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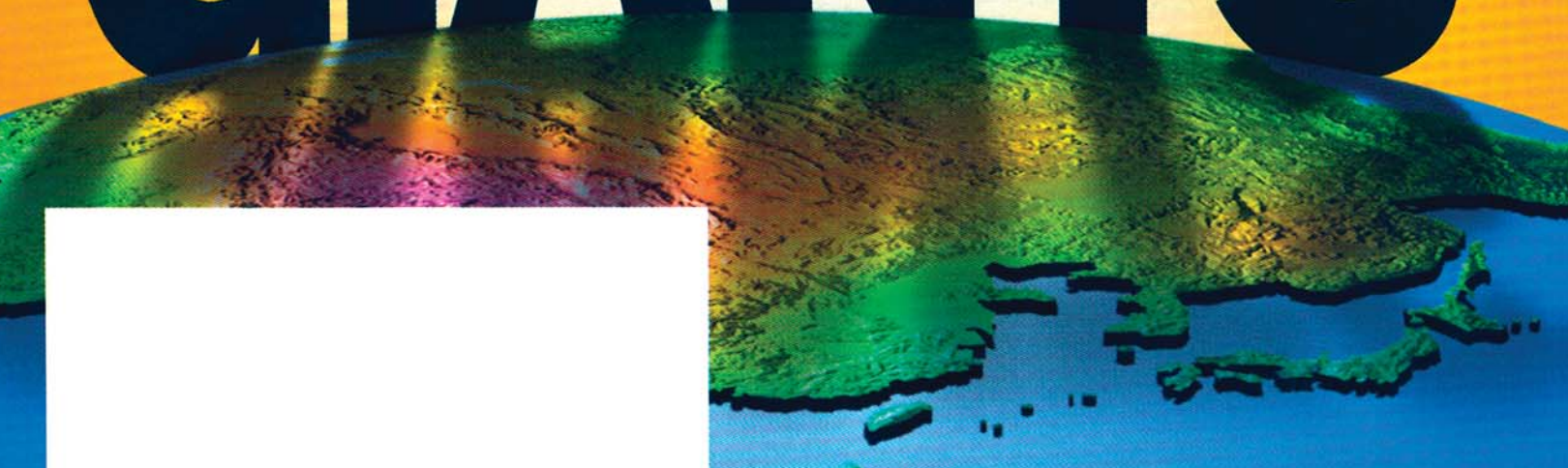
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## The New Multinationals

They're smart and hungry, and they want your customers. Be afraid. Be very afraid.

BY PETE ENGARDIO (P.40)

# EMERGING GIANTS



# COVER STORY



TECHTRONIC INDUSTRIES, HONG KONG

## 'We Have the Vision To Be No. 1'

**F**ive years ago, Ryobi's limited offering of cordless drills accounted for a tiny piece of the U.S. market. Now, Ryobi Ltd. boasts one of the broadest and best-selling product lines at Home Depot Inc. In three years, sales of power tools bearing Emerson Electric Co.'s RIDGID brand have tripled. Last year, Milwaukee Electric Tool Corp. helped revolutionize its industry by being among the first companies to introduce cordless tools that use light, long-lasting, rechargeable lithium ion batteries.

The common element in all these successes is Techtronic Industries Co. The Hong Kong company illustrates how far a determined challenger can go by targeting a narrow industry segment—and then

seeking to dominate. By leveraging a huge manufacturing and engineering base in China to drive down costs and speed innovation, it now is shifting into overdrive through acquisitions. Since 2000, Techtronic's sales have surged fivefold, to \$3 billion. In that time, its share of the \$6 billion U.S. electric power tool market has grown from less than 5% to more than 20%, says market research firm Freedonia Group Inc. Black & Decker Corp. still holds a commanding 30% share, but Techtronic is thinking big. "We have the vision to be No. 1, and we believe we can do it," says Chairman Horst J. Pudwill, a former Volkswagen executive.

Pudwill co-founded the company in 1985 as a maker of rechargeable battery packs for cordless tools. It then made tools

**POWER SURGE**  
Milwaukee  
Electric tools  
from Techtronic

for do-it-yourselfers on a contract basis for Sears Holdings Corp.'s Craftsman brand, among

others. Then it bought control of brands, including rights to the Ryobi name outside Japan, Royal vacuum cleaners, and Homelite garden tools. The big move was the \$626 million purchase of Milwaukee Electric Tool and Germany's AEG Power Tools—both premier brands used by professionals—from Atlas Copco.

More important, though, is what Techtronic has done with those brands. By shifting most production to its massive factories in South China, where it has 16,000 workers and engineers, it constantly cuts costs while loading its products with new features. Techtronic can also take new tools from the conceptual stage to production in as little as six months, thanks to 24/7 collaboration among designers in Asia and Techtronic's "concept centers" in Hong Kong, South Carolina, Germany, and Britain. That allows the company to expand its product lines dramatically.

Ryobi, aimed at do-it-yourself hobbyists, is a good example of how Techtronic can transform a brand. In 2004 it teamed up with Home Depot to launch the hugely popular "one plus" system, which lets 30 different cordless tools, from drills to fans, run off the same rechargeable battery. A Ryobi kit with an 18-volt drill, circular saw, reciprocating saw, flashlight, vacuum, and two batteries retails for just \$169. Techtronic figures the innovation helped sell 25 million Ryobi tools in three years. The company "brought innovation and freshness at a time when the tool industry really needed it," says Craig Menear, Home Depot's senior vice-president for merchandising. "We've seen the competition really step up, and that's healthy." That may be the clearest sign that a game-changing multinational is on the way.

—By Pete Engardio in Hong Kong