

# SWEET SIDE OF PET CARE



**M**ARS, ONE OF THE LARGEST PRIVATELY owned companies in the world, has long been known for two things: its chocolate – M&Ms, Mars bars, and Milky Way to name a few – and its privacy.

Mars wants to change both of those perceptions. It still makes chocolate, but now its pet care businesses contribute more than any other unit to Mars' annual \$35 billion in sales. Mars, which has been involved in the pet care industry for almost 80 years, recently completed its acquisition of VCA animal hospitals, making it now the largest employer of veterinarians in the US.

To tell that story – that Mars is much more than a chocolate company – the business is embracing a more public profile.

“Candidly, five years ago, I wouldn't be doing this interview with you,” says Andy Pharoah, Mars' Vice President of Corporate Affairs and Strategic Initiatives and one of 11 members on the firm's global leadership team. Being under the radar was once an advantage, allowing Mars to keep its recipes and plans under wraps. “But today, we know it matters what people think about our company,” says Pharoah. “If you're going to recruit and retain the best talent, and successfully partner with others and build businesses – you need to tell your story.”

And Mars has been. Among its most effective methods has been allowing its more than 100,000 associates around the world to help “demystify” the company. Between 2016 and 2017, Mars was listed

on 30 different best-place-to-work rankings and lists – ranging from being voted the best place to start a career in Brazil to ranking No. 50 on *Fortune's* top 100 places to work.

The rankings and recognition may be relatively new for Mars, but satisfied employees aren't. Among a few of the anecdotes reported about the business over the last 70 years: Mars paid above-market salaries – at one point, the company was said to even offer a 10 percent bonus for employees who were never late for work – and it was egalitarian. John F. Mars, one of the owners of the company, punched in at Mars' Virginia headquarters until he retired.

Pharoah has been with Mars for almost a decade, joining from Wrigley after it was acquired by Mars in 2008. In 2016 he took on the most senior communications role in the firm, and now describes his job as “helping Mars have the conversations it needs to have with the society in which it operates.”

One of those more recent conversations is Mars' “Sustainable in a generation” plan, which CEO Grant Reid outlined in September 2017. The company will invest \$1 billion over three years, even beyond its direct operations, to help tackle climate change, poverty in supply chains, and resource scarcity.

In a recent discussion, Pharoah spoke of how the century-old company is competing for new talent, how Mars handles being a maker of sweets in an increasingly health-conscious world, and how he became convinced his first manager at Mars was desperate to get rid of him.

Mars' **ANDY PHAROAH** sits down with Brunswick's **BLAKE SONNENSHEIN** to discuss the family-owned business's recipe for an engaged workforce

