
Cadbury plc

Todd Stitzer

Leadership in Adversity: Brands Built to Endure
IGD Convention, Royal Lancaster Hotel, London

Tuesday 13 October 2009

Slide - Title

Good afternoon everyone. Thank you very much for the opportunity to talk about “Leadership in Adversity” and how we can build brands to endure.

With a history stretching back to 1824, Cadbury has endured some pretty stormy weather ... and ... in my 6 years as Chief Executive I’ve dealt with my fair share...

Acquisitions & transformational change... salmonella scares... accounting irregularities... activist shareholders... global recession... and, of course, the odd unsolicited takeover proposal.

All par for the course for today’s CEO. And all against a backdrop of needing to keep delivering value for shareholders, consumers, customers, colleagues and the wider communities in which we do business.

From my perspective, the key thing in dealing with adversity is how we, as leaders, react to tough circumstances. Do we cut our losses?... or do we stand and fight?

My attitude is simple. Don’t just cope with adversity. It’s not enough to ensure that you simply live through it.

In my experience, successful leaders motivate teams of people to achieve significantly more than any individual team member would have imagined or committed to.

So real leadership lies in seeing adversity as an opportunity and using it as a spur to drive you and your organisation forward – further and faster than they or others believed possible.

What do I mean?

Well first let’s take a step back.

Slide – Cadbury

I have the great fortune to be leading an organisation built on this kind of spirit. In fact it’s what led me to join Cadbury around 25 years ago.

Now the business facts about Cadbury are pretty well known. We’re almost 200 years young, have 45,000 employees – including one gorilla – and sell some of the world’s favourite chocolate, gum & candy... in many markets.

It’s a great business to be in ...

Slide – Sweetastic

...and I am quite literally a kid in a candy shop.

Cadbury Creme Eggs ... Trident gum ... Trebor mints ... Bassetts Allsorts ... and Maynards Wine Gums ... are just a few of the treats that make up my average working day.

Slide – History – founders (J Cadbury, cocoa/Bull Street)

The Cadbury family were Quakers who started selling drinking chocolate as an alternative to alcohol when Queen Victoria was a little girl.

They built their business on the back of their exclusion from other professions such as law and politics to take up trade.

And... they used the spur of adverse social conditions around them, to create a new and pioneering way of doing business.

Slide – History – Absolutely Pure

In an age when it was commonplace to mix cocoa powder with brick dust and other bulking agents, they guaranteed purity and built a reputation for quality.

Slide – History – Bournville

Whilst others cut corners at their workers' expense, they built Bournville - the "factory in a garden" – away from the smog and disease of Birmingham's city slums, with housing and leisure facilities ... including swimming pools and sports fields, and introduced pensions and paid leave.

And they were innovators in business, as well as in society.

Slide – History – original CDM

As tastes changed and competition intensified, the drinking chocolate business took a turn for the worse, but our founders didn't sell up and move on.

They stood firm and invested in innovation and marketing, adding chocolate bars to their beverages business in a process that culminated in the invention of the iconic Cadbury Dairy Milk brand - now a \$2 billion a year worldwide winner.

Cycle forward a century...

Slide – Today's CDM

...and we're still delivering winning innovation all around the world. Much of it planned, but some spurred on by our creative response to external events, such as our need to get closer to consumers after the salmonella scare.

It's fair to say we broke the marketing mould in that effort - turning consumer engagement into a whole new art form. But it wasn't easy and, for the marketing team, I was probably Mr Adversity on some days!

For example, when I first saw our now famous Gorilla Glass & A Half Full Production, I was a little bit puzzled. I just didn't get it. There was no chocolate. None of the normal category cues. And very, very little branding. I guess that's why I'm the Chief Executive and not the Marketing Director, but I still love to share this ad...

(run Gorilla ad; fade after drum fill)

Slide – Gorilla

At the time, I had barely even heard of Facebook – never mind understand that it was possible for a simple chocolate brand to become the focus of fan groups where 200,000 consumers would debate the whys and wherefores of a drumming gorilla and where there would be 22 million viewings on YouTube alone.

Yes, our much-aped Cadbury Gorilla, winner of the Cannes Grand Prix (the Oscar of the advertising world), was a success that seemingly came from nowhere and took us and our brands into the brave new world of digital marketing. It also delivered a 7% increase in revenue during its initial on-air period.

Slide – Wispa

Similarly, our decision to ‘Bring Back Wispa’ was prompted by an unexpected hole in our 2007 activity plan, and the online chatter of 10,000 consumers - telling us how to fill it.

