

Radio's High Flyer

By Katie Porterfield July/Aug. 2009



BusinessTN CEO of the Year Randy Boyd swings for the fences and builds a multi-million dollar company in the process.

In the early 1980s, a young farm supply salesman by the name of Randy Boyd bumped along country roads in a Dodge Maxi Van with no air conditioning or radio. On Saturdays, he loaded up the van in Knoxville with electric fencing for horses and cows (and a variety of accessories to complement the fencing line), and on Mondays, as early as 4 a.m., he headed down to Georgia, Alabama or North Florida to peddle his wares to farm and feed stores. He stayed in cheap hotel rooms along his route. Each day, he called on about 10 stores, dusting off the products that hadn't sold, restocking the shelves with new inventory

and collecting a check from the store owner.

"After about 8 years, some of my stores started asking me for this product called Invisible Fence [the first-ever electronic pet containment system]," the 47-year-old Boyd says. "They said the kind of thing that every salesman likes to hear—"It doesn't matter how much it costs, we'll buy as many as you can get."

What happened next is a story of entrepreneurship and unwavering focus, as Boyd leveraged the customer demand for that particular product into a company that today is one of the largest pet product manufacturers in the United States. Founded in 1991, Knoxville-based Radio Systems is a \$256 million privately held company that employs about 350 people worldwide and sells more than 900 products. With brand names such as PetSafe, Invisible Fence and Sport Dog, Radio Systems' products include bark control systems, pet doors, pet identification collars, pet feeders and not surprisingly, electric fences. The company's products are sold through online retailers and mail order catalogs, as well as in stores such as Wal-Mart, Pet Smart, Petco and Home Depot.

Getting an Early Start

Long before Boyd became a successful entrepreneur, however, he was learning from another.

"I'm really proud of the fact that my dad never actually gave me money to start my business, and he's not an investor in my business, but at the same time, he gave me something much more valuable than money," Boyd says. "He gave me opportunity and experience and a model to emulate."

When Boyd was 8, his father, Tom Boyd, who owned a company called Fi-Shock that manufactured electric fencing for cattle and horses, gave him the opportunity to work. For \$1 an hour, the young Boyd manned the assembly line in his father's factory, putting products in boxes. By age 11, he was also expected to buy his own clothes. (Instead, Boyd says he waited to get clothes for his birthday and Christmas.) He graduated from high school when he was 16 and went off to the University of Tennessee-Knoxville, where he paid his own way and graduated in three years.

"I don't want anybody to make the mistake—I'm not claiming any brilliance in any way by graduating at 19. I was just being cheap and impatient," Boyd says.

He worked for Fi-Shock throughout college, mainly operating injection molding machines, and afterward, his dad put him in charge of international sales and then national sales. But at 23—deciding that his dad "wasn't very smart and was underpaying me"—Boyd branched out on his own. Within six months of starting his own company, he says he realized not only that his dad was a lot smarter than he gave the old man credit for but also that he probably was getting paid a fair wage, after all. Naturally, though, he was too proud to go back, so when his first company failed, he started another one. This time, he stuck with what he knew—he began purchasing fencing from his dad's company and became one of Fi-Shock's many distributors.

Fences Make Good Profits

And it was that company, the farm and supply distribution company called Saco Distributing, that introduced him to the product that would launch Radio Systems. (By this time, Boyd had grown Saco into a company with \$1.5 million in annual sales. He remained the company's president until 1999, when he sold it to Saco's management team.)

When his customers began asking for Invisible Fence, Boyd called the company to gain access to the product. He soon discovered not only that the product was sold through franchise dealers but also that its patent was set to expire in August 1990. He purchased an Invisible Fence system from his local dealer for \$850, and though he couldn't open the receiver collar, he popped open the transmitter easily. Because he'd worked in the electric fencing business for all those years, he suspected that the parts in the transmitter weren't worth nearly as much as the \$450 that Invisible Fence charged for that individual piece. He took the device to a friend in the components business to confirm his suspicion, and two weeks later, his friend called back with the good news: the parts in the transmitter were worth about \$13.

