

KORDITE CORPORATION HISTORY (1946 - PRESENT)

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Kordite Corporation is now the Plastic Packaging, Films, and Consumer Divisions of Mobil Chemical Company. This history is for retired Kordite and Mobil employees who are interested, and current Mobil Oil or Mobil Chemical employees should they wish to see it. It shows how three small entrepreneurs can make a contribution to the free enterprise system, increase good jobs and bring about a higher standard of living to consumers.

In 1945 the World War was starting to wind down and Harry Samuels told his two sons, Richard and Howard to find a small manufacturing business and he would back them with \$15,000 capital borrowed on his life insurance.

Dick Samuels returned to Rochester, but was unable to find a small manufacturing business to go into. Howard Samuels was then in Europe. He suggested that we check on his MIT thesis which was written on, "The Plastic Clothesline". We found this thesis in the attic of my parents home. I sent a typical Harvard business survey to 100 people in Cambridge who received the plastic clothesline from my brother in 1940. These people were enthusiastic about plastic clothesline and would be willing to pay more for this product.

In 1946 we decided to try and develop a plastic clothesline business. Howard tried the same process to manufacture the clothesline that they had used in

1940 to make the samples. This did not work out commercially. I think I should add that Dick, Howard, and their father knew practically nothing about plastics. Dick was in New York each week at Union Carbide to learn about plastics, and get plastic material which was in short supply. Union Carbide suggested that a extrusion process could work on the clothesline and that the wire companies who had idle manufacturing left over from the war might be glad to do it. Two wire companies agreed to manufacture the plastic clothesline on their wire equipment. They would put it on big reels like wire and ship to Kordite.

We needed a plant for manufacturing and office space. We rented a 100 yr. old schoolhouse in Victor, New York for \$50.00 a month. We started with a small local town because of the availability of hardworking employees. We provided them with a chance to build and grow, and this allowed us to build a strong relationship between the management and employees. With this relationship of strength we felt the employees would not have to depend on a union.

We encouraged recognition and respect for the employees. Howard and I called all the employees by their first name and encouraged everyone to call us Howard and Dick. All employee suggestions for improvement were encouraged. For an example, one evening Howard and I were arguing over a problem. The man cleaning our office was listening and he came over to me and whispered in my ear that he thought Howard was right.

Our employees were enthusiastic about working at Kordite. At top management meetings we encouraged the other executives to disagree with Howard and me. We

delegated authority and responsibility more than most companies and our budgeting and accounting system allowed us to measure each person's success. We were ahead of our time with using computers for this purpose.

This product line was hard to sell. Dick Samuels had the responsibility for selling and merchandising this clothesline. My total sales experience consisted of two days of selling Fuller Brushes from door to door. We didn't have sufficient capital to hire salesman, and pay salary and travel expenses. Consequently, I went city to city selling manufacturing representatives and brokers to handle our line, and teaching them how to sell the product.

We put enough profit in the pricing to allow us to give advertising allowances to leading department stores and drug chains to advertise Kordite clothesline. When Macy's and Gimbel's advertised in New York, then the small stores wanted the product. The plastic clothesline took off! We sold over a million dollars the first year and made about 100,000 dollars, which definitely helped our cash flow position.

We then thought we could broaden our line. We tried to add plastic clothespins and plastic brooms to our product line. We failed with both of them. We then decided to buy our own extrusion equipment so we could be independent of the wire companies.

I was friendly with Union Carbide personnel, as I was in New York once a week to have lunch with them, and they told me that they and DuPont were both investing over \$100MM in polyethylene resin. I asked where this resin was

going to be used. They said 50% of it was going to be put in polyethylene film. It looked like polyethylene film was going to be a real growth area. So we decided to make freezer bags and a complete freezer line from poly film. We bought film from DuPont and Visking and then converted this product into bags. It was a big success.

