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Essay: Cadburys

July 4, 2019 by Essay Sauce

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The main purpose of this report is to examine Cadbury's the chocolate manufacturer and evaluate its strategic capabilities. The report comprises the corporate strategy currently being used by the company, the SWOT Analysis to evaluate the company's Strengths, Weaknesses, Opportunities, and Threats in its business, its financial performance and some recommendations for the future strategic direction which are created through identifying and analyzing these aspects and events affecting its performance.

In 2007, Cadbury plc has designed a plan named Vision into Action (VIA) business plan to be the biggest and the best confectionery company, this is a strategy for 2008-2011 to bring about the transformation of Cadbury into a focused confectionery company and drive its financial performance. For realizing VIA, some

objectives, priorities and a financial performance scorecard which is to achieve superior shareholder returns are created to support it.

In order to evaluate its VIA plan and financial performance on the condition of the every-changing and competitive marketplace, this report conducts the discussions from the point of view of SWOT analysis, financial performance and others related to Cadbury's corporate-level strategy, finally, according to such discussions, some recommendations are put forward for the future strategic direction.

2.0 Introduction

Established in 1824, Cadbury is the largest confectionery company which is headquartered in London and it operates in over 60 countries (Cadbury plc 2009). In the confectionery markets, Cadbury has the leadership positions in over 20 of the world's top 50. For emerging market, it has the average growth by 12 percent over 5 years and has an 11 percent market share and has a revenue growth of 7 percent. In 2008, Cadbury has over 4,5000 workers adapting to customer's wants and needs, listen to customer's opinions and discuss with their customers. Adjustments and arrangements can be made according to customer's preference and the change of global economic environment. In order to be a pure-play confectionery business, in May 2008, Cadbury completed the demerger of the Americas Beverages business and has planned to sell its last remaining beverages business of Schweppes Australia as the final steps subject to certain conditions. In 2009, Cadbury did not change the VIA and continued to implement more projects and initiatives making up the plan adapted to the changing market (Cadbury 2009).

3.0 Discussion and Analysis

3.1 Strategy Currently Used by the Company

In 2007, the company introduced the strategy of Vision into Action (VIA) aiming to make it be the biggest and best confectionery company in the world. It plans to bring about the transformation of Cadbury into a focused confectionery company and drive its financial performance during 2008-2011, correspondingly, its beverage businesses are demerged. The core of the VIA is the performance scorecard aiming to the financial targets set which is supported and reinforced by priorities, sustainability commitments and culture (Cadbury 2009). All strategic aspects in detail are: (a) Governing objective. It is to deliver superior shareholder returns. (b) Performance scorecard. It is the core of the VIA. There are some key elements allow Cadbury to realize the objective of delivering superior shareholder returns. They are annual revenue growth of 4-6%, total confectionery share gain, Significant increase in mid-teens trading margin by 2011, strong dividend growth, Maintaining an efficient balance sheet and significant growth in return on invested capital. (c) Priorities. It comprises three aspects of growth, efficiency and capability. (d) 1) Growth. To realize the revenue growth target, the company manages each confectionery category by focusing its resources on advantaged markets to gain competitive advantage in the world wide, for example, develops and launches the innovative products and reduces the innovation projects of smaller number and non-advantaged so as to apply the increased resources to larger innovations. It also pays attention to its biggest and most advantaged brands and key markets to own more market share and revenue growth. At the same time, it uses the "smart variety" model by existing distribution strength to enter the white space market and bring a strong position. In addition, through the total confectionery solutions, it stresses on creating advantaged customer partnership to generate revenue. More, pursuing available confectionery opportunities to expand its product platforms and strengthen its route to market is also taken. 2) Efficiency. To improve the underlying operating profit margins, take measures of managing selling prices and customer investment to offset the materials prices and ensure the margin improvement, reduce cost from differing parts and conducts product's portfolio and optimize capital management to achieve efficiency benefits. 3) Capability. To make customers deliver on the company's growth and efficiency priorities, activities like operating a category-led business enabled by coherent commercial capabilities, investing in research and development for preferred products with lower cost, and creating a simplified organization and so on. (e) Sustainability commitments. The company has made significant improvements in corporate responsibility. It has taken six sustainability commitments as promoting responsible consumption, ensuring ethical and sustainable sourcing, prioritizing quality and safety, reducing carbon, water use and packaging, nurture and reward colleagues, and investing in communities. All these

improve the company's performance and influence on the world. It also make the company drive change through a culture remaining performance driven and values led. (f)Purpose. It is to create the popular brands loved by people.

Overall, Cadbury has a very clear vision, performance-driven and values-oriented. Cadbury's values are performance, quality, respect, integrity and responsibility. Its values encourage Cadbury business take the lead in operations and corporate responsibility aspects, so as to realize the purpose of creating the popular brands that people love, and this is also helpful to ensure Cadbury to be a proud company.