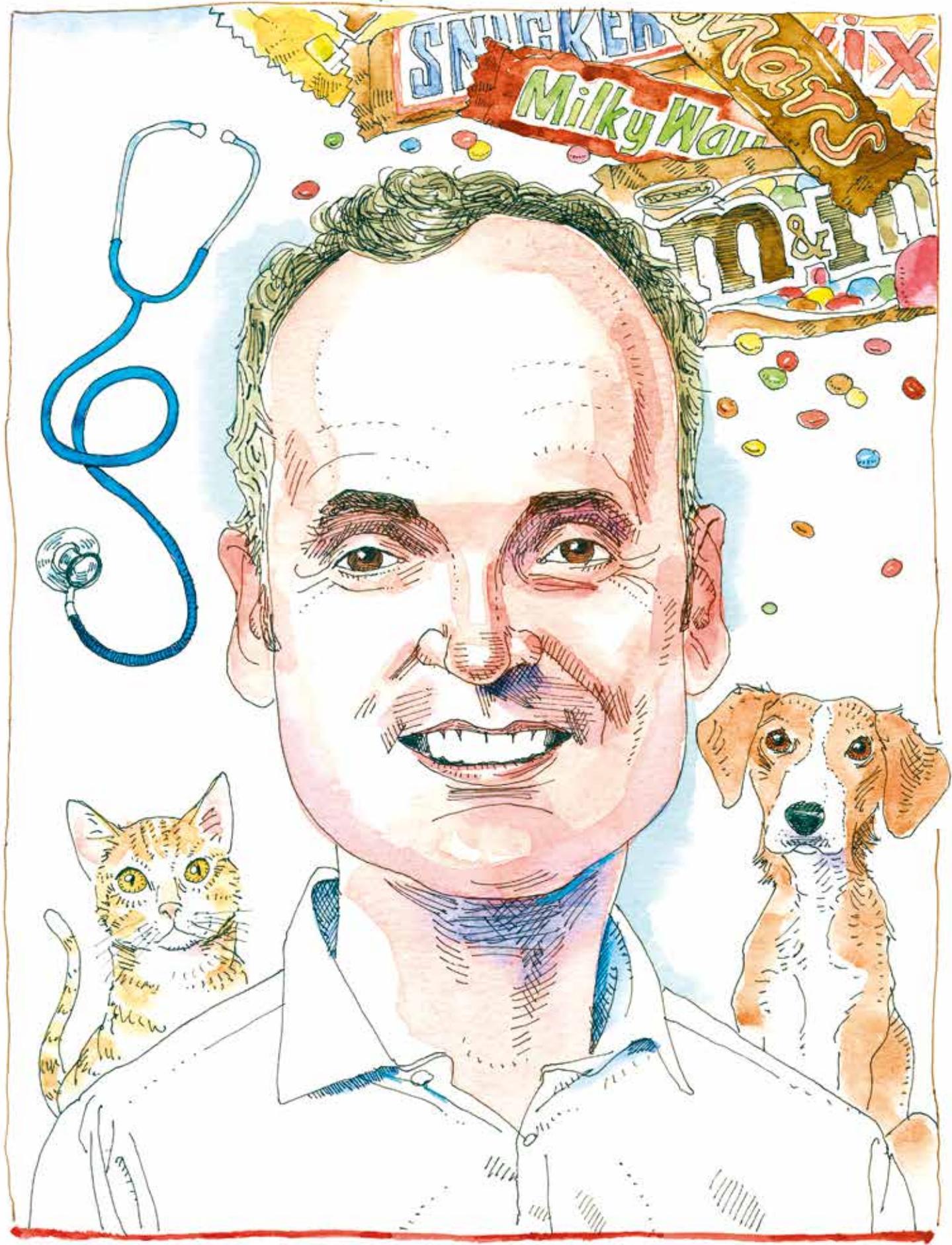


ILLUSTRATION: JOE CIARDIELLO

**“The number of articles I’ve seen about Mars pet care where the image is a stock photograph of a chocolate product ... it still happens”**

**ANDY PHAROAH**

Andy Pharoah is Vice President of Corporate Affairs and Strategic Initiatives at Mars, and one of 11 members on the firm’s global leadership team. Previously, Pharoah worked in Wrigley’s Corporate Affairs office, and was promoted to lead the department after the company was officially acquired by Mars.

**BLAKE SONNENSHEIN**

is a Director in Brunswick’s New York office. She specializes in both the consumer and private equity sectors.

**Mars flourished as a business without opening up to the outside world. Why change that now?**

We’ve always believed in letting our brands do the talking. We’re a branded-goods company; we want our brands to be famous. And thankfully, they are.

But we’re in a world where everything is pretty much transparent. Our decision to talk or not talk about Mars doesn’t determine whether there’s information about us. It’s out there already. And if we want to continue to grow, we need people – and people have choices.

We want to be known for the totality of what Mars is, not just what people instinctively go to. The number of articles I’ve seen about Mars pet care where the image is a stock photograph of a chocolate product ... it still happens.

We’ve taken steps to show the breadth of our business, the depth of the work we do and the difference we try to make in the world. Our assumption on external engagement has gone from being, “No, we don’t want to do this,” to, “What’s a good reason why we shouldn’t?”

**One thing Mars has consistently talked about is its Five Principles.**

There’s always a danger that when you talk about your company, it sounds like you’re in a cult. But Mars genuinely is unique. When I was a consultant, I worked with something like 70 different companies, and I never met one that was quite like Mars.

And it starts with the five principles you mentioned (quality, responsibility, efficiency, mutuality and freedom). You see them in every office. You hear them pretty much in every business conversation. As a company, we have relatively few rules, but we have very strong principles.

And those principles matter. They’re how tough decisions are made. They deeply matter to our owners because those principles came from a spirit that was developed by Forrest Mars Sr. in 1947.

At one of our leadership summits, we had our general managers together with some Mars family members. And a manager asked for guidance on making some particularly difficult decisions. The response was: if you assess each business decision against our five principles, then 90 percent of the time, you’re going get it right. And the important thing on the 10 percent of the time you get it wrong is that you learn from it.

**Have those principles changed?**

No, they haven’t. And if you look at the first three (quality, responsibility, efficiency) you could

probably see them in some form at most companies. In many ways, those are table stakes.

The others, mutuality and freedom, are I think what’s unique about Mars. Forrest Mars Sr. wrote a letter in 1947 about the original purpose of the company and that’s the actual the language he used: a “mutuality of benefits.” In other words, creating a win-win for everyone: customers, employees, shareholders, suppliers and society. That letter was codified by his children into the five principles.

**A lot of companies have guiding principles but struggle to know if they’re actually living them. How does Mars try to answer that question?**

The only way you live principles is through people. So we ask them directly. Every year, we work with Gallup for our associate assessment – that’s 100,000 people across 78 countries. And we see response rates in the upper 90 percent range. And it really is a question we ask of everyone, even our senior leaders. Have I discussed the five principles with my team? Do I see decisions being made in my team around the five principles?

We have some good data to see how we’re doing, how our leaders are doing, if we’re getting better.

**You say Mars is unlike any other company. Is there one example that captures that for you?**

One of my favorite stories happened right when I joined after the merger with Wrigley. Mars had an industry-leading marketing code that said we don’t target children under 12 years of age in our advertising. And I was given the job of implementing that across Wrigley’s business. At that point, Wrigley didn’t have a marketing code. And I thought it was going to be a hard sell, I would need to convince my business leaders. So I thought, “Aha, I’ll go and talk to the people in Mars who implemented it.”

