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Cadbury Schweppes: Capturing Confectionery (B)

In preparation for a bid for gum maker Adams, Todd Stitzer's merger team identified 70 potential synergies, representing \$3,640 million for the combined company (**Exhibits 1 and 2**).

Base case The *base case* financial projections included improvements to the Adams business that Cadbury Schweppes felt would be undertaken even if Adams was not acquired. For example, the first synergy (Synergy #1) was to "increase penetration of sugar-free pellet gum in the U.S." by restoring sales and marketing support to historic levels, which was estimated to add \$449 million to the base value of Adams (**Exhibit 3**). Stitzer's team believed that sugar-free pellet gum was underrepresented in the U.S. market, where it held only a 10% share, compared to 45% in France. Adams' portfolio was weighted toward sugar-free (with 90% of its sales), while Wrigley had a vested interest in sugared gum, which still made up half of its sales. The detailed plan had six action points for 2003, including: "Ensure planned Trident Pellet (Q1 2003) is in field, and Dentyne Ice reformulation (2004) launch is on time," and "Cross-fertilization of gum concepts and technology between Adams, Dandy, Hollywood, and Stani, to perpetuate brand renovation and innovation." In general, Cadbury Schweppes believed that Adams had "a highly disciplined, but overengineered, R&D process," rooted in the pharmaceutical industry mind-set. The combination of the two companies would produce a "leading-edge, nimble platform to deliver the group's innovation strategy."¹

The keys to making the Adams base case would be to hit a target growth rate of 5% in the U.S., up from 0% in the preceding two years, and to restore margins to those of the early 1990s (**Exhibit 4**). Latin America was, however, a risk for Adams. To make the base case, margins would have to grow by almost 10% from their current poor levels, while in Mexico the firm's 80% market share, high margins, and historic 10% CAGR would need to withstand an attack from a new Wrigley factory. To guard against the global Wrigley threat, the team identified offensive and defensive strategies for Adams markets, and \$10 million per annum was allocated to fund specific competitive responses.

Revenue Cadbury Schweppes expected \$275 million in *revenue synergies* in the U.S. from the launch of two brands, which would leverage Adams' route-to-market (RTM) and Cadbury Schweppes' confectionery expertise (Synergy #2). Of five products to be launched over five years, including an adult-oriented pocket confectionery (Wine Gums) and a product for children (Cadbury Éclairs), the company planned on at least two making \$100 million in annual sales. Stitzer's team believed that the combination of Adams' technology and Cadbury Schweppes' product portfolio would provide potential high-value candidates. Adams' front-of-store expertise was also seen as

Professors David Collis and Toby Stuart and Research Associate Troy Smith prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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ideally suited to pocket confectionery products. The company needed to avoid a repeat of the Body Smarts fiasco, but analysts warned, “It is difficult to launch new confectionery brands in relatively saturated and fiercely competitive markets. This is particularly true in the U.S., which is Adams’ largest market.”²

In general, the merger team believed revenue synergies would emerge from selling existing and new Cadbury Schweppes products through the Adams gum RTM. For instance, the team anticipated increasing distribution of chocolate in Mexico (Synergy #5), the Caribbean and Central America (Synergy #14), and distribution of Swedish Fish and Sour Patch products in the U.S. (Synergy #4), as well as the launch of new confectionery in the U.S. (Synergy #2) (**Exhibit 5**). They also foresaw the opportunity to sell Adams products through the strong Cadbury Schweppes’ confectionery RTM (e.g., in Canada, Synergy #6; [**Exhibit 6**] Australia, Synergy #40; and Russia, Synergy #32), and to use Adams’ technical knowledge to enhance Cadbury Schweppes functional offerings in candy (Synergy #13, Synergy #45) (**Exhibit 7**). The net result would be that Adams would be growing at 7% per annum by 2007 (base case plus revenue synergies).

More generally, management hoped that a broader product portfolio or “smart variety” would allow strength in one category to be leveraged into others by providing a total category solution to retailers. By providing this “shopper insight,” the combined company would offer a total solution that might allow the firm to raise prices by having discussions above the category level.

