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PHILCO

As Told In

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1,250,000 Out Of 4,200,000 U. S. Radios

... sold last year bore the Philco trademark. The story of how \$10,000 grew to \$16,000,000; and how a company, thrown for a loss at the height of Prosperity, so thrived on Depression as to become the current leader of its industry.

IN THE fall of 1927 the Radio Corp. of America nearly put the Philadelphia Storage Battery Co. out of business. The Radio Corp. felt no special animus toward the battery maker. What happened was merely one of those scientific advances that result in what is politely termed technical obsolescence. The radio industry had been going along with sets whose power was supplied by batteries. In the fall of 1927 the Radio Corp. announced a new tube that made batteries superfluous. Plug a set with these tubes into any household electric outlet and words and music resulted. The new A.C. (alternating current) tubes were undeniably a tremendous forward step; the great radio boom of the late twenties was indeed based upon them. But they were no boon to Philadelphia Storage Battery Co., whose sales (\$15,443,000 in 1927) were almost entirely in radio batteries. The whole works was simply obsolete. In 1925 the American Piano Co. had been driven into receivership by radio and by 1927 the Victor Phonograph Co. was almost ready to sell itself out of an independent existence. And now Philadelphia Storage Battery looked like one more victim of progress.

How it escaped extinction is the subject of this story. But if it had merely survived, its narrative would hardly be worth writing. What the battery company did—as everyone knows—was to go into the radio business with its Philco radio. What it also did was to become by a wide margin the biggest manufacturer in the radio field. In 1934 Philco sold 1,250,000 radio sets for a sales volume of \$33,000,000. Furthermore, it sold more than twice as many radios as the Radio Corp. itself and its sales came to 30 per cent of the total registered by the entire radio industry (which still has 150 set manufacturers left out of the 800 that was the high-water figure of its 1926 expansion). In the course of reaching this high position it also got the reputation among its competitors of being the hard-hitting, price-slashing wild man of the radio industry. It is perhaps too much to say that feeling between Radio Corp. (which has never realized its natural possibilities as the rationalizing influence in the radio-set field) and Philco has ever reached the level of a feud. Even so, there are times when Radio Corp. finds itself with the hot tears of jealousy in its eyes: the jealousy of a maid who has introduced her

swain to another maid and sees between the two a growing tendency to cuddle together in a corner. And if there are times when Radio Corp. feels this way, it is not notably assuaged by Philco's bland and wide-eyed attitude of unconsciousness toward Radio Corp.'s feelings. Thus it is that no apology can be made in this article for more than one comparison between Philco and Radio Corp.: an integral part of the story of Philco concerns Philco's ability to turn on a dime while its big rival was attempting to turn over a dollar.

WHEN, in the spring of 1928, Philco first got into set production it was far from operating in a vacuum. To all practical purposes the radio industry was only six years old, but those years had been crowded and chaotic. The birthday of radio entertainment as distinct from wireless communication came in November, 1920, when what is now station KDKA broadcast the news of Warren G. Harding's election to the U. S. presidency. Already in the field was the Radio Corp., which had been organized by the General Electric Co. in 1919 (FORTUNE, September, 1932). It had been visualized mostly as competitor to the transatlantic cable, although smart David Sarnoff had even then foreseen its musical future. But there was hardly any time during which the Radio Corp. could be said to have the field to itself. By the end of 1923 it was estimated that there were 200 manufacturers of radio sets and 5,000 manufacturers of radio parts. That was the period when the radio enthusiast preferred to buy his parts and manufacture his set himself. When the general—and unmechanical—public became radio enthusiasts, the set maker became the dominant factor and several large, prosperous, and potent companies emerged from the crowd. There was the Crosley Radio Corp., which had made precision instruments and other mechanical gadgets. There was Sparks-Withington, which made automobile horns and was thus well qualified to turn out Sparton radios. There was the Atwater Kent Manufacturing Co., which had previously made automobile-ignition systems. There was Stromberg-Carlson, long in the telephone-equipment business and consistently the producer of excellent though expensive sets. And there was the Grigsby-Grunow Co., which—like the Philadelphia Storage Battery Co.—had been (until

1928) in the battery business but whose Majestic radio was almost immediately a sensational success. By the end of 1927 radio had become a \$425,000,000 industry and during that year had sold 1,350,000 sets worth \$170,000,000 to U. S. listeners. Philco was entering a highly competitive field—one that was riotously engaged in saturating its market and whose golden days were already numbered.

