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Holy Grail

Rayovac's
**David
Jones**
is charged up



Charged Up!

By Tom Barry

The highly charged David Jones leads Rayovac to Atlanta and circuitous global growth.

David A. Jones gives a wry little chuckle when told that associates describe him as competitive, as in hyper-competitive. It's a you-are-what-you-are, what-can-I-say? reaction.

"I guess I get it from my father, who was a baseball player in the Boston Red Sox organization," says the chairman and CEO of Rayovac Corporation. "Then again, my whole family — my wife included — is extremely competitive, whether it's playing ping pong or winning in business." Growing up in a small town in Kentucky, Jones played every sport imaginable. The scoreboard now has "Rayovac" on the cover, and just as in sports, the statistics tell much of the story.

When Jones took over Madison, WI-based Rayovac in 1996, it was a 90-year-old, family-run, relatively sleepy battery company with \$400 million in

annual sales. Less than 10 percent of business was abroad, mostly in the United Kingdom.

Eight years later, Rayovac is a diversifying public company (NYSE: ROV) with annual revenue approaching \$1.4 billion, roughly 60 percent of it generated beyond North America. Rayovac also has a new corporate headquarters — Atlanta. As of May, home is the 33rd (top) floor of Concourse Corporate Center Six, the landmark "King" tower near I-285 and Georgia Highway 400.

Sleepy Rayovac ain't. But in a real sense, the company is only beginning to hit its stride under Jones. Boosted by acquisitions, revenue is up 50 percent this year, and today's intake will fall well short of tomorrow's, if Jones has his way.

"Over the next three to five years, we plan to double our size and reach \$3 billion in revenue, both through acquisitions and organic growth," says the 54-year-old Jones. "In the next year

or so we plan to make another large acquisition, as we move to diversify this company more and more.”

Corporate restorations have been Jones’ schtick over a long career in consumer products that began with General Electric, and there’s little doubt he’s added considerable voltage to Rayovac’s batteries.

“In 1996, we were selling products in only 37,000 stores in North America,” he says. “Rayovac was principally a North American business. Now we sell in over 1 million stores in 115 countries, and

we’ve forged relationships with the biggest and fastest-growing retailers in the world.”

Rayoc’s leap unto the global stage explains why it picked Atlanta for its new corporate headquarters, after considering several cities along the Eastern Seaboard. Executives needed easier access to cities — both foreign and domestic — than they had in relatively isolated Madison. As it often is, Hartsfield-Jackson Atlanta International Airport was Atlanta’s trump card.

“Basically, we had to have more convenient access to Europe and South America,” says Rayovac President and COO Kent Hussey. “We also spend a lot of time traveling to Boston and New York, calling on the investment community, so access to those cities is important as well.”

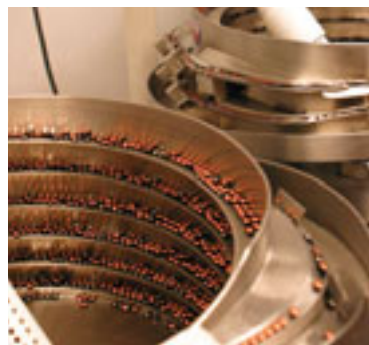
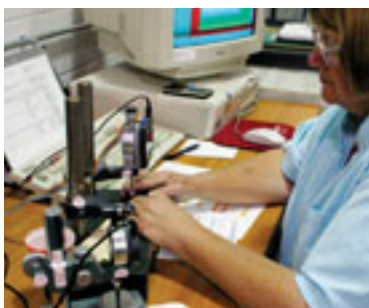
Rayovac officials also were looking for a city “with a trained work force, especially people with corporate and international business experience,” Hussey says.

“It would be hard to find a better environment than the pro-business climate in Atlanta,” Jones adds. “Politicians and government here are very much behind business.

“Atlanta has the support services, too, everything from legal to accounting to banking to marketing,” he says. “Being here also means we have a great ability to attract new talent. No matter what the discipline is, there’s a wealth of viable talent out there.”

Rayovac is the second large corporation to move to Atlanta in the past year, Newell Rubbermaid being the other. From 1990 to 2000, Atlanta was the fourth fastest-growing headquarters destination in the U.S., reports a study by the Chicago Federal Reserve. The region is now home to more than 1,100 corporate headquarters or large-scale divisional headquarters.

North American headquarters in Madison, WI, and workers at the Portage, WI, plant.



