Jerry Sullivan 00:01
This is Jerry Sullivan for 'Making an Impact with Michelson Philanthropies.' This edition has been recorded remotely in observance of social distancing. Please excuse any inconsistencies in the audio. Welcome, everyone. Today we’re going to have a conversation with Brett Yates, chief executive of the Michelson Found Animals Foundation. Brett provides a blend of experience with finance, nonprofit, and startup organizations, and now combined his passion for helping animals with expertise in strategic investments and program development. Brett spearheaded various pioneering MFA initiatives--MFA is Michelson Found Animals--including Leap Venture Studio, a good place for us to start. So let me welcome Brett.

Brett Yates 00:49
Thank you, Jerry, it's good to be here.

Jerry Sullivan 00:51
It's great to have you. And you know, I have to admit, I came to the subject of pets as a spur for innovation and industry, and I came to the subject of as a bit of a skeptic. I like animals as much as the next person, I suppose, and I'm aware of some big pet related retail chains that have grown in recent years. But I wondered about larger, more specific claims about the role of pet supplies and services in the marketplace. Then I watched the video of Leap Venture Studio's Bootcamp, and I started to think differently. Could you tell us about the organization and the concepts of the Bootcamp, please?

Brett Yates 01:27
Yeah, absolutely. This is an industry that has interested me for a lot of years. I grew up in a family where we had dogs that were treated as family members and traveled with us on a lot of our vacations. So it's not at all a surprise to me to see the sea change happen in this space, as everyone else started to do the same thing. That meant an increased amount of disposable income being spent on these family members. Inherently, that opens the doors for entrepreneurs to think about how to develop those markets and products and services. So as we were developing this program, it was very exciting to many of us with startup experience. And it was clear that a program like this was necessary to help companies bridge the gap from having a great idea to being able to make solid revenues with that company.
And now one of your partners in all this is Mars Petcare, which I'm not so sure many of the listeners would realize that Mars is in that area of business. But could you tell us a little bit about how do you forge a link with Mars Petcare and what the extent of that affiliation is?

Yeah, the pet care space is dominated by chocolatiers, actually. So it's the M&M Mars family, and it's the Nestle family. Mars is the larger of the two. And as we were starting to think about running an accelerator program ourselves, we happened to have a conversation with the Mars team sitting around a conference table, everyone said, Well, we should probably just partner instead of compete with each other. From that the partnership was born. This is one of the amazing partnerships, one of those that just feels good for everyone. It's a culture of mutual respect. And it's something that is fantastic. We got into it. And we also realized that we needed a third group to be able to run the operations of the accelerator program. And RGA was brought in as the third leg. They not only run the operations of the program, but they add an additional set of skills where they're an agency, and they provide a lot of additional skills.

And can you give us just a little background on RGA?

Yeah, RGA is a very large international agency that provides marketing services and develops brands for some of the largest names out there. Nike has been one of their clients for many, many years. And they just bring a level of professionalism and branding to the table that really any startup company can't afford. This is a very high end agency. And so being able to bring them into the loop is fantastic for all of these founders and startup companies.

Yes, indeed, I just have to follow up, the two chocolatiers that are the heavyweights in this aspect is that coincidence?

They both just got into the pet space, and they'd dabbled in it and realize that there was a huge opportunity. And it just kept growing and growing. Now the animal care for Mars is larger than the chocolatier side of it. And the same is true for Nestle.

That's an eye opener. Now, let's get to the Leap Venture Studio. It features a wide range of types of enterprises, making pitches and looking for support. What does that say about the growth of the pet sector? Or pet lifestyle, I guess? What does it say about that?

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You know, it's interesting, we're seeing people wait longer to have children. And in those years that they're waiting longer pets are becoming their children, and they treat them like their children. So pets are not going away from our culture. When we also couple that with the health, the mental, the physical, the emotional well being that comes with owning a pet, we see a lot of evidence out there that everyone would benefit from that. But as an accelerator program, I appreciate others jumping into the space. There's a ton of room in the pool, so I'm not ever worried about other people helping companies to start from scratch. It's really forced us into a position where we've had to open more bootcamp and startup accelerator programs. Really programs that help fund from the bottom and identify companies at an even earlier stage. So when there's an idea and somebody's standing at a whiteboard, we want to know about it. It's really pushed us even further into the space, which is great.

