



CYNTHIA A. MONTGOMERY

## Newell Company: Corporate Strategy

Among the many acquisitions that CEO John McDonough oversaw for Newell Company during 1998, two exemplify particularly important strategic steps for this broad-range manufacturer of basic home and hardware products. The first was the acquisition of Calphalon, a privately held manufacturer of anodized aluminum cookware. Calphalon broadened Newell's access to the department and specialty store markets and extended the company's cookware product line to the top of the market. The second was the acquisition of Rubbermaid, a manufacturer of plastic consumer and commercial products with revenue of \$2.4 billion versus Newell's \$3.2 billion. The new company would be known as NewellRubbermaid and would have a greater global presence and a broader product offering than Newell alone.

McDonough viewed these acquisitions as part of the next phase of developing Newell's strategy, making a "course correction," as he called it. In the face of the increasing market power of Newell's primary customers, the volume retailers, McDonough saw a need to develop or buy stronger brands. Both Rubbermaid and Calphalon brought strong brand names to Newell. In addition, McDonough felt that the company had to continue to grow. Pointing to research that showed companies with over \$10 billion in market capitalization commanded higher price/earnings multiples, he believed that it was critical for Newell to reach this level of capitalization. As he said at the 1997 Annual Meeting, "We [Newell] are not big enough to get attention." With the Rubbermaid acquisition Newell's market value would cross the \$10 billion threshold.

### The Roots of Strategy

Edgar A. Newell bought the assets of a bankrupt manufacturer of brass curtain rods in 1902. At the time, Americans were just beginning to move out of cities to the first suburbs, where people sought homes with extensive windows—both to let light in and to enjoy suburban views. Newell's product—brass extension curtain rods—met with steadily increasing demand from the start.<sup>1</sup>

Newell began by selling its product to small hardware stores, industrial builders, and specialty retailers. As early as 1917, Newell became a regular supplier to the then rapidly growing chain of Woolworth stores, gaining national distribution and a solid reputation among national chain stores.

In 1921, Leonard Ferguson began his career at Newell, achieving the status of full partner and owner in 1937. After receiving his MBA from Stanford in 1950, Leonard's son Daniel joined the

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<sup>1</sup>William R. Cuthbert, *Newell Companies: A Corporate History*, 1983.

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company and became CEO in 1965. At that time, Newell had revenues of approximately \$10 million, a limited product range based on curtain rods, and no articulated strategy for the future. Dan Ferguson's first task was to get control of Newell's drapery rod business. The business had been guided by what was essentially a product-line strategy, selling drapery hardware to all channels—including motels, department stores, and in Europe—but lacking anything to differentiate its product. In an effort to overcome this problem, Newell acquired a small window-shade manufacturer in 1966.

About this time, Dan Ferguson attended a Young Presidents' Organization meeting where he heard Stanford Professor Bob Katz deliver a speech on strategy. Katz's ideas resonated, but they slipped to the back of Ferguson's mind until months later, when he chanced to meet Katz on a plane. As they talked, Ferguson began to develop a "build on what we do best" philosophy.<sup>2</sup> Already selling extensively to Woolworth's and to Kresge (later Kmart), Ferguson foresaw the trend toward consolidation in the retail business and envisioned a role for Newell: "We realized we knew how to make a high-volume/low-cost product and we knew how to relate to and sell to a large retail institution—the large mass retailer."<sup>3</sup>

In July of 1967, Ferguson wrote out his strategy for Newell (**Exhibit 1**), identifying its focus as the market for hardware and do-it-yourself (DIY) products to volume merchandisers. In 1969 the company made its first non-drapery hardware acquisition with Mirra-Cote bath hardware. This added a new product line to the Newell family and opened up a relationship with Zayre, a discount retailer that carried Mirra-Cote's products. In making the acquisition, Newell hoped it would be possible to leverage the Zayre relationship to sell other items as well.

Newell went public in 1972, diluting what remained of the Newell family ownership. Ferguson recalled the decision to go public as one that had to be made "100 percent," putting as much stock as possible up for sale to the public. Access to the capital markets permitted Newell to begin aggressively adding new products by acquisition.

Newell thrived by following a disciplined and aggressive two-pronged strategy, acquiring more than 30 major businesses in the next 20 years (**Exhibits 2 and 3**). To implement the strategy, Newell acquired companies that manufactured low-technology, nonseasonal, noncyclical, nonfashionable products that volume retailers would keep on the shelves year in and year out. Typically these firms were underperforming due to high costs, and most had operating margins of less than 10%. After acquisition, the companies were put through a process of streamlining, focusing on operational efficiency and profitability. This was widely known as "Newellization." Since the businesses shared a fundamental similarity, Newell believed that it could quickly compare their income statements to its own, recognize where fundamentals of the cost structures were misaligned, and reduce costs accordingly. The aim of these changes was to raise operating margins above the 15% minimum Newell expected from each of its businesses.

As Newell assembled a multiproduct offering, it originally adhered to a strategy of consolidation and centralization in order to achieve efficiencies. For example, the firm had a functional rather than a divisional organization and used a single sales force to sell all of its products.

Over time, however, Newell underwent a major organizational transformation. The system of centralized marketing proved not to be an effective approach to selling a variety of products, and the company was reorganized into separate divisions. Each division was individually responsible for

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<sup>2</sup>Personal interview with William Sovey, April 23, 1993.

<sup>3</sup>Don Longo, "Ferguson Guides Newell to the Top . . .," *Discount Store News*, vol. 28, no. 18, September 25, 1989, p. 82.

manufacturing and marketing but was centrally controlled by corporate-run administrative, legal, and treasury systems.

By 1997, the Newell Company had revenues of \$3.23 billion (**Exhibit 4**). It distributed a variety of consumer products primarily to mass merchandisers, such as Wal-Mart; office superstores, such as Staples; and home centers, such as Home Depot. That year, Newell's top 10 customers accounted for approximately 40% of its sales volume (**Exhibit 5**). Wal-Mart alone represented 15% of total sales. In addition to drapery hardware, blinds, and shades, Newell products included "do-it-yourself" hardware products, such as torches and paint brushes; home storage products, such as wire shelving; writing instruments and markers; cookware; specialty glass; hair accessories; office storage products; office organization products; and picture frames (**Exhibit 6**).

The company's results have been impressive: through 1997 Newell had a 10-year average return to investors of 31% versus an 18% yearly average for the S&P 500.

## The Elements of Strategy

### *Growth by Acquisition*

*Profit growth, not sales growth.*

—Newell Annual Report, 1987

CEO John McDonough had the main responsibility for the strategic direction of the company and corporate business development. He looked for acquisitions that would add value to Newell's already powerful multiproduct offering and make Newell a more important supplier for the world's largest retailers. From the corporate headquarters—a small farmhouse on the border of Illinois and Wisconsin—McDonough maintained a stringent approach: redirect acquired businesses to focus on their core product, and align them with Newell's systems and processes.

Company president and chief operating officer Tom Ferguson (no relation to Dan Ferguson) said, "Anyone can talk about acquisitions and write the check, but to make it work is a different story."<sup>4</sup> Dan Ferguson, who remained on the board of directors after his retirement from active management, described the process of integrating new companies in the following terms: "2+2 do not equal 4. If we do this right, we get *more* than 4."