“Atlanta has become a magnet for corporations,” says Metro Atlanta Chamber of Commerce President Sam Williams. “The airport and our Southeast location are critical competitive advantages. The city’s reputation gets an immediate and significant boost whenever we attract a new corporation.”

While Rayovac has about 7,000 employees worldwide, only 25 or so will staff the Atlanta office. North American headquarters will remain in Madison. European operations will continue to be run out of Frankfurt, Germany, and Latin America out of Boca Raton, FL. Atlanta essentially will serve as a strategic think tank for the company.

“The move allows us to take a very small group of people and focus on growing the business,” Jones says. “We’ll develop strategy here — such as how to provide the financial resources for more acquisitions — rather than meddle in day-to-day operations.”

Diversification is central to the strategy. Battery sales — powered by consumer love of modern gadgetry — make up 62 percent of current revenue, a figure Jones expects to drop to around 33 percent as the company acquires other consumer product lines.

A major step was taken in September 2003, when Rayovac acquired Remington Products Company, the well-known electric shaver/personal care products business.

“It was an extremely good first diversification move,” Jones says. “We acquired both a great brand name and a company with good momentum. Remington is growing by over 20 percent a year. I see it as our fastest-growing product line over the next few years.”

Remington followed the October 2002 acquisition of Varta AG, a Hannover, Germany, global consumer battery company. With Varta, sales in Rayovac’s European/Rest of World division totaled \$421.1 million in 2003, topping North America (\$376 million) and Latin America (\$125 million).



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This past February, Rayovac announced the acquisition of Microlite S.A., a Brazilian battery firm. Rayovac recently finalized the 85 percent acquisition of Ningbo Baowang Battery Company of Ninghai, China.

“The China acquisition is critical because it gives us a beachhead for moving into the Far East,” says Jones. “Our strategy is to move all three of our major brands — Rayovac, Varta and Remington — over there.”

Integrating operations, meanwhile, has led to greater efficiencies. Merging Rayovac and Varta operations reduced operating costs by more than \$40 million, according to Rayovac’s 2003 annual report. Melding Remington into the mix eliminated 500 jobs from the combined



The Dixon, IL, packaging and distribution center opened in May 2003.

operations and saved \$30 million to \$35 million in annual costs, Rayovac announced earlier this year.

The game plan also entails hanging the Rayovac hat on major retailers worldwide, taking advantage of its expanding reach to spur sales. Rayovac officials expect the strategy to resonate as the company moves into diverse product lines.

“Many businesses say they’re international because they have a certain percentage of sales outside the U.S.,” Jones says. “But it’s not just selling with us. We have manufacturing facilities and distribution channels abroad, as well as the local expertise on the ground to take advantage of various markets. There are very few \$1 billion to \$2 billion companies in the world that have the global infrastructure that we do.”

Rayovac now ranks third in North American battery sales behind Energizer

and Duracell, trails only Duracell in Europe and tops the Latin American market. The company does business with almost all of the world’s largest 25 retailers, including leader Wal-Mart, which currently accounts for 17 percent of Rayovac sales.

“Most of those large retailers are outside the U.S.,” Jones says. “We’re heavily focused on mass channels, the Wal-Marts of the world. As their business grows, so will ours. Our business model is to find product categories that sell to their distribution channels.

“To do that, you have to have a logistics system that is truly global,” says Jones, adding that Rayovac has invested heavily in technology to put such infrastructure in place. “We have to be able to go anywhere those retailers choose to go.

A good example is (Paris-based) Carrefour, which already has 300 stores in China. We have to have the capability to deliver what Carrefour needs in that country.”

Jones pauses. “It’s almost, ‘Be careful what you ask for,’” he says. “If you want to do business with global companies, you have to have the wherewithal and the willingness. But Rayovac has a very strong balance sheet. We generate significant cash flow, which is the true measure of financial health.”

Yin and yang. Associates say Jones possesses a deft managerial touch to go with that competitive drive.

“David is extremely bright and very engaging,” says Scott Schoen, senior managing director of Thomas H. Lee Partners, the Boston-based private equity firm that acquired Rayovac in 1996, then took it public the following year.

“He has a broad strategic vision of where he wants to take a company as well as the willingness to attract and

retain strong people to work under him,” Schoen says. “A number of the senior executives we brought into Rayovac were people who had worked with him before.

“Most are still there because he gives them room to run,” Schoen says. “David isn’t a guy who has to do it all himself. And he has wonderful people skills. He’s adept at getting the rank-and-file enthusiastic about the direction he’s taking the company.”