Indeed, crashing into radio turned out to be so difficult that Philco almost wound up its career even before the boom times of radio were over. In 1928 the industry leader was Atwater Kent, which popularized the A.C. tube that the Radio Corp. had introduced. In 1929 the leadership passed to Grigsby-Grunow, whose Majestic console set made a radio an ambitious piece of furniture. The Majestic also packed a dynamic loudspeaker of rafter-shaking force. Neither of these years was a Philco year. In 1928, wholesaling through the intact parts of its battery-distributing organization, Philco sold 100,000 sets, no large drop in radio's then big bucket. But in 1929 Philco went after mass production in a serious way. It decided to make radios just as the automobile man made motorcars—i.e., to assemble them on a moving conveyor precisely like the assembly line of Henry Ford. But all these preparations cost money—\$1,000,000 to recondition a plant, \$1,000,000 to install the conveyor system, \$2,500,000 to lay in supplies and materials. For the first time in its life Philco went into debt, borrowed \$3,000,000 from two Philadelphia banks.

Then in May, 1929, just when it looked as if everything was finally set, Philco met another crisis: the conveyor system all but died. Radio sets stubbornly resisted mass-production methods, and all the complex and troublesome engineering and management problems related to factory routing systems had to be tackled all over again. Not until August was production efficiently reestablished. Three months of stalled production in the face of demand built up by previous advertising and sales activities was serious enough—but no sooner had Philco leaped this hurdle than still another presented itself: Philco's wholesalers were having their troubles with their new product. They had to sell radios to dealers on time because other and older companies had well established credit systems. So they—and Philco—waited for money.

Between May and August money owed Philco rose from \$1,600,000 to \$5,500,000. The \$3,000,000 was gone and the company needed an additional \$4,000,000 credit to meet payrolls and bills for material—immediately and imperatively.

At this point enter Mr. Carl H. Chaffee, Vice President of Philadelphia's First National, and a staunch Philco friend. His own bank had extended itself to Philco until its unsecured loan had all but reached the legal maximum; if,

however, he could directly do nothing more for his Philco friends he could at least do something indirectly. He could use his good offices with Joseph Wayne, Jr., President of the Philadelphia National, biggest Philadelphia bank. He arranged a meeting between the three top officials of Philco and Mr. Wayne. As Mr. Wayne meets them in his office let us meet them also: left, President Edward Davis; center, General Manager James M. Skinner; right, Treasurer John S. Thomas.

They told Mr. Wayne the Philco story and waited for the answer upon which depended a \$10,000,000 enterprise and 5,000 pay envelopes.

"I don't like it," said Mr. Wayne, jerking his thumb in the direction of the Philadelphia Stock Exchange, where brokers a block from his office were reproducing in miniature the exuberance of the New York market. In August, 1929, Radio Corp. sold at 100 (after a five-for-one split), U. S. Steel at 260, American Can at 184.

"Don't you think this stock market is going to break?"

"I suppose it might," said Mr. Skinner.

"And if the market breaks, don't you think radio will break with it?"

"Yes, I do," said Mr. Skinner. This admission seemed to seal the company's fate.

"Well," said Mr. Wayne, "what are you going to do about it?"

"As things stand, we can clear out every radio in the factory plus every radio in a distributor's hands in twelve weeks," answered Mr. Skinner. "With a bad market break it might take from eighteen to twenty-four weeks but no more." He went on to talk of production control, of inventory control, of sales increases.

Mr. Wayne hesitated. After all, he knew that the Philadelphia Storage Battery Co. had been for many years a sound Philadelphia enterprise. He was a personal friend of its President, whose judgment and character counted for much with him. Finally he said that the loan would be granted if the Philco officials added their personal guarantees to the company's credit. This proposal met with instant and enthusiastic assent. Messrs. Davis, Skinner, and Thomas assigned to Philadelphia National all their personal holdings in the company and out of it and went home with an additional credit of \$4,000,000. That was the most critical day in the many critical days of Philco's experience. And Mr. Skinner has never forgotten it—nor Banker Wayne.

"That man is a sound banker," says he. "He believed in supporting a local business. Now if he and our other two banks had been putting

their money into the call market at 12 per cent . . ." and Mr. Skinner shakes his head at the thought of what might then have happened. Meanwhile, to demonstrate the fact that Mr. Wayne was a sound banker, it should be added that Philco sold over 400,000 sets in 1929. Also that by March 1930, Messrs. Davis, Skinner, and Thomas had repaid their entire borrowings and taken another trip down to the bank where their notes were joyfully and officially torn up.