Cost Reconfiguring the Cadbury Schweppes supply chain represented a significant opportunity for *cost synergies*. The combined company would also cut \$533 million (\$221 million from Synergy #52 alone) (**Exhibit 8**) in costs through a “manufacturing configuration strategy.” This would be done by closing 12 underutilized plants and transferring production to other centers. It was expected that 4 Cadbury Schweppes plants would be consolidated into 3 Cadbury Schweppes and 3 Adams plants. In addition, 8 Adams facilities would be integrated into 7 Cadbury Schweppes plants and 3 Adams plants. Plants targeted to be closed or transferred included facilities in Alexandria, Corinth, Beirut, Cape Town, Manchester, and several sites in Brazil (**Exhibit 9**). Stitzer’s team assumed that the combined organization would adopt a centrally led, regionally managed organization much like Adams, with a global supply chain and a shared services delivery model. In the U.S., for example, a shared services organization would include the beverages business (Synergy #67), while the entire company would use the merger as the impetus to transform business processes and data availability by moving to a common IT platform called PROBE (Synergy #69).

Other savings would come from better leverage in purchasing and procurement. Postmerger savings for media and advertisements, for example, were estimated at 10% (Synergy #59). Although chocolate required more temperature control than gum, the team believed there would be savings on distribution and warehousing as well (Synergy #64). The trade investment required for chocolate was much lower than that required for gum due to the cost of getting products in the “hot zone” at stores. However, the company believed it could blend the distribution categories to some extent.

Savings in corporate overhead would be concentrated in countries where there was a substantial presence of both companies, such as Canada (Synergy #8) (**Exhibit 10**), Spain (Synergy #23), and the U.K. (Synergy #36). All totaled, Stitzer’s team estimated that 70% of the cost benefits would be obtained from centrally controlled initiatives.³

In discussions with CEO Sunderland, Stitzer realized that if Cadbury Schweppes did indeed push forward with the Adams bid, he personally would be making a commitment to deliver on the stated synergies. From his previous experience, he knew that he would implement the projects to realize the

proposed cost synergies—but could these synergies be delivered in the time frame envisaged to achieve the hoped-for value? Could Adams really be turned around as the base case implied? Were the ambitious revenue synergies realistic? The future of the company would depend on his answers to these questions.

Exhibit 1 Identified Merger Synergies

Number	Region	Team	Description	Benefit Type	Value at Stake (\$ million)
1	Americas	U.S.	Drive penetration of sugar-free pellet gum in the U.S., taking advantage of Adams' product mix to grow faster than the market.	Base	449
2	Americas	U.S.	Launch two successful (\$100 million retail) pocket confectionery brands by leveraging Adams' route-to-market (RTM) and Cadbury Schweppes' (CS) confectionery expertise.	Revenue	275
3	Americas	U.S.	Revitalize and extend the Halls brand, capitalizing on its high market share and outstanding brand equity.	Base	195
4	Americas	U.S.	Increase sales volume of Cadbury Schweppes' Sour Patch and Swedish Fish by exploiting the reach of the Adams' sales organization.	Revenue	129
5	Americas	Mexico	Incremental revenue and cost savings by the RTM transfer of CS chocolate portfolio from Alegro (Pepsi system) to Adams.	Revenue	121
6	Americas	Canada	Develop back-of-store (BOS) Halls gum/mints business to the same levels as CS confectionery.	Revenue	92
7	Americas	Mexico	Leverage Adams' RTM by launching a range of CS advantaged sugar/chocolate products.	Revenue	80
8	Americas	Canada	Establish an integrated sales structure under one sales management team servicing a new business model consisting of two distinct divisions: Branded (Adams/CS) and Commodity.	Cost	67
9	Americas	Canada	Launch two successful pocket confectionery brands by leveraging Adams' RTM and CS confectionery expertise	Revenue	64
10	Americas	U.S.	Savings on broker commissions through leveraging Adams RTM for Jaret (CS candy) .	Cost	54
11	Americas	U.S.	Savings through consolidating Jaret (CS candy) infrastructure into Adams.	Cost	49
12	Americas	U.S.	Renovate Certs brand.	Base	46
13	Americas	Canada	Introduce Adams' functional expertise into CS range of products (starch/gelatine); assume first-in positioning with this type of functional candy.	Revenue	42
14	Americas	CA and Caribbean	Leverage Adams' RTM by launching a range of CS sugar and chocolate products.	Revenue	40
15	Americas	Brazil	Introduce a faster pace of innovation to boost good growth.	Base	40
16	Americas	Brazil	Leverage Adams' RTM by launching a range of CS products.	Revenue	33
17	Americas	U.S.	Savings by eliminating CS Americas confectionery headquarters.	Cost	25
18	Americas	Latin America	Leverage Adams' RTM by launching a range of CS products.	Revenue	25
19	Americas	U.S.	Restore "fun" value of Adams bubble gum portfolio.	Base	16
20	Americas	Argentina	Cost savings in G&A (general and administrative) and S&D (sales and distribution) through integration of Stani (CS gum) and Adams.	Cost	14
21	Americas	Latin America	Cost synergy by integrating CS confectionery and Adams in the Mexico, Central America, and Caribbean region.	Cost	12
22	Americas	Argentina	Leverage CS leading position in the 3 most attractive sugar categories (chewing gum, semi-medicated, and bubble gum).	Revenue	3
23	Europe	Spain	Target a combined Adams and Dulciora (CS chocolate) organization to lead to reduced costs in administration and sales force.	Cost	67
24	Europe	Spain	Recover Adams' 1999 share of 35.8% progressively [at no loss to Dandy (CS gum) share ~5%].	Revenue	36