3.2 SWOT Analysis

SWOT analysis (Berry 2008) is helpful to make use of its advantages to grasp at the opportunity to develop and avoid the threats, or overcome its own weaknesses and avoid blows by threats.

3.2.1 Strengths

- Financial Resources. Cadbury is only one owns chocolate, candy and gum products in the world and has a advantage in financial resource and thus to enable the company consistently input plenty of resources into product research and development and provide consumers with high-quality, delicious food.
- High quality personnel. Cadbury is rich in human resources and its personnel system is very standard and canonical. It respects knowledge, talents and personality and provides sustainable development opportunities and space for each staff, coupled with a safe, fair, respectful, diverse and challenging workplace, so as to form an outstanding team with lofty ideals, passion, innovative spirit and fighting ability for realizing the strategic goals. At the same time, the company considers its employees and talents as wealth and capital, continues to build its core competitiveness, and creates a fair competitive environment in which each staff can realize self-fulfillment through good pay and benefits system, incentive mechanism, evaluation mechanisms and competition mechanism. These are favor of training people and attracting and retaining excellent talents who would like to work for the company.
- Based on a long history of operation in confectionery field, Cadbury know the differences in customer needs, know well sales promotion and is adept at building the brand of chocolate. In this respect, Cadbury has many professional talents.
- Cadbury has exquisite processing techniques of producing chocolate with a long history. It can provide products with relevant taste, different package and price for customers with differences in age, race, job and educational level. Advantaged technique underpins the development and research of new categories, coupled with a wide range of confectionery products for providing a rich taste experience.
- Cadbury has sufficient brand appeal in confectionery field in the world.

3.2.2 Weaknesses

- Cadbury designed its plan into a focused confectionery company. Only focusing on the confectionery products may cause the difficulties in easily finding partners in the global market to distribute products by channels of other products or brother brands.
- It is a difficult that employing such talents who not only know the historical traditions and local conditions abroad but also have the experience of modern marketing.
- Quality problems occur in the market. It not only erodes the reputation of the company but also diminishes the profits.
- For the mid-scale companies in some emerging market, they are willing to develop continually based on the return on investment at the beginning. Due to lacking of the competitive power, it not allows Cadbury to

invest on the establishments of factories in the infancy of these markets. Thus, all the confectionery products may need to be provided for these markets through import and which will stretch the supply chain. This may cause that the supply can not keep pace with the demand that will erode the market share and lost sales.

3.2.3 Opportunities

- Compared with developed countries, the annual per capital confectionery, especially chocolate is rather low in developing countries; it indicates that there is a great large market potential, coupled with the increasing demands.
- With the development of economic globalization, more and more white-collar people come into being and they become the main customers of products from being imported or a joint venture. The continual expansion of white-collar people will change the consumption conceptions of other people with middle or low income, and which conduces to increase in the consumption of such products.
- Cadbury's products are popular and gain the acceptance and respect from many countries as a result of the outstanding quality.

3.2.4 Threats

- The difficulty in improve market share or enter new market is increasing because of the spirited competition between Cadbury and other confectionery companies.
- There are lots people with lower income and has less disposable income in developing counties and which will affect their consumption behaviors, so it needs to guide them to consume based on many investments.
- Being increasingly concerned about health, consumers have misunderstandings in chocolate like making body fat, leading to cardiovascular disease and diabetes and so on, hence, some consumers are between fear and desire about eating it.
- The effects of a weak economy in the world will influence the price and cost of Cadbury's products. It is bad for Cadbury maintain and increase its market share.

3.3 Core Competence of the Company

A company or a kind of product must have its own core competence so that it can be successfully accepted by market and have a long lasting market (Prahalad & Gary Hamel 1990). As the only one confectionery company owning chocolate, candy and gum, Cadbury has full range confectionery processing techniques. It stresses on the innovation and research and development of new products, generates the categories that would be more liked by customers, emphasizes on creating the brands that people love and provides its partners and consumers with convenient solutions. Besides, Cadbury uses existing distribution strength to enter new white space market via developing the strategies that meet the specific requirements in emerging markets with the result that gaining a firm foothold in emerging markets. In 2008, Cadbury's revenue growth over 60% is from emerging markets (Cadbury 2009). All these form the core competitiveness of Cadbury. As the particular intangible assets, take the brand of Cadbury for example, Cadbury has stayed young lasting over 100 years and brings huge financial benefits and also has become the core competitiveness materialized.

3.4 Analysis of the company's financial performance

In order to evaluate the financial and operational situation, this section uses ratio analysis (Chesnick 2000) to evaluate Cadbury's financial performance, see appendix 1. According to the analysis of financial data of Cadbury, some conclusions of its financial performance are as follow:

- Liquid ratio is equal to 0.78 in 2008 compared with 0.56 in 2007, it shows the cashability grows stronger, Simultaneously, the rather low value of 0.78 also indicates that the company's repayment ability is not

enough strong and there is not enough spare capacity from current assets to pay current liabilities in the arrangement.