Jerry Sullivan 05:14
And how do you get the word out to prospective companies that might want to pitch you? Has word gotten around? Is there a lot of word of mouth?

Brett Yates 05:20
In this space, we're recruiting for our cohort five now of Leap Venture Studios. And I think if you're a startup, and you ask anyone in the pet space about what they should do as first steps, we're pretty much the go to. So I think the name is out there now. And we don't have to do a whole lot of recruiting at that point.

Jerry Sullivan 05:38
You know, all of this leads us to innovation, economic development, and those things tend to accompany standard features of our life, you know, we need to get around and so transportation systems are developed, and companies supply them. We want entertainment, so we learned how to make movies and market them and everything else. Where are we on the continuum of innovation and economic development when it comes to pets? I guess the growth is still fairly new, it seems like there's still a long way to go. So where are we?

Brett Yates 06:07
You know, it's an interesting inflection point in the industry, I think. When I first started here, the companies were pretty nascent, and they were still trying to figure out how to grow in this space. But I've seen a lot of M&A activity in this industry during the last few years. And I'm seeing a lot more sophisticated entrepreneurs. So the founders that we had in our first cohort were amazing, and they're still doing incredibly well. But the breadth and depth within the industry has really improved dramatically since we've been here. And I think what it really leads us to more than anything, is that I anticipate other industries to start to come into this and dip their toe in it, and see if it works and see if it's profitable, and see if they can make something happen of it. If that happens, then it's the same as any industry out there, that any big titan can step into it, develop a product and make some money at it.

Jerry Sullivan 06:59
The entrepreneurs that you work with that you engage through the various processes. What did you expect when you first engage them through Leap Venture Studio? And how did that match with what actually has gone on?

**Brett Yates 07:11**
Now, it's interesting in the animal welfare space that MFA also deals with, there's less of an entrepreneurial mentality. And so when I started with Leap Venture Studios, I thought it would be pretty much the same thing. But I've been around startups, and I've been around startup founders my entire career. And, you know, once you see one, you've seen them all. They think very differently. And I'm fortunate to be one of them. So I view things differently. When I see a problem, I want to fix it, and I come up with a solution that makes it work. And those are the kind of people that we have in the industry now. They're not people that are spending every minute of every day trying to save every animal, they're trying to come up with a solution so that they can put food on their table. And if in the process, they can save every animal, that's what they're after.

**Jerry Sullivan 07:57**
And that's that blend of doing well and doing good, I guess, or you have an opportunity to have those two aspects meet in this particular effort, huh?

**Brett Yates 08:05**
Yeah, that and I see a lot of not just social justice, but there's environmental impacts that we see with a lot of the founders. We've seen companies that are recycling goods, recycling products, recycling food, or I should say upcycling food, not recycling. But there's some really interesting products that come out of that whole continuum.

**Jerry Sullivan 08:24**
I noticed one of the entrepreneurs featured in one of the videos from the boot camp. His name was Adrian Archie. He mentioned he set up a franchise program for the brick and mortar end of his Pet in Mind stores. Now he noted that Latino, Asian, Black communities in the US represent the fastest growing segments of pet ownership. He also pointed out that franchise concepts like his offer a relatively low barrier of entry to a high growth market for diverse communities. Recent demographic data, which came out after I saw Mr. Archie speak, really backed up all of that, it is even increasingly moving in that direction which would seem to put him right on the money with the pitch he was making. Would you expect those trends to continue and the population numbers to be reflected in actual business sales growth?

