

Cadbury

THE MARKET

Australians love confectionery. They annually consume 6.7kg of it per person, making confectionery the most popular snack food in Australia.

Chocolate accounts for 77% of all confectionery sales in Australia with a retail value over \$1.3 billion every year. Cadbury is the biggest player in chocolate confectionery, with market leadership across all major product segments.

Forty-seven percent of confectionery brands are purchased on impulse, and almost 50% of all chocolate buyers fall within the 25 - 49 year age group. Women generally buy more chocolate than men, but in most cases they are buying for their families. In fact men in the 35 - 49 year age group are the highest buyers of chocolate bars and blocks, usually for themselves.

The Australian confectionery market continues to grow year on year with volume increasing 12.5% over the past five years. This growth has been powered along by a 15.7% growth in the dominant chocolate confectionery segment.

ACHIEVEMENTS

Cadbury is one of the largest chocolate producers in the world. Since the merger with Schweppes in 1969, Cadbury Schweppes has become a major force in international markets and in the process Cadbury has consolidated its position as Australia's leading brand in the confectionery market.

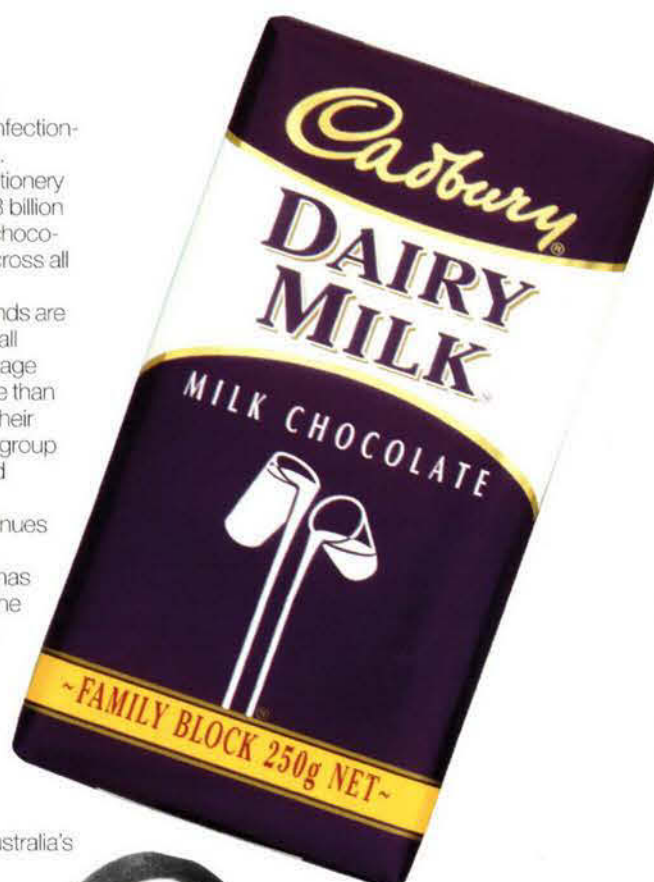
Cadbury spans the globe from its British base, and operates factories in Australia, New Zealand, Malaysia, Indonesia, India, China, Poland and several parts of Africa. It owns subsidiary companies in France, Germany, Spain, Argentina and Holland and has franchise agreements with companies in the US and Canada.

In Australia, Cadbury brands dominate the confectionery market with Cadbury's flagship Dairy Milk worth over \$90 million annually. Cadbury Marble represents the most successful block chocolate launch ever with \$9 million worth sold in the first six months. In the highly competitive bars category, Cadbury is the market leader in Australia with five of the top ten brands by sales value. Australia's most popular new confectionery brand, Cadbury Time Out, is already Number 3 and growing. Cadbury also leads the children's market with two of the most established and recognised characters in the market today - Freddo and Caramello Koala.

Three generations of Australians have grown up with the Cadbury range.

HISTORY

The Cadbury story started in a small grocery shop in Birmingham,



England, opened in 1824 by John Cadbury, a Quaker. The shop's most popular product was cocoa and this led John Cadbury to move into chocolate manufacture.

Realising the potential of his business, John Cadbury formed a partnership with his brother Benjamin and formed a company, Cadbury Brothers. In 1853, Cadbury Brothers received the Royal Warrant as manufacturers to Queen Victoria. The company has continued to hold Royal Warrants of Appointment to this day.

John Cadbury's two sons, George and Richard, took control of the business in 1861. Times were so hard for them at first that Richard considered surveying as a career and George almost became a teaplanter in India. Luckily for chocolate addicts the world over, they decided to persevere.

The breakthrough came in 1866 when the two brothers introduced a new method for pressing the cocoa butter from cocoa

beans to form cocoa essence, which they advertised as 'Absolutely pure - therefore best'. They produced many new kinds of chocolates, including the first assortments sold in boxes.

