial relations symbolised Quaker principles, his forefathers were also great pragmatists, recognising that healthy and contented workers were more likely to be productive in the workplace (Kennedy, 2000). The Cadbury ethos was eventually enshrined in the publication of "Experiments in Industrial Organisation" in 1912.

From model employees to model citizens.

The quest for social reform went well beyond the factory gates. Generations of the Cadburys were City Commissioners – charged with overseeing Birmingham's legal and civic responsibilities. (Their interest in town planning and welfare services were aimed largely at improving the lives of the poor.) They were active lobbyists against slavery and the employment of children as chimney sweeps. As pacifists they supported the abolition of Irish home rule and the Cadbury's were seen as an important liberal political voice – later acquiring two newspapers[1] to facilitate this agenda. George Cadbury argued that acquiring newspapers was driven by social and not business goals. He wanted to bring the concerns of the poor into the homes of the middle classes, and felt the press was the most effective way of doing this.

I have a profound conviction that money spent on charities was infinitely of less value than money spent on trying to arouse my fellow countrymen to the necessity for measures to ameliorate the conditions of the poor, forsaken and down trodden masses which, can be done most effectively by a great newspaper." (Kennedy, 2000)p52-

The Rowntree family - also Quakers – were equally active in pursuing social reform through the press. Political commentators often referred to these high minded media magnates as the "Cocoa Press".

George Cadbury Snr was perhaps the most active "reformer" within and outside of the business. As well as running the Cadbury's business he taught in Birmingham's adult schools[2] for over 50 years.

[1] The News Chronicle and The Star (not the tabloid publication of the day)

[2] These "adult" schools were the only means by which illiterate adults could gain a basic education.

The Cadbury's were also philanthropic – providing the citizens of Birmingham with children's homes, medical services for schools and donating properties for convalescence homes. Some of their "charitable" initiatives became the blueprint for third sector organisations we recognise today. Their "Animal Friends Society" became the framework for the RSPCA and a financial services system (Government protected savings available through the Post Office network) was developed into the National Savings Scheme.

Following on from George, Edward Cadbury envisioned a business that could provide a comprehensive welfare system for all employees. By the early 1900s Cadburys employees would benefit from: a workplace surgery and dental practice; compulsory education for all employees under 18; sick pay and non contributory pensions.

Interestingly the cocoa industry was dominated by Quaker families. Cadbury's, Rowntree's and Fry's were all exemplars of workplace equality. There is some question as to why Quakers were so prominent in confectionary - when their faith emphasised "frugal living". But at that time cocoa was seen as healthy and nutritious alternative to alcohol.

Bournville comes to life.

Cadbury's aspirations for social reform extended well beyond the workplace. There was a desire that model employees should also model citizens - outside of the factory gates. In a bid to create this good life, the Cadbury's embarked on the development of a garden factory - where work and "good living" could be combined.

By the 1870's the business had outgrown its city centre premises and the Cadburys wished to escape the pollution and cramped living conditions endured by their workers. In 1878 Cadbury's bought land surrounding the river Bourne - some four miles from Birmingham. The land was green and the air clear. The intent was to build a new factory and a residential community to house workers. Initial plans were for 16 dwellings – primarily for supervisory staff. Construction began in 1879 on "Bournville" – the name referring to the river on which it was situated and the French word for town. (The Cadbury's believed that a French sounding name would suggest the superior quality of its chocolate.) The community combined houses with front and back gardens, recreational spaces and even an open air swimming pool. Bournville continued to expand as Cadbury's sought to move more of their workers out to these pleasant surrounds. By 1900 there were 300 homes and by 1922, over 1100 dwellings. Schools, libraries and places of worship were also incorporated.

Most employees became tenants of the company, maintaining their properties to strict presentational guidelines. Gardens were to be well kept and cultivated. Each garden was planted with six varieties of fruit trees and employees were taught how to cultivate and cook their produce. (Cadbury's educational courses ensured that employees had little time and no interest in the consumption of alcohol, in fact, public houses were prohibited in Bournville.)

