

HIGH FIVE

CHARLES SMITHGALL III FINALLY FINDS A SPOT TO STAY IN HIS FIFTH CAREER

AN APROFILE BY KRISTEN CARD



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T'S ALMOST IMPOSSIBLE NOT to be immediately charmed by Charles A. Smithgall III's easy Southern drawl and self-deprecating humor. Asked where he was born and raised, Smithgall answers without pause, "Right here in Atlanta. I live just a few blocks from where my parents lived; I guess I didn't get very far in life."

Of course, just the opposite is true. Sixty-four-year-old Smithgall has done extremely well, both personally and professionally—not that his journey hasn't been rife with twists and turns. A sort of career career-changer, Smithgall had four separate business identities before coming to the sales-and-lease-ownership industry 12 years ago, and that's if you don't count his experiences in the Army or on Canadian cattle ranches.

Not surprisingly, Smithgall insists he can't sit still—"I was ADD [Attention Deficit Disorder] before they knew what to call it," he says—and his perpetual-motion way of life seems to be working for him. Today, Smithgall is chairman and chief executive officer of SEI/Aaron's, the third-largest company in the business, with 56 stores in seven states and annual revenue of more than \$60 million.

Smithgall is nothing if not a fascinating storyteller. At the request, "Tell me a little about your childhood," a typical Smithgall tale goes like this:

"We had one toy and it was a pet billy goat," he begins. "It got up on the roof and ate all the shingles off, so the roof leaked in the house. When I was eight, I got a new Lionel electric train, but whenever it rained, the roof would leak from the billy goat's handiwork and the train would short out."

The fact is, Smithgall's father (Charles A. Smithgall Jr.) was a noted Georgia businessman who served as president of Storer Broadcasting, a television/radio company that eventually bought Northeast Airlines, before owning his own string of radio stations and newspapers. His wife, Celestia "Lessie" Bailey Smithgall, must have had her hands rather full with her four children; especially, it seems, with Charles, the eldest of her three boys (they also had an older sister). Charles apparently received high marks at school in everything but conduct, which landed him in five different high schools before he finally graduated.

Smithgall continued his education at his father's alma mater, the Georgia Institute of Technology in Atlanta, where he was a member of the football team and earned his bachelor of science degree in industrial management. He moved up to Philadelphia to try for his MBA at the Wharton School of Finance and Commerce, but after his first year, found himself bouncing around again—to Europe, back to Wharton and finally to Canada.

Smithgall had spent some summers working on cattle ranches in British Columbia, but what spurred him to make the move was a book he found indelibly inspirational, *Grass Beyond the Mountains: Discovering the Last Great Cattle Frontier on the North American Continent*, an epic about the true adventures of a cowboy named Panhandle Phillips, who had created a 4 million acre cattle empire. Smithgall decided he had to meet the cowboy character, who lived basically out in the middle of nowhere.

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got a 30.30 and a saddle, and I went to find him,” Smithgall remembers. “I got to Williams Lake, then took a mail truck to Anaheim Lake—it was 250 miles along a dirt road—then I bought a horse and a packhorse from another guy who’s in the book, Lester Dorsey, and rode about 70 miles over a mountain range. And I met this guy, Panhandle Phillips.”

Smithgall spent the summer there, then tried to settle. He built a cabin and a barn and even got some cattle, but eventually the isolation got to him.

“I got all lonely,” recalls Smithgall. “My closest neighbor was Panhandle Phillips and he was 15 miles away. One of my cows died and I got depressed, so I went to see Phillips and he suggested I go work for a big cattle ranch and learn how to be a real cowboy.”

So Smithgall got a job with the Douglas Lake Cattle Co., Canada’s largest working cattle ranch, making \$200 per month and all he could eat. It was the late 1960s, and when his parents forwarded his draft notice, Smithgall prepared to return to the U.S.

“We went into town—to Merit, which was about 50 miles from the ranch—about once a month on the cattle truck,” Smithgall says. “So they had a going-away party for me because I’d been drafted and I got pretty loaded up and somehow ended up going back on the cattle truck to the ranch. I just didn’t leave. And that’s how I went from delinquent to defector. They had my face up at the post office. My uncle came up and tried to talk me into going back; he had gotten me into

Officer Candidate School. So eventually, I went. Once I got home, the military police came and got me and it became a big court battle.”

By the time the legalities were settled, Smithgall found himself at an extremely inhospitable Army boot camp in Missouri.

“They knew who I was when I got there,” says Smithgall. “They ran me ragged. I didn’t sleep all weekend. They made me do pushups and sit-ups. Monday morning, they called us to formation and said, ‘Does anybody want to play football?’ Man, I raised my hand so fast! I got on the football team and I didn’t have to do squat after that except play football. The colonels had these football teams and they played each other and the officers would bet on them. It was a lot of fun.”

