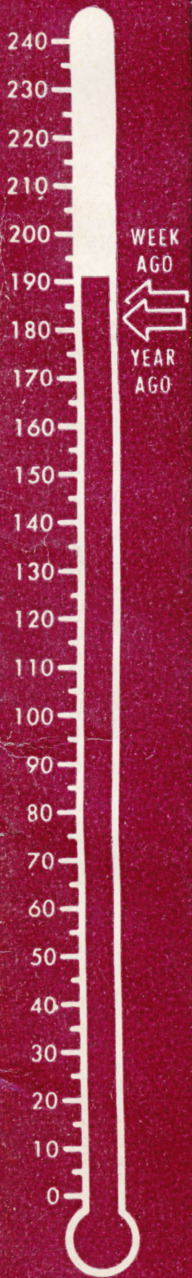


BUSINESS WEEK

APR. 9, 1949

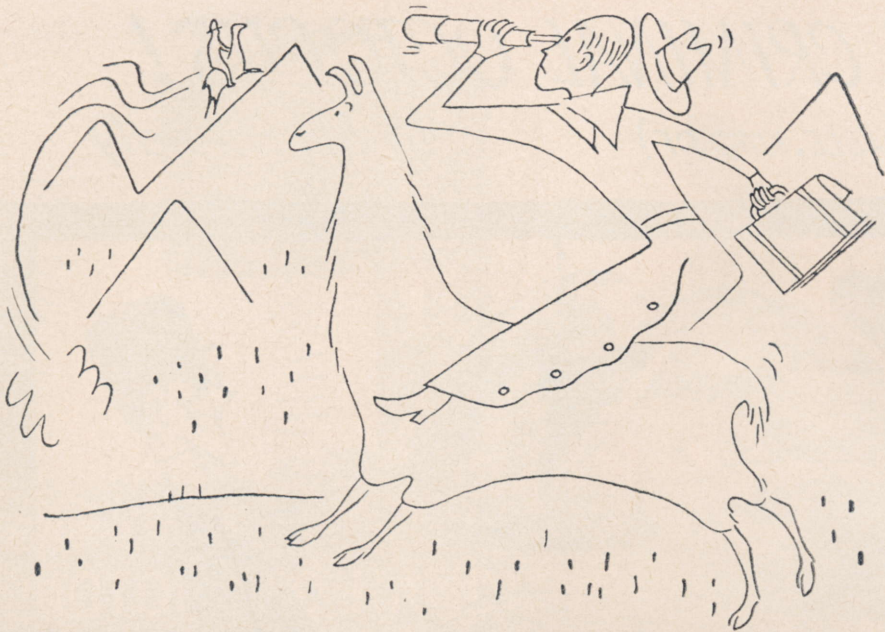


William Balderston: New president sets a new sales record for Philco (page 6)

BUSINESS
WEEK
INDEX

A MCGRAW-HILL PUBLICATION

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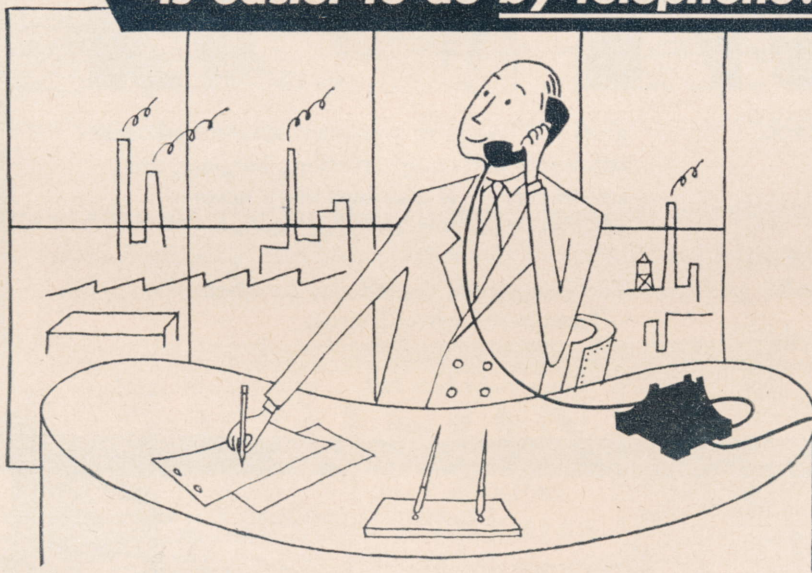
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THE COVER