**Brett Yates 09:13**
Yeah, I do. I have to first off say that Adrian is amazing. He's one of those founders that we just would love to replicate and model and put him into a bunch of different businesses. He's aggressive, he's smart. He's built a great team around him that I expect to see great work out of going forward. But to your question, he's absolutely right, that the communities that have been represented in startup companies within the animal sphere, have not been representative of the total population of the US. And I love to see that he's aggressively going after that and trying to change it. We have a long ways to
go to achieve parody on that. But I love the trend, at least. I'm seeing that among pet owners, that the percentage of Caucasians that own pets is staying fairly static. The percentage of people that are Hispanic or African American that are owning pets is going up dramatically. So almost all of the increase in this pet space is coming from people of color and other communities outside of the Caucasian community. And it's finally starting to represent what America is. But I love to see that. And, you know, as an accelerator program, that's one of our key foundations, is where we're recognizing female founders, we're recognizing people of color as founders. And when you compare our portfolio to others, it really blows you away how many founders we have been able to find, that are female founders, that are people of color that are founders. So I think that's really great that we can continue that process. And I really see Adrian on a great line here. Franchise operations are a great way for many people to start a business. If anyone has dollars that they would like to invest in a company and start their own, I think Pet in Mind is one of those wonderful opportunities. We've seen other companies come through our bootcamp and through our academy, that are also franchise operations. So they're out there and in the pet space, they're really good opportunities.

Jerry Sullivan  11:07
And with all that said, Leap Venture Studio, that aspect of the Michelson Found Animals is fairly new. Tell us about how you measure its progress. And how do you determine what success looks like.

Brett Yates 11:21
It's interesting for any accelerator program, and for any venture capital type of portfolio, what you're looking for is making money. You want to be able to put money in, have something explode and go great and sell it for 10x of what you put into it. That's never been the motivation, the primary motivation for Mars or for MFA. We came at it from a very different standpoint. What we were seeing in the space, when we started this was that companies were having a really hard time getting from whiteboard to starting to have revenue, and then to actually having revenue where they can be venture backable. And that gap right there, that sprint right there, so many companies were dying off. So our motivation has always been, let's help the companies get from here to there. Let's help them cover that sprint, cross that chasm, whatever analogy you want to use. But in that process, in the end, when those companies sell for 10x, we do fantastically well. But I think we come at it from a very different approach. I want to help that founder, I want to help that person to build their company and to do the right thing. And most accelerator programs in most industries are about finding that star, promoting that star and selling for 10x. So it's nice to be on the side of it.

Jerry Sullivan  12:35
Well, let me wrap up here. You know, we've talked about doing well by doing good and trying to find that balance and everything else, I suppose the ideal situation for you would be a startup mind who happens to love pets. Now there also could be a startup mind who sees pets as an opportunity. Or I suppose you could have somebody who loves pets and wants to get into the startup space. Is there a better or worse combination? Or if you are on either side of that, could you give somebody some advice?

Brett Yates 13:06

Transcribed by https://otter.ai
Yeah, it's interesting, I'm seeing all three of those that you just came up with, you know. There are the pet lovers that will do anything, because they have this cool idea. And they may not have the business acumen to go that distance. So that's a place that we can definitely help with this accelerator program. I'm also seeing some new entrants into the industry, where there are people that have come from Silicon Valley, they've made their money with whatever large company that they've been with. And they have this cool idea to get into the pet environment. And they're doing quite well. They're raising money incredibly well. And they're already beyond what Leap Venture Studio can do. But to your earlier question, I think that's exactly what makes the industry something that's really powerful is when you have all three of those kinds of founders, and they're competing against one another, you get those crazy ideas. And that may be the next big thing, versus someone that came in with a set game plan and they're gonna march through and make money at it. You know, it thrills me to be able to sit in this process and just watch these companies go at it, and to be able to help the ones that should be winning win.

**Jerry Sullivan 14:13**
That's great. And why don't we close with you letting everybody know how someone could find out more about your organization?

**Brett Yates 14:20**
Yeah, if they want to come to our website, it's foundanimals.org. And you can find out all kinds of information on the programs that we run including Leap Venture Studio, and a lot of the good that we're doing for pets out in the environment.

**Jerry Sullivan 14:33**
While Brad Yates chief for the Michelson Found Animals Foundation, I thank you very much for your time and your insights.

**Brett Yates 14:40**
Thank you very much, Jerry.

**Jerry Sullivan 14:42**
This has been 'Making an Impact with Michelson Philanthropies.' For more information, visit michelsonphilanthropies.org. That's Michelson spelled M I C H E L S O N.