

*What do hearing aids, Sony Walkmans, hand-held electronic games and calculators have in common? Portable energy.*

# The battery boom

By Jonathan Greenberg

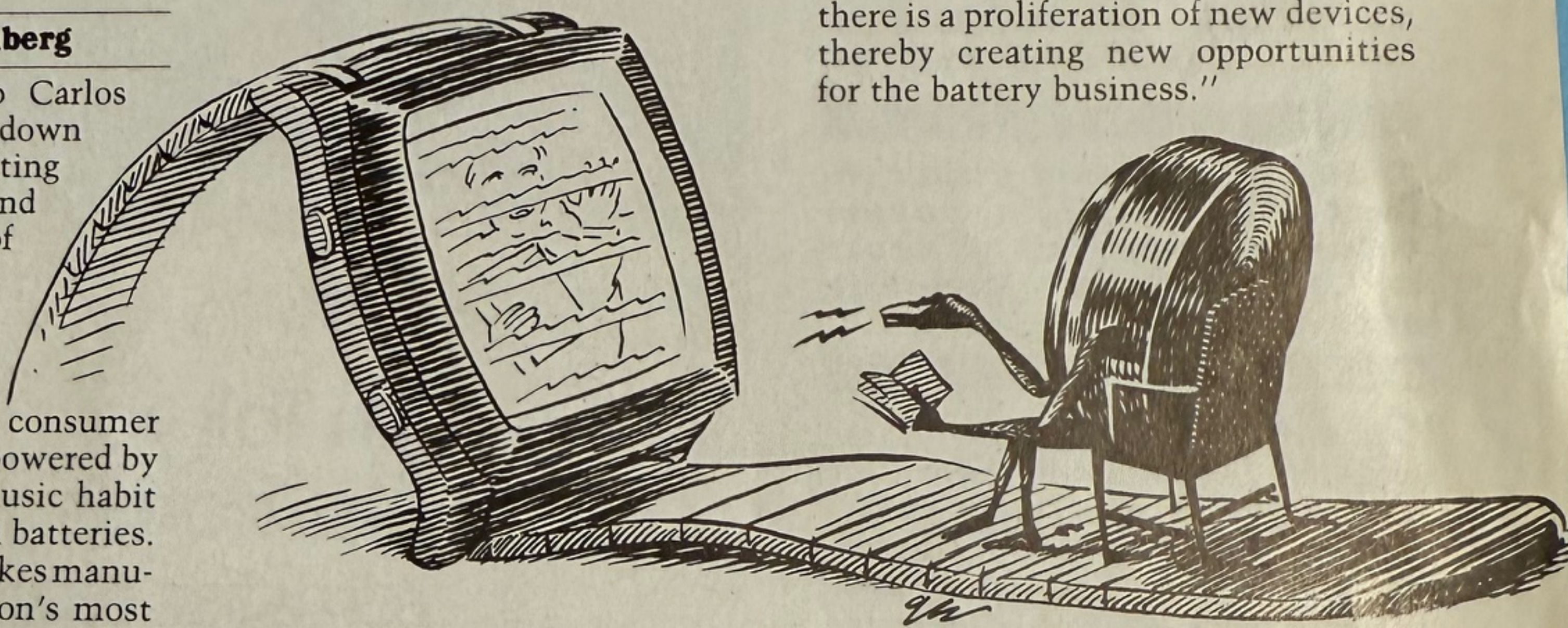
**W**HEN 29-YEAR-OLD Carlos Martín saunters down Fifth Avenue blasting hard rock from his 20-pound AMSS music box, lots of people hear him coming.

Guess what: Not everyone wants Carlos to crank down the volume on his block blaster. A voracious consumer of batteries, Carlos' box is powered by six alkaline D cells. His music habit costs him over \$50 a year in batteries. And this, needless to say, makes manufacturers in one of the nation's most recession-proof industries very happy.

The days when batteries sat unused in flashlights for months on end are past. The preponderance of new power-hungry consumer devices has sparked an explosion in demand—especially for premium, long-life models. "In order to create battery sales, we have to create appliances that use them," says Panasonic executive Seiko Kabumoto, whose company makes things like emergency wall lights and electric wine-cork poppers. The beneficiaries of this expanding

market are few and—given the origins of the products they power—surprisingly American. Union Carbide's Eveready is world leader, with foreign business providing half of its \$1.3 billion annual sales. Domestically, however, Dart & Kraft's Duracell has taken the lead in the increasingly important alkaline segment. Rayovac is a distant third. Then there's Panasonic. Second only to Union Carbide worldwide, it is a minor force in the U.S.

Dry cell sales now amount to \$3.9 billion worldwide at the manufacturer's level, and demand typically expands twice as fast as overall economic growth. "We are really an adjunct of the microelectronics revolution," says Rayovac President Benno Bernt. "As units become smaller and smaller, more can be battery-oriented, so there is a proliferation of new devices, thereby creating new opportunities for the battery business."



## GE brings life to rechargeables

**F**or about five times the initial cost of a one-shot alkaline throwaway, a consumer can buy a nickel cadmium rechargeable battery system that can be reused hundreds of times. Whether this convenience outweighs the chore of recharging is disputable, but one thing is certain: Far fewer batteries would be sold if people used rechargeables.