William Balderston, the new president of Philco Corp., got into electronics by a round-about route. His one idea after graduating from high school in his native Boise, Idaho, back in 1913, was to earn enough money to get an engineering degree at the University of Wisconsin. So he went to work for two years with the U.S. Reclamation Service in Wyoming.

• **Delay**—The gangling, 6-ft., 2-in. Balderston finally made it, pulling into Madison, Wis., on a sheep train with \$900 in his pocket. A spell as lieutenant in the field artillery during World War I delayed his college career. But he managed to get back to Wisconsin to receive his diploma with the class of '19.

Balderston was headed for a career with the government irrigation service when he married Susan Bowen Ramsey, whose father operated the Ray-O-Vac Co. plant in Madison. Government work went by the boards: Balderston spent the next decade with Ray-O-Vac, rising to vice-president of the battery company.

• **Transitone**—Balderston got out of the battery business when plug-in sets finished off batteries as a power source for home radios. The next step took him to Long Island where he negotiated an interest in Transitone Co., a pioneer auto-radio company.

When Philco bought the company in 1930, Balderston got the assignment of organizing an auto-radio division.

• **War Work**—Balderston's salesmanship helped Philco get its wartime contracts. He undertook a tough deadline on airborne-radar equipment. Philco made good by delivering the first unit to Wright Field in a boxcar specially fitted out as a laboratory for last-minute adjustments. Balderston became vice-president in charge of war work in 1941, president of the company in 1948.

The Philco head lives in Meadowbrook, on the outskirts of Philadelphia, where he indulges his hobbies of gardening and photography.

—Complete story on Philco Corp. starts on page 48. Cover photography © Fabian Bachrach.



PAPER can . . .

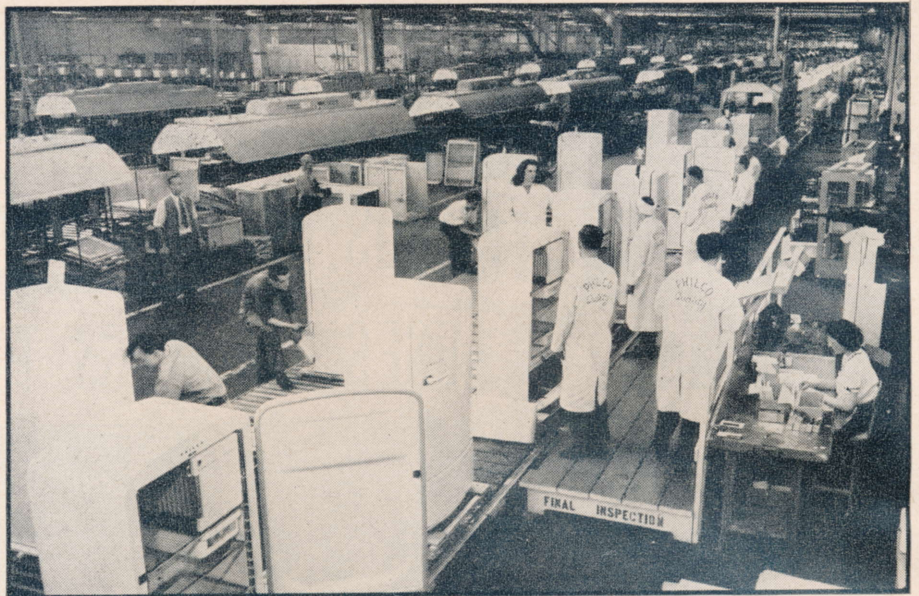
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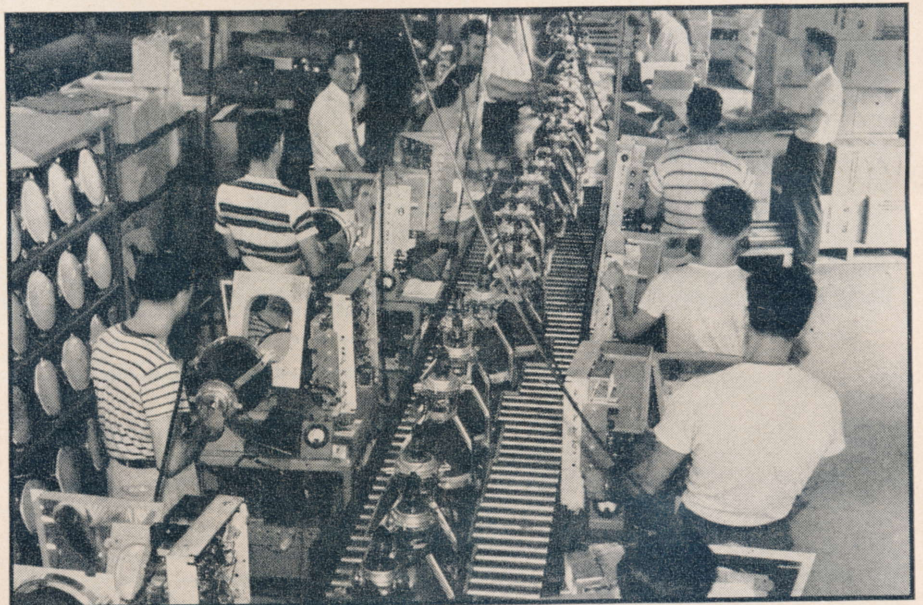
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OK LAHOMA CITY, OKLA.
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New Lines Pace Philco Growth

