

COMPANY PROFILE

Mars, Incorporated

TABLE OF CONTENTS

Company Overview 3
Key Facts 3
SWOT Analysis 4

COMPANY OVERVIEW

Mars, Incorporated (Mars or 'the company') is a privately-held company, primarily engaged in the manufacture and sale of confectionery products, pet food, drinks and other food products. The company offers its products to distributors, specialty stores, retailers, and veterinary practices under several brands including M&M's, Snickers, Dove, Mars, Wrigley's, Orbit, Extra, Pedigree, Whiskas, Royal Canin, Double mint, and TWIX. It has business presence across North America, Asia Pacific, Europe, Latin America and the Middle East. Mars also operates pet hospitals in the US and Canada. It is headquartered in McLean, Virginia, the US.

The company generates revenues of \$35,000 million annually. Mars is a privately-owned company and does not publish its financial results.

KEY FACTS

Head Office	Mars, Incorporated 6885 Elm Street McLean Virginia McLean Virginia USA
Phone	1 703 8214900
Fax	
Web Address	www.mars.com
Revenue / turnover (USD Mn)	35,000.0
Financial Year End	
Employees	85,000
Ticker	

SWOT ANALYSIS

Mars, Incorporated (Mars) is a privately-held company, primarily engaged in the manufacture and sale of confectionery products, pet food, drinks and other food products. The company’s extensive product portfolio provides a diversified source of revenue, while the strong brand portfolio lends better visibility and presence in all distribution channels and enables it to reach a large customer base. In turn, it increases the company’s market penetration opportunities. However, with increasing popularity of private labels, the company may see the erosion of its market share.

<p>Strength</p> <p>Diversified geographic presence Comprehensive product portfolio complemented by strong brands Focus on developing and offering nutritious products</p>	<p>Weakness</p> <p>Product recalls hamper brand image</p>
<p>Opportunity</p> <p>Growing confectionery market in US Growing pet care industry Strategic initiatives to strengthen business capabilities</p>	<p>Threat</p> <p>Intense competition across product categories Increase in labor wages in US Compliance with government regulations</p>

Strength

Diversified geographic presence

The company has a strong geographic presence worldwide. Mars operates over 413 sites, including manufacturing and R&D facilities in more than 80 countries worldwide. Different businesses of Mars have diversified presence across the world. Mars Petcare, based in Brussels, Belgium, has presence in 55 countries around the world and Mars Wrigley Confectionery has operations in 21 countries worldwide. Wrigley, which is headquartered in Chicago, Illinois, has presence in more than 70 countries and distribution activities in over 180 countries. Mars Food has presence in more than 30 countries. Mars Drinks business has operations across North America, Europe and Asia. In the US, Mars operates 36 manufacturing plants and 18 offices, three M&M's World stores, eight Ethel M chocolate stores and more than 805 Banfield pet hospitals. Diversified geographical presence enables the company to hedge the risks of revenue loss in matured markets like North America and Europe from growth prospects in the emerging markets like Latin America and Asia Pacific.

Comprehensive product portfolio complemented by strong brands

Mars owns an extensive portfolio of leading global products and brands. The pet care business offers a wide range of pet food products under 50 brand names that include Pedigree, IAMS, Royal Canin, Whiskas, Banfield, Cesar, Sheba and Temptations, among others. Of these, Pedigree, IAMS, Royal

Canin, Whiskas and Banfield are billion dollar brands. The company sells its chocolate products under 29 brand names such as M&M's, Snickers, Dove, Galaxy, Mars, Milky Way, Twix, 3 Musketeers, Balisto, Bounty, Maltesers and Revels, among others. M&M's, Snickers, Dove/Galaxy, Mars/Milky Way and Twix are billion-dollar chocolate brands of the company. As per the industry sources, in 2016, Snickers, Milky Way, 3Musketeers and M&M's were ranked first, fifth, sixth and eighth, respectively, in the top 10 best-selling chocolate bars. The company's food segment comprises 13 brands that are available in more than 30 countries. Of those, Uncle Ben's is a billion-dollar global brand and is more than 70 years old. The Wrigley business offers products under various brands, among which, Wrigley's Spearmint, Juicy Fruit, Altoids, Life Savers and Doublemint have a long standing presence of more than 100 years. Mars' drinks business offers five brands such as Klix, Flavia, Alterra, The Bright Tea Co., and Dove. As a result of an extensive product portfolio and a strong brand portfolio, Mars holds leading positions globally. For instance, Mars Chocolate is among the leading chocolate manufacturers in the world. Mars Petcare is also one of the leading pet care providers globally.