Our schoolhouse move to Victor was okay in the beginning, however, the building was getting too small. We had to rent various barns in Victor, New York and had a truck bring raw materials and finished goods between the barns and our small plant. This was very inefficient. We needed 50,000 square feet of space at \$10.00/square foot or \$500,000. We were only short \$490,000!

My dad heard about a plant in Macedon, New York which had one floor and was for sale. The owner, GLF, had it filled with canning equipment and the only way they would sell the plant to us was for us to buy all the canning equipment as well as the plant.

My knowledge of canning equipment was zero, so we brought in some experts to appraise the canning equipment. We bought the plant for very little cash and a long-term mortgage. I then sent catalogs to all the canning companies asking them to come and see the equipment and then to bid on the equipment. They bid so much on the equipment that we ended up with \$200,000 more in cash just from the sale of the canning equipment than we had paid for the building and the canning equipment together. We had a 100,000 sq. ft. plant and lots of land.

We decided we had to learn how to manufacture our own film. Visking manufactured 90% of the film in the United States. They told me not to manufacture it as we could not compete with them on quality and cost.

Today, Mobil Plastics manufactures more polyethylene film than anyone in the world, and Visking is a small part of another company.

Howard developed an in-line process to make film, print it, and form bags in one step. Visking sold its film on rolls to converters who then printed it and made bags. Therefore, Kordite had a big advantage. We were able to develop thin film manufacturing so we could challenge paper. One of the early challenges was in the dry-cleaning industry where we were able to knock paper out of the dry cleaning industry and substitute plastic.

I spent one-third of my time working with people. I was determined to help employ people with great potential to grow in management skills, and a drive to maximize these skills. Also, I wanted to find people who had the ability to recruit these high-potential people themselves.

Two examples of the kind of people we were striving to hire are still with Mobil's top management today. They are C.K. Hangartner and D.J. Bolger. C.K. Hangartner, now V.P. Mobil Chemical Company and General Manager Consumer Products Division, was a salesman for a manufacturers' representative in California. My Marketing Manager said we ought to recruit Croft for Kordite because he had great marketing skills, and excellent potential in management skills. He also had the ability to recruit top people himself. Croft went

through nine promotional steps developing his management skills and still has the drive to maximize these skills today. Don Bolger, now V.P. Mobil Chemical Company and General Manager Plastic Packaging Division, worked summers at Kordite handling 50 lb. bags of polyethylene resin. Graduating from college, he began working as an hourly employee in the Scheduling Department. He went through nine promotional moves to develop his management skills, and is still exhibiting the drive and skills to recruit and train top people. We knew that if we were going to be a "General Motors" and not a "Studebaker" we had to win with key people.

In 1952, I realized that we had to make a 10 year P&L, balance sheet, and cash flow projection as I was responsible for the finance area. I had no staff to forecast growth in plastics. I went to Union Carbide who made 25-year projections, and used their growth figures. If we kept pace with the industry growth, it showed we needed \$15MM. (To show how wrong I was, Mobil has invested more than \$500MM in the plastics business since acquiring the company in 1962.) I told the problem to Union Carbide and they suggested a Wall Street firm Everstat & Co. who might be able to raise the \$15MM for us. This Wall Street firm took on Kordite as a client. After two years they told me they could only raise \$1.5MM and if I was going to get \$15MM I was going to have to merge. They arranged mergers with Scott Paper & Phillip Morris and even signed contracts, but these fell through with disagreements between accountants and lawyers.

Textron bought Kordite in 1955 and management stayed. Kordite had very little contact with Textron. There was only one meeting a year with Textron and that

was on the budget and capital required. They had no management to supervise their acquisitions. Textron gave us the capital to develop our mid-west plant, Jacksonville, Ill.

About 1957, Visking, who was the giant of the poly film industry, was sold to Union Carbide. Visking had the film and Union Carbide had the resin. I convinced Roy Little, who was the Chief Executive Officer of Textron, that Kordite was going to be squeezed by this merger. Union Carbide was now more of an integrated supplier with both the resin and film businesses. Kordite was only in the film business. (Under Mobil now, the Plastics operations are fully integrated - from the oil in the ground to the resin to the finished product.) Little went to National Distillers and sold Kordite to National, in as much as National had the resin in its USI Division and wanted additional outlets for this resin.

