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Reichhold Chemicals, Inc.

Company History:
Reichhold Chemicals, Inc. (RCI) is a leading producer of chemicals used for coatings, adhesives, emulsions, and reactive polymers, with 31 factories located throughout North America. The company was started in the 1920s by a German immigrant who provided new, fast-drying paints to the automotive industry. From this basis, Reichhold grew steadily, acquiring new plants and adding new products. In the mid-1980s, RCI was purchased by a large Japanese chemical company with which the firm had long done business. RCI got its start in the United States after its founder, Henry Helmuth Reichhold, who was born the youngest of seven children near Berlin, had emigrated to America. His father, Carl, was a chemist, and a principle in one of the leading European paint companies of the day. As a youth, Helmuth Reichhold spent time in child labor camps in Germany during World War I. After the war, he studied at the universities of Berlin and Vienna, and, at the age of 20, followed his older brothers into his family's business in Vienna.

Three years later, after his father had advised him that staying in Europe meant seeing a business destroyed every 25 years by the depredations of war, Reichhold emigrated to the United States. In 1924, he went to Detroit to study surface finishing methods used in the American automobile industry. Speaking only a few phrases of English, Reichhold was hired as an assistant in the paint laboratory of the Ford Motor Company, earning $4.80 a day. Within a year, with his chemistry background, Reichhold had been made technical head of the department. At this time, applying the lacquer finish to an automobile was a time consuming process. Ford used "coach-and-carriage" finishes that were based on natural resins and gums for adhesiveness, and took days to dry. This created a bottleneck in production, and a stubborn obstacle to the true mass production which Henry Ford desired. Meanwhile, and despite his meteoric rise at Ford, Reichhold had always had his eye on his own business. When he heard from his brother Otto in Germany during the winter of 1925 that his father's old company had developed a heat-hardening and oil-soluble phenolic resin that dried in hours rather than days, Reichhold's experience at Ford enabled him to recognize what an important breakthrough this was. Reichhold asked his brother to ship him 20 100-pound bags of the new substance, which he bought on a loan of $10,000. He stored the bags in the garage of his friend Charles J. O'Connor, who sold paint. Calling the new substance "Beckacite," after Beck, Koller, & Company, the name of his father's firm, Reichhold went into business as its distributor, selling the product to Ford. He hired his friend O'Connor as a salesman and reduced his hours at the factory. When Ford refused to give him a 40-cents-a-day raise, Reichhold quit altogether. In 1927, Reichhold borrowed $10,000 from his father to buy a 4,000-square-foot paint and varnish factory in a Detroit suburb. He also opened a sales office in the General Motors Building in Detroit. In order to simplify the importation of his main product from Germany, Reichhold set up his company as Beck, Koller, & Company, U.S. In 1928, the company took delivery of its second paint shipment from Europe. Also in that year, two scientists arrived from Germany to help Reichhold set up his own manufacturing facility for Beckacite. In its first full year in business, the fledgling company had $532,000 in sales. The bulk of these sales went to Ford, who refused to buy paint from the DuPont chemical company because they also supplied General Motors. Using Reichhold's products, Henry Ford was able to fully implement his plan of mass production for cars in colors other than black. In 1926, Ford's Model T came in blue, gray, and brown. By 1927, with Reichhold's input, that palette had been expanded to include maroon and green. In 1929, Reichhold made his first acquisition, buying the Synthe-Copal Company, of Buffalo, New York. This company manufactured ester gums, a raw material used in the production of synthetic resins. Then, however, the American economy took a steep plunge, entering the Great Depression. In 1930, Reichhold and O'Connor incorporated their venture in the state of Delaware, calling it Beck, Koller, & Company. During the economic downturn, Reichhold worked to develop his products. In 1931, he established research laboratories to develop synthetic resins, using phenols and other chemicals. By the following year, the company's output had reached $1.5 million pounds of chemicals. To protect his market share, Reichhold sought to become a complete supplier for the needs of paint formulators. He sought efficient manufacturing processes, and economies of scale in order to keep prices low. In addition, Reichhold stressed sales efforts, to increase the company's volume. To improve distribution, he began to place his factories near the markets he hoped to penetrate. In 1934, for instance, he had the Synthe-Copal plant in Buffalo dismantled and moved to Michigan, where his automotive customers were. Once reassembled and expanded, this facility became the largest individual ester gum/resin plant in the world. In 1935, a plant was built in San Francisco, but it burned down the following year. By that time, Reichhold had set aside a quarter of a million dollars for factory expansion. With these funds, an East Coast plant was constructed from 1935 to 1936, in Elizabeth, New Jersey. It made resins for coating the surface of woods, and maleic anhydride. By late 1937, Reichhold had come to expect shortages of his raw materials, and he began an effort to become his own supplier, manufacturing the chemicals used to make the resins he sold. In 1934, the company had begun production of alkyd resins; three years later, it also began to make urea-formaldehyde. Around this time, Reichhold had also linked up with a number of resin manufacturers in Europe, a natural expansion of his firm's roots in his