While many were admiring of Cadbury's approach to employee welfare, the author J.B Priestley likened this benevolence "to a velvet chain" (cited by Kennedy, 2000, p 82); effectively constraining the freedoms and aspirations of workers. Was it right that employees were expected to think and act according to the values of their employer, even when they were not in work?

A family affair

To many, Cadbury' is still seen as a caring, paternalistic employer, even though the organisation has been publically quoted since 1962. Since its inception, over 5 generations of family members brought prosperity to the business - demonstrating an ongoing ability to adapt to changing business conditions. Perhaps the most notable contributions came from the partnerships of George and Richard in the 1800s and Dominic and Adrian through the 1960s and 70s.

George and Richard - dubbed the visionaries - successfully combined their personal and religious values with business practice, culminating in the creation of Bournville. Their approach emphasised that the interests of managers and employees could be harmonised (in contrast to industrial practice of the time). The development of milk chocolate also suggests that challenge and regeneration were alive within the firm.

The talent pool of the Cadbury's family was multifaceted – from engineering and technical prowess to industrial relations and marketing. It seemed that the board had a canny ability to match the talents of managers with changing strategic agenda. Not before time, Adrian and Dominic modernised the business. Through careful acquisitions and formal restructuring they helped to simultaneously increase scale and diversify interests –thus reducing dependence on the UK confectionary market. There have, however, been notable failures and challenges.

In the 1960's Cadburys were forced to disband their newspaper operations. It seemed that media and chocolate really didn't mix. Bournville, defined by its progressive approach to industrial relations contrasted sharply with the media firm; where tensions between editorial rooms and print unions were commonplace. Falling newspaper circulation was accelerated by the diminishing influence of the Liberal party. In many ways Cadbury's social agenda had become part of mainstream politics. But mis-management of the newspapers was also a contributing factor – the competencies and the demands of this business being a stretch to far for the Cadbury's Managing Directors. It was also noted that the fabled Quaker values weren't stringently applied in this domain. Betting columns were a key selling point for The Star – even though gambling was shunned by Quakers.

There was also some controversy concerning the extent to which Cadburys and other chocolate manufacturers actually applied their values of employee welfare. As early as 1900, critics noted that Cadbury's had sourced cocoa from the notorious Sao Tome plantations, where slavery was rife. An independent review, commissioned by the UK chocolate producers in 1905, confirmed that plantation workers were effectively held against their will in intolerable conditions. It concluded that practices could be called nothing but "slavery". Cadbury's did lobby the presiding Government to abolish slavery and as well as switch its suppliers, but the rather genteel diplomacy was seen as inadequate.

Very few female Cadbury descendants went into the business with only Dorothy Cadbury became a Managing Director, in 1919. During the 1800s women were expected to leave employment once they married. But as late as the 1950's Cadburys were still segregating facilities between men and women and worker's consultation groups had no female representation. Had Cadbury's lost its way in the employee welfare agenda or had the values simply withered with the loss of family control?

Cadbury's – the contemporary confectioner.

Success in the 1990s reflected a more business-like approach to product and brand management. Cadburys became renowned for an attractive international market position – the envy of manufacturers such as Hershey – so dependent on the US market. Cadburys also pioneered the art of effective global expansion though localisation – acquiring foreign businesses or producing under licence and often retaining the local product portfolio. Taking note of its rivals, Cadbury's also made acquisitions in both drinks and confectionary, helping to elevate it's market presence further. But more recently the organisation has changed the path to further expansion.

The confectionary business today

In 2008 Cadburys announced the demerger of its substantive confectionary business from the international drinks division. Despite housing popular brands such as 7UP, Organina and Dr Pepper, the drinks business had struggled to grow in the wake of Coke and Pepsi.

The remaining confectionary business combines an array of chocolate, sugar confectionary more recently acquired gum brands. The organisation continues to be known for it's chocolate; the range of familiar brands and signature "creamy" milk chocolate maintains market leadership in the UK (See Exhibit 3).