"That was my one big moment of brilliance," Boyd says. "I figured out that somewhere between \$13 and \$450 dollars, a guy could offer something of value and still make a good margin."

So, he found an engineer who agreed to design a radio fence in six months time for \$30,000--\$2,000 more than Boyd's net worth at the time. Boyd took the bet. And though it took a year and a half, by June of 1991, Radio Systems Corp. was ready to ship its first product. While others who entered the business upon the patent's expiration stuck with Invisible Fence's model of setting up franchise dealerships, Boyd sold his product to retail stores for \$250 (the product retailed at \$499).

The plan, he says, was to sell 100 units a month. Instead, they sold 3,000 units in the first month, finishing the year with sales just under \$1 million. Since that first year, the company has experienced a compound growth rate of more than 40%, concluding 2008 with \$256 million in sales.

Obviously, though, the company introduced more pet-related products along the way (about 899 more), the first being a bark control collar that hit the market in 1993. In 1998, Radio Systems acquired two companies--Johnson Pet Doors and U.S. Pet Doors--which gave it 80% of the pet door market. Since then, Radio Systems has purchased eight more companies--the largest acquisition being none other than Invisible Fence, which Boyd had been courting for about 10 years.

"I would call them at least once a year, and finally, in January 2006, I called them and said, 'We keep talking; we meet at shows. I'm just going to fly up. We'll spend a half a day together, and at the end of the day, we'll walk away saying it's just impossible or maybe we'll come up with something.'"

Nine months later, they sealed the deal, and Boyd owned the very company that, in 1989, refused to sell him its product.

Convergence Theory

So what's next for Boyd and Radio Systems?

Knox County mayor Mike Ragsdale believes that without question, Radio Systems' best days lie ahead.

"Randy Boyd has a vision as to where he wants to take the company, he treats people with honor, dignity and respect; he is an incredibly hard worker; and he has an intellect that will allow him to make the adjustments necessary to be a success well into the future," Ragsdale says.

For Boyd, that future success involves not only acquiring more companies but also constantly innovating. With 70 engineers around the world and 300 patents in existence or pending, research and development is clearly a priority for Radio Systems. Boyd says the company devotes about \$14 million annually to R&D and likes to create between 40 and 50 new products a year. Each product, Boyd estimates, costs, on average, between \$200,000 and \$1 million to develop.

And there are some interesting products on the horizon. They include new GPS tracking devices that help you find your dog anywhere in the world, as well as a concept that Boyd calls "convergence." Radio Systems already creates a host of products that require collars, such as those that trigger an electric doggie door, feeder or a containment system.

"All these things are independent, so for a dog to have the multiplicity of our products, he's going to have this tool belt of half-a-dozen little accessories," Boyd says. "So, the idea is to converge all of these products into a single unit--it's kind of like what the iPhone has done."

In focusing on such innovation, Boyd's capitalizing on the demand that attracted him to the industry in the first place. The pet products space has already experienced quite a bit of growth and is expected to grow even more over the next few years. The non-food pet supplies market will reach nearly \$15 billion by 2011, according to a report by market research publisher Packaged Facts, a division of MarketResearch.com. That's up from \$9.9 billion in 2006 and \$7.5 billion in 2002.

R.J. Hottovy, a Morningstar equity analyst who covers the retail space, says the pet products industry is currently one of the highest growing spaces in retail. He says a few things are driving that growth, including the fact that dog and cat ownership has increased about 10% over the last decade.

"There's also been a trend toward humanizing pets. People are spending more and more on their pets, and that is fueling much of that growth," Hottovy says.

That's one of the reasons why Boyd has set the bar high for his next goal—taking Radio Systems to the \$1 billion annual revenue mark by 2014. Another reason, however, is Radio Systems' track record.

"In 2004, we became a \$100 million company, 10 years prior we were a \$10 million company, so as we hit the \$100 million mark, we asked ourselves, 'We went from 10 to 100 in 10 years. Where do we want to be 10 years in the future?'" Boyd says. 'We said, 'Well, we grew by an order of magnitude once; let's do it again.'"