Thanks mainly to its refrigerator division, Philco had its biggest year ever in 1948. That shows where you can get with a trade name, a big sales machine, and shrewd diversification.

Philco Corp.'s 1948 sales record proved a knockout, even for Philco. Total sales, the Philadelphia company reported last week, came to a whopping \$275.4-million. That is a \$48.9-million increase over 1947, and the best sales volume in the company's history.

Significantly, the greater part of the increase—about \$36-million—was due to sales of refrigerators and air-conditioning units.

• **Radio Sales Off**—Philco is, of course, the nation's No. 1 manufacturer of

radio receivers. But their importance in the Philco scheme of things is on the wane. In the last quarter of 1948, the dollar volume of television-set production began to overtake that of radio sets.

The division producing TV, radio, and combination sets last year contributed 46% of the company's sales volume. This was a notable decline in percentage from 1947, when the division accounted for 54% of Philco's sales. The division's sales in 1948 came to




“Here’s where your office noise stops”

This new ceiling will end your noise problem. When noise strikes the perforated surface of Armstrong’s Cushiontone® as much as three-fourths of it is immediately absorbed. In an atmosphere of quiet, employees feel better, are better able to concentrate. Naturally, they’re going to be more efficient.

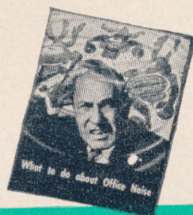
Armstrong’s Cushiontone is a fiberboard acoustical material with 484 cleanly drilled holes in each 12” square. Its entire surface—including bevels—is factory painted white. It reflects light well without glare, cleans

easily, and can be repainted whenever necessary without loss of acoustical efficiency.

Cushiontone goes up over new or old ceilings, with little interruption of your routine. And its cost is surprisingly low. Ask your Armstrong acoustical contractor for a free estimate. 

WRITE FOR FREE BOOKLET

Entitled “What to do about Office Noise,” it gives complete details about Cushiontone. Write to Armstrong Cork Company, 4904 Walnut St., Lancaster, Pa.



ARMSTRONG'S CUSHIONTONE

\$127.3-million, only about \$5-million more than in 1947.

Other Philco lines—vacuum tubes, dry batteries, accessories, government business—showed increases, though not so great as the refrigerator division.