Richard Cadbury introduced ambitious and attractive designs from his own paintings for his gift boxes. He used his children as models and sometimes depicted flowers or scenes from holiday journeys.

The Victorians delighted in these elaborate chocolate boxes and their popularity continued until their disappearance during World War 2. The range and versatility of packaging of the 1880s and 90s was considerable. Chocolate boxes were designed with an after use very much in mind. Designs ranged from the pastoral to the romantic and to the floral. Some chocolates came in opulent silk-lined caskets and rich velvet jewel boxes.

In 1905 came the launch of Cadbury's Dairy Milk, now the company's flagship brand. It was manufactured by a unique process which used fresh milk in greater quantities than any previously known product.

Three names were considered for this new brand - 'Jersey', 'Highland Milk' and 'Dairy Maid'. The last two were amalgamated to form 'Dairy Milk' and this stuck.

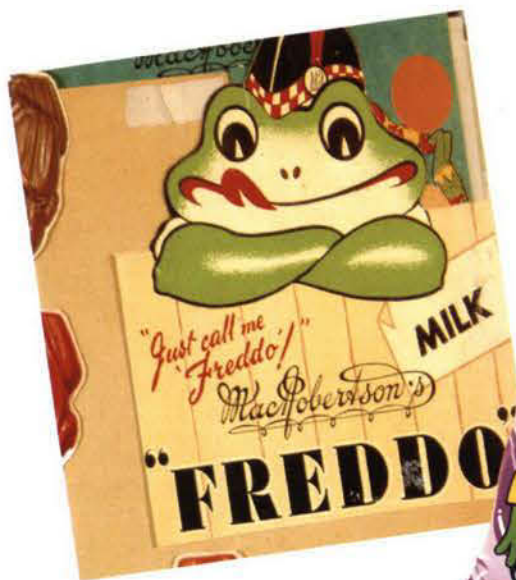
The Cadbury purple and gold house colours were introduced at the beginning of the century. When Milk Tray was launched in 1915, the purple colours were used for the brand packaging, but it was not until 1920 that the purple and gold colours were used in the pack design for Cadbury's flagship Dairy Milk brand. After that, however, purple and gold became firmly established as Cadbury's corporate colours.

In 1918, Cadbury merged with the well known confectionery firm of J.S. Fry. The alliance was an outstanding success, and the new company expanded internationally. In the 1920s, Cadbury and Fry decided to build a factory in Australia, and were joined by Pascall, another well known confectionery maker. This new Australian company was called Cadbury-Fry and Pascall.

Claremont in Tasmania was chosen for the company's Australian factory, because it was close to Hobart and to the finest dairy pasture in Australia, and enjoyed pure air and moderate temperatures. In 1922, the first products from the new factory appeared. They were Pascall lines, but by 1928 chocolate and cocoa production had started at the Claremont factory.

By World War 2, Cadbury chocolates were popular throughout Australia and even in war zones. Cadbury became the official supplier of chocolate to the Australian Armed Forces, though today's chocolate varieties are a far cry from the war ration chocolate of the 1940s. Cadbury ration chocolate





was supplied in plain brown paper wrappers and made from a special formula, so that the precious parcel did not melt in the heat of the tropics or the desert. The chocolate itself was dark and rough. The supply of chocolate to the troops and civilians required a tremendous effort from Cadbury's workers. The Claremont factory worked throughout the day and well into the night, but the civilian population still suffered from chocolate shortages, and stores sometimes went without chocolate for months at a time.

In 1967 Cadbury acquired MacRobertson's, a respected Australian confectionery manufacturer, founded in 1880. This move gave Cadbury a major manufacturing base at Ringwood, Victoria and a range of unique confectionery brands including Cherry Ripe and Freddo Frog, which have become household names.

Cherry Ripe had first been produced in 1924. One of the MacRobertson employees was responsible for the development of Cherry Ripe and the same man also suggested that a frog would be a more likeable character than the proposed chocolate mouse MacRobertson had planned to launch. When Freddo was introduced in July 1930 he was sold as a solid chocolate frog for one penny, and tuppence for the cream filled version. Freddo has gone through a number of changes in his 67 years - and acquired a new smile in the early 1970s.



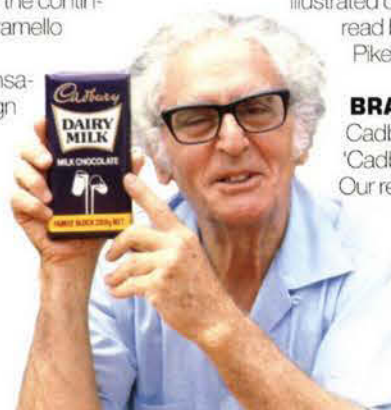
chocolate novelties are available at Christmas and Easter, which are the best selling periods of the year. Cadbury also licenses its brand to dedicated producers of icecreams, dairy desserts and creme liqueur.