Exhibit 1 (continued) Identified Merger Synergies

Number	Region	Team	Description	Benefit Type	Value at Stake (\$ million)
25	Europe	France	Use Adams' current advantaged technologies in chewing gum to further accelerate the growth of our portfolio in France.	Revenue	32
26	Europe	Spain	Grow our participation in the Hot Zone area via broadening our Pocket Confectionery offer and/or our portfolio of successful brands.	Revenue	23
27	Europe	Greece	Reduce Adams' regional costs by merging the organization into CS.	Cost	19
28	Europe	Portugal	Drive additional CS volume through the strong Adams' impulse RTM and sales force.	Revenue	19
29	Europe	France	Use Adams' current expertise, technologies and—potentially—franchise in semi-medicated confectionery to accelerate the relaunch and growth of our pocket confectionery business in France.	Revenue	16
30	Europe	Portugal	Raise the margin on the Portuguese business from 5% to 10% by developing a more effective organization.	Cost	4
31	Europe	Poland	Halls is currently distributed via the Ferrero organization; however, value opportunities exist to develop our own Hot Zone sales force in CS.	Revenue	3
32	Europe	Russia	Push Halls through the Dandy (CS gum) RTM instead of the current one to gain distribution and sales.	Revenue	3
33	Europe	Greece	Accelerate growth of Halls by refocusing all pocket confectionery efforts and investment priorities to support it (manage the smaller brands Clorets and Certs for value).	Revenue	3
34	Europe	Greece	Utilize Adams' strong RTM to boost CS gum at the expense of the leading competitor and apply portfolio management to brands to lead in each segment of the gum category.	Revenue	-
35	Europe	Spain	Bring maximum focus to our branded business in Barcelona by keeping our CS unbranded business in Valladolid, Spain, separate from the Adams integration.	Cost	-
36	GB&I	GB&I	Eliminate Adams' costs through integration.	Cost	82
37	GB&I	GB&I	Enter mainstream chewing gum market under the Trebor (CS) brand as a spoiler in one of Wrigley's core European markets.	Revenue	24
38	GB&I	GB&I	Rejuvenate Hall's as a range brand for the semi-medicated segment.	Revenue	23
39	Asia Pacific	China	Develop market presence through an increased breadth of offer, and through geographic expansion of the broad confectionery offer in line with our Asia strategy.	Revenue	51
40	Asia Pacific	ANZ	Introduce new products (medicated and gum/bubble gum) into existing CS channels.	Revenue	50
41	Asia Pacific	Other ASEAN markets	Improve the in-market presence through utilizing the CS Commercial organizations in the markets where CS has a strong position.	Revenue	14
42	Asia Pacific	Thailand	Leverage the Adams' RTM to launch full confectionery offering in Thailand.	Revenue	13
43	Asia Pacific	Japan	Close Cadbury Japan office.	Cost	8
44	Asia Pacific	China	Close either CS or Adams' sales offices in China.	Cost	7
45	AIM	Turkey	Relaunch Relax brand as Trident in Turkey, drawing on Adams' unique product formulations and technical skills and leveraging CS RTM to take share from 14% to 50%.	Revenue	16
46	AIM	India	Leverage existing CS and proposed new sugar RTM (acquisition planned) to increase sales of Halls and other sugar brands.	Revenue	16
47	AIM	Morocco and NA	Launch focused range of Bim-Bim (CS) products (including chocolate) in North West Africa (Morocco, Algeria, Tunisia), manufactured at the Adams' Morocco plant.	Revenue	9
48	AIM	Egypt	Leverage market leading position of Adams with CS to grow gum and capture share.	Revenue	8