So I asked them, “How did you manage to get everyone on board? What proof did you provide to get people’s buy-in?” And they were sort of bewildered and said, “Oh no. We didn’t do anything like that. We just decided it was the right thing to do.”

**Do you think being a family-owned, privately held company makes it easier to be considered one of the best places to work?**

Plenty of private companies struggle to engage employees; plenty of public companies do it brilliantly – I don’t think ownership structures determine how you perform.

But I do think being family-owned and privately held conveys some advantages. It changes your focus.

The Mars family thinks in generational terms. Now, that doesn't mean it's OK if performance today is bad but could be good in 20 years. Performance now matters. But we do have the ability to ask, "What is the right thing to do?" and then do it. That's a luxury.

And while we examine our performance regularly, quarterly earnings don't drive our focus. We're able to make decisions without second-guessing them because we're worried about how the analyst community is going to react to them.

### Are there any downsides?

Well, you could say that not having to report on a quarterly basis means that we have fewer opportunities to organically tell our story. Now, I'm sure there are many IR departments that are saying, "Oh my goodness; I wish we had your problem." But if you want to change your reputation, if you want to be better known, having four points on the calendar where you have to reach out is a tool to do that.

### In the war for young talent, how does a big, century-old company compete with trendy startups or big-name tech companies?

Mars may not be a technology company, it may not be a startup – but it has technology companies, it has startups. We have Whistle (see "Old and New," right), which has been called "Fitbit for pets." We have dog DNA testing. So we've got technology-driven businesses.

We try to be upfront about what we are and what we aren't. Honestly, if your goal in life is a corner office, don't come to Mars because we don't have any offices. We're open plan. We've always been open plan – we think people work better when they're not divided by walls.

And what we offer people who want to lend us part of their working life is a very clear focus on development. There is a real opportunity to do things here. Because we believe that people are capable of expanding and growing, especially when they're not put in boxes. I've seen a lot of places where your career largely depends upon the first job you took when you got out of college. That's certainly not the case here.

### Can you elaborate on that last part?

If managers don't take development of their teams and direct reports seriously, they won't last here. That part took me quite by surprise at first. After the Wrigley acquisition, I couldn't understand why my first manager at Mars, Poul Weihrauch, who is now the Global President of Petcare, spent so much time

## THE OLD & THE NEW

**INSPIRATION FOR THE ICONIC M&M** candy supposedly came from the rations soldiers were given during the Spanish Civil War. Forrest Mars Sr., in Europe at the time making chocolate Mars bars, saw soldiers enjoying small, chocolate pellets covered with a sugar shell; the shell stopped the chocolate from melting in the heat.

When he returned to the US, Mars partnered with Bruce Murrie (the second "M"), to create and manufacture a similar treat. They were part of American soldiers' rations in World War II, and sold in cardboard tubes to the general public after the war ended. White "M"s were printed on the candy in 1954, the same year peanut M&Ms first appeared.

By 1956, they were the best-selling candy in the United States, and would even go on to become the most popular candy in space – since 1981, M&Ms have been included in rations

for astronauts going to the International Space Station.

**IN 2016, AMERICANS SPENT MORE** on their pets than they did on childcare – \$66.75 billion versus \$47 billion, according to separate reports by the American Pet Products Association and IBISWorld.

That same year – 80 years after Mars first entered the petcare industry – Mars acquired Whistle (see photo below), a company that makes GPS devices that attach to a pet's collar. The latest model, Whistle 3, retails for \$80 and allows owners to view their pets' location in real time through an app on their phone.

The device can sound more smartphone than pet accessory: it can connect to a cellular network and has an accelerometer – the sensor in your smartphone that knows when it's being tilted or turned – allowing owners to track and measure their pets' activity.



**A dog (the canine model is referred to online as "Bark Twain") wears a Whistle 3 GPS device on its collar, which allows owners to monitor their pets' activity and movement on a smartphone. Mars, the world's largest petcare company, acquired Whistle in 2016 – more than eight decades after its first acquisition in the pet care industry, when it purchased a UK-based maker of canned dog food in 1935.**

ensuring that my next role would be great. I was used to performance reviews that were much more, "In January I did this; in February I did this ..."

But Poul kept talking about what my next role should look like – I thought he was trying to get rid of me. But I look at it now and realize, actually, that's what managers do here.

### Employees and consumers felt quite differently about chocolate and sweets when Mars started than they do today. How have you adjusted to that?

Well, at its core, a world without chocolate would be dreadful [laughs]. Our associates know our chocolate brands bring joy to millions of consumers. But let's be clear: they're a treat. There's no hidden sugar in a pack of Skittles – it is sugar.

We're taking a strong leadership role on promoting responsible consumption. We were the first with our marketing code. We were one of the first to limit single portions to 250 calories.

We've done a number of things to provide consumers with information and choices, and to emphasize that if you eat chocolate and confectionery candy for breakfast, lunch and dinner, you've got a problem – but when you enjoy them responsibly, they can be a wonderful part of life.