The extensive product portfolio provides a diversified source of revenue for the company, while the strong brand portfolio lends better visibility and presence in all distribution channels and enables Mars to reach a large customer base. This in turn, increases its market penetration opportunities. Market leadership not only provides a competitive advantage, but also enhances the company's bargaining power.

Focus on developing and offering nutritious products

Mars has adopted various approaches in renovating its products for both consumers and their pets in recent years. For instance, in May 2017, Mars Chocolate North America and Wrigley US entered into collaboration with the Partnership for a Healthier America (PHA) and other industry players including Nestle, Lindt, Ferrara Candy and Ferrero, to increase healthier choices for families. As part of the collaboration, Mars Chocolate and Wrigley have committed more than US\$200 partner across industry to replace 'king size' with 'sharing size' offerings; to reduce half of all Mars Chocolate and Wrigley individually wrapped products to 200 calories or less by 2022; and educate consumers on candy as a treat, not an everyday snack or meal replacement. Earlier in February 2016, as part of its commitment to meet evolving consumer preferences, Mars announced its intent to remove all artificial colors from its human food products. At the end of 2015, more than 99% of its products contain less than 250 kilo calorie per portion of serving.

Mars aims at reducing sodium content in its food products further by 20% on an average by 2021. The company is also putting efforts to reduce the daily intake of added sugars by consumers to less than 10% of their total energy intake. To this end, it is planning to limit the added sugar content in certain Mars Food products by 2018. Between 2002 and 2010, the company removed 97% of trans fats from all its chocolate products globally. In view of offering enhanced pet safety and wellbeing, Mars has been adopting various strategic approaches. For instance, Mars Petcare business partners with WikiVet to improve knowledge on pet nutrition. WikiVet, used in over 200 veterinary schools worldwide, offers the veterinarian community, a virtual curriculum of reference materials and learning resources. Therefore, the company's focus on developing and offering nutritious products enables it to tap the growing health conscious customer, as well as to increase its market penetration in this sector.

Weakness

Product recalls hamper brand image

Mars has initiated product recalls during several instances in the recent past. In January 2018, Mars Ireland recalls a batch of Galaxy Milk Bars and Maltesers Fun Size Bags due to possible presence of salmonella. In June 2017, Mars Chocolate UK recalls a number of its chocolate products because of the possible presence of salmonella. The company chocolate brands Galaxy Milk, Galaxy Counters, Maltesers Teasers, Galaxy Minstrels 'Sweet Nights In' promotion. Mars Chocolate North America recalled certain varieties and limited dates of production of Combos Cheddar Cheese Pretzel, Combos Cheddar Cheese Cracker, Combos Pizzeria Pretzel, Combos Sweet and Salt Caramel Pretzel, Combos Pepperoni Cracker and Combos Buffalo Pretzel in June 2016. The recall was in response to its supplier's (Grain Craft) recall of certain lots of wheat flour that has the potential to contain low levels of peanut residue. Product recalls besides resulting in huge financial expenses, also affect consumer confidence on the company's products, thereby negatively impacting its brand image.

Opportunity

Growing confectionery market in US

Mars manufactures and distributes confectionery products in the US. The growing confectionery market is likely to provide new growth opportunities to the company by increasing the demand for its products. The demand for convenient snacks is leading to growth in the market for confectionery products in the US. Product innovations and creation of new low-fat and low-calorie products are contributing to the demand for sugar-free chocolates and non-chocolate confections. Promotional activities and social media marketing are the other driving factors in the market. Products in small sized packs and innovation with different formulations and new textures are also influencing the sales of confectionery products in the country. According to an in-house research report, the confectionery market in the US reached US\$36,410.2 million in 2016 and is projected to grow at a CAGR of 4.4% during 2016-21 to reach US\$45,241.1 million by the end of 2021. In terms of volume, the sales of confectionery products reached 2,782.9 million kg in 2016 and are projected to grow at a CAGR of 2.2% during 2016-21 to reach 3,109.6 million Kg in 2021. Chocolates accounted for the largest growth. In 2016, chocolates accounted for 56.6% of the total market value, followed by sugar confectionery (34.3%) and gum (9.1%).