ALL of which sounds very fine and successful—but remember that the deal with Mr. Wayne was made late in 1929. When the predicted market break did happen, the radio industry emphatically did break with it—and most of the radio industry has been broke ever since. After the bitter blow of 1927 and the tight squeeze of 1929, Philco had still before it five years of depression in an industry that had already marketed nearly as many radios as there were electrically wired houses to receive them. Most significant portion of the Philco story lies in its post-1929 years. Which brings us back again to the nature of the Philco organization and Mr. Skinner, for it was only because they were tough and hardy animals that they were able to gain and hold the leadership of their industry. Also because the company possessed the stamina often associated with corporations whose management also owns the stock. The observation that "the stockholders own the company" is always technically correct, but it is frequently extremely irrelevant. But with Philco the stockholders do own the company—and run it too.

The Philadelphia Storage Battery Co. started in 1906 with five stockholders who put up \$10,000. (Nobody has since added any new capital.) It was an accessory to the then infant automobile business, and neither infant nor accessory was at all lusty. At one point E. Earle Everett, original factory superintendent, having no money to buy carbon for the battery plates, scooped soot out of the chimney and thus continued in production. At first the company made only electric-vehicle batteries and ignition batteries (the "sparker" battery that exploded the gasoline in the cylinder). Then (1911) came the self-starter, and starting batteries were added to the line. But Philadelphia Storage Battery was never a leading company in the battery field. That honor goes to Electric Storage Battery Co. (Exide and Willard) which supplies many automobile makers with original equipment batteries. Philco depended solely on the replacement trade and so never built up a sales volume comparable to that of its big competitors. So even in 1913 sales were only \$576,000. The War helped (the Navy needed auxiliary electric systems on its battleships) and by 1920 sales had worked up to \$4,000,000. At about the time the War boom collapsed, in came radio to give batteries a fine new market.

Philco developed self-charging batteries, called Socket Powers, which were the last word in radio power until the A.C. tube. And reached the \$15,000,000 sales total for 1927.

Mr. Skinner arrived at Philco in 1911 direct from the University of Pennsylvania. He took the job (pay, \$75 a month) two weeks before getting his degree in chemical engineering. He had been a second-string lightweight on the boxing team, had pulled the university's Priestley Club (chemistry) out of a financial hole by serving ice cream and cake at the chemical meetings. But although he arrived as the company's chemist, business was his natural bent. He got the company into starting batteries, into special radio batteries and Socket Powers, into radio itself. In 1930 President Davis (one of the original founders) became Board Chairman and Mr. Skinner succeeded to the President's job.

Mr. Skinner is a short, square-set person in the late forties, who will cheerfully talk Philco for hours at a stretch and who thrusts his head forward belligerently when he is making some important point about his favorite subject. His hair is gray and when he has told a story about some grief or other in a business that is full of headaches, he points to the gray hair and says, "That's how I got that." He nearly always has a pipe, usually unlighted, and belongs to the pad and pencil school of conversationalists. He has a phenomenal memory for items such as the dollar sales in 1914 or the battery production in 1922 but usually checks his very accurate statistics by consulting a large brief case that is seldom far from his side. For the reinforcement of logic he quoted copiously from the Old and New Testaments, but with gusto rather than with piety.

Mr. Skinner is Scotch and thrifty and Philco is thrifty and Scotch. The board room is merely one of the rooms in the North Philadelphia factory building, its chief article of furniture being a battered golden-oak table which was picked up secondhand twenty years ago. Everybody eats at the company cafeteria, where twenty-eight cents buys an excellent meal. Mr. Skinner usually rounds out his lunch with three slices of brick ice cream. The ice cream usually sells at two slices for twenty cents but at three for twenty-five, and Mr. Skinner says he can't resist the extra slice at the nickel figure. When Philco took over the Transitone Co. (automobile radios; see page (5)) it acquired some elegant Manhattan office furniture which Mr. Skinner refused to allow on his premises. "This is a factory," says he. "We don't believe in fancy furnishings." And Philco salesmen pay (out of a good commission) their own traveling expenses. Yet Mr. Skinner is not afraid to spend money in a good cause. Every year he gives his distributors a trip to Bermuda, with Philco tipping the stewards and paying the green fees. And when it comes to advertising, Mr. Skinner is no niggard, as we shall shortly see.

