

A brighter future



JOURNAL PHOTO / C.J. GUNTHER

THE LINEUP: John Ranelli, FosterGrant CEO, with an assortment of the 2003 line of eyewear at the company's Smithfield headquarters.

Leaner and profitable, FosterGrant brings back old ad campaign

BY KATHLEEN YANITY
SPECIAL TO THE JOURNAL

After spending three years focusing its finances and operations, AAI.FosterGrant, Inc., the Smithfield sunglasses maker, is looking this summer to add more sizzle to its sales.

The company is trying to capture a greater share of the \$2.1-billion-a-year market for shades by once again asking "Who's Behind Those FosterGrants?"

It's relaunching the famous advertising campaign three decades after the initial distribution in 1965.

But instead of actress Sophia Loren and singer Elvis Presley as the stars, there's model Cindy Crawford and NASCAR driver Jeff Gordon, celebrities who are "more relevant for today," said John Ranelli, chairman, president and chief executive officer of AAI.FosterGrant.

"The growth plan now implemented has, as one of its core strategies, the advertising campaign," he said.

FosterGrant sunglasses are the third most popular brand of accessory in America, according to Women's Wear Daily newspaper. But they are behind top finisher Ray-Ban.

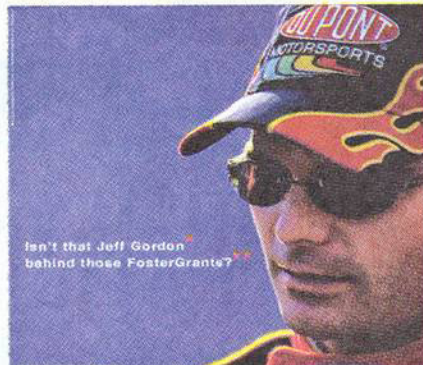
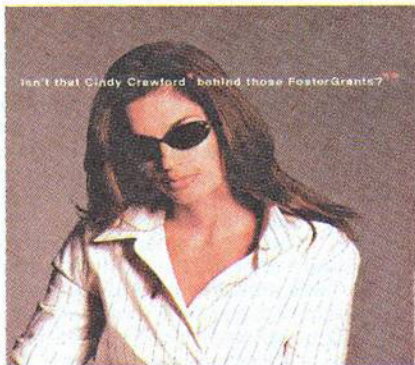
The eyewear and sunglasses industry has an impact on the Rhode Island economy. Along with AAI.FosterGrant, Smithfield is also home to Bacou-Dalloz USA, which makes protective eyewear. Its Uvex Safety division this month launched a new Harley-Davidson line of safety glasses.

Durable, yet stylish brands appeal to both industrial workers and safety supervisors, said John Montigny, vice president of marketing for the Americas. "Increasing compliance and lowering injuries is what it is all about," he said.

SEE **SHADES, G2**

THE PITCH: Model Cindy Crawford and NASCAR driver Jeff Gordon are two of the celebrities featured in the remake of FosterGrant's old ad campaign.

PHOTOS COURTESY OF FOSTERGRANT



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Shades

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The initial response from customers has been "overwhelming," said Montigny. As it has for several years, Bacou-Daloz's Smithfield factory is operating 24 hours a day, 7 days a week to meet demand. It produces about 30 million pairs each year.

In 2001, Daloz, a French maker of workplace safety equipment, bought Bacou, S.A. and Bacou USA, for about \$597 million. Through several brands, the company sells about 47 percent of all safety eyewear each year, according to Frost & Sullivan, a San Jose, Calif., market research firm.

The U.S. operation in Smithfield employs more than 300 people in production, sales, marketing and strategic planning. Each will receive a pair of Harley-Davidson glasses during special lunch-time events today, said Montigny. About \$420 million of Bacou-Daloz's annual \$900 million in sales are managed by the various Smithfield business units, he added.

FosterGrant's ads will appear in publications ranging from *Cosmo* to *Car & Driver*. They are planned to reacquaint people 30 years old and older with the brand, while reaching younger customers, said Will Burns, vice president and account director at Mullen Advertising, the Wenham, Mass., agency

placing the ads.

While they still feature a famous face covered by dark shades, the copy says the glasses are fashionable, yet affordable. "The message is that you can have more than one pair . . . that you won't set back your mortgage if you lose a pair," said Burns.

FosterGrant's strategy is to compete in the below-\$30-a-pair market, selling sunglasses to mass marketers such as Walmart and Target, and in drug and grocery stores. Prices average between \$15 and \$20.

Currently, only 20 percent of FosterGrant sales are international, "so the growth potential there right now is great," said Ranelli. Using existing operations in Mexico and England, FosterGrant will soon introduce its sunglasses in a number of South American and European markets.

Recently, prospects were not so bright for FosterGrant, a privately held company. Its attempts to revive its ads in 1999 faltered because of lack of money, said Ranelli. That year, debt was a crushing \$88 million and negative earnings were \$1.6 million before interest, taxes, depreciation and amortization. Ranelli, 55, a turnaround specialist, was brought in after past successes at other well-known companies, including Stride-Rite and Timberland.

First, Ranelli sold off the unprofitable leather accessories and novelty clock and watch busi-

nesses, retaining costume jewelry. He reduced overall expenses, then turned to performance. Only 74 percent of deliveries were on time, and accuracy levels had fallen to 88 percent. Now, 99 percent of orders arrive when promised, and 98 percent are correct.

The company posted a \$9.2-million profit in 2001, before restructuring charges and a one-time adjustment, he said. This year, in a debt-for-equity swap, it retired nearly \$52 million in bonds, due in 2006 and paying 10³/₄-percent interest. Annual interest payments fell from \$6 million to \$2 million. Total debt is now \$29 million. Weston Presidio Capital of Boston has invested \$4 million in FosterGrant and holds a 20-percent ownership stake.

Ranelli's changes resulted in layoffs in Smithfield — about 8 percent since his arrival — he said, and the work force now stands at about 230 executive, technical and warehouse employees. He said he anticipates that new sales growth will raise the employment there by about 10 percent in the next year.

In December 1996, AAi, once Accessory Associates, Inc., of Smithfield, purchased FosterGrant, then based in Dallas, Texas. AAi was started by Felix Porcaro, Sr., in 1971, as Femic, a small jewelry manufacturer in Providence. Later in that decade, Felix Porcaro, Jr., and his brother-in-law, Gerald Cerce, joined the company.