Beginning immediately after a new acquisition, "Newellization" usually took place in less than 18 months, and often in less than 6 months—typically under the leadership of a president and controller brought in by Newell from elsewhere in the company. In that time, three categories of standard Newell systems were introduced: an integrated financial system, a sales and order processing system, and a flexible manufacturing system. Corporate teams, composed of a few company executives, were assembled to centralize administration, accounting, and customer-related financial aspects, consolidating the systems into a single corporate computer system in Freeport, Illinois.

A good example of the Newellization process was the purchase of Anchor Hocking, a manufacturer of glassware and cabinet hardware, in 1987. Although Anchor Hocking had sales of \$757 million in 1986, compared with Newell's \$350 million, Newell targeted it for takeover on the basis of its own vastly stronger profit performance. At the time, Newell was enjoying an 11% profit margin, compared with Anchor's 0.5% margin. Newell management dismissed high-level Anchor

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<sup>4</sup> Company interviews, January 7, 1999.

executives, including the chairman; reduced the total number of employees from 10,400 to about 9,000; and closed one of three glass factories and the company's 25 retail stores. They also slashed excess inventory and eliminated 40% of Anchor's glass product lines by year end, saving \$32.4 million in costs. An additional \$12 million was saved by centralizing Anchor Hocking's administrative, financial, and computer functions under one roof at Newell's administrative headquarters in Freeport. Finally, Newell reduced the average length of time needed to fill a customer order from 18 to 7 days.

Attractive acquisition targets were companies that manufactured brand-name staple products that ranked #1 or #2 in market share. Management believed that such products would have the requisite amount of shelf space to be important to the retailer. As one Newell executive noted, "The most important asset in a new acquisition is its shelf space."

The company also acquired small businesses to round out its existing product lines and consolidate industry capacity. The goal, however, was efficiency rather than pricing power, as the most powerful customers could put a competitor back into business as a counterweight to a strong supplier. Market rationalization was also a benefit to Newell, because as company president Tom Ferguson noted, "Our worst competitor is one who's sick. That competitor will do anything for cash flow, and it will destroy the market."

Newell exited any business it deemed nonstrategic, even divesting businesses with healthy profit margins if they were ill-suited to the company's main focus. Home sewing products, for example, had seemed to fit Newell criteria. The Wm. E. Wright company, a manufacturer of ribbons and home sewing products acquired in 1985, had solid sales and profit performance. But the market for home sewing was moving to small independent retailers, and the business dwindled out of mass retail channels. Newell sold Wm. E. Wright in 1989, preferring to focus the company's resources on businesses that better contributed to Newell by making it "more important to the mass retail customer." Dan Ferguson explained: "Back when we had four companies, adding a new one was a big deal. Now adding one more . . . is not necessarily going to increase our power. We have to look for a company that is powerful enough in itself to add something to the package."<sup>5</sup>

Until the early 1990s Newell's growth strategy was confined almost exclusively to the domestic market. Beginning in 1994 with the acquisition of Corning's housewares business in Europe, the Middle East, and Africa, the company entered foreign markets. By 1997 non-U.S. sales were 17% of Newell's total revenue. The following year the company acquired Rotring, a German manufacturer of writing instruments; Panex, a cookware manufacturer in Brazil; and two European manufacturers of window treatments—Gardinia and Swish. The combination with Rubbermaid would bring international sales to 25% of the total.<sup>6</sup> Globalization was part of the company's vision, and Newell was committed to following its customers overseas. In a speech to management,<sup>7</sup> McDonough noted that Newell's customers were becoming global. For example, Wal-Mart had acquired 95 stores in Germany, which it planned to operate like its U.S. stores. As U.S. retailers became global competitors, Newell wanted to be ready to serve them as a global supplier.

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<sup>5</sup>Daniel Ferguson, *personal interview*, January 28, 1994.

<sup>6</sup>Robert W. Baird & Co., investor presentation, February 1999.

<sup>7</sup>Management meetings, February 1999.

### *Serving the Mass Retailer*

Beginning in the 1970s, the nature of the U.S. retail industry changed with the emergence of large-scale mass retailers, whose size gave them considerable power over their suppliers. By 1992, for example, three chains controlled roughly 70% of the discount retailer market, and by 1997 the same three controlled 80%. At the forefront of this new retail environment was Wal-Mart, whose \$118 billion in sales was four times as large as Kmart, the next largest mass merchandiser, and more than twice as large as the largest department store, Sears (**Exhibit 7**).<sup>8</sup> Wal-Mart not only had the influence to dictate the kind and quantity of merchandise shipped to its stores, it also had considerable leverage over price and scheduling, threatening to introduce a competitor to some stores as a way of pressuring suppliers. As a result, manufacturers were forced to respond with greater efficiencies in their warehouse and distribution systems, paring down inventory and eliminating error. As one small manufacturer put it, "They take your guts out."<sup>9</sup>

Many mass retailers relied on information technology as the foundation of their business. As one observer noted: "The power retailers have figured out a way of converting raw data into insight."<sup>10</sup> As a supplier, Newell had invested heavily in the necessary computer and communications hardware to match its customers' demands. Newell's top 20 customers placed 90% of their orders through Electronic Data Interchange (EDI) — the company's sophisticated electronic management system for transmitting purchase orders, invoices, and payments to and from its retail partners across the country. Orders and data sent from customers to the company's central computer in Freeport, Illinois, were processed and then downloaded to all the divisions. The divisions used this data to schedule their own production and deliveries, allowing retailers to maintain minimal stock levels in line with actual sales. Said Tom Ferguson: "The company is built on a solid base of performance. By performance, I mean shipping goods, getting them on the counter, and keeping the hooks full. That's the name of the game." Generally speaking, retailers needed this service on a national basis.

As technology improved over time, the top three mass merchandisers along with many others began providing Newell with nightly point-of-sale data on every product sold the previous day. These retailers expected suppliers to use this data to plan manufacturing and shipping schedules in order to reduce inventory. By 1998 some began to use a system known as "cross-docking." This was a means for retailers such as Wal-Mart to eliminate inventory other than at the store level. Suppliers were required to ship to the company's central warehouse where an automated system distributed the delivery directly from the loading dock to trucks going to the individual stores. This system required on-time delivery of the correct order, as there was no inventory buffer with which to complete an order. If the shipment was not on time, there was no second chance—the trucks to the stores were gone. Claiming that unfilled orders were lost sales, some retailers began charging suppliers the gross profit (or full margin) on missed shipments. Often, these charges were deducted from payments automatically and were nonnegotiable.

To address these pressures, Newell focused each division on a single goal: furnishing product and service to mass retailers. Each division was to place primary emphasis on its own profit performance, in the belief that this would force the division to provide superior customer service. In the 1970s, the industry average for first-pass line-fill (the measure of stock available when an order was received) was 80%. Newell's goal at the time was to keep its customers at 95% line-fill and 95% on-time delivery. As improvements later pushed the industry average higher, Newell's standard rose to nearly 100%.

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<sup>8</sup> "Top 100 Retailers:1-25," *Chain Store Age State of the Industry Supplement*, August 1998, p. 3Aff.

<sup>9</sup> "Clout! More and More, Retail Giants Rule the Marketplace," *Business Week*, December 21, 1992, p. 67.