Exhibit 1 (continued) Identified Merger Synergies

Number	Region	Team	Description	Benefit Type	Value at Stake (\$ million)
49	AIM	Kenya and East Africa	Launch Adams brands in Kenya and East Africa, leveraging CS RTMs. Source product from Egypt (taking advantage of favorable tariff conditions that exist).	Revenue	6
50	AIM	Egypt	Develop core range of CS products to leverage Adams' RTM.	Revenue	5
51	AIM	Turkey	Leverage CS RTM and manufacture in-market to increase Halls sales from 50T to 250T per annum by 2005.	Revenue	2
52	Supply Chain	Manufacturing	Optimize manufacturing costs by elimination of duplication of assets.	Cost	221
53	Supply Chain	Manufacturing	Use Adams acquisition to leverage pace of CS Manufacturing Performance Improvement.	Cost	83
54	Supply Chain	Manufacturing	Optimize gum base supply through scale and tax advantages in Ireland.	Cost	44
55	Supply Chain	Manufacturing	Adams factories will continue a program of continual efficiency improvements.	Cost	34
56	Supply Chain	Manufacturing	The standardization of three main product groups, a) boiled candies, b) pellet and slab gum, c) rationalization of low-performing SKUs will lead to a \$10 million per annum reduction in costs for 4 years.	Cost	31
57	Supply Chain	Manufacturing	Consolidate Australia and New Zealand factories to Adams Thailand factory; we can also consolidate CS Wuxi, China factory into Adams' Guangzhou, China factory.	Cost	27
58	Supply Chain	Manufacturing	Reduce costs and improve control of Halls products by moving preparation of flavor mix to a low tax location such as Ireland.	Cost	12
59	Supply Chain	Procurement	Consolidate media buying in the U.S., Canada, and Mexico and possibly globally.	Cost	162
60	Supply Chain	Procurement	Consolidate ingredients procurement; leverage both sets of contracts to obtain the lowest prices for overall volumes.	Cost	56
61	Supply Chain	Procurement	Consolidate nonproduction spend; leverage combined purchasing power.	Cost	31
62	Supply Chain	Procurement	Consolidate packaging requirements in common categories for geographic regions where there is overlap between CS and Adams.	Cost	23
63	Supply Chain	Supply Chain	Move U.S. and Canada operations to shared services.	Cost	45
64	Supply Chain	Supply Chain	Optimize U.S. freight and warehouse distribution; get Jaret (CS) at Adams rates.	Cost	33
65	Supply Chain	Supply Chain	Optimize Canada freight and warehouse distribution; put Adams product on CS system.	Cost	7
66	Shared Services	Global	Create a new Adams Head Office to support Supply Chain and Commercial for Adams and provide leadership for an expanded Americas Confectionery region.	Cost	108
67	Shared Services	Americas	Maximize value delivery by creating a single, shared services organization required to support Adams and expanding to incorporate the Americas Confectionery and Beverage businesses.	Cost	82
68	Shared Services	Europe	Maximize value delivery by creating a shared services organization for Europe which leverages the learning from the Americas.	Cost	14
69	IT	North America	Create value by integrating CS and Adams on a common IT and process platform and consolidating Adams into the existing CS information center in North America.	Cost	168
70	IT	EMEA	Create value by integrating CS and Adams on a common IT and process platform and consolidating Adams into the existing CS information center in Europe.	Cost	29

Source: A. T. Kearney and Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan: Synergy Summary Appendix," October 23, 2002, London. Provided by the company.

Notes: Value at stake figures include the sum of all synergies prior to additional adjustments (e.g., foreign exchange, etc.). Includes five initiatives in the Americas built into the base valuation.

Exhibit 2 Selected Adams Synergy Categorization Matrix^a

	"Focus Resources And Mitigate Risks"	"High Priority Big Wins"
High	\$1,677 million Launch two brands leveraging Adams' RTM and CS 275 Manufacturing configuration strategy 221 Revitalize and extend Halls in U.S. 195 Migration of Adams to Probe 168 Consolidate media buying 162 Shift RTM of CS chocolate from Alegro to Adams 121 Other 535 1,677	\$768 million Increase penetration of sugarfree pellet in the U.S. 449 Increase sales volume of Sour Patch and Swedish Fish 129 Headquarter consolidation 108 Eliminate Adams' cost through acquisition 82 768
Value Potential	"Prioritize"	"Implement Easy Wins Quickly"
Low	\$508 million Increase breadth of offer 51 Introduce new products in CS channels 50 Savings through consolidating Jaret into Adams 49 Renovate Certs brand 46 U.S./Canada C2C 45 Leverage Adams' RTM into chocolate 40 Factory efficiency improvements 34 Other 193 508	\$687 million Consolidate ingredients procurement 56 Reduce broker commissions using Adams RTM for Jaret 54 Irish gum base manufacturing strategy 44 Introduce Adams' functional expertise into CS 42 Introduce faster pace of innovation 40 Recover Adams' market share in gum 36 Other 415 687
	High (Difficult)	Low (Easy)
	Implementation Complexity	

Source: Cadbury Schweppes, "Project Bond: Pre Board Meeting Review," October 18, 2002, p. 93. Provided by the company.