• **Trailing the Leaders**—Philco got into refrigerator production a bare eight years ago, which means that it has been hampered since then by a wartime shut-down. Despite that, its refrigerator division has turned in a remarkable sales record. Sales zoomed from 25% (\$25.1-million) of the Philco total in 1946, to 40% (\$110-million) last year. The 1948 increase in refrigerator sales came to 62%, in air-conditioning sales to 159%. Only freezer sales dropped, because of steel shortages.

In these few years Philco, starting from scratch, has pushed refrigerator sales to a point where they are on Frigidaire’s and General Motors’ heels. And it has likewise become a leader in the production of single-room air-conditioning equipment and home freezers.

Philco’s history is one of well-timed diversification. This helps to explain why the company’s main emphasis has shifted in 20 years’ time from radio batteries to radios, then to refrigerators and television sets.

• **Other Factors**—There are other important factors as well in Philco’s outstanding 1948 performance.

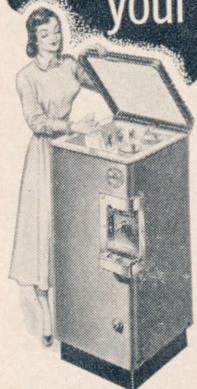
Price cuts are one of them. Philco timed them well, sliced both refrigerator and radio-set prices early last year (BW—Feb. 7 ’48, p. 10). This was strictly in accord with well-established Philco policy, founded when it was a newcomer to radio-set production 20 years ago; Philco’s price cuts then rocked the industry time and again.

Philco is the first to say that advertising was another big factor. Philco’s new lines have inherited two decades worth of advertising to establish the Philco trade name. That cost Philco \$75-million all told. And last year it continued to splurge on newspaper advertising, backing this up with advertising in other media. That includes such radio shows as Bing Crosby, and the Philco Television Playhouse.

• **Dealers and Distributors**—Philco’s highly developed dealer-distributor network was another important factor in last year’s success. The company has built this up over the years until it now comprises more than 130 wholesalers and 16,000 dealers. Philco is an old hand at keeping its distributors and dealers happy—particularly when sales need a shot in the arm. On May 27 you will see a typical Philco operation: The Queen of Bermuda will sail for a chartered cruise to Havana, carrying top-selling Philco dealers from New York and Philadelphia as a reward for licking their sales quotas.

Once in a while Philco is just a little

SUNROC "best value for your money"

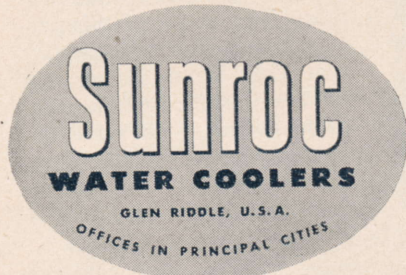


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"SUNROC SERVES THE WORLD...a cool drink of water"

Sunroc Branch offices offer full and part time sales work in some areas, and under ideal conditions.

over-zealous. Recently the Federal Trade Commission complained about the company's "push money" techniques used to get retail salesmen to sell its products (BW-Jan.22'47,p85).

Another invaluable ingredient in Philco's success last year was its nationwide network of trained service men. This has long been Philco's pride and joy. The company offers free home-study courses, classroom teaching and shopwork, up-to-date manuals. Last year it trained 7,000 men in television servicing and installation—a program that Philco thinks is larger than those throughout all the rest of the industry combined.

• **Young Executives**—Philco also owes much to its ability to attract—and keep—key personnel. Its top-executive staff is a comparatively youthful group. It averages under 44 years of age. Yet the same group averages 18 years of service with the company. Among Philco's lures are (1) a three-year scientific training program carried on with the help of several universities, and (2) generous cash bonuses to executives based on sales. (There's also a profit-sharing program for lower-salaried employees.)

Thanks in large measure to its top-executive staff, Philco escaped getting burned when radio-set prices skidded late last year. In the first nine months of 1948, Philco squirreled away an inventory reserve of \$2.1-million out of earnings. It could thus write off year-end inventory losses, at a cost of \$1.9-million, and return \$200,000 to earnings. It was able to sell its sets at reduced prices—and still bring itself and its distributors out in sound shape.