Around him he has collected a group of executives who meet around the old oak table every Monday morning and thrash out the production, sales, and inventory problems of the week. If the sales manager thinks that 30,000 radios should be sold that week and the production man thinks 25,000 is the outside figure, Mr. Skinner may invite them to back their judgment with a little bet. And eventually they agree on some figure that is amazingly close to the mark. In 1934 Philco had sales of \$33,000,000 on an inventory of \$2,000,000. These statistics mean that every Philco in the shop will be sold in a little more than three weeks; they reveal the astonishing inventory turnover of sixteen and one-half times a year. Thus the finger is always on the Philco pulse.

It has to be. Radio retailing is a confused and disorderly business. Philco reaches out, with the aid of seven division managers and fifty salesmen, through its 120 distributors (wholesalers) and 175 associate distributors (who are actually large retailers such as department stores, furniture stores, etc.) to some 10,000 dealers who may be primarily in the radio business but are just as likely to be in the hardware business, the electrical business, the sporting-goods business, the music business, or the drug business. There has always been a good deal of forced selling in the economy of radio: bonuses to salesmen for pushing one set harder than another, extra discounts disguised as co-operative advertising appropriations given by the manufacturer to the dealer for local newspaper space. In the earlier days of the business all manufacturers fought for their markets with whatever weapons they could snatch up. Today, however, some order is emerging from the chaos of these first days: discounts to distributors, associate distributors, and dealers are uniform

and the NRA has to some extent stopped the grosser forms of throat-cutting. But no one can last very long in the radio business without an eternal vigilance to discover where hell is going to break loose next.

Philco has the vigilance. In part it results, as we have already suggested, from the identity of Philco ownership with Philco management. Not only is there no public ownership of Philco stock, but out of a total of seventy-six stockholders, all but three are Philco executives, and these three are heirs of two of the founders. The company sells its executives stock with the agreement that the stock cannot be resold to outsiders; that the company can at any time buy it back at \$110 a share; and that on the death of the holder the stock reverts to the company at the \$110 figure. This plan was worked out by Chairman Davis, whose theory was that the company should buy in the stock of its older executives and distribute it among its rising men, thus (said Mr. Davis) "constantly refreshing the management with new young blood." Thus Chairman Davis himself, now seventy-one is a comparatively small stockholder, although his was once the major interest. And although Mr. Skinner is the largest stockholder today his interest will grow smaller rather than larger as the years advance. For Wall Street and high finance, Mr. Skinner has little use. Back in the boom days a promoter offered to sell a \$50,000,000 Philco stock issue to the public. "Hell," said Mr. Skinner, "the company isn't worth half that."

Notice that Mr. Skinner and his associates represent the very epitome of rugged individualism—although the New Deal is not unpopular at the Philco works. Mr. Skinner says that it is the business of the businessman to get along

THE DOLLAR LOG OF PHILCO

**A corporation that began by making storage batteries in 1906,
ended 1934 as the No. 1 radio manufacturer.**

<i>Year</i>	<i>Sales</i>	
1917	\$ 1,600,000	First million-dollar year.
1918	2,800,000	Increased demand for automobile batteries.
1919	3,400,000	Increased demand for automobile batteries.
1920	4,300,000	Peak of post-War boom.
1921	3,300,000	Post-War slump.
1922	3,400,000	Post-War slump.
1923	3,700,000	First effects of demand for batteries for radio.
1924	4,200,000	Full year of radio demand for batteries.
1925	7,400,000	Company put out Socket Power (see page (4))
1926	12,800,000	Full year of Socket Power; 400,000 sold.
1927	15,400,000	500,000 Socket Powers sold, but A.C. tube appears.
1928	12,500,000	Socket Power obsolete; Philco begins making radios.
1929	23,000,000	First full-year production of radio; 408,000 sets sold.
1930	34,000,000	Brought out model to sell for \$68; 616,000 sets sold.
1931	34,000,000	Cheaper sets dominate market; 977,000 sold.
1932	17,000,000	Cheap sets ruin market; 609,000 sets sold.
1933	23,000,000	Bulk of sales still low-priced; 963,000 sets sold.
1934	33,000,000	1,250,000 sets, 30 per cent of U. S. total of 4,200,000.

no matter what party is in power at Washington and that industry would be better off with less protest about the New Deal and more work. But Philco is the kind of company that makes it hard for competition. Particularly hard during a period of falling prices and vanishing profits—a depression period such as radio has experienced for the past five years.

