

When Nestle bought Rowntree

From the sweeties.net wiki

By 1988 Rowntree Mackintosh of York was the fourth largest confectionery maker in the world, behind only Mars, Hershey and Cadbury. It made the KitKat and the Aero, Smarties and Polo mints, After Eight, Quality Street, Rolo and Fruit Pastilles. In the space of a few months, it was gone.

A dawn raid

On the morning of 13 April 1988, the Swiss confectioner Jacobs Suchard launched a dawn raid on Rowntree's shares, which had been lagging behind the stock market, though they were beginning to recover. By 9.15 am it had bought 14.9% of the company.

Rowntree's board wanted to stay independent, and it had a record of fighting off bids: it had turned down a £37m offer from General Foods in 1969. But now another Swiss company stepped in. Helmut Maucher, the managing director of Nestlé, the largest food company in the world, contacted Rowntree's chairman, Kenneth Dixon, offering to act as a white knight, a friendlier buyer to rescue Rowntree from Jacobs Suchard.

Nestlé wins

Nestlé had never made a hostile takeover before, but it had been interested in Rowntree before. It saw the two businesses as a perfect fit: Nestlé was strong in chocolate blocks, Rowntree's in branded bars. It won control with an offer valuing Rowntree at about £2.55bn, and expected to save between 5% and 15% of Rowntree's running costs by combining the two.

Why people were angry

The deal was controversial from the start. Nestlé could buy Rowntree's on the open market, but Swiss law effectively protected Nestlé itself from the same kind of takeover. To many people in Britain it looked like a one way street. There was also the loss of a York company with deep Quaker roots, founded in 1862, with a history of looking after its workers. In a campaign against the takeover, light brown Smarties were replaced with blue ones, with I Support Blue Smarties badges.

What happened next

The products began to carry the name Nestlé Rowntree, and then the Rowntree name was dropped from almost everything except Fruit Pastilles, Fruit Gums and Rowntree's Cocoa. In 1991 the company became Nestlé UK. Between 1988 and 1994 the workforce was cut by 2,000, and the Norwich factory closed in 1994. In 2006 Nestlé announced that Smarties would be made in Hamburg instead of York, with 645 jobs lost; Dairy Box went to Spain and Black Magic to the Czech Republic.

The other side

It is not a simple story of decline. Nestlé has invested more than £200m in the Rowntree business since 1988, making its York site one of the largest confectionery factories in the world, and York is home to Nestlé's global research centre for confectionery.

Part of a pattern

Rowntree's was the first of the great British chocolate makers to go abroad. Terry's followed a long road to Kraft and then France, and Cadbury went to Kraft in 2010. See [how Cadbury was sold to Kraft](#), [how Terry's left York](#) and [who owns the famous British sweet makers now](#). For the man who built the business, read [Joseph Rowntree, the Quaker chocolate maker](#).

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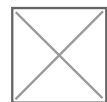
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