• **Batteries**—Philco has gone far afield from the time it was started back in

1892 as the Helios Electric Co. with a capital of \$12,000. It first turned out a miscellany of electrical goods, then switched over mainly to batteries for autos, trucks, and mine locomotives. In 1906 it became Philadelphia Storage Battery Co.

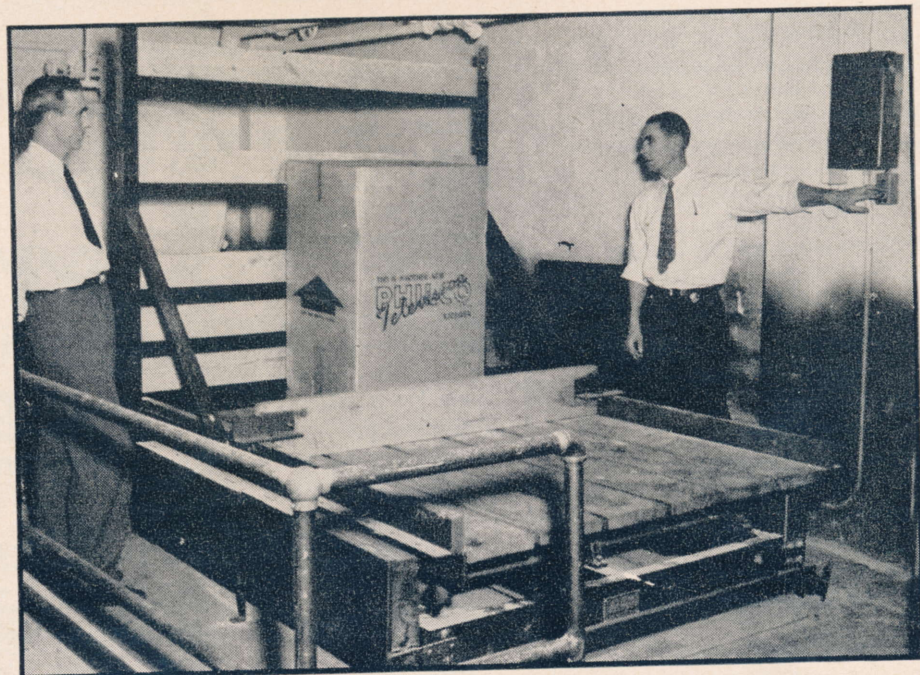
By 1920, batteries for radio sets had become an important Philco product. Philco introduced longer-lived batteries, battery chargers for the home, then a socket power unit that eliminated the need for high-voltage B batteries. Hanging on to radio's coat tails paid off: In 1927 Philco did the bulk of its \$15.4-million business in radio batteries.

• **Radio Sets**—Then a new development in the radio industry put a headlock on Philco: Introduction of the kind of radio you could plug into the wall socket. That finished off radio batteries—and very nearly Philco as well.

But Philco shifted its ground fast, went into low-cost radio-set production on its own. To do this the company officers had to guarantee personally a bank loan of \$7-million.

Their gamble paid off, partly because they were willing to experiment. They made Philco a pioneer in the conveyor-belt manufacture of radio sets. Between August and December, 1929, the new-comer sold nearly 400,000 sets; in a year's time it jumped from 26th to second place in the industry—and got out of debt. All this it did at a time when radio-receiver sales were on the skids. (In 1947 it washed its hands of large-scale battery production when it sold its battery division.)

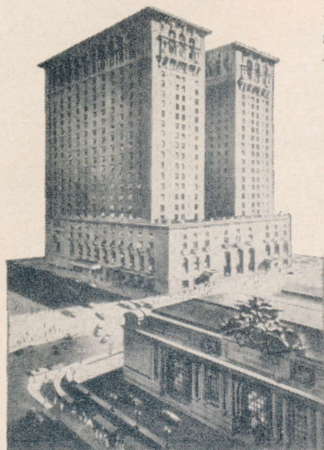
• **Car Radios**—Philco moved into car radios in 1930 by buying out Transitone Co. Shortly afterward it came out with its own model—selling for less than \$100—and moved out in front as