IN 1929 the radio industry had sold some 4,000,000 sets. Unfortunately it had also built 5,000,000, which left 1,000,000 to be got rid of in a hurry. During the resulting liquidation, 7,000 dealers were put (or got) out of business—a mortality that was to set the note for the next several years. The average set price in 1929 had been \$133; by the end of 1930 it had dropped to \$87. To this price decline Mr. Skinner had undoubtedly contributed. His competitors pinned the label of price cutter on him away back in 1929 when he priced his sales leader at \$129.50 to compete with a similar Majestic model at \$137.50. But that, Mr. Skinner would immediately retort, is not price cutting; that is giving the public more for its money.

And it should be emphatically noted that the really drastic radio price cutting of 1930 was no creation of Mr. Skinner's. This began when several small Pacific Coast manufacturers brought out a small set, priced at \$59.50, which was immediately tagged with the name "jollopy."* It was usually shaped like a Gothic window, was meant to be set on a table (unlike the consoles, which stood proudly on their own carved legs), and had only five tubes. The jollopy was hard on all the standard-sized set makers, Philco included, and eventually they all were driven into the table-set field. But Philco was the first to match the jollopy with a half-sized set, which was called the Philco Baby Grand. It was a little better than the jollopy (had seven tubes instead of five) and sold for a little more (\$68 retail). Not until 1931 did manufacturers like Atwater Kent and Radio Corp. follow Philco into the table-set field, and by that time they figured that whoever may have started the small-sized sets it was Philco that compelled everyone to produce them.

In addition to annoying the entire industry in 1930, Philco also got into the particularly bad graces of the Radio Corp. For that year Mr. Skinner put Philco into the tube business. The Radio Corp. licensed tube makers to make tubes under its patents, just as it licensed set makers. But whereas Radio Corp. made possibly 15 per cent of the sets, it made well over 60 per cent of the tubes. And one of its customers was Philco. But in 1930 there came a disagreement. Today there is even a disagreement about what the disagreement was about, for Philco insists

that it was on technical specifications and Radio Corp. says it was on price. In any event Philco went to two independents—the Hygrade Lamp Co. and the Sylvania Lamp Co.—and found them quite agreeable to making whatever tubes Philco wanted. Radio Corp. lost a fine customer. And—even worse—Mr. Skinner not only got tubes as original equipment in Philco sets, but also went into the replacement tube-selling business in direct and rigorous competition with Radio Corp. tubes. Today Mr. Skinner has four tube makers working for him and sells perhaps 20 per cent of the replacement tube market. Radio Corp.'s share in the business has fallen from 60 to less than 40 per cent.

What with the Baby Grands and tubes and one thing and another, Mr. Skinner pulled through 1930 in an excellent condition. The Grigsby and the Grunow portions of Grigsby-Grunow had split up at the end of 1930 and the Majestic radio was fading from the market. (It is extinct today.) So in that year Mr. Skinner, with sales of 616,000 sets, reached the No. 1 position in radio volume. His dollar sales totaled \$34,000,000.

DEPRESSION YEARS

IN 1931 radio design shifted from the old T.R.F. (tuned radio frequency) circuit to the more efficient but more expensive superheterodyne circuit. In spite of this, prices got lower and lower and business got blacker and blacker. There did appear, however, a new radio sideline into which Mr. Skinner plunged with his usual thoroughness. That sideline was the automobile radio. In 1927 one C. Russell Feldman had organized the Automobile Radio Corp. to supply motorists with music. Unfortunately the automobile sets sold for over \$150, and sold very rarely. Late in 1930 Philco bought the company's business and patents, organized a new company—the Transitone Automobile Radio Corp., Philco controlled—(that was when it picked up the fine furniture that Mr. Skinner would not use), and in 1931 produced an automobile set priced under \$100. In 1931 it sold 37,000 of these Transifone radios. Since then it has arranged to supply automobile radios for twelve makes of cars* and eventually (1934) ran its Transitone sales up to over 200,000. Philco is now doing about one-third of the total business in automobile radios.

In 1931 Philco sold no less than 977,000 radios and left the No. 2 manufacturer (Majestic) so far behind that a rivalry could hardly be detected. But although Philco made 361,000 more sets in 1931 than in 1930, dollar sales were again almost exactly \$34,000,000—a fine commentary on the state of the trade.