It's a goal that he hopes to accomplish without going public. The reason, Boyd says, is it's difficult to focus on the "long term" as a publicly traded company when "you have analysts calling every other month or every other day asking what your earnings are going to be at the end of the quarter."

He also doesn't want to "sell out." He plans on being at Radio Systems for the next 20 years—"I think I could stay healthy and productive until 69."

Still, he admits that reaching the \$1 billion mark in five years is ambitious.

"We've got a path to get there, but it's going to be a challenge—there are a lot of things on our road map, and there's a probability that some of them won't happen," he says. "But we also believe that the biggest idea we've ever had, we haven't thought of yet."

Spoken like a true entrepreneur.

Sidebar 1: A Pack Mentality

Radio Systems' first office was a 40-foot long, eight-foot wide tractor trailer that Boyd purchased from his father for \$1,300 and fixed up with sheet rock walls and an air conditioning unit.

"There were seven people in there, and I knew everything--I knew if Howard's daughter was sick or if a customer had a problem," Boyd recalls.

So, later, when the time came to graduate to a "real" building, Boyd didn't want to lose that feel. Today's Radio Systems is an open environment with no closed-door offices or partitions between desks. (Not surprisingly, dogs can come to work with their owners.) Boyd sits at a desk in the middle of it all just like everyone else--he even moves occasionally to be closer to different groups.

The open space also fits nicely with the company's open information policy--at Radio Systems, an employee has access to all company information (except personnel records), regardless of location (be it China, Belgium or Knoxville). "If you ask one of your associates to act like an owner and make decisions like an owner but you don't give them full access to information like owners, you're setting everybody up for frustration," Boyd says.

In fact, Boyd's known for being what Jim Clayton--the legendary East Tennessee entrepreneur who founded manufactured housing company Clayton Homes and sold it to Warren Buffett--calls a collaborative and participative CEO. "He is not a dogmatic, dictatorial CEO," Clayton says. "He listens and really gets a lot out of his people. It's a very open culture."

Sidebar 2: The Pet-Friendly Philanthropist

Last summer, Randy Boyd invited Knox mayor Mike Ragsdale to breakfast to discuss making Knoxville the country's pet-friendliest city. After Ragsdale listened to Boyd's pitch, the mayor had a proposal of his own--one that involved what's now known as KnoxAchieves.

"I said "Here's the deal, if you help me raise the funds and get involved with Knox Achieves, I'll work with you on pet-friendly communities," Ragsdale says. "Well, I've put some effort into having a pet-friendly community, and I support it wholeheartedly, but Randy has put his heart and soul into both of them. [KnoxAchieves] is already a success, and [pet-friendliest city] will be a success--all because of Randy."

Indeed, KnoxAchieves, which provides an opportunity for 500 Knox County public high school graduates to receive up to \$2,000 annually to attend one of Knoxville's three community colleges, has reported a successful first year. Meanwhile, the push to make the Knoxville area the pet-friendliest community is underway.

But it's the bigger picture--i.e., Boyd's involvement in such civic engagements and his rise as a philanthropic force in the Knoxville community---that bears mentioning.

"He has built an outstanding company, and at the same time is tireless in his efforts to serve his community," Ragsdale says. "I've seen a lot of people who give of their resources and others who give of their time, but I don't know if I've ever met someone who gives so much in both ways."

Other causes that Boyd and his wife Jenny have contributed to through the years include the Knoxville Zoo and the Knoxville-Knox County Animal Shelter. In 2008, they also gave \$1 million to the Innovation and Entrepreneurship Center in the College of Business Administration at UT-Knoxville.

Mayor Ragsdale isn't the only one whose attention Boyd has captured. Two years ago, Jim Clayton, another Knoxville entrepreneur known for his philanthropic efforts, asked Boyd to serve on the board of Clayton Bank. He, too, sings Boyd's praises. "He is very grateful for being in a community that has allowed him to achieve success," Clayton says, "and he is very generous in supporting philanthropic organizations whose mission is to make this area a better community."