^a Totals are for all initiatives in a quadrant.

Exhibit 3 Synergy #1

US Commercial Team

Drive penetration of sugarfree pellet gum in the US, taking advantage of Bond's product mix to grow faster than the market						Value at Stake \$449 million	01AMB
Overview		Financial Impact					
<u>Strategic Rationale</u>		2003	2004	2005	2006	2007	2012
- Sugarfree pellet is currently underdeveloped in the US market. Data from France suggests that the accelerating rate of penetration of sugarfree pellet can increase the market growth rate - Bond's portfolio is weighted towards sugarfree, ensuring that Bond grows faster than the market, regardless of the rate of substitution of sugarfree pellet for other formats - Wrigley's heritage leaves it a vested interest in sugarised		US \$ (million)					
<u>Drivers of Value</u>		Acquisition Case NSV	12.8	23.9	39.7	59.1	162.8
<u>Actions Required</u>		Impact on					
- Future growth of principal consumer age segment 6% average Bond value growth over 10 years		- GCMB - Marketing - Indirect Costs	8.4 (7.3) (1.0)	15.8 (10.4) (1.8)	26.2 (12.0) (3.0)	39.0 (19.9) (4.5)	107.5 (35.8) (12.4)
		Acquisition Case EBIT	0.2	3.5	11.2	14.6	59.3
		Acquisition Case Capex	(0.3)	(1.2)	(2.0)	(3.0)	(8.1)
<u>Further Discussion Points</u>		Acqn Case Restructuring	-	-	-	-	-
Resources/Interdependencies		Risk Factors					Implementation Complexity
- Release of capital to support new products - Additional \$12 million field selling cost - Bond's growth depends on successful continuation of recent brand developments - Up-weight in A&P spending above historical levels		Inability to respond to Wrigley's attacks during acquisition transition period					

Source: A. T. Kearney, Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan, Synergy Summary Appendix," October 23, 2002, London, p. 9. Provided by the company.

Exhibit 4 Financial Performance of Adams as Projected by Cadbury Schweppes, 2001–2007 (U.S. \$ in millions)

	2001A	2002F	2003F	2004F	2005F	2006F	2007F
Net Sales							
Base Business	1,890	1,854	1,819	1,932	2,058	2,213	2,347
Revenue Synergies	-	0	13	80	187	303	362
Total Net Sales	1,890	1,854	1,833	2,012	2,245	2,516	2,709
Operating Profit							
Base Business	229	222	209	227	268	319	358
Trading Margin	12.1%	12.0%	11.5%	11.7%	13.0%	14.4%	15.2%
Revenue Synergies	0	0	-6	16	51	64	71
Cost Synergies	0	0	1	68	103	125	129
Integration/Disruption	0	0	-44	-44	0	0	
Underling Op Profit	229	222	160	267	422	509	558
Trading Margin	12.1%	12.0%	6.3%	12.2%	18.8%	20.2%	20.6%
Restructuring	0	-5	-98	-70	-15	-6	7
Operating Profit	229	217	62	197	407	503	566
ROIC			2.7%	4.3%	6.8%	8.2%	9.1%
WACC			7.3%	7.3%	7.3%	7.3%	7.3%
ROIC-WACC			-4.6%	-2.9%	-0.4%	1.0%	1.8%

Source: Adapted from information provided by the company.