Cadbury's is now the second largest confectioner in the world (after Mars); however, the prospects for growth remain challenging. Many now view these cheap and affordable luxuries as nothing more than junk food. While Cadbury is a strong player in the UK and Eastern European markets (Monetti, 2008), growth potential is limited by health conscious Governments and consumers. Europe as a whole constitutes over 40% of the global confectionary market – but this is also a highly regulated domain where product promotion - to children - is increasingly constrained. Food labelling laws also require producers to reveal nutritional value on the packaging – exposing milk chocolate to be little more than "fat and sugar".

Globally there are climactic challenges to increasing chocolate consumption; this may explain why both Mars and Cadbury's have acquired gum businesses (Wrigley's and Adams respectively). All firms are thwarted by the curious anomaly that new innovations in confectionary rarely succeed (See Exhibit 4). In 2008 4 of the 5 top selling products in the UK were created before 1940. New products rarely extend any one organisation's presence in the market – rather new products can cannibalise sales from more mature brands. In light of this, recent innovations have adopted a "brand stretching" approach. (Nestle has been particularly successful at extending the Kit Kat brand – into Chunky and Sensations derivatives.)

New directions for growth

Cadbury's more recent acquisition of "Green & Blacks" signals an alternative approach to the growth conundrum – "premium chocolate". Green & Blacks are known for producing dark chocolate with a high cocoa solid content, using ethically sourced beans. Traditionally, these bitter sweet products appeal more to aficionados and chefs, but as customers become more health conscious and sophisticated in their tastes, so this sector offers real appeal (Monetti, 2008).

"*We are wanting to become better foodies and love being connoisseurs, whether it's wine, cheese or chocolate." (Young, cited by Seitz, 2008)*

Recent market data confirms this view. According to Mintel, sales of dark premium chocolate grew by a staggering 96% between 2005 and 2007. Green & Blacks has been at the forefront of this market development and is the fastest growing confectionary brand in the UK. It appears that while the British consumer is eating less chocolate, they are trading up to "superior" products. Monetti (2008) also notes that customers of the ethical products display greater brand/product loyalty. For the likes of Cadbury, these sales are helping to compensate for the drop in seasonal/celebratory boxed chocolates. (*Heller, cited by Monetti, 2008)*

Green & Blacks

Green & Blacks emerged in 1991 as a small scale chocolate producer - the brain child of Craig Sams (founder of Whole Earth Foods) and his wife Josephine Fairley, an environmental journalist. It was when Sams was visiting his peanut farmers in Belize, that he noticed plantations also maintained uncultivated cocoa palms. He learned that farmers were unable to develop this business due to the collapse of world cocoa prices. Sams and Fairley spotted an opportunity to make a high cocoa solid chocolate, emphasising the origins of the beans and organic cultivation methods. For Sams, the opportunity to bring health consciousness and ethical sourcing into the competitive offering was both obvious and natural. A proponent of the Soil Association and an experienced restaurateur, Sams has long championed small scale "artisan style" food production and harmonious supplier relationships, across his business ventures.

In 1994, Green & Blacks launched the Maya Gold bar – the firm's first product to be awarded the Fair-trade mark (all products also carry Soil Association certification). Based on a recipe combining bittersweet dark chocolate with spices (a nod to an ancient Mayan concoction), origins and authenticity are key aspects of the product's popularity.

Green & Blacks have created a contemporary take on "luxury" – presenting the consumer with sophisticated exotic products; enhanced by ethical cultivation and small scale production. This emerging opportunity is resonant of the growth in the premium coffee industry. Outside investors could also see the potential and in 1999 the business was re-financed by William Kendall, the former head of the Covent Garden Soup Company. His consortium purchased an 80% stake in the firm, helping to boost production capacity and sales activity.