*Apparent definition: any decrepit gadget such as an old radio, automobile, vacuum cleaner, etc.

*Chrysler, DeSoto, Dodge, Ford, Hupmobile, Lafayette, Lincoln, Nash, Pierce-Arrow, Plymouth, Reo, Studebaker. But automobile radios are not standard equipment, must be ordered and paid for as extras.

Bad though the radio year of 1931 had been, 1932 was infinitely worse. For along came a Mr. Ben Abrams and various other small radio makers to bring the radio industry one last curse. Latest damnation was the midget radio, known to its detractors as the peewee. This was a set that in some manifestations retailed for less than \$10. For once Mr. Skinner found himself on the same side of the emotional fence as Radio Corp. and Atwater Kent. The peewee to Mr. Skinner was a demoralizer, and he would have none of it. At least for seven months he would have none of it: then he capitulated and brought out a peewee of his own—although \$18.75 was the lowest price he would set on it. (Whereas proud old Radio Corp. was to scandalize the industry in 1933 with a peewee for \$12.95.) The public had first regarded the construction of a midget radio as a feat neither more nor less interesting than engraving the Lord's Prayer on the head of a pin—but the midget price was the nearest thing that came to fitting the midget purse of the radio-buying public, and the sale of full-sized sets in consequence took a terrific tumble. In the last week of 1932 Mr. Skinner sold 17,000 of his four-tube Juniors, which was 50 per cent of his entire sales. That made Mr. Skinner ill, but no sicker than the rest of the industry.

Not even radio manufacturers have always been certain whether a radio was a musical instrument, an electrical gadget, or a piece of furniture. But if Philco at one time shared the general confusion, it got over it earlier than most. True, it acknowledged the furniture motif in 1931 by making the almost inevitable gesture of calling in Mr. Norman Bel Geddes to style its cabinets. Nonetheless as time went on Philco placed a heavier and heavier emphasis in both its engineering and its advertising on the tone quality of Philco reception. Page spreads in color showed popular artists in out-of-focus photographs (representing bad reception) and in in-focus photographs (representing Philco reception), and in 1932 almost all of Philco's magazine advertising appropriation of \$900,000 was spent to promote models costing as much as \$150. Coming as it did at almost the nadir of the depression, this was without question a bold policy—yet not even the force of 900,000 advertising dollars (reinforced by another \$350,000 for broadcasting time and newspaper space) could keep the dealer from being scared of the high price or keep the public from being even more terrified. Philco sales in 1932 dropped to 600,000 sets, about *two-thirds* of 1931 sales. Meanwhile dollar sales went down to \$17,000,000—about *one-half* the 1931 total. The rest of the radio industry suffered at least equal declines in set and dollar sales and Philco was still at the top of the heap, for whatever that was still worth.

There was nothing in this showing, however, that made Mr. Skinner feel that there was any-

thing wrong with his emphasis on tone quality. He has kept it up ever since—the \$1,500,000 that Philco currently spends on advertising iterates and reiterates this theme. For three years Philco paid between \$100,000 and \$150,000 a year to Leopold Stokowski and the Philadelphia Orchestra for Philco broadcasts of symphonic music. In 1934 Mr. Skinner went further: he organized the Radio Institute of the Audible Arts, hired Pitts Sanborn, music critic of the New York *World-Telegram*, to manage it—the purpose of the Institute being to campaign for a rise in the level of quality (intellectual as well as tonal) of radio broadcasting. All of which Mr. Skinner thinks is good business. He explains these activities on no loftier grounds than these: that the more the public appreciates good music and good programs the bigger and better radios they will buy and the more money there is to be made in the radio-set business.

RECOVERY

AND in 1933 Philco's business turned to a pleasant upward trend. For in that year a curious turn of the wheel brought back to the radio public a taste that it thought it had outgrown. The taste was a taste for distance. Radio makers began adding short-wave reception to sets that previously had been equipped only to receive nearby stations, and lo!—the radio public suddenly became absorbed in listening to Europe. Philco put the all-wave feature into Model 16-X at \$175, although it was a little cautious about leaning too heavily on European reception. However, Philco dealers plugged the European idea, and other short-wave sets also intrigued the public with round-the-world radio. Philco had designed the 16-X to bring music back to radio, and here it was selling on a supergadget basis. Main point, however, was that big radios *were* again being sold. The public not only had a new curiosity about radio, but it had also a new solvency. The percentage of midget sales steadily declined. The percentage of sets priced at more than \$100 steadily increased. Philco set sales climbed back to 963,000 and the dollar sales to 23,000,000.