father's Austrian company. By 1937, operations had been established in Great Britain and Austria. Reichhold's brother Otto was traveling to America to discuss these foreign ties in 1937 when he died in the explosion of the Hindenburg blimp in New Jersey. With this symbolic severance of the tie between Reichhold and his family's European firm, Reichhold dropped the Beck, Koller, & Company name in 1938, re-naming his enterprise Reichhold Chemicals, Inc. (RCI). By that time, the company's three production plants were producing sales of more than $3 million annually. RCI increased its East Coast manufacturing facilities further when it purchased a Brooklyn producer of chemical pigments. By the following year, this had been established as RCI's Chemical Color Division. With the outbreak of World War II, and the switch of the American economy to war-time production, RCI's Brooklyn facility became the source of one-third of the U.S. military's rust prevention primer. The company went on to produce coatings for tanks, battleships, bombers, ground vehicles, and more prosaic products, such as radios and furniture. In response to war-time shortages, the company opened new plants and developed substitute chemicals. In 1942, a factory in Tuscaloosa, Alabama opened to make synthetic phenol. In addition, RCI's Detroit plant was expanded. By 1943, RCI's founder had Americanized his name, from the German "Helmuth Reichhold" to Henry H. Reichhold. In the wake of the war, Reichhold moved to raise its public profile, particularly in the Detroit area. The company became a major sponsor of the Detroit Symphony Orchestra. It also sponsored radio broadcasts and, in the 1950s, a television program called "America's Town Meeting of the Air." During the late 1940s, RCI also expanded its production capabilities, to keep pace with rising demand in the postwar boom years. The company opened a plant in Seattle, Washington, and built a resin facility in Weston, Ontario, the foundation for Reichhold Chemicals (Canada) Limited. In 1950, factories in Argo, Illinois, and Azusa, California, were also added, and in the following year a plant in Charlotte, North Carolina came on line. In response to this rapid expansion, RCI moved its corporate headquarters from Ferndale, Michigan to Rockefeller Center in New York City in 1951. This move repositioned the company for greater ease in making international alliances, and RCI entered into a number of joint agreements. In 1951, the company agreed with a Swiss company to manufacture resins, and more importantly, formed a joint venture with a Japanese firm, the Dainippon Printing Ink Manufacturing Company, Limited. Renamed Japan Reichhold Chemicals, Inc., this enterprise supplied Reichhold's technology to Japanese facilities and personnel. By 1952, Reichhold's international push had resulted in facilities and licensees in 13 countries: Australia, Brazil, England, France, Germany, Holland, Israel, Italy, Japan, Spain, Sweden, and South Africa. After seeing its Austrian operations seized by Russian forces during World War II, the company reestablished operations in that country in another location. By 1953, RCI's sales were nearing the $100 million mark. Throughout the early 1950s, RCI added manufacturing facilities at the rate of nearly one per year. In 1954, the company revealed plans for further expansion, pledging to spend $10 million on improvements to its American factories. Two years later, RCI went public, raising capital through the sale of 200,000 shares in the company. With these funds, further facilities were added in the late 1950s, as the strong demand for materials continued. Between 1957 and 1960, RCI built or bought nine different chemical plants, in keeping with Reichhold's philosophy that products should be produced near their intended market. In keeping with this theory, RCI also established a Mexican subsidiary, and assumed control of its German branch, Reichhold Chemie AG, which had suffered total destruction during World War II. In 1962, RCI's Japanese partner, Dainippon, bought out the company's interest in their joint venture, but retained a 20-year license with RCI for use of its technology. In the early 1960s, RCI continued to expand rapidly, adding plants at the rate of more than one per year. From its base in resins and polymers, the company branched out to include plastics and fiberglass. In 1965, RCI acquired Structoglas, a Cleveland-based company, which joined with an earlier RCI acquisition to produce reinforced plastics. Two years later, the company purchased a Blane Chemicals factory in Manfield, Massachusetts, which made thermoplastics, and then bought Cooke Color & Chemical, based in Visalia, California and Rockport, New Jersey, which also manufactured these substances. In 1968, RCI entered the rubber latex field, purchasing a