Today over eight hundred thousand people belong to Wispa social communities. Sixty-eight million pounds’ worth of sales later, it’s fair to say it’s not just consumers who are happy - I, our customers and our shareholders are pretty pleased that adversity led us to take the risk and listen.

So: difficult times can, with the right leadership, be a door to opportunity.

Slide – Cadbury: performance driven, values led

It’s a thread that goes right back to those Cadbury family origins. The Cadburys weren’t simply philanthropists. They were principled capitalists.

And even today, in Cadbury we talk about being ‘performance driven and values led’. We know that it makes for a more successful and sustainable business.

It’s this ‘performance driven, values led’ way of doing business that has built Cadbury’s unique corporate brand and, is integral to our success.

And I’m pleased to say that we have shown we’re truly ‘Performance driven’ as well as ‘Values led’.

Slide – Performance

Over the last five years we’ve delivered on average over 6% growth in revenues; Gained around 20 basis points of market share each year; improved margins by 40 basis points a year and delivered 10% annual total shareholder return, notwithstanding the decline in global equities at the end of 2008.

And we’ve consistently invested in our brands – their marketing and their innovation.

Slide – Marketing & S&T investment

Since 2002, we've transformed our capabilities in marketing and innovation through increased investment.

We've increased our focus on consumer insights to track changes in behaviour in each confectionery category.... We've developed global brand strategies and marketing plans as well as 'game changing' communications, products and packaging.

Compared to 2002, our investments in marketing have more than tripled to £584 million.

In science and technology, we spent £67 million last year, about four times the total S&T spend in 2002... and a real step change in the level of investment.

These consistently increasing investments have resulted in a material improvement in the contribution of innovation to growth...with new products as a percentage of sales increasing from 6% in 2002 to nearly 14% last year.

Slide – UK

I'm sure those of you who have followed the trajectory of our UK business will appreciate the value that this has generated.

In the first half of 2009 we've grown over 10% in the UK, driven by innovation like our new Bite-Size Bags, Wispa Gold, Caramel Nibbles and Trebor Mint Gum.

So there's an incredible momentum in this business, built partly on the fact that our products make people smile in troubled times, but – significantly – also on the Cadbury habit of continuing to invest in times of adversity.

One of the great privileges of working for Cadbury is exactly that: we can bring a moment of pleasure to consumers, customers, communities AND shareholders all at the same time. There's no conflict of interest.

And we're doing it in a values led way.

Slide – Fairtrade

Nothing demonstrates this better than the Fairtrade certification for Cadbury Dairy Milk ... now in stores right across the UK and Ireland,... and soon to come in Australia, Canada, New Zealand and Japan.

Many people think these types of initiatives are all about marketing and getting an ethical 'badge'.

But for us it's much more fundamental. It's about supply chain sustainability. We came to Fairtrade because of the value it can bring to our supply chain and because of our values.

Put another way - quality cocoa for us - and a better quality of life for thousands of farmers.

Slide – Cadbury Cocoa Partnership

Some of you might know that back in 2008 we established the Cadbury Cocoa Partnership to help us ensure sustainable sourcing of this most vital commodity ... And our conversation with Fairtrade started at the same time.

The Cocoa Partnership is a ten-year, £45m investment in cocoa communities in Africa, India, Indonesia and the Caribbean.

It's an investment we chose to make whilst cocoa prices were at an all time high... and whilst many in the financial world were calling for us to go in the exact opposite direction.

So why did we do it?

Let's head to Ghana.

I was there earlier this year and met a whole host of people who've been working with us on this.

President Atta-Mills... village Chiefs and elders... development agencies like the United Nations, WorldVision, Care and VSO.... as well as those closest to Ghanaian cocoa growing.

All were clear that companies like Cadbury need to play a new, more active role in ensuring the future and sustainability of our key ingredients.

But I got some of my greatest insights about leading in adversity from this man...

Slide - Benjamin
...Benjamin Atiemo.

Benjamin is 49, a cocoa farmer in Adjiekrom, a village in the Eastern Region.

Whilst we talked he was drying cocoa beans on a wicker mat - a hallmark of Ghana's cocoa growing and key to the cocoa flavour development... – a unique profile which makes Cadbury Dairy Milk taste like... well... like Cadbury.

I asked him about his life and his family.

He told me that whilst he had spent all his life in cocoa (inheriting the farm from his father)... his sons had recently left the village to find work in the city of Accra.

Like any parent he was worried about them but saw little to keep them in the area.