In 1934 the good work of 1933 continued. Having firmly established itself as the big radio producer during the depression years, Philco now began to reap the reward of its labors. Sales were at the rate of a million and a quarter sets a year; the public decided it wanted both Europe and fine tone and \$100 sets were now selling two to one over less costly console models. True, Philco got into one more battle with the rest of the industry. This it accomplished by making a great and widely advertised feature of its "high fidelity" sets. These sets have a tonal range much wider than their predecessors—running perhaps from fifty cycles of audible frequency in the bass to 7,500

cycles in the treble, instead of stopping short at some 4,000 cycles. High-fidelity reproduction does thus have the genuine advantage of giving a more faithful reproduction. But there is a trouble with it: if you attempt to take the fullest advantage of the wider range, you are likely to pick up vibrations from several broadcasting stations at once. For that reason the radio industry was pretty well agreed that it would not put high-fidelity reception into its sets until 1935 or even later—not until it had had more time to solve its engineering difficulties.

Pretty well agreed, that is, except for Mr. Skinner. So Philco's engineering staff wrapped towels around its head and emerged with a high-fidelity set to which it had added what it called a selectivity control, to adjust the tonal range to whatever broadcasting conditions might be at any given time and place. Whereupon, in September, 1934, Mr. Skinner came out with a fine, new advertising campaign based on the high-fidelity feature, and hired Lucrezia Bori and the Waldorf-Astoria ballroom to demonstrate its advantages. There were howls from the rest of the industry, but Mr. Skinner could afford to disregard them: sales in 1934 had been 1,250,000 sets (first year to pass the million mark) and set \$33,000,000 gross.

PHILCO TODAY

SO PHILCO sits pretty. As a privately owned company, it publishes no reports on sales or earnings. The set and dollar sales figures in this story, hitherto unpublished, are official. Mr. Skinner is still not divulging any net income figures. The company has a simple capital setup, with 40,000 shares of a \$5 preference stock and 40,000 shares of common stock with no specified dividend. It has paid the preference dividend every year since it was created in 1917, even including the depression period. Common dividends are presumably declared only when the Directors feel it appropriate. The company carried all its fixed assets—land, buildings, machinery, etc.—at only \$2,000,000. There is no funded debt and current assets were six times current liabilities. Total assets are \$16,000,000—the oak tree that grew from an acorn of \$10,000 in 1906.

As Philco's condition has improved, so has the condition of its competitors. General Electric is planning to get back into radio manufacturing in June, 1935, after having bought its sets from Radio Corp. for two and a half years. Radio Corp. has a line that, advertised under the slogan of the "Magic Brain," has caught the public imagination more than anything

Radio Corp. has turned out for many years. It is impossible to make any accurate estimate of set sales by the 150 manufacturers who still remain in the business. An idea of how the leading manufacturers ranked in 1934 may, however, be gathered from the following figures for set sales:

Philco	1,250,000
R.C.A.	500,000
Crosley	300,000
General Household Utilities	300,000
(mostly automobile radios)	
Colonial	300,000
(mostly for Sears, Roebuck)	
Wells-Gardner	200,000
(mostly for Montgomery Ward)	
Emerson	200,000
(mostly midget)	
G.E.	200,000
(made by R.C.A.)	
Atwater Kent	100,000
Zenith	100,000
Bosch	100,000
Total accounted for	3,550,000

These figures are made up from conflicting trade estimates and must be taken with consideration of a possibly wide margin of error. Total sales for the entire industry were around 4,200,000 compared to 4,100,000 for 1933. But average price per set went from \$35 in 1933 to last year's \$50.

Mr. Skinner should meet an improved competition in 1935. Having been a competitor all his life he will probably enjoy it. In the radio business he resembles Mr. Kipling's wild cat that walks by its wild lone. His more co-operatively minded rivals resent this solitary attitude, but there does not, in the final analysis, seem to be anything more fiendish in his methods than the ability to turn out radios at costs below the industry's general level. His is the type of corporation that is accused of uneconomic competition, but to rebut that Mr. Skinner can use if he chooses the answer that competition is not uneconomic unless it is carried on at a loss. And there is something about Mr. Skinner that makes it a drain on the imagination to think of his competing at a loss in 1935.

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