Growing pet care industry

The company could benefit from the increase in pet industry spending in the US. According to in-house report, the US market for pet care products and services is expected to reach US\$70 billion by 2020. The major reasons for such market growth are increasing security purposes, pet ownership, overweight and health issues, and increase in discretionary spending. The number of households owning pet dogs has been increasing at significant rate. Therefore, a huge demand is expected for packaged and ready-to-eat food products in dry, wet and treat/snack forms that provide complete nutrition to pets. Mars is one of the world's largest pet food manufacturers. It markets a total of 41 brands, including five billion-dollar brands such as Pedigree, IAMS, Whiskas, Banfield and Royal Canin. The company's other key brands in the pet care business include Cesar, Sheba, Eukanuba and Temptations, among others. In September 2017, Mars completed the acquisition of VCA Inc., a provider of pet health care services in through 800 small

animal veterinary hospitals in the US and Canada. Following the acquisition, VCA will operate as a distinct and separate business within Mars Pet care, alongside its other veterinary services businesses, Banfield Pet Hospital, Bluepearl and Pet Partners. With its strong portfolio of brands, Mars is well positioned to tap the growing pet care market.

Strategic initiatives to strengthen business capabilities

Mars has adopted various strategic initiatives such as partnerships and investments in the recent past, which are expected to enhance its overall business capabilities. In February 2018, the company's DOVE Chocolate expanded its range of products with the launch of dusted almonds and cashews in market. In September 2017, the company acquired VCA Inc., a provider of pet health care services in the US and Canada. In January 2017, in order to strengthen its manufacturing capabilities within the US, Mars announced that it will invest \$900 million in its supply chain during 2016-17. This is in addition to \$1 billion that the company has already invested in its US manufacturing activities over the last five years. Strategic partnerships and acquisitions such as these help the company expand its operational capabilities. This in turn, provides huge scope of revenue generation for Mars.

Threat

Intense competition across product categories

Mars operates in a highly competitive confectionery industry and faces stiff competition from large retailers. In the pet food category, Mars competes with PetSmart, which offers its products under several brands. PetSmart also offers services like training, grooming, boarding, veterinary care and day camp for dogs. The company's product offering and services are not as diversified as PetSmart and this might act as a competitive disadvantage. In the confectionery category, Mars' major competitors include Mondelez International, Hershey, Nestle, SweetWorks and General Mills, among others. Some of these companies have diversified operations and leading positions worldwide. Mondelez International holds number one position globally in biscuits, chocolate and Candy and number two position in gum category. Thus, intense competition leads to pricing pressure and thereby adversely impacts the company's profitability.

Increase in labor wages in US

Increasing manpower costs may have a negative effect on the company's operating costs and adverse effect on its profits. The tight labor markets, government mandated increases in minimum wages and a higher proportion of full-time employees are resulting in an increase in labor costs. The federal minimum wage rate in the US, which remained at US\$5 per hour since 1997 reached US\$7.25 per hour in January 2018. From January 2018, 18 states and 20 cities, including New York City, Washington, D.C., and California announced to increase minimum wages to US\$12 and above. Arizona and California increased minimum wages by US\$0.5 per hour to US\$9.80 and US\$11 per hour respectively; and Alaska increased minimum wage by 0.04 to US\$9.8. Colorado, Florida, Hawaii, Maine and Michigan increased minimum wages to US\$10.2, US\$8.2, US\$10.1, US\$10 and US\$9.2 respectively. Moreover, New Jersey, Ohio, Washington and Rhode Island increased minimum wages to US\$8.6, US\$8.3, US\$11.5 and US\$10.1 respectively.

Compliance with government regulations

The company's operations are subjected to extensive regulation by the California State Department of Food and Agriculture, the Federal Trade Commission, the U.S. Food and Drug Administration, federal and state taxing authorities and other state and local authorities. The regulations by these authorities concern the tax regulations, food safety standards and the processing, packaging, storage, distribution and labeling of the company's products. The company's plants and products face steady inspection by federal, state and local authorities. Additionally, the company is subject to new or changed regulations, laws and accounting policies. If, the company's fails to follow or is not in a position to fulfill with such requirements it could be subjected to civil remedies, including injunctions, fines, recalls, or seizures, apart from potential criminal sanctions. Hence changing rules and regulations exposes the company to potential sanctions and compliance costs that could adversely affect the company's overall operations.

Copyright of Mars, Incorporated SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.