Cadbury's came on board in 2002, taking a 5% share in the business before finally acquiring Green & Blacks in 2005. Cadburys has chosen to run the business as a separate entity - retaining Sams, Fairley and Kendall on the management board. This devolved structure seemed appropriate given the differences in products, production systems and sourcing methods. Sams and Fairley are committed to keeping the business small and maintaining established links with their supply community, as they feel this gives the bars their distinct flavour and appeal. But to what extent should Cadburys develop the Green & Blacks relationship? Todd Stitzer (CEO since 2004) hinted at a deeper connection between the firms...

"*Our businesses share a passion for quality products and ethical values"*

In 2009 Cadbury's announced it would convert all Dairy Milk branded products (in the UK and Ireland) to Fair-trade certification by the end of the year. Can Cadburys carry the mantle of the "fair-trade" ideal into the mainstream market? Will fair trade certification of popular milk chocolate give Cadburys a unique competitive position - in an industry where superiority is both difficult to define and sustain?

William Kendall understands the concern that Green & Blacks seems to have sold out to a faceless profit driven corporation. But he feels, like Stitzer, that this is a partnership of equals, providing both organisations with an ongoing capacity for business development.

Kraft makes an unwelcome bid.

In 2009 Kraft made a hostile but ultimately successful bid to acquire Cadburys. Attracted by a stable of brands with a strong heritage both in the UK and an attractive presence in international markets, Kraft was keen to strengthen its' position in the global confectionary industry through acquisition. Previous acquisitions had brought Tobler, Suchard, Marabou and Terry's under the control of Kraft but despite this it remained a disappointing 4th in terms of the global market share, some way behind Cadburys. It now appeared the Kraft had turned predator on Cadbury's, which itself had achieved growth through acquisition.

Initially Cadbury's resisted the Kraft bid – suggesting that Kraft's leaders had seriously undervalued the business. (This protest would be appropriate for an organisation looking for the best deal for it's' investors. However the words of protest demonstrated a deep seated resistance to the takeover. Todd Stitzer, the incumbent CEO argued that Kraft would not be the appropriate custodian of Cadbury's approach to business – labelled as principled capitalism. British politicians and union leaders joined the fray protesting against possible job cuts that would result from plant closure in the UK. There was also scepticism within the business community – Warren Buffet - warned that Kraft was overbidding for a business that may be difficult to parent. (Buffet - a prominent investor in Kraft - was keen to keep the purchase price low!)

Kraft has been criticised for generating uninspiring levels of growth from its stable of confectionary and food brands So can sprawling conglomerate continue to energise Cadbury's quest for market and product development? Much will depend on the extent to which Cadbury's and Kraft can integrate; strategically, operationally and importantly culturally.

END

Exhibit 1: UK Confectionary Industry: Key Dates and Events

1748	Fry's of Bristol begins trading.
1794	Cadbury's start their drapery business in Birmingham.
1830	Cadbury's introduces cocoa powder.
1862	Rowntree's enters the industry, acquiring Tukes of York (traders of chocolate, cocoa and chicory).
1866	Cadburys creates Pure Cocoa Essence.
1919	Cadbury merges with Fry's, creating the biggest manufacturer in the UK.
1905	Cadbury's launches its milk chocolate bar.
1911	Cadbury's launch the Bournville cocoa brand.
1913	Cadbury's milk chocolate bar becomes the best selling line.
1927	The Mars business is established in Slough.
1931	Cadbury's establishes the Dairy Milk brand.
1936	Fry's board is fully merged with Cadburys.
195...	Dominic Cadbury is made the youngest board member at 29.
1969	Cadbury's and Schweppes merge. Non confectionary brands now include: Schweppes drinks, Chivers Jams, Roses Cordials, Typhoo Tea, and Kenco Coffee.
1988	Rowntree's is acquired by Nestle.
1990	Philip Morris (Kraft) acquires Jacob Suchard. (Full stable of confectionary brands include: Milka, Toblerone, Terry's and Marabou.
1994	The first organic chocolate bar (Maya Gold) is produced by Green and Blacks.
1997	Mars acquires "Seeds of Change", comprising of chocolate and pasta sauces.
2003	Cadburys purchases Adams becoming the world's largest confectioner. Brands include: Dentyne, Beechnut and Trident.
2005	Cadburys acquires a controlling share in Green and Blacks.
2008	Cadburys demerges drinks group – incorporating Snapple, Orangina, 7Up and Dr Pepper.
2009	Todd Stitizer announces commitment to fair-trade branding for Dairy Milk products in the UK and Ireland.
2009	Mars purchases Wrigley's gum, superseding Cadbury's as the world's biggest confectionary group.
2009	Kraft makes a hostile bid for Cadburys.