National provided funds for the Research and Development Center for Macedon, expansion of our plants, a new plant on the west coast, and for the initial research and development on Bicolor. The Chief Executive Officer of National, Jack Bierwirth, loved Kordite and came often.

In 1962, Bierwirth called me and said the Federal Government was going after Kordite on the Clayton Act. He wanted me to be in New York to meet with the Chief Executive Officer of Mobil, Mr. Nickerson. I met with Mr. Nickerson, who asked me lots of questions. He told me he wanted a Mr. Paul Keyser of the Mobil Oil Executive Committee to meet our key people and see our plants. I traveled with Jack Bierwirth of National Distillers and Paul Keyser to our

plants and of course Paul asked a lot of questions for his report. I was afraid Mobil was too big for our little Kordite. Our main asset was people. I felt they would be lost at Mobil. I was wrong. Mobil was as people-oriented as Kordite. Mobil bought Kordite in 1962. The Mobil acquisition was a big break for Kordite.

Mobil let me lose \$1-2MM/yr to develop Bicor, the original product for the Films Division. I felt Bicor could be a big winner. The reason I liked Bicor was that it took tremendous research and development to perfect the product, and a great deal of investment capital. This meant that when it was developed, we would not have 50 competitors, only a few. We could make a good return on our investment.

In 1963, we sensed that foam might be a growth market against paper. Mobil allowed me to lose \$.5 MM dollars/year to help develop meat trays and egg cartons.

Mobil then approved millions to build the Hefty consumer product franchise. The price of consumer products under a consumer franchise usually stands up better during price decreases on raw materials than the raw materials themselves. For example, if the oil price drops in half, the price of an oil consumer product with a franchise name does not drop in half, it drops very little. Consequently, I was in favor of pushing consumer product as few competitors can afford the heavy marketing cost for a consumer franchise.

I wasn't too popular at Mobil Executive Committee Meetings. I was losing \$1-2MM on Bicor, \$.5MM on foams and at least \$1.5MM on consumer products. (These 3 "losers" now account for over 50% of today's profits.) The chemical profits were very bad and the Kordite Division profits were very poor. There was pressure on my New York boss at Mobil, Paul Keyser. He ordered me to sell Bicor. I knew that Bicor could be a big winner in a few years - so I negotiated with other companies by showing them the bad points of our product and therefore nobody wanted to buy Bicor. As it turned out, Bicor became a big winner as projected. Ted Nelson, an excellent executive, became President of Mobil Chemical. He backed Bicor, foams, and Consumer - saving these 3 programs.

Paul Keyser told me to look for a possible acquisition. I tried to acquire Rubbermaid. It would have been a great acquisition for Mobil as they had a big growth in sales and profits, they were a big resin user, and a big leader in our field. They had what Kordite had - high level personnel, excellent market position, and a consumer franchise. Mobil turned down the potential acquisition.

Mobil Plastics' profits grew greatly from our acquisition time in 1962. The Executive Committee approved large capital investments in the Plastic Divisions because they met their profit objectives and promised return on capital commitments. MCC was meeting its profit as well as its capital commitments. The Mobil production of quality resin has also been a big help.

Usually in mergers the large corporation sends their brains to improve the

smaller companies. Not in our case. I am proud of our Kordite personnel. They have succeeded in leading Mobil Plastics successfully. I have been invited to a few of the Plastics' management meetings and met many of the new management personnel. I am proud to say the new personnel is of an excellent quality; they are doing an even better job than I did in selecting people. They are keeping up the people end of the original Kordite.

Mobil Plastics is a good example of the success of the free enterprise system in the United States. They have created 8,000 good jobs, given people a chance to advance and improve their management skills, and improved the standard of living for all consumers.

Thank you,

Dick Samuels

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