<sup>10</sup> *Ibid.*

Newell vied to be the “no problem” supplier in the industry. As one executive noted, a frequently asked question in the industry was “Do you ship as well as Newell?” While the company enjoyed a solid reputation for its service, sub-par performance by a newly acquired business could easily damage that reputation. As Dan Ferguson observed, “The retailer knows Newell by our worst performer, so we can’t afford to have one dog in the show.”<sup>11</sup> The key was to get the service level in new acquisitions up to Newell’s standards as quickly as possible; to that end, the company was willing to carry larger inventories immediately following an acquisition.

Consistent with its high service level, Newell’s pricing was not the lowest in the industry. Rather, it designed its products to fit a certain price point and then delivered consistently, in both product and service quality. In the late 1980s marketing representatives came prepared to show the customer the company’s “report card” on several dimensions of service quality as evidence of a product’s value, even if prices reflected an apparent 5% to 10% premium. By 1998 Wal-Mart had developed its own version of the “report card” which it used with all suppliers.

Despite its size and the breadth of products it sold to the mass retailers, Newell maintained distinct identities across its 21 separate divisions (**Exhibit 8**). The retailer therefore dealt with separate sales teams for each Newell product-line it carried, although Wal-Mart, for example, may have preferred to deal with a single contact.

## The Corporate Role

*Like everything else we do to market to the mass retailer, the more they see us as an effective partner, the better the edge we have when a certain product comes up for review.*<sup>12</sup>

Newell maintained centralized administration at the corporate level, making it clear that basic functions—legal and tax issues, benefits, EDI, credit and collection, and financial control systems—would be their responsibility. The corporate charge to the divisions was 2% of sales. Top financial responsibilities were divided between two corporate executives: the Vice President-Finance, who focused on outside asset and liability management, and the Senior Vice President, Corporate Controller, who focused on internal operations. Both positions reported directly to the company president, who in turn reported to the CEO. Separate divisions reported to group presidents, one level below the company president.

Acquisitions were pursued at the corporate level, on the understanding that the various divisions were not to be distracted from their core function: generating profit. Total corporate staff was 375, with about 360 in the administrative headquarters in Freeport and 15 at the corporate headquarters in Beloit. Most of the top management team had been with the company for more than 15 years.

The divisions were to handle design, manufacturing, marketing, sales, and service, as well as merchandising to the customer. Management stressed the goal of creating lean, efficient contributors to the Newell strategy: “If you have an opportunity to make a product line into a profit unit, the smaller you can make that unit, the more entrepreneurial drive you have.”<sup>13</sup> Although Newell encouraged its new businesses to pursue growth, Newell would not permit a division to redefine itself. Each business unit adhered to a specific and disciplined strategy, with permission to develop

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<sup>11</sup> Ibid.

<sup>12</sup> Daniel Ferguson quoted in Holt Hackney, “Strategic Alliances,” *Financial World*, October 29, 1991, p. 22.

<sup>13</sup> Mary Ann Bacher, “The Newell Force in Housewares,” *HFD: The Weekly Home Furnishings Newspaper*, (5), January 11, 1988, p. 1.

but not to expand its core product focus. For example, E-Z Paintr made “hand-held paint applicators,” i.e., paint brushes and rollers—not power sprayers or step ladders. Similarly, when the Wright Co. had wanted to add knitting patterns to its product line, the idea was rejected because patterns did not constitute a “volume, staple line.”

Representatives from Newell sought to interface with the retail customer at all levels of management. CEO McDonough maintained communication with the top people at Wal-Mart and other major customers, as did Tom Ferguson. Two trade relations executives knew all their retail customers’ vice presidents, but they never sold Newell’s products; as one executive remarked, their job was to sell “Newell.” Vested with the duty to run each entity as an entrepreneurial unit, division presidents functioned as their own chief marketing officers. They interfaced directly with their customers and maintained regular contacts with the retail chains’ buyers. The company attached great importance to customer relations, frequently inviting buyers for plant visits that, in some communities, served as an occasion for planned celebrations with local officials in attendance. In addition, Newell involved its major customers in a process of shared planning and development.

Newell insisted upon holding customers strictly to the terms it laid out. The company’s 2%-30-net-45 payment agreements were not negotiable. Acquired companies often had been allowing major customers to pay on 90-day terms; Newell eliminated this practice immediately, which resulted in savings on accounts receivable. Nor did any division president have authorization to allow a cash discount without corporate approval, even to his or her largest customers, except for preapproved campaigns. To Newell’s executives, this “inflexibility” was simply a matter of discipline. The policy defended Newell against the protestations of smaller retailers such as hardware stores, who didn’t like to see mass discounters such as Home Depot carrying the same brands for less. Newell also refused to bow to some retailers’ demands that it serve them exclusively.

Management incentives both reflected and drove the corporate culture. Salary was based on a uniform system across all divisions, rewarding individuals on the basis of their positions and the size of their divisions. Managers received a base salary that was equal to the industry average, but could look forward to bonuses ranging from a maximum of 33% for the most junior manager of a division’s 20-person executive team, to 100% for division presidents. The bonuses were based on division performance alone, and the culture encouraged competition by convening managers for award ceremonies to honor top performers. Stock options, an additional form of incentive made available when the company went public, were granted according to a formula based on salary and position. Historically, the company’s system for evaluating yearly bonuses focused exclusively on pre-tax ROA. The goals were high—beginning at 32.5% pre-tax ROA and reaching the maximum payout at 43.5%—and standard across all divisions.

In 1990, Newell altered its bonus structure by adding a bonus for internal growth on top of existing ROA goals. Although in 1989 the company had a banner year in terms of profitability, internal growth lagged. Management recognized that, over the long run, the company needed a more sound balance. One top executive noted: “There are years when you can increase earnings more than you increase sales, but you can’t do that year after year.” In 1991, Newell achieved 6% internal growth with new products, but maintaining this rate remained a challenge throughout the 1990s.

Given the potential for rewards, demand for positions at Newell was high. For management-level hires the company sought people who would be motivated by success and a lucrative bonus system. Applicants—mostly mid-level executives from other consumer goods companies—were screened for these particular management traits with a personality test and put through an intensive application process that only 1 in 10 passed. Each newly hired company employee underwent a two day training

program in the Newell corporate culture. The so-called “Newell University” stressed product focus and profit-orientation—the underpinnings of Newellization.

Career paths featured frequent transfers and promotions. Among the top 250 managers, the yearly transfer rate was above 10%, with many moving across five or more divisions in a career. Even division presidents had an average tenure of less than 10 years in any one position—a reflection of the number of acquisitions and the possibility of moving from smaller to larger divisions. Executives generally were responsible for charting their own career paths. Job openings were publicized within the company, although corporate HR rarely took a pro-active role in filling them. Instead, divisional managers could directly choose from among the candidates. McDonough and Ferguson participated in decisions regarding the top 100 people, reaching to one level below division president.

Several times a year, division leaders convened for presidents’ meetings. These, in addition to regular encounters at trade shows, kept leadership across divisions apprised as to what was going on elsewhere in the company. Annual management meetings brought together functional VPs for sales and marketing; operations; personnel; accounting and control; and customer service from all 21 divisions. Each group had its own two-day meeting, featuring presentations and programs aimed at transferring learning.

Corporate purchasing took place under the direction of a liaison from corporate services. The divisions could get together with one another to establish a contract and coordinate purchasing of shared items. However, the amount of corporate purchasing was limited.