Exhibit 5 Synergy #2

US Commercial Team

Launch two successful (\$100 million retail) pocket confectionery brands by leveraging Bond RTM and CS confectionery expertise					Value at Stake \$275 million		02AMR	
Overview		Financial Impact					5	
Strategic Rationale - Bond has expertise at front-of-store which is ideally suited to pocket confectionery products - The combination of Bond's discipline, technology and the CS portfolio will provide increased high value offerings Drivers of Value - Of five products launched over five years, two would succeed, and grow to achieve \$100 million p.a. retail sales by 2012 Actions Required - Select brands from CS/Bond portfolio, or new, transformational products to launch under existing umbrellas Further Discussion Points - Phasing of tests versus national launches		US \$ (million)	2003	2004	2005	2006	2007	2012
		Acquisition Case NSV	10.0	20.0	52.0	62.0	85.0	137.0
		Impact on	4.7	9.4	24.4	29.1	40.0	64.4
		• GCBM	-	(3.0)	(5.0)	(11.0)	(11.0)	(21.0)
		• Marketing	(2.6)	(3.5)	(5.9)	(6.6)	(8.2)	(11.4)
		• Indirect Costs	2.1	2.9	13.5	11.5	20.7	32.0
		Acquisition Case EBIT	(0.5)	(0.9)	(2.3)	(2.8)	(3.8)	(6.2)
		Acquisition Case Capex	-	-	-	-	-	-
		Acqn Case Restructuring	-	-	-	-	-	-
Resources/Interdependencies		Risk Factors	Implementation Complexity					5
- Bond sales force - Combined expertise of Bond and CS R&D		- A repeat of Body Smarts dilution of focus - Failure to achieve two successful launches of a similar size to Altoids / Crème Savers						

Source: A. T. Kearney, Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan, Synergy Summary Appendix," October 23, 2002, London, p. 15. Provided by the company.

Exhibit 6 Synergy #6

Canadian Commercial Team

Develop Back-of-Store (B.O.S.) Halls/Gum/Mints Business to same levels as CTAI						Value at Stake \$92 million		06AMR
Overview		Financial Impact					5	
Strategic Rationale - CTAI brings strength in BOS that can be leveraged to extend Halls/Gum/Mint franchises - Bags will grow total Halls by increasing presence at new points of purchase in organised trade - B.O.S. importance levels will increase from 0% to 20% while USA Bag importance is currently 90%		US \$ (million)	2003	2004	2005	2006	2007	2012
		Acquisition Case NSV	5.4	10.9	13.8	16.8	17.3	20.0
Drivers of Value - Distribution and Availability of strong brands in new locations, in new formats in Food, Drug and Mass. 12 SKUs over 4 yrs @ avg of \$1.6M USD/sku/yr		Impact on - GCBM - Marketing - Indirect Costs	3.5 (0.7) (0.4)	7.1 (0.4) (0.6)	8.6 (0.8) (0.8)	10.1 (0.7) (0.9)	10.4 (0.7) (0.9)	11.9 (0.8) (1.1)
		Acquisition Case EBIT	2.4	6.0	6.9	8.5	8.7	10.0
Actions Required - Package/Format development - Planogram Development - Sales force KPIs - Training		Acquisition Case Capex	(0.2)	(0.4)	(0.6)	(0.7)	(0.7)	(0.8)
Further Discussion Points		Acqn Case Restructuring	-	-	-	-	-	-
Resources/Interdependencies		Risk Factors		Implementation Complexity				4
- Establish new sales force activity plan - Marketing – package development - Format Research		- Consumer response - Cannibalisation of Base Stick packs beyond assumed rates		- Leverages current competencies in gaining new product listings - Development fits with current packaging capabilities				

Source: A. T. Kearney, Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan, Synergy Summary Appendix," October 23, 2002, London, p. 71. Provided by the company.

AIM Commercial Team: Turkey

Re-launch Relax brand as Trident, or other, in Turkey, drawing upon Bond's unique product formulations and technical skills and leveraging CKB's RTM to take share from 14% to 50%	Value at Stake \$16 million	45AIR
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Overview		Financial Impact						
Strategic Rationale - Relax is currently a poor third in a growing market, offering neither differentiation nor added value to the consumer - By effecting a step change in product quality, supported by a strong ATL campaign, a drive for market leadership is feasible Drivers of Value - Selling demonstrable product benefits will drive market share from 14% to 50% by 2008 Actions Required - Acquire and incorporate product formulation knowledge from Bond for reproduction at CKB plant - Research consumer groups for insight on positioning and branding - Redesign offering in light of research and Bond input - Reconfigure packing line(s) as necessary - Relaunch with heavyweight ATL support Further Discussion Points - The choice of brand for the relaunch need not necessarily be from the Bond stable. Indeed, Hollywood is current favourite. The key to this synergy is the intellectual and product capital that Bond would bring to CKB	US \$ (million)	2003	2004	2005	2006	2007	2012	
	Acquisition Case NSV		4.0	9.0	14.0	17.3	24.0	
	Impact on							
	• GCBM		2.4	5.4	8.4	10.4	14.9	
	• Marketing		(1.6)	(3.6)	(5.6)	(6.9)	(9.9)	
	• Indirect Costs							
	Acquisition Case EBIT			0.8	1.8	2.8	3.5	5.0
	Acquisition Case Capex			(0.2)	(0.4)	(0.6)	(0.7)	(1.0)
	Acqn Case Restructuring			NA	NA	NA	NA	NA
Resources/Interdependencies	Risk Factors	Implementation Complexity						
- CKB plant and existing RTM - Bond product and gum base formulations - Availability of key ingredients in Turkey - Project Vee would no longer be of interest under this scenario	- Strong reaction from incumbent market leaders and No2 (Intergum and Perfetti) leading to smaller share gains than anticipated - Price fighting from other players leading to reduced margin realisation - Purchase of Intergum by Wmgley's	Successful implementation will require relatively high levels of marketing spend and sustained sales effort in a very competitive market place. This is not an easy objective to pull off by end 2008						

