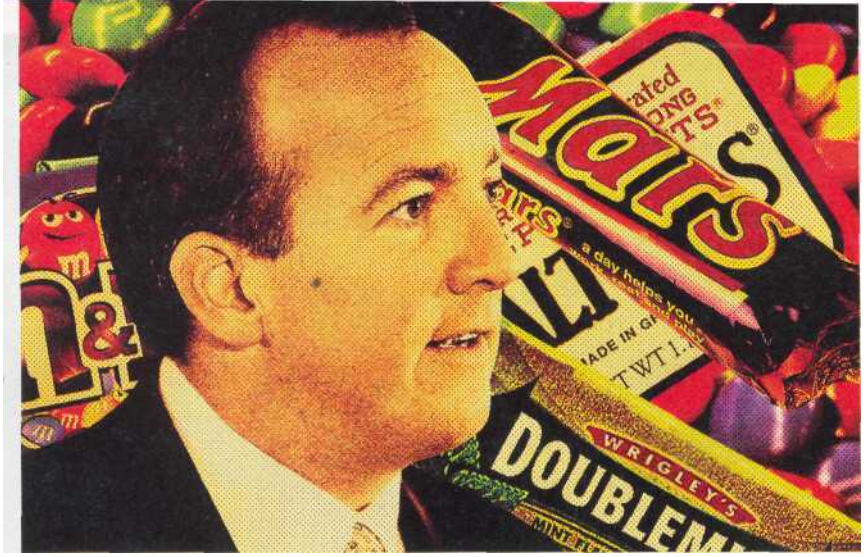


Under Wrigley, profits were up, but rival Cadbury has been gaining market share

A BITTERSWEET DEAL FOR WRIGLEY

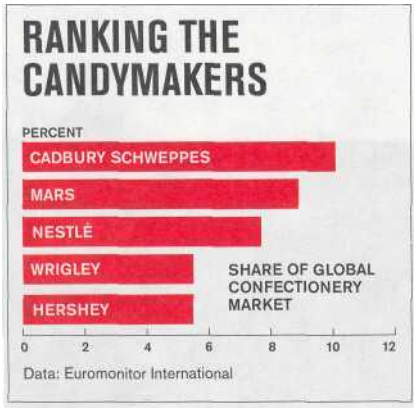
Selling the family business wasn't William Wrigley Jr.'s plan, but the Mars offer was too good to refuse

By Pallavi **Gogoi**

Ever since William Wrigley Jr. assumed leadership of the iconic company that bears his name in 1999 after the sudden death of his father, it has been one surprise after another. First, Wrigley remade the stodgy chewing gum maker into a broader confectionery manufacturer. Then in 2006 he ceded the top spot to William D. Perez, the first outsider to run the Wm. Wrigley Jr. Co. in its century-long history. But the biggest shocker came on Apr. 28 when Wrigley sold the company for $23 billion in cash to privately held Mars, the maker of M&M's and Snickers candies.

In many ways, Wrigley had little choice, given the unrelenting need for scale and global reach in this hotly contested corner of the food industry. A combined Mars-Wrigley entity will control 14.5% of the confectionery market and have a distribution network in 180 countries. The next closest competitor, British-based Cadbury Schweppes, has a 10% share. Another edge for Mars: In an otherwise glacial business, sales of chewing gum products are growing faster than chocolate and hard candy offerings. "The combined company will have a strong portfolio of well-established brands," says Irina Kazanchuk, an analyst at research firm Euromonitor International.

For Wrigley, however, the deal represents an outcome he hadn't envisioned at the start of the decade. The Wrigleys are one of Chicago's proudest business clans. The headquarters, with its gleaming white facade and distinctive towers, is a city landmark. The Cubs' legendary stadium also bears the family name. Now this tradition-soaked company will become a division within Mars, a unit at which Wrigley will stay on as executive chairman.



Things might have turned out differently if the company had managed to close a $12 billion deal to buy Hershey Foods back in 2002. (Hershey ultimately nixed the deal.) Without that, the transformative growth Wrigley sought has largely eluded him. Although the new in-house innovation center has churned out scores of products, sales have been weak in the highly competitive U.S. market. The company has also struggled to revive the Life Savers and Altoids brands it bought from Kraft Foods for $1.48 billion in 2005. Meanwhile, Cadbury Schweppes has swiped share in gum with new products, including Trident Splash with a liquid center. "Wrigley has been feeling the heat from Cadbury," says David Morris of research firm Mintel.

END OF A DYNASTY

So it would have been hard for Wrigley to spurn the $80-a-share offer he received on Apr. 11 from Mars CEO Paul S. Michaels. It represented a 28% premium over Wrigley's price at the time of the announcement a few weeks later. The purchase will be financed with $11 billion from Mars, $4.4 billion from Warren Buffett's Berkshire Hathaway, and $5.7 billion from Goldman Sachs.

Under Wrigley's watch, sales at the candymaker climbed to more than $5 billion from $2 billion in 1999—driven by snapping up competitors, stoking product development, and expanding globally. That's scarcely a shabby performance. However, a good bit of his legacy will now be tied to the sale of a business dynasty founded in 1891 by his great-grandfather. In a speech to Chicago business executives the day after announcing the sale of his company, the younger Wrigley spoke wistfully of the dilemmas facing a senior executive from a founding family. "It's a challenge because you always think of the generation before you," he said. "But you have to separate yourself from that to make the right decisions."

-With Judith Crown and Michael Arndt in Chicago

Fonte: Sport Business International, n. 134, p. 59, May. 2008.