



THE MARKET

Australians love confectionery. They annually consume 5.7kg per person, making confectionery the most popular snack food in Australia.

Chocolate accounts for more than 75 per cent of all confectionery sales in Australia with a retail value of 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 is purchased on impulse, and almost 50 per cent of all chocolate buyers are 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 by double digits over the past five years.

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. This position has more recently been fortified by the acquisition of Adams Confectionery and The Natural Confectionery Company.

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 in the US and Canada.

In Australia, Cadbury brands lead the confectionery market with Cadbury's flagship Dairy Milk worth over \$95 million annually. Cadbury Nut



Break represents the most successful block chocolate launch in the last year, selling more than \$13 million worth in the first 12 months. Three generations of Australians have grown up with the Cadbury range.

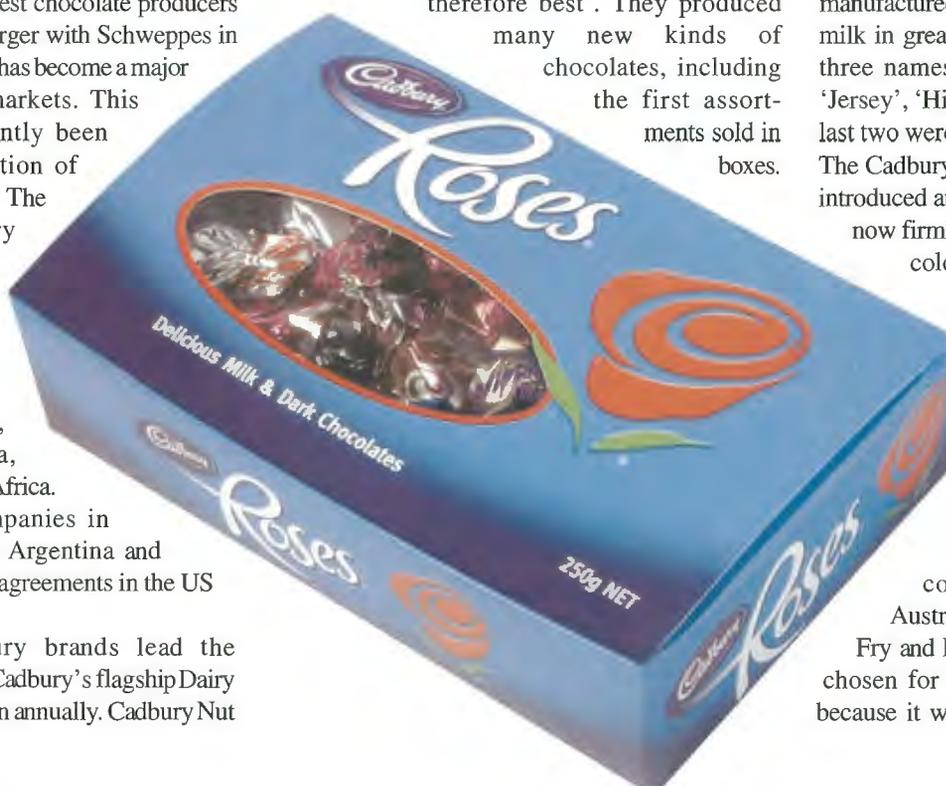
HISTORY

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 manufacturing.

Realising the potential of his business, John Cadbury and his brother Benjamin formed a company, Cadbury Brothers. In 1853, they 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 sons George and Richard took control of the business in 1861 and in 1866, introduced a new method for pressing the cocoa butter from cocoa beans to form cocoa essence, which was 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 children as models and sometimes depicted flowers or scenes from holiday journeys.

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 previously. Of the three names considered for this new brand – 'Jersey', 'Highland Milk' and 'Dairy Maid' – the last two were amalgamated to form 'Dairy Milk'. The Cadbury purple and gold house colours were introduced at the beginning of the century and are now 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.

Cadbury became the official supplier of chocolate to the Australian Armed Forces in World War II. 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 MacRobertsons, a respected Australian confectionery manufacturer founded in 1880. This move gave Cadbury a major manufacturing base at Ringwood, Victoria and a range of unique brands including Cherry Ripe and Freddo Frog, which have become household names.

In 1969, Cadbury merged with Schweppes Australia to create Cadbury Schweppes. Since then, Cadbury has acquired the Red Tulip confectionery company, founded in Melbourne in 1942, and has expanded its range of fine products including the Europe range of health bars, the enormous array of Red Tulip Easter lines, and famous confectionery brands including After Dinner Mints.