“I DIDN’T REALIZE HOW IMPORTANT HAVING GREAT MENTORS WAS IN TERMS OF YOUR OWN PERSONAL DEVELOPMENT. AS A YOUNG PERSON, YOU’VE GOT TO SEEK OUT YOUR OWN MENTORS; IT’S YOUR RESPONSIBILITY, NOT THEIRS.”

Smithgall was sent to Virginia for Officer Candidate School, where he was honored as a top member of his unit (“I must have been in a bad group,” he chuckles). Though he wanted to go straight to Vietnam, Smithgall’s orders sent him to South Korea, where he was again recruited for football, then named company commander of an engineer corps. A requested transfer to Vietnam came through. All he says about his first experience there is that his unit was disbanded because there weren’t enough members left

to qualify it as a unit. Once again named company commander of an engineer corps, Smithgall led patrols into Cambodia until he was sent home. Two weeks after his departure, his fire support base in Vietnam was overrun.

Back in the States, Smithgall briefly pursued a future in ranch management, until he realized ranch managers made only \$1,000 per month.

“So I thought, ‘I really want to be a ranch owner, not a manager,’” Smithgall says. “‘I need to go where I can make the most money the fastest and that’d be Atlanta.’ So I’m still here, trying to make enough money to buy my ranch.”

Delinquent. Football player. Cowboy. Army commander. Charles Smithgall was 28 and living the life of an adventurer. He added the title of husband to the list when he married Sally Lee Griffiths, known as Griff, whom he had dated off-and-on since his days at Georgia Tech. And he launched the first of his “real” careers when he went to work for Bob Holder of Holder Construction Co., which today is a national commercial construction-services firm operating in 25 states



with annual revenues around \$500 million. Smithgall progressed from assistant estimator to vice president within his five-year tenure at Holder, but left to go to Harvard Business School.

The next year, Smithgall returned to Georgia to work for his dad, who was trying to add cable television to his media domain. At a cable TV convention in New Orleans, the younger Smithgall met and got to know Ted Turner, the then-unknown new owner of the Atlanta Braves and future founder of CNN.

“We were both from Atlanta, so we hung around together,” remembers Smithgall. “And Ted said, ‘You ought to get the cable system up and running in Chattanooga.’ He wanted it so he could put the Braves games on up there. I told him, ‘Ted, I don’t know anything about running a cable company and I don’t have any money.’ He said he knew folks up there and he’d help me, and he did.” Smithgall became the vice president of the Chattanooga Cable Television Co., then helped Turner launch CNN. Smithgall left Turner Broadcasting to buy his own Atlanta radio station, but two weeks later, Turner was calling him with another brilliant idea.

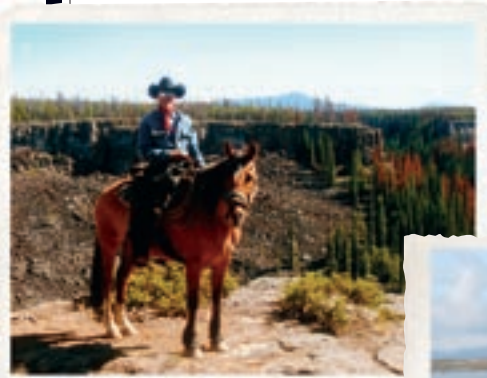
“He said, ‘I need to see you right now’—he still thinks I work for him,” Smithgall laughs. “He said, ‘I want you to change your call letters to WCNN and your station’s going to be the flagship station of a radio news network.’”

Smithgall complied and Turner gave WCNN the rights to air Braves baseball and the Atlanta Hawks



TOP: GRIFF AND CHARLES. ABOVE: THE SMITHGALL FAMILY: CHAS, JESSICA, MEGHAN, GRIFF AND CHARLES SMITHGALL, CHRISTMAS 2005.

basketball games. A few years later, the station won the programming rights to all Georgia Tech sports coverage away from a competitor who had had them for more than 60 years. It was a coup and it made Smithgall’s Ring Radio Co. profitable. Smithgall stayed with radio for almost 15 years—by far the longest he’d lasted with any professional endeavor—until, in 1995, a buyer came along with an offer too good for Smithgall to refuse. So 25 years and four careers later, Smithgall was once again on the lookout for a new adventure.



SMITHGALL THE OUTDOORSMAN, INCLUDING A FISHING EXPEDITION IN ALASKA (RIGHT)



Enter Johnny Williams, Smithgall's college roommate and fellow footballer turned investment banker. Over lunch one day, Williams, who had the initial public offering for Aaron Rents, suggested Smithgall get into the business as a franchisee.