Source: A. T. Kearney, Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan, Synergy Summary Appendix," October 23, 2002, London, p. 100. Provided by the company.

Supply Chain - Manufacturing Value Team

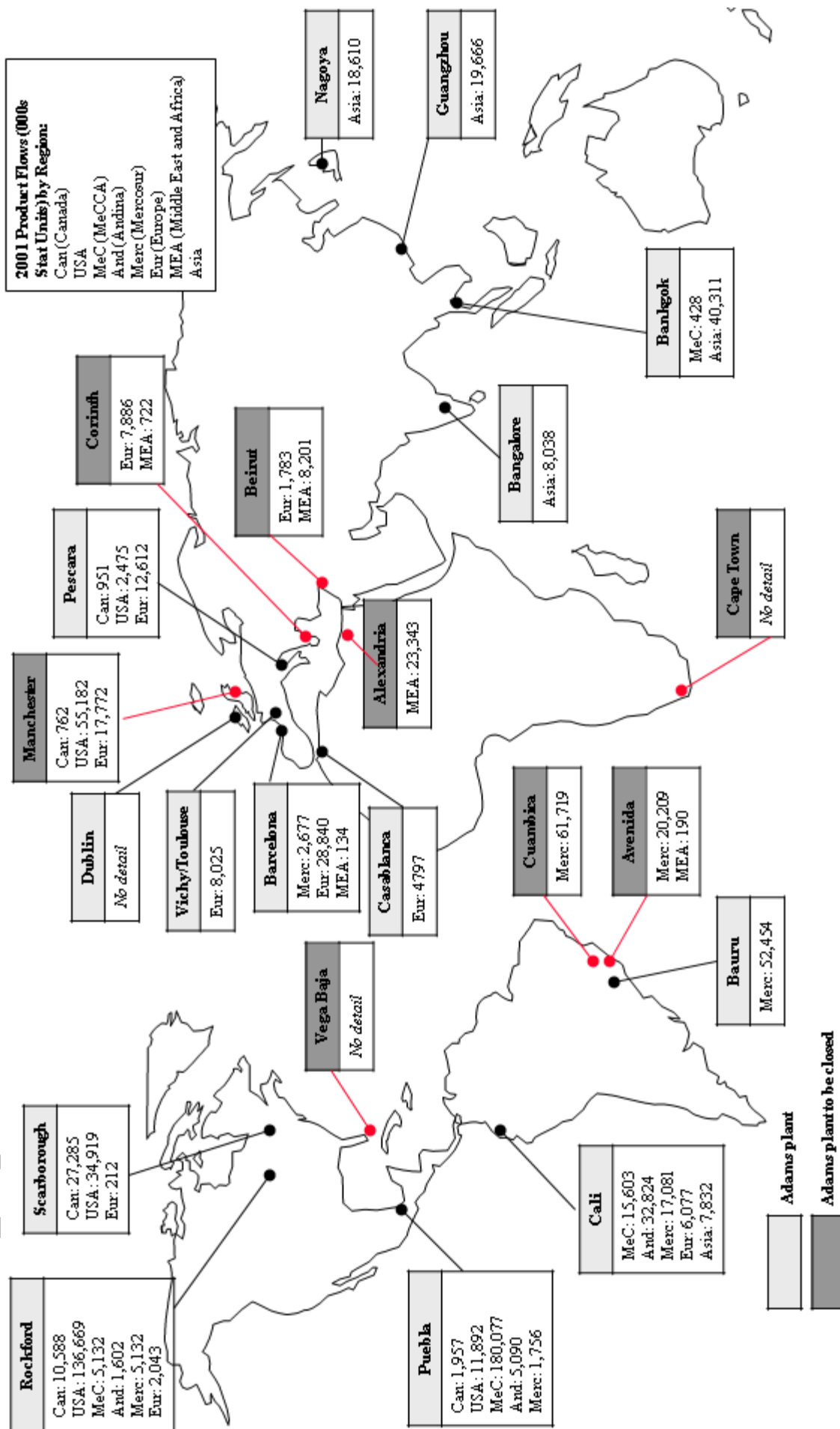
Assessment of Potential Plant Closures					
Value at Stake \$221 million					52SCC

