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Energising the Market

Exide Technologies is exploring new markets and products as the global corporation meets increasingly complex consumer needs.

Images courtesy of Exide Technologies

In an environment of constant technological change and increasing concern over the world's energy needs, Exide Technologies is examining and exploring new ways to store and conserve energy. With more and more companies and consumers striving for sustainability, Exide is looking at how its own processes, operations, and products can help reduce energy emissions.

Exide Technologies has more than 120 years of experience in the battery business and it shows, with the company developing new and innovative methods to store energy. Exide provides services and systems that help companies around the world enhance vehicle performance and productivity. With substantial market shares in

both the automotive and industrial battery sectors, Exide is a prominent player in a vital global market.

Michael Ostermann, Exide Technologies' President of Europe, the Middle East, and Africa, shared his thoughts with *The CEO Magazine* on the evolution of Exide and its promising path ahead.

***The CEO Magazine:* Could you detail the history of Exide Technologies and your history with the company?**

Michael: Exide is one of the leading battery manufacturers and has been around for more than 100 years. Its headquarters are in Atlanta, Georgia, in the United States, and its global

revenue is approximately \$3 billion, of which we are doing \$1.6 billion in Europe.

In Europe, Middle East, and Africa, we have approximately 6,000 employees and I've personally been with Exide since January 2009, so a little bit more than five years now. Before that, I was an executive member of a publicly listed company in Austria.

When you joined the organisation you requested that it merge its automotive and industrial sectors, which occurred in April 2010. Why was this so important to you and how did this process take place?

Firstly, when I started I was in charge of the automotive business. The automotive sector has been a





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loss-making business in Europe and they were looking for a turnaround. As you might recall, 2009 wasn't the best year for the automotive industry with all the financial turbulence of the recession. Nevertheless, we were able to achieve a turnaround in 2009, which was very remarkable.

ET Europe became a profit-making organisation while all other divisions around the world were showing declining results as a result of the general market conditions. When the industrial business in Europe started having difficulties, the CEO approached me and asked if I would be prepared to take over the responsibility for the industrial business in Europe. He was thinking of two separate divisions but my condition was that we integrate the two businesses into one entity. That's what we have sought to achieve since then.

One of the advantages that we can have out of this merger is utilising our existing synergies. We have been able to reduce significant costs, particularly in the overhead structure. I felt that those activities were too overhead heavy, and due to the merger we were able to leverage them better.

In operations, with regard to our plants, we have been able to utilise our facilities more effectively. For example, excess capacity in some industrial plants can be filled up with automotive products in order to run under a capitalisation that provides us with better fixed-cost absorption in the plants.

We merged all the sales teams together. Of course, we have different customers for our industrial and automotive products, but at least in the back office all the management and admin systems are merged. The face to the customer remained unchanged but behind the face we have aligned the whole organisation into one integrated company. As a result, we were able to take out significant fixed costs. Our total fixed costs dropped down from around 15 per cent of our revenues to approximately 10 per cent of the revenue. >

“ECOBAT and Exide's strong relationship is based on real world thinking, performance, and cost leadership focus in all we do. Through deep collaboration, space is created to assess less obvious, yet sustainable and distinctive, mutually beneficial value drivers.” - Rob Harris, President and Managing Director, ECOBAT Technologies Europe

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You mentioned a reduction in overhead costs and that's one of the big changes you wish to implement—how will you achieve this goal?

In the past, we have always had separate responsibilities. In our European operations, whether it's sales, production, or finance, we have always had one head of finance for industrial Europe and one head of finance for automotive Europe, and so on. This was not always on the central management level and this approach had trickled down into the country organisations so each country would have different heads for each department in both industrial and automotive. In regard to the supply chain, we had one supply-chain team for the industrial-battery business and one supply-chain team for the automotive-battery business.

It started on a European level but then this approach continued at the country level. We have since merged all the teams from the

bottom up. We now have one single head of each department in central Europe and in each of the countries who is now in charge.