Exhibit 2: The fair-trade system explained.

Fair-trade is about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world. By requiring companies to pay sustainable prices (which must never fall lower than the market price), Fair-trade addresses the injustices of conventional trade, which traditionally discriminates against the poorest, weakest producers. It enables them to improve their position and have more control over their lives. Taken from the website...

The Mark indicates that the product has been certified to give a better deal to the producers involved – it does not act as an endorsement of an entire company's business practices. http://www.fairtrade.org.uk/what_is_fairtrade/faqs.aspx

Exhibit 3: The bars are the stars!

Bar/Product	Invented	Parent company	Brand Share as Retail Value (%age shown)
Chocolate Cream	1866	Fry's (Cadburys)	-
Bourneville	1908	Cadburys	0.1
Toblerone	1908	Suchard (Kraft)	-
CDM	1931	Cadburys	6.1
Milk Tray	1915	Cadburys	1
Flake	1920	Cadburys	0.9
Milky Way (US version – called Mars Bar)	1924 (in the US)	Mars	0.6
Mars Bar	1927	Mars	2.4
Black Magic	1933	Rowntree's (Nestle)	0.5
Kit Kat	1935	Rowntree's (Nestle)	3
Aero	1935	Rowntree's (Nestle)	1.2
Maltesers	1936	Mars	1.9
Dairy Box	1936	Rowntree's (Nestle)	0.3
Smarties	1937	Rowntree's	0.9
Roses	1938	Cadburys	1.8
Twix	1967	Mars	0.9
Yorkie	1976	Rowntree's (Nestle)	0.3
Kit Kat Chunky	1999		-
Quality Street	1936	Rowntree's (Nestle)	0.3
M&Ms	1940 (in the US)	Mars	0.8
Buttons	1960	Cadburys	1.5
After Eight	1962	Rowntree's (Nestle)	1.1
Snickers (initially Marathon in the UK)	1930 (in the US)	Mars	1

www.chocobloc.com/PUBLIC/chocolate_bars-launch.html

Exhibit 4. Cadbury's Ads

Advert	**YouTube reference**
Cadbury's Flake – 1970s	www.youtube.com/watch?v=7aUTdYsZda8
Cadbury's Fudge – 1980's	www.youtube.com/watch?v= X9W4hhEq-U
Cadbury's Dairy Milk – 2008	www.aglassandahalffullproductions.com/

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<u>Suggested Assessment Brief</u>

Using <u>relevant tools and concepts</u> please answer all of the following questions. You may present your response in a report or essay format, using a structure of your own choice. But remember to signal where you are responding to particular questions and please reference theories and concepts appropriately.

1. Analyse the external forces affecting the confectionary industry (in the UK). How have these forces affected competition?

2. Evaluate the recent strategic options pursued by Cadburys. In particular, consider the relative benefits/drawbacks the recent demerger and acquisitions strategies. (Use EVR analysis to explore whether the Cadbury's has achieved "strategic fit".)

3. Reflecting on your analyses, make strategic recommendations for the ongoing growth and development of the business. (You should consider corporate, business unit and functional strategies and remember to be sensitive to the values and competencies of the business.)

4. Now reflect on your findings in relation to the study of strategic management. How do the values affect strategic development and change?

You may wish to do additional reading on the organisations discussed in the case, but remember that assessors are looking for your ability to: analyse this material in order to answer the set questions. They will not award marks for simply reporting on the organisations current situation.

Suggested word limit: No more than 3,500 words

Suggested time frame for assessment: No longer than one month