PROMOTION

The 'taste' of Cadbury's chocolate, as endorsed in Australia by the famous Professor Julius Sumner Miller, has long been the focus of Cadbury's advertising. This has been supported by the slogan 'a glass and a half of full cream milk in every 200 grams', accompanied by a picture of milk pouring into the Cadbury's Dairy Milk chocolate block. This was a tremendous advertising coup by Cadbury, and it has served the brand well for over 50 years. The image has become an integral part of the packaging design and has been featured in magazines, and on buses and trains, billboards, and television.

In 1996, Cadbury became a major sponsor of the Australian Olympic Team. Cadbury is the official confectionery supplier to the Australian Olympic Team as well as the official confectionery manufacturer of the Australian Olympic Mascot, 'Willy'. Cadbury's Willy shot to No. 6 in the market in just six months, without halting the continued growth of Freddo and Caramello Koala.

The focus of 1997 is a sensational new advertising campaign for Cadbury Dairy Milk. The campaign is groundbreaking for Cadbury and features a series of 30-second advertisements designed to capture the imagination of television audiences of all ages. The commercials are contemporary, fresh, and exciting - designed to communicate and reinforce the message that chocolate is synonymous with Cadbury.



RECENT DEVELOPMENTS

One of the most successful recent Cadbury ventures has been Time Out, launched in 1995 and already the third biggest selling bar line in Australia.

In 1996, Cadbury's Olympic program was launched and was immediately successful in building consumer demand across all sections of the market. Confectionery sales reached record levels for the year.

Finally, 1997 brings a whole new dimension to the market, in what will become the benchmark for children's confectionery in the future. It is a concept that combines environmental awareness with a new and exciting children's confectionery product. The idea of Cadbury Yowie originated from the work of scientist Tim Flannery who wrote the best selling book, *The Future Eaters*. Flannery's



book details the evolution of Australia and focuses on the continent's delicate ecological balance.

Author Bryce Courtenay was struck by Flannery's work and realised that the scientist's message should be communicated to the kids of Australia. Courtenay and a team of supporters approached Cadbury and were enthusiastically received. Three years later, after much concentrated effort and hard work, Cadbury launched Yowie, an innovative, high quality value added product - the result of over \$10 million investment in manufacturing alone for Cadbury Australia.

Cadbury Yowie chocolate characters comprise six unique individual personalities, richly foiled in distinctive colours and features. The range is designed to teach children more about the various natural habitats of Australia and to encourage an understanding of the natural world. The Yowie product is supported by a range of beautifully illustrated children's books, and by 'talking books' read by authors Bryce Courtenay and Geoff Pike.

BRAND VALUES

Cadbury's mission statement says simply: 'Cadbury means quality'; this is our promise. Our reputation is built upon quality; our commitment to continuous improvement will ensure that our promise is delivered.

Cadbury has established itself as a company of fairness and integrity, which always attempts to operate as a socially responsible business.

Things you didn't know about Cadbury

- Australians give more chocolate Easter Eggs than anyone else in the world - they give eggs valued at more than \$175 million.
- Australia holds the world record for the largest Easter Egg ever produced. In 1992 Red Tulip produced an egg weighing 4755 kg and measuring 7.1 metres in height.
- Dental researchers have discovered that tannin, found in all cocoa products, inhibits the key enzyme in the formation of plaque.
- Over 90 million Freddo Frogs are produced annually.
- Chocolate is the only word of Aztec origin used regularly in English. Xocolatl was a 'bitterwater' drink made from the cocoa bean by the Aztecs.
- Cocoa butter, the fat of which chocolate is composed, melts completely at temperatures between 32 and 35C and begins to soften at between 25 and 27C. So keep your chocolate cool!
- Freddo Frog may be the only chocolate frog to have his own internet site. You can visit Freddo's web site on <http://www.thegreenweb.com.au>

THE PRODUCT

Cadbury's core product is top quality chocolate. The Cadbury Dairy Milk block is the company's flagship brand, but there are many other favourites including Fruit & Nut, and Hazel Nut, as well as popular cream filled products such as Snack and Caramello. Cadbury produces a variety of boxed chocolate assortments, most notably Milk Tray and Roses. Children's lines include Australia's long time favourites Freddo Frog and Caramello Koala. Famous Cadbury chocolate bar lines such as Cherry Ripe, Picnic, Flake and Crunchie meet the demand for impulse purchases and new products such as Time Out and Crave keep the market stimulated each year.

Cadbury produces seasonal lines too. A variety of