VIBRATION TABLE tests whether Philco TV set and carton can stand rough travel

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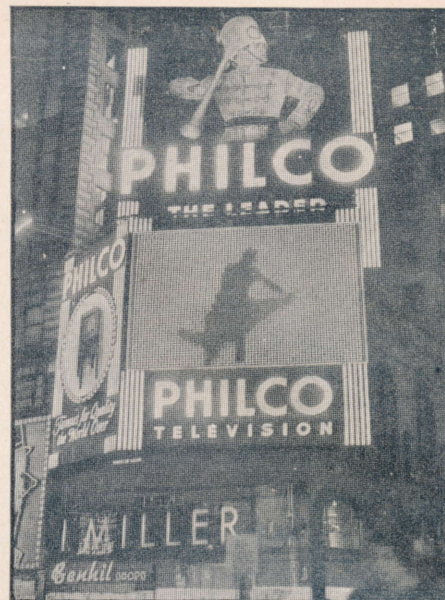
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SPECTACULAR in New York's Times Square promotes Philco TV with a drum major four stories high twirling a baton

top U.S. maker of car radios, a spot it still holds. The Transitone deal also brought along Bill Balderston, whose sales territory was Detroit. Last year—Balderston's first as president of the company—saw Philco's auto-radio sales hit a new high.

But after the Transitone deal, Philco was still looking for new fields, spurred by the desire to fill the low spots between the seasonal peaks in production. The answer walked in the door in 1939 when Fairbanks, Morse & Co. offered to sell its entire refrigerator division, lock, stock, and barrel. Philco jumped at the chance. By 1940 it had come up with its own Philco-designed refrigerators, which blazed a new trail: They had horizontal evaporators and frozen-food storage compartments.

• **New Models**—Philco now makes its refrigerators in the 650,000-sq. ft. plant of Atwater Kent, the one-time leader in the radio-set field. Coming off its highly mechanized production lines are Philco's 1949 models. The lower-priced ones have full-width frozen food compartments; all of them provide more room for food in a smaller box.

At just about the same time it went into refrigerators, Philco also decided to change its financial setup and its name. In 1940 the Philadelphia Storage Battery Co. officially took over the name that had long been its hallmark: It became Philco Corp. It also retired its closely held preferred stock, offered its first public issue of common. Working capital in 1939 was \$12.6-million; at the war's end, \$17-million; last year, \$33.3-million.

• **Television**—Television is far from being a postwar development with Philco. In fact, the company got in on the ground floor with television experi-

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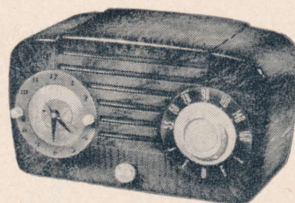
Name *Just Off*

Address *the Press!*

City & State

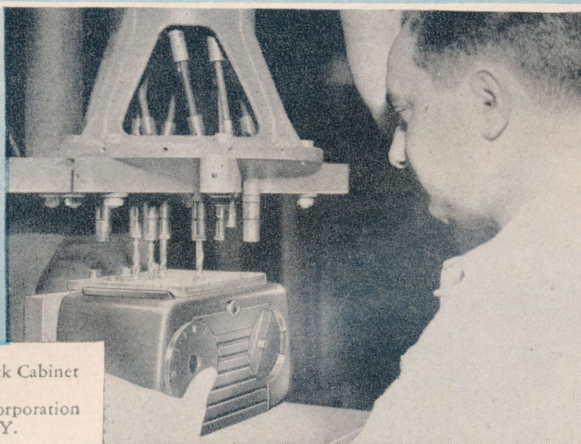
It pays to use your custom molder's know-how

say Jewel Radio Executives



No. 4 in a Series on Plastics Skill at Work...

CHANGING HOLE LOCATIONS on the bottom of the cabinet was required for various production runs. Tech-Art's solution was to use modern multihead drills instead of a cam action mold.