– Total assets was down by 21.5% from 11338 in 2007 to 8895 in 2008, it indicates that the company has reduced its size, mainly due to the demerge of beverages business. But this means that the ability of Cadbury to purely operate confectionery business will be strengthened. From the point of view of net profit, it was up by 17% in 2008 from 2007, coupled with total assets being down by 21.5%, this means that Cadbury's capital management level and utilization efficiency of total assets are improved. Both of the ratio of sales of 2007 and 2008 are 0.33, it indicates that the company has some the ability of the profit, but it is not very strong.

– The ratio of long-term liabilities to total assets is 0.34 in 2008, the same as 2007. Both of them are less than 0.50 which means that the company has lower risk degree and has some ability to long-term repayment.

– In 2008, ratio of equity to assets is 2.52 compared with 2.72 in 2007, both of them are greater than 2, and it indicates that Cadbury's has a higher debt ratio, and yet the gearing ratio (Cadbury 2009), ratio of equity to assets are down by 24% and 7% respectively, these conduces to reduce Cadbury's total financial risk.

– In 2008, ration of assets turnover is 0.61 from 0.41 in 2007, and which indicates the improvement has existed although the sales may be not enough, relative to assets and there is potential space for sales. At the meantime, the stable inventory turns and days supply are 7.48 and 97.55 respectively in 2008 compared with these 6.10 and 119.67 in 2007, and thus to play a active role in improving financial liquidity and short-term repayment ability.

– In light of the ratio of equity 0.51 in 2008 from 0.37 in 2007, this shows that the profit ability of equity become greater. Correspondingly, the dividends are more.

On the whole, Cadbury's financial situation is rather good in 2008 despite of the global financial crisis, compared with 2007, lots of aspects related to financial performance have improved. On the condition that the company's operations and investments still bring return, the future situation of the company is optimistic.

4.0 Conclusion

In conclusion, Cadbury is facing competition for market share. Therefore, evaluate and review is required when implementing administration and marketing activities based on its strategic plan. The organization has to establish some objectives underpinned by a series of activities and evaluated standards for evaluate and review. For Cadbury, it has responsibility to understand customers and shareholders' expectations and should be a responsible company. Through its strategy plan, it realizes its purposes set. Also, it can review and evaluate all strategies by combining the customer feedback and staff's performance in line with the changing market.

5.0 Recommendations

For the future development in the competitive confectionery market. Some recommendations are put forward:

– Pay great attention on emerging market, use existing distribution strength through forming the strategies meeting the demands from emerging market.

– Train some special talents that not only know the historical traditions and local conditions abroad but also have the experience of modern marketing.

– Publicize products via kinds of ways to strength brands, guide people to consume.

– Continually reinforce the innovation of product, invest necessary money on the research and development

of product to meet consumers' tastes and develop the brands that people love.

– Strengthen the quality management of the products and avoid quality problems. Make sure that each kind of its confectionery products is safe.

– The partners is very important for transport the products to consumers, so it needs to select advantaged partners to develop business. At the same time, it should provide training chances to them and reform them for gaining their loyalties.

– Take part in the environmental protection and have people know the company is a big and famous responsible company for society and human so as to get more acceptances from people.

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8.0 Appendix

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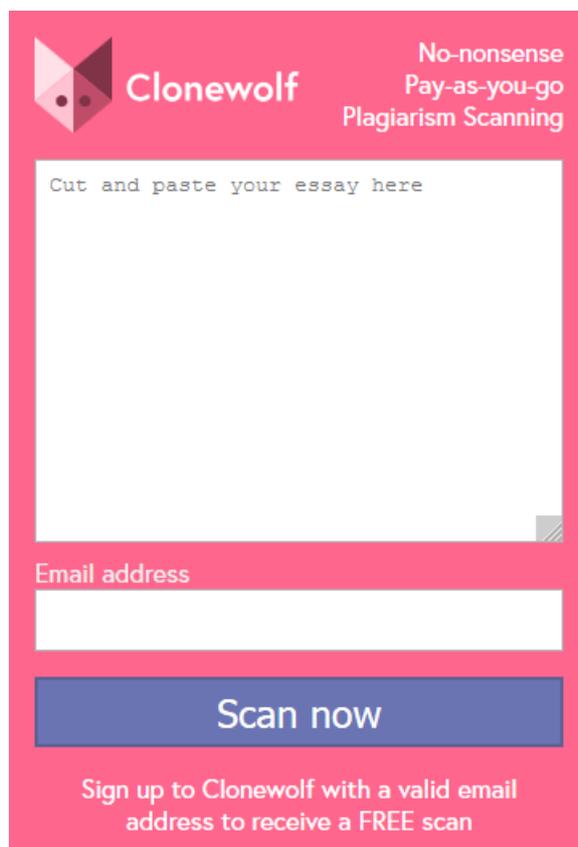
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