Slide – Cocoa

Later we walked to the forest to see the cocoa pods being harvested.

And there I heard - and saw - how a lack of tree husbandry and fertiliser was holding back the productivity of that family's small plot.

In fact, it hadn't been fertilised for 10 years!

All this was in marked contrast to what I'd seen in India, where cocoa is a valued cash crop and yields are 300 to 400% higher.

The whole experience really brought to life in human terms the studies that first led us to the Cadbury Cocoa Partnership:...

- The fact that the Ghanaian farmer population is ageing... with an average age of over 50.
- The fact that the next generation aren't interested in becoming cocoa farmers... and are drifting from rural communities to the growing urban centres.
- The fact that the trees have also aged, and are yielding ever smaller crops ... meaning a quarter of farmers are only producing 6 sacks of cocoa a year. 6 sacks!

Slide – Cocoa farmers

Of course I'd read the studies and we'd discussed the issues in the Cadbury boardroom,... but in the rainforests of Ghana, the reality really hit home.

Because the worries of farmers like Benjamin are not in conflict with our own. Without farmers like him, there are no cocoa beans... And quite simply if there are no beans, there are no bars.

So principled capitalism is a wonderful thing... It is fundamental to our ways of working, and part of our identity and success.

Take it away or dilute it... and you risk destroying what makes Cadbury a great company and what enables us to lead – and win – through adversity.

Slide – CDM Fairtrade

Now, with Cadbury Dairy Milk going Fairtrade we're providing mainstream consumers with an easy, affordable option: their favourite chocolate, with the same taste and value for money, but with added ethics.

There's been an amazing response...

Slide – blog & (fade to) letter

...From Sue who visited our blog to say "What wonderful news... Let's celebrate" ...to the Irish girl who wrote to tell me she was not only going to buy Cadbury chocolate, she was going to become a shareholder in the company.

We even received the kinds of cards normally reserved for when you pass an exam or driving test – here's just one...

Slide – Well done

Trust me; it's not the kind of stuff that normally hits my in-tray!

And in New Zealand and Australia anti-poverty campaigners marched to our factory gates - not to protest...

Slide – Flowers

...but to leave messages and flowers in support. Unbelievable!

So our new Cadbury Dairy Milk campaign aims to take that kind of connection one step further, and raise awareness of Fairtrade with a totally new audience.

And as you would expect from us, we have approached this in an unexpected way.

Slide – GAFFP Fairtrade

Just like the rest of the Glass and a Half Full campaigns, it aims to make you smile: this time Ghanaian style. It's a truly authentic Ghanaian production and showcases the talents of Ghanaian craftsmen, artists, musicians and dancers with a local cast of over 350 people.

And it's more than an ad ... it's a record-release, with the proceeds raised going to cocoa growing communities.

The track is called 'Zingolo', which means 'Enjoy it' and there's a full 4 minute music video,... now playing on You Tube and radio stations. I encourage you to take a look.

For today, here's the commercial. See what you think...

(Show commercial)

Slide – Dancers

Since its launch over 3 weeks ago the campaign has achieved over 140,000 viewings on YouTube and 15,000 Facebook friends, with many Ghanaians and Africans posting comments expressing their excitement at the positive profile it gives Ghana.

So..., so far, so good for Fairtrade Cadbury Dairy Milk, an activity that shows how doing good is also good business – and not just for Cadbury.

We've seen how by partnering with our suppliers in Ghana we can deliver a good deal for everyone.

And this is also true of our partnerships with customers, many of whom are in this room today. Together we're starting to make some real progress in packaging reduction and shared backhauling.

These partnerships make sound commercial sense for us, and support our award-winning Purple Goes Green environmental programme.

They also work for our customers... and by working together on this common agenda we achieve value AND values-driven results.

One final example.

Slide – Cadbury 2012

Earlier today we heard Lord Coe speaking of the once-in-a-lifetime opportunity that London 2012 will provide us all.

2012 will be an historic time for Britain. And as the official treat provider to the Games, Cadbury will be doing our bit to get everyone involved.

As I'm sure Lord Coe and every Olympic and Paralympic athlete would agree, it is the challenge of adversity that drives us on to surpass ourselves, to grow and to achieve success in sport or in business.

So, despite the adversity that is part and parcel of modern business life, the future is looking brighter than ever for Cadbury.

As principled capitalists we continue to invest in our business and our brands, confident that they will endure, and confident that we will keep delivering – in the words of the Olympic Motto - faster, higher and stronger than anyone can imagine.

Thank you very much.

ENDS