It's a significant change and it's helped us not only reduce our fixed costs but made us more cost-competitive, and thanks to this we were able, within the last five years, to win market shares in Europe, to expand our sales into new regions, and grow our revenue. Just to give you an idea, in 2009 our total revenue was in the neighbourhood of US\$1.2 billion and now we're at US\$1.6 billion. While we had a passion for cost cutting, we also maintained our passion for growth.

Exide Technologies is a pioneer in micro-hybridisation. How does this technology help boost the company's environmental consciousness?

We have segments in the industrial and automotive sectors. We have some new drivers in the markets

that are forcing us to review our product offering and enter into new designs and products. In both sectors, we have the same driver: to reduce CO2 emissions. That's our objective at both a global and European level.

One way that we can reduce CO2 emissions is the ongoing hybridisation of the car fleet, but I'm not talking about full-electrical vehicles because with that you need another battery chemistry that we have also in our portfolio. We are only offering this technology for industrial application so far. I think in the past five years, nearly every new car that has been launched into the market was equipped with technology that could reduce emissions.

There are hundreds of evolutionary interim steps between the old-fashioned combustion-engine vehicle and the fully electrical vehicle. We are supplying all these different steps, from



If you look more in-depth, you have two different challenges in this situation. One is large energy storage, a mid-point in the energy supply network. The second one that we are also offering now for private households is decentralised energy storage. It is very clean, does not make any noise, and you can store it in your cellar. It's a place to store your generated electricity to consume it when needed.

How does Exide Technologies promote innovation internally with your staff and also externally with your suppliers and partners?

First of all, of course, it's very important that we have a very good and highly motivated research and development team. In the past, R&D was a global initiative for Exide, but we realised that it wasn't close enough to the business.

One of the changes that we've implemented over the past few years is ensuring that R&D is now a local initiative, so that our European R&D team and our European vice-president R&D all report into me, instead of a global R&D vice-president. This helps us to better align our sales objectives with our R&D objectives, to have a closer exchange between sales and R&D in order to be very reactive and have the right answers to future market demands. One thing I've learned over the years is that opportunities are never lost; the ones we miss are simply used by others.

The new technologies in the market are causing suppliers to follow up and explore these technological changes. With our suppliers and external partners, we are trying to involve them in the very early stages of innovation to develop, together, new products and applications. This is also helping us to shorten our time to market because we're developing it together in parallel. We want them to be involved from the early stages of the

development process so we can pursue the development together and at the end of the process emerge with a finished product.

What does the future hold for Exide Technologies?

I can only talk about the African, Middle Eastern, and European ambitions because that's my area of responsibility. In regard to Europe, we have projects in the pipeline to expand our activities. In the Arabian area, for example, we have a joint venture in Dubai and we are going to invest to expand our presence there.

We are trying to focus on other growth areas in Europe, particularly some Eastern European countries. We have a production in Belarus where we are now moving into a new building and increasing our capacity. We are also looking for joint-venture opportunities in Russia.

On the one hand, we are trying to leverage our production costs by focusing our investments on Eastern European areas, but on the other hand we also want to take opportunities that come up because the Western European market is, at least for our established products, a saturated market, with limited growth rates. From a European perspective, if you want to grow revenues and business further you have to focus on the faster growing markets.

With Eastern European markets, like in the territory of the former Soviet Union, if you look at the average number of cars it's clear that the penetration of the automotive industry is maybe one-tenth of what it is in Western Europe.

If you want to be a successful player in the market, you have to have a good understanding of the market with good market intelligence and you also have to have a good understanding of your competitors. It's a competitive environment. ●

FRÖTEK, a global leader for battery accessories



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micro-hybrids and then hybrid cars. I think battery technology will change more in the next 10 years than it has in the past 100 years.

We have similar challenges in our industrial product group because many governments are increasing the percentage of renewable energy as solar and wind. Renewable energies all have one thing in common: they are volatile and we cannot control them. We do not get necessarily more wind or sunshine when we have a high energy demand.

The logic out of this is that during the periods when you have an over-capacity of electricity supply, you store it in order to consume it when you have a higher need but a lower delivery because you have unfavourable weather conditions. There are different technologies for storing energy but one of the key technologies for this storage will be the battery. Therefore, we are at the forefront of this need.

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