Overview		Financial Impact				
<u>Strategic Rationale</u>		US \$ (million)	2003	2004	2005	2006
Optimise manufacturing costs by elimination of duplication of assets		Acquisition Case NSV				
<u>Drivers of Value</u>		Impact on	0	16.6	33.8	34.6
- Close underutilised plants and transfer to centres of excellence - Reduction of fixed costs and freight		- GCBM - Marketing - Indirect Costs				35.3
<u>Actions Required</u>		Acquisition Case EBIT		16.6	33.8	34.6
- Close Alexandria, Corinth, Beirut, and withdraw from Cape Town and Vega Baja - Close Avenida and Cumbica (Bond) and transfer production to Bauru - Close Stani and transfer production to Bauru - Install capacity in Toronto and Ateca - Close Manchester plant		Acquisition Case Capex	(70.4)			10.6
<u>Further Discussion Points</u>		Acqn Case Restructuring		(43.9)		
\$60 million of the \$71 million capex held centrally						

Resources/Interdependencies	Risk Factors	Implementation Complexity
- Transition services from Bond shared sites (Cape Town and Vega Baja) until closed - Capex - BOND & CS Plc engineering resources	Industrial relations issues and disruption during move (commissioning time)	Medium – Most factories within our control

Source: A. T. Kearney, Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan, Synergy Summary Appendix," October 23, 2002, London, p. 115. Provided by the company.

Exhibit 9 Assessment of Adams Potential Future Plant Configuration



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Canada Commercial Team

Establish an integrated sales structure, under one sales management team, servicing a new business model consisting of two distinct divisions: Branded (Bond/CTAD) & Commodity						Value at Stake \$67 million	08AMC
Overview		Financial Impact					
Strategic Rationale - Combined sales force will reduce overall cost base - New structure provides critical mass and enhanced expertise against the Branded business, while protecting the value of the commodity business Drivers of Value - Reduction in headcount and associated costs - Customer Service (20%), Account Management (20%), Field Sales (15%), Marketing (10%) and Merchandising Tools (25%) Actions Required - Confirm of new Business Model - Agree to detailed RTM/Sales Structure - Develop implementation/communication plan Further Discussion Points - The Bond sales team is regarded (by the Canadian Trade) as the strongest in the market. It is important to understand the competencies of the respective organizations to optimise the combined team		US \$ (million) Acquisition Case NSV Impact on - GCEM - Marketing - Indirect Costs Acquisition Case EBIT Acquisition Case Capex Acqn Case Restructuring					
		2003	2004	2005	2006	2007	2012
		-	-	-	-	-	-
		-	-	-	-	-	-
		1.5	6.0	6.1	6.2	6.4	7.1
		1.5	6.0	6.1	6.2	6.4	7.1
		-	-	-	-	-	-
		(3.3)	-	-	-	-	-
Resources/Interdependencies	Risk Factors	Implementation Complexity					
- IT/Systems integration – to enable a Q3 2003 integration of the sales teams, it is critical that there be a single front end to our combined systems - Evaluation and selection of RTM partners for commodity (IE brokers for non-branded business) - Separation of the commodity business within the current CTAD systems and infrastructure	- Disruption in the short term. - Potentially loss of key personnel due to uncertainty of future - Systems support – potential lack of adequate systems for effective account management - Functional heads of Sales and Marketing managing two unique cultures	- Managing people during transition, adopting new culture and training on new systems all make for a highly complicated and risky transition - Leadership and communication key to this being successful					

Source: A. T. Kearney, Cadbury Schweppes, "Project Bond: Preliminary Integration and Synergy Delivery Plan, Synergy Summary Appendix," October 23, 2002, London, p. 23. Provided by the company.

Endnotes

¹ Cadbury Schweppes, "Project Bond: Pre Board Meeting Review," October 18, 2002, p. 47. Provided by the company.

² Andrew Wood and Maria Sims, Cadbury: 6 reason why managing Adams may prove to be even more troublesome than acquiring it," Bernstein Research, January 9, 2003, p. 7.

³ Cadbury Schweppes, "Acquisition of Adams Analyst Presentation, 17th December, 2002," PowerPoint presentation, December 17, 2002. Provided by the company.