Cuyahoga Falls plant in Ohio from the Rubber Latex company. At this time, RCI had 30 domestic factories and 32 licensees in 24 countries outside the United States. In the next seven years, RCI added 12 more plants that specialized in various aspects of its industry. In 1975, the company established the Reichhold Energy Corporation as a subsidiary. Also in that year, RCI acquired half of the Fibron Corporation as an investment. With plants in Portland, Oregon, St. Louis, Missouri, and Seattle, Washington, this company recycled wood fibers and produced plywood. Next, RCI acquired Reichhold Chemie, AG, the German firm that the company had taken over in 1959. At the same time, Reichhold bought Standard Brands Chemical Industries, which became the company's Emulsion Polymers Division. With plants in five states, this branch of RCI made textile products, adhesives, leather finishing products, paper chemicals, and rubber products. In 1979, the company signed a licensing agreement with Exxon Chemicals to supply modified polyolefins. By 1981, RCI's sales had reached nearly $1 billion, and the company had joined the ranks of the Fortune 500. Henry Reichhold retired as chief executive officer of the company the following year, passing leadership of the firm to younger executives. At the time of his retirement, Reichhold had been at the head of a Fortune 500 company longer than any other chief executive. During his time as leader of the company, he had traveled tirelessly to inspect facilities, and strived to maintain a familial atmosphere at the company, despite its ever-growing size. In the wake of Reichhold's departure, RCI continued its policy of growth through acquisition and international expansion. In 1985, the company bought its Canadian subsidiary Reichhold Limited, and also acquired Swift Adhesives from the Eschem company, moving strongly into the adhesives production industry. Headquarters of the Swift company, which became a subsidiary of RCI, were based in Downer's Grove, Illinois; Swift also ran 20 factories in the United States. In addition, Swift brought significant foreign operations to RCI, with six plants in Canada, an equal number in Great Britain, two in France, and one in Spain. In the same year that RCI purchased Swift, the company expanded its operations in this field further when it bought the adhesives production operations of the Peter Cooper Corporations. In the mid-1980s, RCI began an effort to bring some form of order to its sprawling operations, which had grown so rapidly and so steadily over the last three decades. In 1986, the company sold off one of its divisions, which produced specialty phenolics. This part of the company was bought by BTL Specialty Chemicals. At the same time, RCI established a strategy of focusing on four main markets. These areas were adhesives, paper chemicals, coatings, and plastics. In the wake of this reorganization, RCI's long-time Japanese partner, Dainippon Ink & Chemicals, Inc., based in Tokyo, launched a bid to buy the company. After the Japanese firm successfully purchased all of RCI's outstanding shares, it ceased to be a publicly held corporation, and became instead a wholly owned subsidiary of Dainippon. RCI's foreign operations were split off from the company to form a separate unit of Dainippon. At the time of the takeover, RCI's retired founder expressed acquiescence with the deal, noting that the Japanese stress on long-term company growth over the short-term gains demanded by Wall Street accorded with his philosophy on the proper way to build and run a business. Under its new corporate owners, RCI again underwent a number of operational shifts. In 1989, the company announced that it would leave the New York metropolitan area to relocate its headquarters and research activities in Research Triangle Park, North Carolina. In the following year, ground was broken for a new $50 million headquarters building, and company personnel started to relocate to the area. The move was completed a year later and the company was reorganized into groups based on function. Instead of dividing responsibility according to the type of product that was being manufactured, RCI split itself up into groups that performed either operations, technology, or sales and marketing. In the early 1990s, RCI moved to strengthen itself in the latter area, sales and marketing. The company strove to improve customer service, to upgrade its computer operations, and to enhance its distribution systems. In 1994, RCI further centralized its administration when the corporate headquarters of the Swift Adhesives Division moved to North Carolina from Illinois. With operations centralized, and the company reorganized for more efficient operation, RCI appeared to be well-situated to continue its steady success into the late 1990s.

Principal Subsidiaries: RBH Dispersions, Inc.; Reichhold Ltd.; Reichhold Quimica de Mexico, S.A. (Mexico); Surface Technologies, Inc.; Swift Adhesives, Inc.; Swift Adhesives, Ltd.; The Product Design Center, Inc.