To maintain its profit focus, the company adhered to a strict set of monthly financial reviews. These meetings were administered by divisional controllers, key members of the management team who also reported directly to the corporate controller as well as to their respective divisional presidents. Newell’s financial control system was tailored to the key success factors of businesses selling low-tech, long life-cycle products to mass retailers. The system used variable budgeting that adjusted expense items in line with aggregate sales, specifically addressing 30 items. Variances were bracketed, and too many variances would lead to a “bracket meeting.” Even if sales were above budget, if the flexed cost numbers showed an unfavorable variance, intervention would follow. If necessary, the budget would be changed and that division would be held strictly to the adjusted level. Newell preferred to commit division heads to a “real budget” using words like “contract” instead of “plan” and “out of control” instead of “variance.”

Bracket meetings always took place at headquarters and were administered by senior corporate officers. These executives not only had extensive operating experience, they also brought a cross-divisional perspective and a high-level awareness of conditions affecting their customer base. Bracket meetings were not intended to be pleasant for the division presidents, but they were aimed at identifying and solving problems.

Operating figures were also collected monthly, on the premise that “if you want it done, you need to measure it.” Newell’s tightly disciplined approach derived from senior management’s conviction that “if each piece is done right, the whole will look after itself.” In Dan Ferguson’s words, “We’re an operating company, not a holding company.” As a consequence, corporate management met with divisional managers regularly throughout the year, with two meetings devoted to budget setting, and at least as many to strategic planning. At least three or four times a year, the two sets of managers would meet at either the corporate office or the division’s headquarters to review the monthly results in person.



## Newell's Businesses

Across all product categories Newell's businesses used a program-selling approach, offering "good," "better," and "best" products. The three categories were arranged on displays designed to encourage customers to step up their purchases: within a given display, more expensive items were placed at eye-level, with less-expensive alternatives situated below (**Exhibit 9**). In some businesses Newell's strategy was to increase its market share with high-volume mass retailers by maintaining different brands within the "good, better, best" categories. **Table A** lists some of the brand names associated with Newell's businesses (**Exhibit 10**).

**Table A** Newell Brands by Category

Category	Product	Brand
Hardware/Home Furnishings	Hardware and Tools	Bulldog, BernzOmatic, Amerock, EZ Paint
	Window Treatments	Newell, Levolor, Kirsch, Swish, Gardinia
	Picture Frames	Intercraft, Decorel, Burnes
	Home Storage	Lee Rowan, System Works
Office Products	Office Storage/Organization	Rogers, Rolodex, Eldon
	Markers/ Writing Instruments	Sanford, Sharpie, Eberhard Faber, Berol, Rotring
Housewares	Glassware	Anchor Hocking, Pyrex <sup>a</sup>
	Aluminum Cookware/Bakeware	Mirro, WearEver, Panex
	Hair Accessories	Goody, Ace

Source: Newell Company.

<sup>a</sup>Marketed in Europe, the Middle East, and Africa only.

Newell used its brands to protect the company's shelf space at each price point in a given category. In hardware, retailers often carried only one brand name of a particular product. EZ Paint, therefore, offered one brand of paint brush at three different price points. Product sales were stimulated primarily by local promotions and retailer tie-ins, rather than national advertising. In cookware, retailers typically offered a broad selection of brands. To meet this need, Newell offered Mirro® at the low to middle price point, WearEver® at the middle and upper price points, and WearEver® Air™ and Concentric Air® as the "best" products.

By 1998 Newell was a strong player in each of the categories in which it competed, and a market leader in nearly all. As one industry observer said ". . . over the last 10 years [Newell] has emerged as the single most important company in the housewares industry today."<sup>14</sup> Through acquisition, consolidation, and integration the company had built divisions with economies of scale across a broad range of price points in numerous product offerings. In each, Newell had competitive brands with which it could maintain orderly competition within a product category and protect itself from new entrants at both the high and low price points. In the late 1990s, Newell began to describe this process as "achieving critical mass."

Newell's experience in picture frames exemplified reaching "critical mass." After the purchase of Intercraft and Decorel, two of the largest frame manufacturers in the United States, the company consolidated and upgraded plants to increase manufacturing efficiency. The picture frame division

<sup>14</sup> Thyra Porter, "Newell Follows Wal-Mart Lead," *HFN, Weekly Newspaper for the Home Furnishings Network*, July 13, 1998, p. 48.

offered “good,” “better,” and “best” product lines through mass merchandisers and drugstore chains. In 1996 Newell purchased Holson-Burnes (Burnes), the leading manufacturer of high-end branded frames sold through department and specialty stores, and discontinued Burnes’s recently introduced line of frames for the mass merchants. As Ferguson explained: “If we push the brand back [to the upscale market] . . . we can manage the new product flow and the evolution of these products into and through the channels.” By 1998 the picture-frames business had reached critical mass, and margins were significantly greater than 15%. Newell management believed that several other product categories, including paint applicators, cookware, window treatments, and writing instruments, were moving toward this goal.

## Calphalon

Established in 1963 as the Commercial Aluminum Cookware Company, Calphalon Corporation was a privately held manufacturer of aluminum cookware and related products. The Ohio-based company manufactured high-quality aluminum cookware for the food service industry until 1973, when it abandoned that focus to concentrate on the retail market. In 1997 Calphalon had six main product lines ranging in price from \$250 to \$500 for a 10-piece set. Sales grew from \$6 million in 1982 to \$102 million in 1997. **Exhibit 11** shows the company’s recent financial performance.

Calphalon’s sales process was a pull strategy, with selling, general, and administrative (SG&A) expense averaging about 25% per year. Jeff Cooley, the company president, described the company’s goal as building a connection with consumers as well as retailers. As he pointed out, “Upper-end cookware is bought on emotion. People who are passionate about great food are just as passionate about their cookware.” Cooley described the buying decision as “. . . a very personal response to professional quality standards and brand value—essential elements that become their [the customers’] ‘reason to believe’ that the cookware will deliver the kind of result they demand.”

Cooley looked for a partnership with retailers who would add value and assist Calphalon in building its brand equity. Cooley remarked, “When I look at a new customer [retailer], I never look at the volume opportunity but at the opportunities the relationship can deliver to the overall objective: to build and support the brand.” Top retail outlets included the major chains of better department stores, as well as houseware and cookware specialty stores (**Exhibit 12**).

Generally, Calphalon’s products were offered in a “store within a store” format. Chef endorsements, cooking classes, and book signings were important for Calphalon sales. The company had 250 selling specialists, some part-time, some full-time, who covered major accounts. They managed events, did in-store cooking demonstrations, and were responsible for training store personnel to sell Calphalon. On large accounts, such as Macy’s Herald Square store in New York, Calphalon staff actually worked in the cookware department selling the product.

Besides strong private-label competition, Calphalon faced All-Clad, a manufacturer of very high-end stainless steel cookware, and a variety of product lines by Meyer, a Hong Kong-based company. All-Clad was a small but significant competitor with strong brand equity and high perceived value in the industry. Unlike All-Clad or Calphalon, Meyer sold in both department stores and mass merchandisers and was described by Cooley as a “manufacturing giant with a need for volume.” Cooley observed that Meyer’s pricing, while sometimes starting above Calphalon’s, always ended up about 20% lower. He believed that Meyer’s costs were 20% to 30% lower than Calphalon’s and attributed this to their offshore manufacturing. In addition, Cooley believed that Meyer’s volume business with the mass merchants enabled them to accept a smaller margin on high-end products, as did their transfer of profits to Hong Kong, where taxes were lower than in the United States. He

noted, however, that at this time Meyer had poor service levels, due in part to their shipping from Asia, and thought that this could prevent them from being more successful with some of the mass merchandisers.