That's why large manufacturers like Duracell, Rayovac and Maxell are not jumping into this relatively tiny market. Even Eveready, which makes nickel cadmium reusables, does little to promote the line. "We've grown into a throwaway society," says Michael Manolios, Eveready's market development manager. "For years most consumers have been telling us that they don't want to bother with rechargeables."

With no throwaway market of its own, General Electric decided six years ago to use its high-tech expertise to get in on the battery boom. Its strategy was to promote what no one else had dared to push: a low-cost rechargeable system. Today, that is a \$100 million-a-year market.

The company, which controls two-thirds of the market, claims demand is growing by 30% annually, and it recently launched its first national television campaign for rechargeables. "Our studies show that 90% of Americans don't even know about rechargeable batteries," says GE's consumer rechargeable head Rodger McAlister. "We expect to generate strong enough awareness to significantly impact sales."

What's more, perhaps the most lucrative rechargeable market is still in its infancy—the \$60 reusable batteries in portable videocassette recorders. Already this industry has topped \$150 million worldwide. In this case, however, Americans are playing catch-up: Japanese giants like Panasonic and Sanyo now dominate the rechargeable VCR market.—J.G.





ESB, was stung badly by alkaline.

Now most of Rayovac is being sold to a group of private investors, and sales last year were \$300 million. "The uncertainty is behind us now," says Bernt. "We feel quite good about our emerging positions in the next few generations of batteries."

The next few generations, of course, are where the future growth in batteries lies. With further miniaturization of components, batteries need to get smaller and more powerful. AA (penlight) batteries, once insignificant, are now the top-selling size in the U.S.—not surprising, since they are used for Walkmans and electronic games. Tiny "button cells," particularly silver oxide and lithium derivatives, are now used in calculators, cameras and watches. These will grow in importance as new functions—like audio and video—are added to watches.

"The next wave is going to be the lithium cells," says analyst Dave Goldman. Lithium has a greater shelf life than alkaline and contains more power. It also costs more. "The growth in battery sales through alkaline has come from a consistent con-

sumer trade-up from carbon cells," he explains. "Now we're recreating the alkaline boom but calling it lithium." Still, 600 million devices require conventional batteries. This insures that the market will remain diversified.

Despite the competitive climate, there may be enough growth in this market to please all the players. After all, there really is no way to get Carlos Martín to turn his block blaster down. ■



tender fight, Du Pont has been trying to get into the energy business ever since 1970, when it seriously considered building its own refinery. Traumatized by the 1973 oil embargo, and with 80% of its products dependent on petroleum as a feedstock, Du Pont made numerous attempts to integrate backward into oil. There was the Centennial project, a joint venture with Atlantic Richfield to build and run a refinery. ARCO backed out. There was the attempt to buy Shenandoah Oil in 1976. The two companies couldn't agree on price. Du Pont studied other oil companies, including Marathon and Conoco. All fell by the wayside. The only thing that emerged was a joint venture to explore for natural gas with Conoco.

Now that Du Pont has Conoco, it can focus its research once again on improving hydrocarbon-based products instead of replacing them. In addition, when the chemical industry goes into one of its cyclical tailspins, the oil business should hold the company up, allowing Du Pont to avoid the kind of painful cuts it has had to make in earlier slumps.

Even in the short term, the Conoco merger is paying off for Du Pont. Through the first half of 1982, Du Pont earnings of \$2.09 per share would have been 55 cents lower without Conoco, despite the equity dilution and higher debt service costs. That's because, while Du Pont's own businesses declined over 40% in earnings—fibers, the major business, declined over 70%—Conoco's businesses increased earnings 44%. By far the major portion of that increase was caused by the turnaround in Conoco's coal business, which lost money in last year's first half when there was a strike. However, Conoco's petroleum earnings were up slightly at a time when most of the industry was sharply down. Conoco continued to prop up Du Pont in the third quarter.

One criticism from the crepehangers that particularly galls Jefferson is the charge that Du Pont paid too much for Conoco. The fact is that Du Pont paid about half what the authoritative and conservative John S. Herold, Inc. valued the company at. It purchased domestic oil and gas reserves, for example, at a bargain basement price of \$2.50 per equivalent barrel. Furthermore, there was a uniquely favorable antitrust environment. Du Pont has had one of the worst relationships with Washington of any company in American industry, dating back to

*The Conoco acquisition is already helping Du Pont. But the critics are still carping.*

# Silencing the crepehangers

By Subrata N. Chakravarty

IT'S A CHARACTERISTIC of life that the crepehangers talk louder than those who have the will to get things done," sighs Du Pont Chairman Edward Jefferson.

The crepehangers have been busy with Du Pont ever since it decided to fight off Mobil and Seagram and acquire Conoco in July 1981 for \$9.7 billion (including \$1.9 billion in Conoco debt). In six months Du Pont common stock sold down from \$53 to \$30.

The naysayers complain that by ac-

quiring Conoco, Du Pont:

- Diluted its equity over 50% by issuing 78 million new shares.
- Increased its debt load fivefold, adding \$5.8 billion in borrowings.
- Blurred the focus of a company that had established important beachheads in pharmaceuticals, electronics, medical instrumentation and agricultural chemicals.
- Walked smack into an oil glut.

But such short-term objections overlook some important points. Although the decision to acquire Conoco was made under the gun of a