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, Hazel Nut, Snack and Nut Break, as well as Old Gold in dark chocolate and Dream in white. Cadbury produces a variety of boxed chocolate assortments, most notably Roses and Favourites.

Children's lines include Australia's long time favourites Freddo Frog, Caramello Koala and Yowie. Famous Cadbury bar lines such as Cherry Ripe, Picnic, Crunchie, Flake and Turkish Delight meet the demand for impulse purchases. New products such as Flake Noir and rotational Picnic variants such as Picnic Honeycomb keep the market stimulated each year.

Cadbury produces a vast array of seasonal lines, with Christmas and Easter being the two largest selling occasions for the year. Cadbury leads both seasons with Magical Elves being key in the market at Christmas and Cadbury Crème Eggs and Mini Eggs driving the



market at Easter.

Cadbury also licenses its brands to dedicated producers of ice creams, dairy desserts, cream liqueur, biscuits and baking products.

RECENT DEVELOPMENTS

Cadbury Chocettes, first launched in 2003, have taken Australia by storm. The concept of "mindless munching" came to the fore in recent times and necessitated a bite-sized offering that could meet the needs of varied eating occasions. Chocettes can be shared amongst family and friends or be a 'portion controlled' option for one.

Chocettes capitalise on some of Cadbury's most successful bar and moulded chocolate brands including Cherry Ripe, Crunchie, Picnic, Dream, Top Deck and Dairy Milk. Over \$13 million worth of Chocettes were sold in the first six months. New variants being introduced in the second half of 2004 promise to add even more excitement to the segment and give consumers the opportunity to enjoy their favourite brands in a novel and convenient format.

Dark chocolate appeals to the mature and more discerning consumer. Though this consumer group had become more prevalent, dark block chocolate sales had waned.

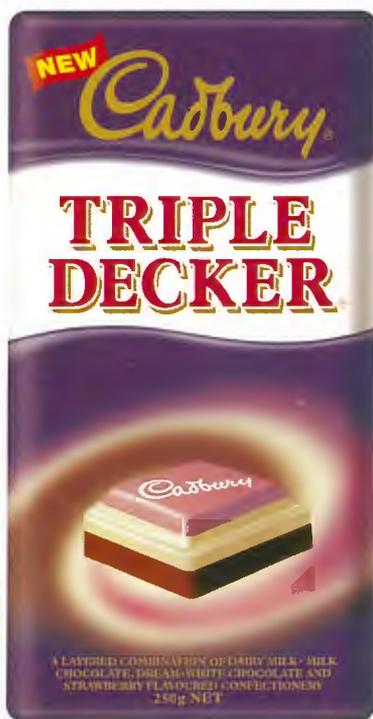
Cadbury Old Gold was re-launched in April 2003 and has created a resurgence in dark chocolate. Prior to the re-launch, the dark chocolate segment was relatively stagnant with growth levels at around 15 per cent and generating \$28 million a year. Post-launch, dark chocolate is growing at 67 per cent and sold more than \$44 million in 2003.

PROMOTION

The taste of Cadbury's chocolate has long been the focus of Cadbury's advertising in Australia and New Zealand. This has been supported by the slogan 'a glass and a half of full cream milk in every 200grams', accompanied by a picture of milk pouring into a block of Cadbury Dairy Milk chocolate. This was a tremendous advertising coup and served the brand well for more than 50 years.

The "Masterbrand" corporate umbrella advertising campaign "Choose happiness... choose Cadbury" takes chocolate consumption to a 'permissibility' platform in the consumer's mind that will unlock growth for the future.

Building on this, the "Wouldn't it be nice" campaign which first aired in 2002 with its 'Surfie', 'Soccer' and 'Postie' clay-mation



commercials explored different motivations for consuming chocolate such as enjoyment, fun, sharing and family quality time. This was further fostered in 2003 with 'Car Trip'. All advertisements were hugely popular and deemed a great success in conveying the core Cadbury values.

BRAND VALUES

Cadbury's mission statement says simply 'Cadbury means quality'; this is the promise. The company's reputation is built upon quality; a commitment to continuous improvement will ensure that this promise is delivered.

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



socially responsible business. This commitment to consumers has been encompassed by involvement with various charities, with a significant commitment made to the children's charity 'The Clown Doctors' in early 2004.

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 \$178 million.
- Australia holds the world record for the largest Easter Egg ever produced. In 1992 Red Tulip produced an egg weighing 4,755kg 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 100 million Freddo Frogs are produced annually.
- Chocolate is the only word of Aztec origin used regularly in English. Xocoatl 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!