Over the years Cooley had been approached by several mass merchandisers about creating a product for them and he had resisted. However, in 1997, an opportunity arose with Target, opening the door to the younger, more fashion-oriented market Calphalon had been unable to reach with its current lines and distribution channels. This opportunity was well timed, as Calphalon's competitor Meyer was already testing its Avalon product line for the same demographic. Target focused on a young demographic, the 25- to 35-year-old age bracket, and positioned itself as the most fashion-oriented, hip, and upscale of the mass merchandisers.

The "Kitchen Essentials by Calphalon" line would be designed by Calphalon, manufactured in Indonesia by a contract supplier, and introduced into Target stores in early 1999. The line would be the only hard-anodized cookware sold in Target stores and would be displayed in specially designed fixtures exclusive to Calphalon. Target would support "Kitchen Essentials" with space in Target's circulars as well as prominent positioning in materials for Target's gift registry program, Club Wedd, which was expected to have in excess of 400,000 members in 1999.

Newell Company acquired Calphalon in the spring of 1998, while the Target product line was being developed. Newell intended to honor the contract with Target, but did not plan to sell Calphalon products to other mass merchandisers. Instead, it planned to keep the Calphalon product lines in the department and specialty stores and use them to build Newell's presence in these channels. Newell thought that if Calphalon remained in its current channels, WearEver could continue to compete as Newell's "best" brand in the mass merchandisers.

Newell management believed it could bring discipline to many aspects of Calphalon's business—financial, organization, and manufacturing—and instill a focus on profitability. In addition, McDonough thought the Calphalon organization could share with Newell its expertise in developing pull strategies and building strong connections to the end consumer.

## Rubbermaid

Rubbermaid, based in Wooster, Ohio, was primarily a manufacturer of plastic products for the retail marketplace. Founded in 1930, Rubbermaid's main product lines included home storage and commercial products, and infant/juvenile products through its Little Tikes, Century and Graco subsidiaries. Rubbermaid was best known for its success during the period from 1980 to 1991 when Stanley Gault, who left G.E. after being passed over for CEO, joined Rubbermaid as its chief executive. Gault, a native of Wooster, brought G.E.'s discipline and methods to Rubbermaid. During his tenure, the company experienced average annual profit increases of 14% and share price increases of more than 25%.<sup>15</sup> Rubbermaid became known for its brand equity and product innovation. In the late 1980s and early 1990s over 100 products per year were introduced with an expectation that 33% of annual revenue was to come from products introduced in the previous five years. In 1993, according to a survey quoted in *Fortune*, Rubbermaid was the most admired company in America.

Wolfgang Schmitt, a long time Rubbermaid employee, became CEO in 1992. Schmitt's tenure was less successful than Gault's, and the stock price never again reached its 1992 high of \$38. Although revenue grew from \$1.8 billion in 1992 to \$2.4 billion in 1997, net earnings fell from \$164 million (\$184 million before accounting change) to \$143 million (**Exhibit 13**). Although Schmitt promoted

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<sup>15</sup> Alan Farnham, "America's Most Admired Company," *Fortune*, February 7, 1994, p. 50.

Rubbermaid's team culture and new product development, there were serious problems with management and operations. When resin prices rose in 1995, Rubbermaid was unable to pass along the cost increases to retailers in the form of higher prices. Because major retailers were resistant to increases, smaller, more efficient competitors captured market share by undercutting Rubbermaid's prices.

When a second restructuring was announced in 1998 after the initial cost-cutting and restructuring in 1995, analysts grumbled that although it was clear that Rubbermaid had reduced costs, they wanted to see unit volume growth which would push up profits.<sup>16</sup> Customers complained that Rubbermaid could not provide the service that they required. According to a major retailer, "They've been such lousy shippers. Not on time, terrible fill rates, and their products cost too much. They show you a new product line and then tell you they can ship only a third of what you want."<sup>17</sup>

Prior to Newell's purchase of Rubbermaid the two companies had been talking for a number of years. In fact, *The Wall Street Journal* reported that they had discussed a merger in the spring of 1997 but the talks had broken down over the issue of who would head the merged companies and where the headquarters would be located.<sup>18</sup>

When Rubbermaid contacted Newell to say that the company was available, McDonough jumped at the opportunity. Within two weeks the companies reached an agreement on Newell's purchase of Rubbermaid. This was the largest acquisition Newell had ever made. Indeed, some industry observers wondered if this target was too big to be "Newellized." *The Wall Street Journal* led its article on the deal with this comment: "Newell Co., renowned for squeezing costs out of acquired companies, faces a tough test in its proposed \$5 billion acquisition of Rubbermaid Inc."<sup>19</sup> John McDonough believed that the purchase of Rubbermaid, while large, was well within Newell's capabilities. He commented, "Newell's expertise in integrating acquisitions, manufacturing, distribution, customer relations, and customer service gives us confidence that we can reach our goals."

The purchase was a tax-free exchange of 0.7883 shares of Newell stock for each share of Rubbermaid. At Newell's closing price of \$49.063 on the Tuesday before the deal, this would have valued Rubbermaid's shares at 49% over its closing price of \$25.875. Immediately after the deal was announced, Newell's shares fell sharply to \$43.875 at midday, while Rubbermaid's shares were up 26% at \$32.688 (see **Exhibit 14** for risk-adjusted returns to stockholders).<sup>20</sup> Despite the market's reaction, McDonough felt that in the long run the cost savings and synergy between the companies would make this a good acquisition for Newell. He expected Newell to be able to apply its established process of acquiring, streamlining, and managing smaller companies to this large one. In addition, he believed that Rubbermaid and its brand names enhanced Newell's opportunities for globalization and internal growth.

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<sup>16</sup> Cathleen Egan, "Investors, Analysts not Sold on Restructure," *Dow Jones News Service*, January 21, 1998.

<sup>17</sup> Geoffrey Colvin, "From the Most Admired to Just Acquired: How Rubbermaid Managed to Fail," *Fortune*, November 23, 1998, p. 32.

<sup>18</sup> Joseph Cahill and Timothy Aepfel, "Newell Faces a Big Challenge in Rubbermaid Takeover," *The Wall Street Journal*, November 3, 1998, p. B4J.

<sup>19</sup> Ibid.

<sup>20</sup> Anonymous, "Newell to Buy Rubbermaid for \$5.8 Billion, Creating Housewares Giant," *Dow Jones Online News*, October 21, 1998.

**Exhibit 1** Newell Strategy Statement, 1967

July 1, 1967

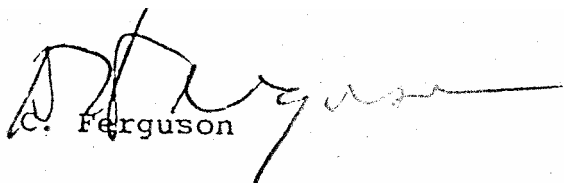
**Statement of Newell Companies**

Newell defines its basic business as that of manufacturing and distributing volume merchandise lines to the volume merchandisers. A combination or package of lines going to the large retailers carries more marketing impact than each line separately, and Newell intends to build its growth through performance and the marketing leverage of this package. This package will also have more economic impact on the financial community both for the securing of financing for future expansion and for the establishment of a market for the Companies' equity securities.