"I asked him why he thought I'd like to be in rent-to-own," recalls Smithgall. "At first, he said, 'I think you'd understand the customers, because you converse with blue-collar people the same way you converse with white-collar people.' But then I pressed him some, and he said, 'This is a great business for someone who's not very smart, but has a lot of energy.'"

Amused but underwhelmed with the proposition, Smithgall visited some competitors' stores around town and came away less than impressed.

"I thought, 'I'm not going to be in this business. I've been in the glitz business, media and TV. Those stores looked like pawnshops.'"

Smithgall tried to pass on the opportunity, but his friend had already made an appointment with Aaron's founder and owner Charlie Loudermilk. Smithgall reluctantly agreed to attend the meeting.

"I went into it with this bip-bam-thank-you-ma'am attitude," Smithgall confesses. "I was just going to go in there, listen politely, leave and keep on searching for something else to do. But Charlie's a pretty good salesman. He told me his ambition for the business was to clean it up, put it on Main Street and really make it a legit, first-class business. He gave the analogy of the early video-rental stores: they were poorly lighted and had porno sections at the back. And then Blockbuster came along with this beautiful color scheme, bright lights, 10,000 titles, selling popcorn. They changed the industry completely. Charlie said we could do that with this industry and 30 minutes into it, I was like, 'Where do I sign?'"

Smithgall Enterprises Inc. (SEI)/Aaron's opened up its first store in November 1995, in Louisville, Kentucky. After three years and three stores, Smithgall was running out of money—and about to run out on the business in general.

"When you're scared to death, it's a great way to operate a business," says Smithgall with hindsight wisdom. "I figure, if you're afraid all the time of going broke, then you probably won't."

Today, with stores in New York, Connecticut, Kentucky, Indiana, Massachusetts, Rhode Island and Ver-



TOP: SMITHGALL VISITS THE APRO STAFF IN AUSTIN. JEANNIE HUTCHISON, LAURIE HILL, DEE DEE YELVERTON, SHELLEY MARTINEK, SMITHGALL, RICHARD MAY AND BILL KESSE. ABOVE: SMITHGALL (RIGHT) WITH BUSINESS ASSOCIATES. LEFT: WITH AARON'S NASCAR-WINNING CAR.

mont, and with about 25 sites waiting to be developed, Smithgall feels somewhat more secure. He attributes his company's success to three key qualities, which he says demark his "sales-and-lease ownership" approach from many of his competitors' "rent-to-own"—which he refers to as "the R word," by the way—attitudes.

"First, we've got big, beautiful stores and high-qual-

ity merchandise that just sparkles," Smithgall says. "Our stores are twice and frequently three times the size of the competition, with wonderful products, products I'm genuinely proud of. I invite all of our competitors into our stores; we send them written invitations to our grand openings. I think it intimidates the heck out of them to come in.

"Secondly, I've never been in a business where we had more advantage over our competition in terms of price," he continues. "We can tell every customer, 'Take your merchandise and return it and we'll lease you new merchandise for less than you're paying right now.' We guarantee our price to be the lowest—not only within sales-and-lease ownership businesses, but at Best Buy, Circuit City or Wal-Mart. We've been doing it for 51 years. No one can beat our price.

"Finally, our general manager compensation program is exceptional—I believe it's the best in the industry," Smithgall says. "We pay our general managers 16 percent of the pre-tax profit and 2.5 percent of the revenue of the store. So Aaron Rents has a general manager making around \$300,000 a year. What other industry do you know of where somebody can come in without a lot of education and make that kind of money? Their compensation is all based upon the success of the store."

In addition to the concrete tools of size, price and compensation, Smithgall also credits the Aaron Rents philosophy as a big marketplace differentiator.

"Our job is to help make dreams come true," he explains. "Our whole focus is to maximize the life of the customer, while we feel our competitors are trying to maximize the life of the product. We want our customers to own the merchandise as quickly as they can. We don't want it back. If we can get them to ownership, 90 percent will lease from us again.

"The essence of our company is living by our values," Smithgall says, "A reputation for quality, responsibility and integrity, treating our associates and our customers as we want to be treated, developing an outstanding leadership team and planned financial growth. Goals are important, but you either achieve them or you don't. You never achieve values; you just continue to strive for them."

One of the many interesting things about Charles Smithgall's colorful life to date is that his handful of differing careers has never been about failure—a shorter-than-average attention span, maybe, or garden-variety boredom,

or perhaps a clash of personalities, but never failure. He has been successful within every arena, from construction to cable to his current industry, and has therefore gleaned some critical commonalities and life lessons from his adventures.