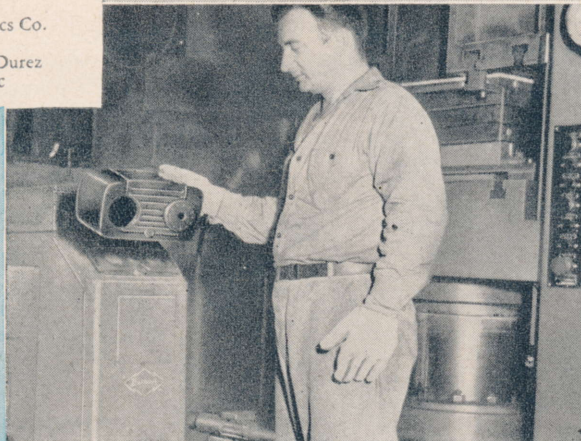
PROJECT: Radio and Clock Cabinet

CUSTOMER: Jewel Radio Corporation
New York, N. Y.

MOLDER: Tech-Art Plastics Co.

MATERIAL: Mottle-Finish Durez
Phenolic Plastic

HIGH RATE OF PRODUCTION was achieved for this customer by using semi-automatic compression presses and Thermall electronic pre-heating equipment to mold the Durez cabinets.



● "How many can we turn out...how fast?" An experienced custom molder sitting in at your planning councils can often raise the number that you'd get otherwise.

The Jewel Radio Corporation showed Tech-Art Plastics Co. the sketches of a new radio and clock cabinet. Fast work was urgently wanted...and the finished cabinet weighing almost two pounds would need a rather large mold.

Despite this, Tech-Art engineers offered constructive suggestions, designed the mold, recommended a general-purpose Durez phenolic plastic, and went into production within 10 weeks.

When a second mold and production line method were put into operation, the molder produced at the unusually high rate of 1800 cabinets per day. This schedule of deliveries is being held month after month on a seven-day-week basis.

Since the success of any part depends on the material used in it, Durez field technicians often team up with molders and customers in product planning.

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ments as far back as 1928. In 1932 it went on the air with an experimental license; in 1941 it got the second commercial license in the U.S.—WPTZ, now the local NBC outlet in Philadelphia. (It is now also the part-owner of a local television station in Atlantic City, N. J., and has applied for a license in Bethlehem, Pa.)

Philco claims a number of "firsts" in television. It says that it pioneered with transmitting pictures with 345 scanning lines, 441 lines, finally 525 lines—the standard adopted by the Federal Communications Commission in 1941.

• **Expansion**—Last year Philco turned out some 200,000 TV sets. This year it is geared to produce somewhere between 400,000 and 500,000. It has a new \$3-million television plant in Philadelphia and is spending about \$1-million to increase the production of TV sets at Sandusky, Ohio. The company also announced a few months ago that it is mechanizing TV-tube production at its Lansdale (Pa.) Tube Co. (BW—Dec. 4 '48, p90).

Expansion last year cost Philco some \$4-million. This year it plans to spend about \$3.5-million.

• **New Venture**—Not all of this year's funds earmarked for expansion are going to the television and refrigerator divisions. A new interest of Philco's—electric ranges—will also get a substantial share of the funds.

Philco got into this field when it purchased Electromaster, Inc. (BW—Dec. 4 '48, p90). Its plant at Mt. Clemens, Mich., has a capacity of 100,000 units annually. For the time being, Philco will go on using the Electromaster name; it will probably switch to the Philco trademark when it develops its own models.

JUKEBOX OUTPUT REVIVED

The gaudy lights of Rudolph Wurlitzer's jukebox-making business are coming on again. For 10 months last year they were out completely while production was at a standstill.

Now Wurlitzer has resumed production "on a modest scale, and has begun to show a profit.

The whole jukebox industry, says Wurlitzer, is in an extremely delicate condition. The operator still gets only a nickel a play; he tried to get 10¢, but that attempt fell on its face. Meanwhile, the operator's costs have climbed steadily. Wages nearly doubled, and record prices rose.

Even so, business is looking up. Record costs are on the way down again. And Wurlitzer's new models incorporate a playing arm that makes it possible to get 2,000 to 3,000 plays from one record. Previously a disk was good for a maximum of 100 to 300 plays.



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