Newell is in a financial position to build the desired package. It has a net worth of approximately 10 million dollars with no long term debt and earnings are substantial and growing.

Newell management is professional, young, aggressive, and in excellent control of the basic hardware and shade business. We are aware of the tremendous marketing base, good will, and expertise we have in dealing with large merchandisers, and we are dedicated to building growth in earnings for Newell on this solid base.

Daniel C. Ferguson  
es



Source: Newell Company

**Exhibit 2** Total Newell Strategy

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<b>Mission Statement</b>	Newell is a manufacturer and full-service marketer of consumer products serving the needs of volume purchasers.
<b>Basic Strategy</b>	Merchandise a multi-product offering of brand-name staple consumer products, with an emphasis on excellent customer service, in order to achieve maximum results for our stockholders.
<b>Financial Objectives</b>	<ol style="list-style-type: none"><li>1. Achieve sales and earnings per share growth averaging 15% per year</li><li>2. Maintain return on beginning equity at 20% or above</li><li>3. Increase our dividend consistent with earnings growth</li><li>4. Maintain a prudent degree of leverage</li></ol>

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Source: Newell Annual Report, 1997

## Exhibit 3 Newell's Major Acquisitions

Company (brand name)	Product Type	Date	Additional Information
Renneman	window shades	1966	Combined with Newell Window Furnishings (NWF)
Mirra-Cote	bathroom hardware	1969	
Bulldog/Dorfile	hardware and shelving	1971	
EZ-Paint	hand-held paint applicators	1973	Sold in 1993
Counselor	bathroom scales	1981	
Judd	drapery hardware	1982	
BernzOmatic	propane and oxygen torches	1982	Combined with NWF
Mirro	cookware	1983	
Foley	cookware	1984	
Ignitor Products International, Inc.	ignitor products	1985	Mirro and Foley operations combined; brand names incl. Rema, AirBake, and Cushionaire
American Tool Company (Vise-grip)	wrenches and pliers	1985	
Enterprise Aluminium Company	cookware	1986	
Borg	scales, housewares	1987	Combined with BernzOmatic
Anchor Hocking (incl. Amerock)	plastic and glassware	1987	
Wm. E. Wright Company	home sewing	1987	
Thomas Industries	hardware (paint applicators)	1988	Newell took 5% stock position in both companies; Received paint applicator business in exchange for stock position in Thomas Indus. Vermont Am. sold to Emerson Electric to prevent takeover by Newell
Vermont American	tools (power tool accessories)	1988	
(WearEver)	cookware	1989	
Black & Decker	tools and hardware	1991	Cookware division purchased from Nacco industries
Keene Manufacturing	office products	1991	
W.T. Rogers	office products	1991	
Stuart Hall	office products	1992	Newell invested \$150 m for up to a 15% equity stake, sold stake 1998
Sanford	writing instruments	1992	
Intercraft Industries	picture frames	1992	
Levolor	window coverings	1993	Deal financed as a pooling of interest; combined with Keene and renamed Newell Office Products (NOP)
Lee/Rowan Co.	storage products	1993	
Goody Products Inc.	hair and beauty care	1993	
LouverDrape	window coverings	1994	Combined with Levolor
DelMar	window coverings	1994	
Corning's European Consumer Products	cookware	1994	
Eberhard Faber	writing instruments	1994	Combined with Sanford
Decorel	picture frames	1995	
Berol	writing instruments	1995	
Holson Burnes	picture frames	1996	Combined with Intercrest
Rolodex	office products	1997	
Kirsch	drapery hardware	1997	
Rubbermaid Office Products	office products	1997	Combined with NWF
Calphalon	cookware	1998	
Rotring	writing instruments	1998	
Gardinia	window covering	1998	German manufacturer of premium writing instruments and markers; part of Sanford International
Panex	cookware	1998	
Swish	window covering	1998	
Rubbermaid	plastics, children's products	1999	Deal to be closed March 1999; Will be included with "Housewares" segment, which will be renamed "Household Products"

*Listings in italics denote companies in which Newell has taken an equity stake short of acquisition.*

**Exhibit 4** Selected Financial Information for Newell Company, 1992-1997 (\$ in millions, except per share data)

	1997	1996	1995	1994	1993	1992
<b>NET SALES</b>	<b>\$3,234.3</b>	<b>\$2,872.8</b>	<b>\$2,498.4</b>	<b>\$2,074.9</b>	<b>\$1,645.0</b>	<b>\$1,451.7</b>
Cost of products sold	2,188.4	1,965.5	1,715.6	1,403.8	1,101.7	997.3
Selling, general and admin.	474.3	421.6	363.3	313.2	257.2	222.0
Other expenses	90.8	61.1	48.7	28.6	10.6	(45.2)
Income taxes	<u>190.4</u>	<u>168.1</u>	<u>148.3</u>	<u>133.7</u>	<u>110.2</u>	<u>114.3</u>
<b>NET INCOME</b>	<b>\$ 290.4</b>	<b>\$ 256.5</b>	<b>\$ 222.5</b>	<b>\$ 195.6</b>	<b>\$ 165.3</b>	<b>\$ 163.3<sup>a</sup></b>
Current assets	1,381.6	1,108.1	1,132.9	917.6	676.0	594.6
Current liabilities	664.0	637.0	680.3	784.0	599.3	375.1
Working capital	717.6	471.1	452.6	133.6	76.7	219.5
Total assets	3,943.8	3,005.1	2,927.1	2,488.3	1,952.9	1,569.6
Long-term debt	784.0	672.0	761.6	409.0	218.1	176.8
Total debt	835.9	776.2	924.6	718.1	465.3	273.9
Stockholders' equity	1,714.3	1,491.8	1,296.0	1,125.3	979.1	859.4
Return on invested capital(%) <sup>b</sup>	15.4	15.7	14.4	18.5	19.6	21.5
Return on assets (%)	7.4	8.5	7.6	7.9	8.5	10.4
Earnings per share <sup>c</sup>	\$1.82	1.61	1.40	1.24	1.05	1.05 <sup>a</sup>
Average shares outstanding	160.2	159.2	158.5	158.0	157.7	156.8

Source: Newell Annual Report, 1997

<sup>a</sup>1992 net income of \$163.3 million includes net \$10.6 million of nonrecurring items and excludes \$ 44.1 million after-tax charge related to accounting change.<sup>b</sup>Return on Invested Capital = Net Income divided by (Total Liabilities plus Shareholders Equity minus Current Liabilities)<sup>c</sup>Assumes dilution.**Exhibit 5** Top 10 Customers for Newell Company—1997

Customer	Percentage of Sales
Wal-Mart	15%
Kmart	
Home Depot	
Office Depot	
Target	
JC Penney	
United Stationers	
Hechinger/Home Quarters/Builders Square	
Costco	
Office Max	—
Total	40%