"There are two things I didn't realize for a long time that I can see now are crucial," Smithgall says. "One, I didn't realize how important having great mentors was in terms of your own personal development. As a young person, you've got to seek out your own mentors; it's your responsibility, not theirs. And while there are all kinds of amazing people out there, remember that people with great strengths also have great weaknesses, so you want to choose what to copy. I've had many great mentors I was lucky to learn from.

"Two, I had the worst regard for salespeople, probably of anybody in the United States," he exaggerates. "I had this total disdain for the sales business until Ted Turner took me to Las Vegas to meet with Jack Kent Cooke [a Canadian-American entrepreneur who became one of the best-known executives in North American

professional sports]. He handed me his card and it said 'Jack Kent Cooke, Salesman.' I thought, 'Dang, that's what I want to be.' Now, I'm a student of the sales process, just convincing someone to trust you and come over to your point of view. Everybody's a salesman, really—trial lawyers have to convince juries, doctors need to sell you on taking care of yourself and feeling good. I'm fascinated by it."

With larger-than-life Charlie Loudermilk as his current mentor and a refreshed perspective on the importance of selling, Smithgall seems content for the time being in sales-and-lease ownership.

When asked what he likes best about the business, he says, "I like the fact that we have so much growth opportunity." I like the fact that we serve only about 5 million people of the 50 million who have bad, poor, very little or no credit. I like that we've got competitors, like Best Buy or Circuit City, who spend millions every year advertising, trying to get people to come into their stores, and then turn down an average of 50 percent of them because of credit issues. How many do we turn down? Well, if someone lives in their car, we might hesitate to lease them a new big-screen TV, but if it was a pre-lease, we'd probably let them have it. When people come into our stores, the first thing out of our mouths is, 'Everyone is pre-approved.'"

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Smithgall also appreciates the industry’s strong trade organization, the Association of Progressive Rental Organizations. SEI/Aaron’s just rejoined APRO in January; Aaron Rents had taken hiatus from the group, and Smithgall had followed suit. Now both are once again active APRO members and Smithgall is happy about it.

“In my heart, I’ve always felt that if we had a trade industry organization, then we should support it, because it’s good for all of us,” Smithgall says. “There’s comfort and camaraderie in numbers and when we get together and talk, we learn. APRO’s lobbying efforts are also extremely important with the government, where we’ve got people constantly trying to turn this industry into something it’s not. [APRO] is totally devoted to supporting our efforts to conduct business and make peoples’ dreams come true.”

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In his personal life, Smithgall’s self-diagnosed ADD manifests itself, luckily, in activities rather than relationships. He and Griff have been married for 35 years and share three children: Chas (Charles A.

Smithgall IV, naturally), 25, works for insurance and financial services giant AIG Inc. in New York City; Meghan, 23, is a fourth-year English/Spanish major at the University of Virginia in Charlottesville; and Jessica, 20, is a student at the University of Texas at Austin.

Smithgall spends much of his “off” time traveling. Griff was a flight attendant for years and last year, Smithgall bought his own jet, so they “just go around everywhere and do stuff,” he says. Every autumn, the couple goes to Scotland to hunt pheasant and partridge in the mornings and play golf in the afternoons. They are planning a trip to Argentina this year.

Smithgall’s recreational travels also include what he calls “projects.” For example, five years ago, he and his son climbed the 20,000-foot Mount Kilimanjaro, located in Tanzania, Africa. Other “projects” within recent memory include riding a mountain bike almost 300 miles from Telluride, Colorado, to Mohab, Utah; spending three weeks

horseback riding around his old stomping grounds up in British Columbia—another 300-plus miles; and at the time of this interview, preparing to bike around Tasmania.

At home, Smithgall maintains a similar pace, golfing, running, biking, playing tennis. And reading—several books at a time, as you might expect. At the moment, Smithgall has in his stack tomes on traveling Tasmania, living like 50 until you’re 80, what every son wants and needs from his father and personalizing sales and achieving astounding results.

“My son worries some about being a success,” Smithgall confides. “I tell him, try to work for good companies because you’ll learn more; try to do your best wherever you are and go with your gut. Do what you want to do and enjoy your life. What is success in business, anyway? I think it’s if you get up bustin’ your fanny every day to go to work, feeling fulfilled. Beyond the necessities of life, everybody wants the same things: Is what I’m doing worthwhile? And, does anybody care about me? If we can answer ‘yes’ to those two questions, then we’re successful.” ■

Kristen Card is an independent business writer in Austin, Texas.

LEFT: SMITHGALL SERVED IN THE ARMY DURING THE VIETNAM WAR.