Rayovac is run on a consensus basis, Hussey says. “Most good leaders find the best people and give them autonomy, which is how David operates. We have a senior management team that discusses issues and reaches a consensus. Then we go out and execute the plan.”

Indeed, Jones describes the corporate culture as resting on entrepreneurship and empowerment.

“Those words are often used but seldom practiced,” he says. “Our incentive programs, for example, are based on growing EPS and cash flow. As a public company, we’re extremely focused on earnings growth. And strong cash flow allows us to make the investments we need to make to become a better company.”

General Electric was the training ground for Jones, following his graduation from Spaulding University in Louisville. His first job was supervising an assembly line.

“GE is the best training ground in the world,” says Jones. “They trained me so well that I had to leave the company at a young age and go do the things I was trained to do.” Another wry chuckle ensues.

Jones rose quickly, serving as executive vice president of the Electrolux Corporation and then in 1989 taking the CEO reins of The Regina Company, another vacuum cleaner manufacturer. In the mid-1990s, Thomas H. Lee Partners recruited him to become CEO of Thermoscan, a consumer medical devices company the buyout firm had just acquired.

“Thermoscan was a healthy company that was experiencing rapid growth,” says Schoen. “It needed strong management. David rebuilt the management team, and the company performed just wonderfully. We usually hold an investment for four or five years, but we wound up doubling our money in about a year.”

Thomas H. Lee brought in Jones to assist with the due-diligence in its 1996 acquisition of Rayovac. Jones ended up being named Rayovac’s new CEO and chairman.

“The plan was to turn the company around by aggressively growing it, taking it public and building it out on a much more global platform,” Schoen says.



One word could sum up Jones' initial assessment of Rayovac: potential.

"Rayovac had fantastic technology and excellent manufacturing capability, but it was principally a battery company," he says. "It lacked great branding and good marketing. It also didn't have a large enough distribution system, sold to too narrow of a customer base and had little global business.

"But all that was attractive to us," says Jones. "They were things we could fix by bringing in the right people. We could turn negatives into positives. The company's assets just weren't being exploited."

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Rayovac's IPO came in late 1997 (at \$14 a share), 91 years after its Madison founding as the French Battery Company. Lately, investors have been taking a liking to the company. In late spring, Rayovac stock (NYSE: ROV) was trading at a five-year high of around \$28.

Mark Kaufman was Thermoscan's lawyer in the mid-1990s, when Jones was brought in as CEO.

"David is smart, charismatic and a great strategic thinker," says Kaufman, today a partner in Sutherland Asbill & Brennan LLP in Atlanta. "I'd say that's a pretty good combination."

Kaufman has worked with Rayovac on acquisitions. The C word crops up again.

"He's a very competitive person," Kaufman says. "David doesn't take no for an answer, and he'll do whatever is needed to get the job done. He's that competitive on the golf course, too."

Likely few folks in tiny Barbourville, KY, thought Jones would mature into a

strategic thinker of any kind, especially if the task at hand didn't involve a bat, ball, tennis shoes or cleats.

"I go back there occasionally," says Jones. "People say they can't believe I succeeded because of my brain. About all I ever did back then was play sports."

He laughs. "My philosophy is to find the right people to fix whatever is wrong and then get out of their way," he says. "I'm like an orchestra leader. I can lead the orchestra, but I'm not particularly good at playing any of the instruments. What I have is an extremely good management team that can implement the vision."

Jones is no stranger to Atlanta, having maintained a home here since the late 1980s. His wife, Donna, a Tennessee native, also has strong Southern ties.

"I was involved in so many different businesses in different areas of the country that we kept Atlanta as a home base to raise our children (now ages 23 to 31)," Jones says. "They went to high school here (Marist). Ask them where's home, and they'll say Atlanta."

Jones spends about 60 percent of his time on the road, much of it outside the United States, which will limit his involvement in the local business community.

"I'll be involved as much as I can, but our company will be very involved," he says. "Like everything else we do, we'll divide it up. Our senior people will participate in most of the important activities taking place here."

Jones says the public perception of Rayovac still lags reality. Some folks continue to regard it as that sleepy little battery company in the old college town of Madison. "But that perception is changing significantly," he says. "Investors are starting to notice what we're doing."

Behind it all is some old-fashioned American competitiveness, now transplanted in a city that thrives on competition.

"If something is worth doing, it's worth doing right," says Jones. "If it's worth doing right, it's worth winning." **BtoB**