Source: Newell Company



**Exhibit 6** Product Line Profile, 1997 (\$ in millions, approximately)

Aluminum Cookware and Bakeware	\$284	
Glassware and Plasticware (Plasticware sold 1998)	394	
Hair Accessories	<u>172</u>	\$850
Markers and Writing Instruments	\$601	
Office storage/organization	210	
School Supplies and Stationery (sold 1998)	<u>88</u>	\$899
Hardware and Tools	\$393	
Window Treatments	563	
Picture Frames	359	
Home Storage	<u>170</u>	\$1,485
		<b>\$3,234</b>

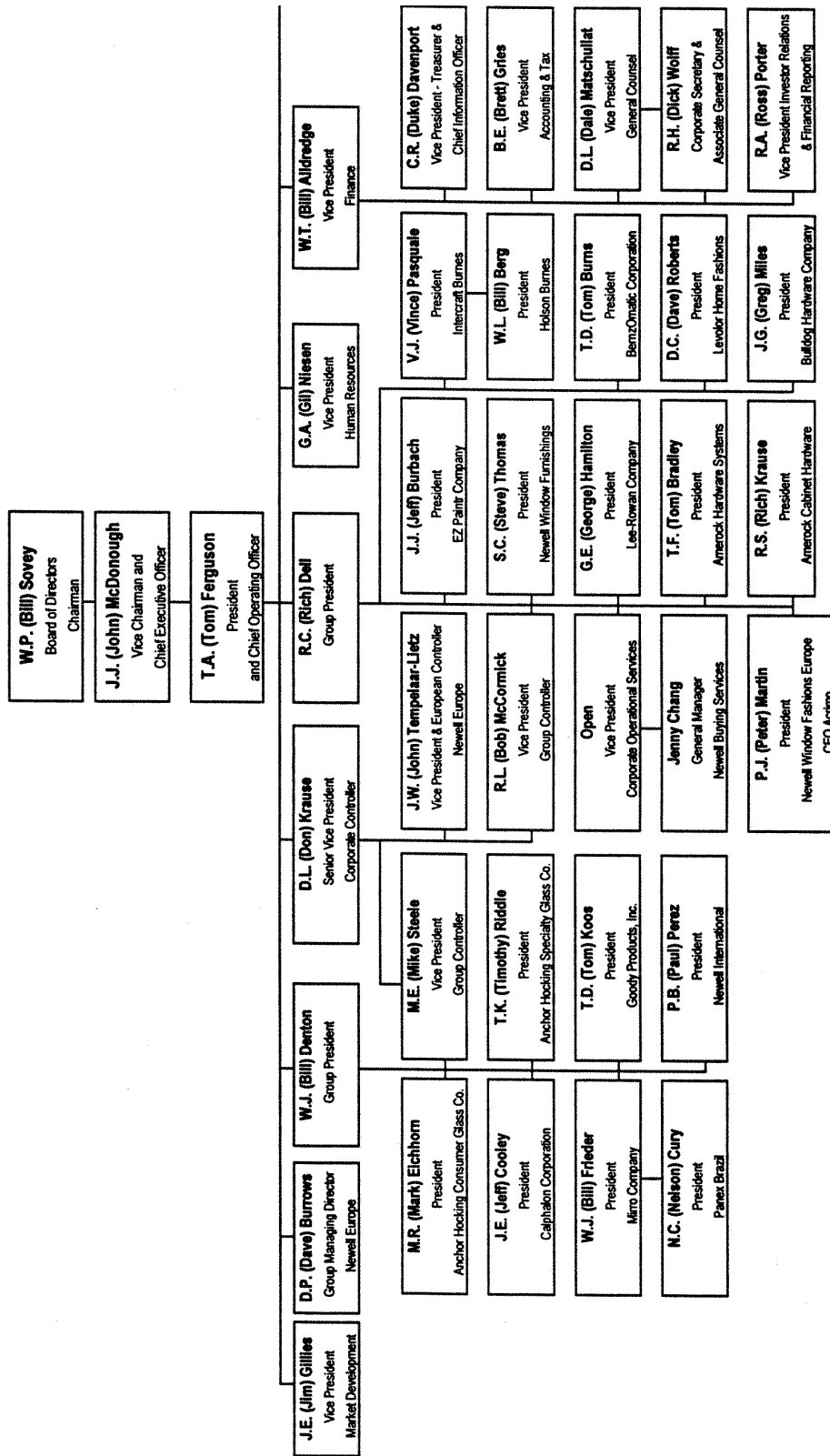
Source: Newell Rubbermaid 10K Annual Report, 1997, p. 9.

**Exhibit 7** Top 15 U.S. Retailers ranked by 1997 revenue (\$ in millions)

Retailer	Revenue
Wal-Mart	\$117,958
Sears	41,296
Kmart	32,183
J.C. Penney	29,618
Dayton Hudson Corp.	27,757
Kroger	26,567
The Home Depot	24,156
Safeway Inc.	22,484
Costco	21,874
American Stores Co.	19,139
Federated Dept. Stores	15,668
Albertson's	14,690
Ahold USA	14,298
Walgreen Co.	13,363
Winn-Dixie Stores	13,219

Source: Adapted from "Top 100 Retailers," *Chain Store Age State of the Industry Supplement*, August 1998.

## Exhibit 8 Newell Company Organization Chart, October 1998



*Thomas A. Ferguson* 11/9/98  
 Thomas A. Ferguson (date)  
 President & Chief Operating Officer

**Exhibit 9** "Good," "Better," "Best" Display – EZ Paintr products



Source: Newell Company

**Exhibit 10** Newell Company Lines of Business*Hardware/Home Furnishings*

**Window Treatments** Newell Window Furnishings was the original window hardware company, offering a full line of window hardware and window coverings. Levolor, acquired in 1993, was the leading manufacturer and marketer of aluminum mini-blinds in North America and offered a variety of other blinds and shades. Kirsch, acquired in May 1997, sold window hardware and had manufacturing facilities both in the United States and abroad. In 1998 Newell added two European manufacturers of window furnishings, Swish and Gardinia, which together represented approximately \$225 million in sales. Annualized Sales: approx. \$900 million

**Hardware and Tools** Newell's hardware divisions manufactured a wide variety of products, including BernzOmatic propane torches, EZ Paint paint applicators and brushes, Bulldog anchors and fasteners, and Amerock cabinet hardware. In addition to using the "good, better, best" approach the hardware businesses often used displays which grouped Newell products to encourage add-on sales through cross-category merchandising. Annualized Sales: approx. \$400 million

**Picture Frames** Newell purchased Intercraft, the largest U.S. manufacturer of picture frames in 1992.<sup>21</sup> The group expanded in 1995 with the purchase of Decorel, which sold through the same channels. The manufacturing facilities of the two companies were combined after the purchase and, as with Newell's other offerings, there were "good, better, and best" product lines. Holson-Burnes, acquired in 1996, manufactured and sold frames for the department and specialty store market. Annualized Sales: approx. \$400 million

**Home Storage** Newell's storage businesses included Dorfile storage and shelving, Lee Rowan wire storage products, and System Works modular storage. Annualized Sales: approx. \$200 million

*Office Products*

**Markers and Writing Instruments** Newell entered the writing instruments business in 1992 with the acquisition of Sanford, a leading manufacturer of markers and writing instruments. Through Sanford, Newell gained entry to the office superstores. The acquisitions of Eberhard-Faber in 1994 and Berol in 1995 increased the company's product lines and overseas distribution. In 1998 Sanford added Rotring, a German manufacturer of premium writing and drawing instruments under the brand names ROTRING, Koh-I-Noor, and Grumbacher. Annualized Sales: approx. \$900 million

**Office Storage and Organization** This business was built around two office supply companies—Keene Manufacturing and W.T. Rogers, acquired in 1991. In 1997, Newell acquired Rolodex and Eldon, a division of Rubbermaid. Newell's products included office supplies, desktop accessories, storage cases, and portable files, as well as office furniture and computer accessories. Annualized Sales: approx. \$200 million

*Housewares*

**Aluminum Cookware and Bakeware** The cookware division included cookware and bakeware, sold primarily to mass merchandisers. The Mirro division alone comprised the brand names Mirro, Foley, Rema, WearEver, AirBake, and CushionAire—relying heavily on in-store advertising and promotions to generate a high inventory turnover for the retailer. In the international market the division had recently bought Panex, a Brazilian cookware company. Annualized Sales: approx. \$500 million

**Glassware** Anchor Hocking was the largest manufacturer of machine-made household glassware in the United States. The company was a single source for glass products including glasses (beverageware), storage, floral, and servingware, among others. They also sold products specially designed to serve the premium and food service markets. The division produced and marketed Pyrex and other glass cookware and bakeware products in Europe. Annualized Sales : approx. \$300 million

**Hair Accessories** This division manufactured and marketed combs, headbands, and other hair accessories under the Goody and Ace brands. Goody, which had a leadership position in the industry, a known brand name and a reputation for quality, was acquired in 1993. Wilhold, a competitor, was acquired in 1997. In keeping with Newell's strategy, these products were low-technology, staple consumer products—distributed through mass merchandisers and chain drug stores—not true fashion items. Annualized Sales: approx. \$200 million.

<sup>21</sup> "Continental Unit Sells Interest in Intercraft," *The American Banker*, October 7, 1992, p. 7.

**Exhibit 11** Selected Financial Information for Calphalon Company, 1992-1997 (\$ in millions)

	1997	1996	1995	1994	1993	1992
<b>NET SALES</b>	<b>\$101.9</b>	<b>\$100.0</b>	<b>\$81.9</b>	<b>\$66.7</b>	<b>\$49.7</b>	<b>\$35.7</b>
Cost of products sold	71.1	54.6	44.3	33.7	25.5	17.5
Selling, general and admin. <sup>a</sup>	26.3	41.7	31.2	23.9	18.6	13.6
Income taxes	<u>1.8</u>	<u>1.2</u>	<u>2.3</u>	<u>3.4</u>	<u>2.2</u>	<u>1.9</u>
<b>NET INCOME</b>	<b>\$ 2.7</b>	<b>\$ 2.5</b>	<b>\$ 4.0<sup>b</sup></b>	<b>\$ 5.7</b>	<b>\$ 3.4</b>	<b>\$ 2.7</b>

Source: Newell Company

<sup>a</sup>Net of Other (Income)/Expenses.<sup>b</sup>Sum due to rounding.**Exhibit 12** Top Five Customers for Calphalon—1997

Customer	Percentage of Calphalon's Sales
Federated Department Stores	25%
May Corporation	12
Williams Sonoma	9
Dillards	6
Dayton Hudson	8

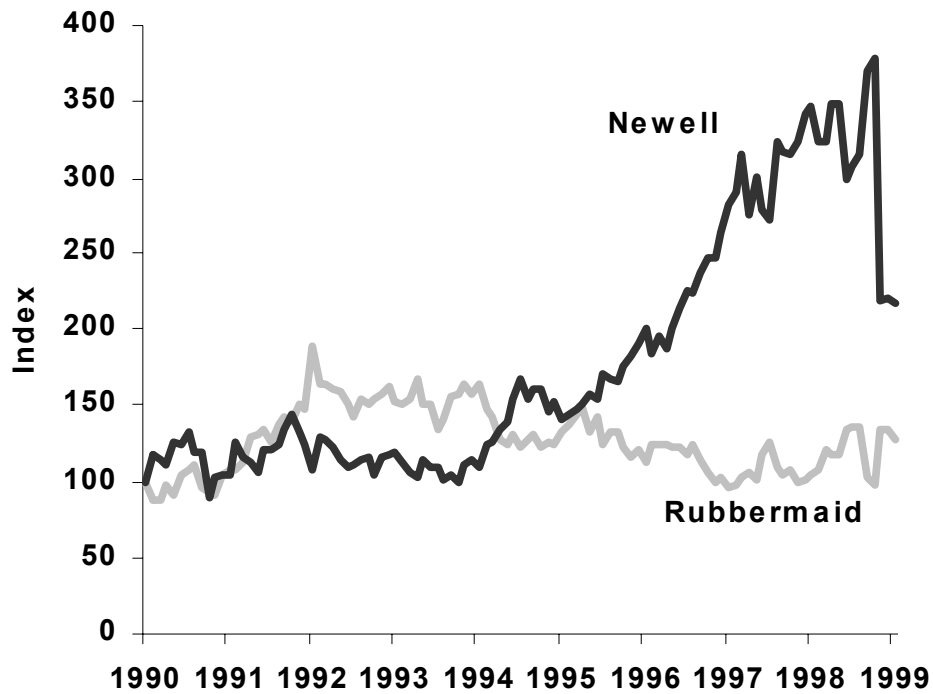
Source: Calphalon.

**Exhibit 13** Selected Financial Information for Rubbermaid Company, 1992-1997 (\$ in millions, except per share data)

	1997	1996	1995	1994	1993	1992
<b>NET SALES</b>	<b>\$2,399.7</b>	<b>\$2,355.0</b>	<b>\$2,344.2</b>	<b>\$2,169.4</b>	<b>\$1,960.2</b>	<b>\$1,805.3</b>
Cost of products sold	1,748.4	1,649.5	1,673.2	1,465.6	1,285.9	1,200.7
Selling, general and admin.	416.7	432.1	402.6	347.9	328.8	337.9
Other expenses <sup>a</sup>	0.7	28.4	172.7	(11.3)	3.6	2.7
Income taxes	<u>91.4</u>	<u>92.6</u>	<u>35.9</u>	<u>139.1</u>	<u>130.5</u>	<u>99.9</u>
<b>NET INCOME</b>	<b>\$ 142.5</b>	<b>\$ 152.4</b>	<b>\$ 59.8</b>	<b>\$ 228.1</b>	<b>\$ 211.4</b>	<b>\$164.1</b>
Total Assets	\$1,923.9	\$2,054.0	\$1,691.5	\$1,709.2	\$1,513.1	\$1,326.6
Working Capital	249.1	113.9	436.5	631.1	570.4	476.4
Total Debt	377.2	557.6	127.7	33.7	34.7	44.0
Total Stockholders' Equity	1,050.3	1,013.7	1,135.3	1,285.8	1,130.5	987.6

Source: Rubbermaid Inc., Annual Financials, available from Primark, Global Access.

<sup>a</sup>Includes restructuring costs of \$16 million in 1997 and \$158 million in 1995.

**Exhibit 14** Risk Adjusted Return to Shareholders (indexed returns less 3-month Treasury bill rate)

Source: Datastream