When Production Wasn't Enough: Kaiser-Frazer and the Culture of Consumption

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The growing literature of American consumer history offers new perspectives for exploring issues of culture and power, including corporate culture and the power exercised by business. Consumers are depicted in many ways, from disenfranchised victims of an elite group's domination, to autonomous actors assigning meanings to goods [6, 9, 18, 24]. Industrialists and entrepreneurs, when they appear, are presented in narrow terms: implicitly pulling strings in the background or wielding clout in the open, business figures are consistently deemed the conductors, or at least the beneficiaries of the emerging culture of consumption. Yet my own research suggests that many top business "leaders" struggled just to keep up with an evolving consumer culture, "scurrying where they appeared to stalk" [27, p. 18]. Such was the case with Henry J. Kaiser and his experience in the automotive industry.

Kaiser created an empire embracing a "culture of production," reflecting his personal work ethic and composed of a series of enterprises devoted to filling basic needs. A California construction man in the 1920s and 1930s, Kaiser had branched into cement, shipbuilding, and steel production by 1942. When Kaiser entered the automobile industry in 1945, however, proven production skills would not suffice: the automobile had already been the subject of a cultural revolution in the 1920s. Auto companies were no longer concerned just with practical transportation but had become purveyors of style and power, subjects of intense consumer marketing. Inexperience in consumer marketing would severely handicap Kaiser's first consumer products venture. His failure to make a successful transition to this new culture contributed to the demise of his automotive venture.

Kaiser and the Culture of Production

Many view the period from 1880 to 1920 as one involving a crucial transition from a cultural emphasis on scarcity, production, and the work ethic to one of abundance, consumption, and leisure pursuits. Consistent with that interpretation is the fact that decades later Henry Kaiser's obsession with work and production would seem old-fashioned: John Gunther wrote that Kaiser could be "your grandfather" [7, p. 64].

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"Production as the Fifth Freedom" was Kaiser's rallying cry, and his November 1942 speech with that title would have been right at home in 1892 America. According to Kaiser redistribution of wealth and government interference were unnecessary: "The whole concept of human welfare, which means security, opportunities, the standard of living . . . are today dependent on the production and conservation of wealth." Production and conservation were the "spiritual attributes of the American Way" [14].

As times changed, both Kaiser and his organization evolved, yet this businessman never altered his attitude towards work. Kaiser would joyfully work twenty-hour days, and his organization often stayed ahead by simply outworking the competition [4, p. 235]. Long after establishing a reputation for progressive labor relations and demonstrating concern for the working man, Kaiser would reject one of the central features of consumer culture, the shrinking work week [6, p. 103]. When Walter Reuther of the United Auto Workers proposed a 32-hour work week, Kaiser contended that, economic realities and competitiveness aside, people *wanted* to work at least 40 hours [22]!

It was not just Kaiser's personal values that were responsible for a seemingly anachronistic company culture. Thirty years of experience in the West Coast's economically undeveloped infrastructure had deeply reinforced his attitudes regarding scarcity. Rapid regional population growth in the 1930s had not been accompanied by equivalent economic growth in basic industries. This gap created tremendous opportunities in construction and extractive industries, among others. Kaiser joined a West Coast consortium called "The Six Companies" in building roads, pipelines, and dams, all of which were critical to Western economic development in the areas of transportation, oil and gas, and hydroelectric power [19, p. 205]. The Western environment rewarded the same production/scarcity culture that had prevailed in the East at the turn of the century.

Kaiser's intricate relationships with the U.S. government were easily accommodated in his culture of production. A healthy relationship with the government allowed Kaiser to ignore marketing and public relations, which meant little to an organization so reliant on one customer. Instead, Kaiser became a one-man special interest whose methods of persuasion ranged from telegram "bombardment" to "personal flattery" aimed at government officials [5, p. 4]. Meanwhile Kaiser's people mastered the art of material arranging and handling during the construction of Boulder, Bonneville, and Grand Coulee Dams, contributing to the completion of each project at least a year ahead of schedule. It was the organization's subsequent efforts in shipbuilding, however, that allowed Kaiser both to demonstrate his firm's construction acumen and to provide his people with an introduction to mass production industry.

When more experienced shipbuilders could not keep up with the needs of the U.S. Maritime Commission, Kaiser seized the opportunity for his men to learn assembly-line skills. He formed a partnership with John Reilly of Todd Shipyards, a relationship which would last about a year [4, pp. 69-71]. At the outset, Kaiser dismissed those who were skeptical about his inexperienced "sandhogs" learning shipbuilding from Reilly's "seadogs" [16, p. 464]. He asserted that his organization had less built-in resistance to adopting new methods than established firms [16, p. 464]. Kaiser sent Clay Bedford, manager of the Richmond (California) shipyards, to observe the operation of a Ford plant in Detroit, where assemblers only needed two days of training. Assembly line principles, when applied to shipbuilding, allowed for "job breakdown," where a craftsman's job--involving mastery of 40-70 operations--was split into a series of specialized tasks [16, pp. 237-239]. Successful employment of such innovative methods allowed this novice to construct one-third of the nation's merchant ships during World War II. Along the way, Kaiser became an international hero. His spectacular success in shipbuilding helped convince him that he could compete in another mass production industry after the war.

Though Kaiser's men had achieved brilliance in mass production, entry into the auto industry would require other skills the organization had not developed. An aide recognized the situation when in December 1944 he wrote: "Our real handicap is in the lack of marketing organization with its essential corollaries, advertising and public relations" [12]. Kaiser was quite persuasive dealing face-to-face with government officials, but his organization had never done any advertising. This organization was the "lengthened shadow of one man," and that leader would find it painfully difficult to translate his personal magnetism into effective consumer marketing.

Kaiser Meets the Culture of Consumption

During the same decades that the Kaiser organization had been honing its culture of production, the automotive industry had been experiencing a cultural revolution. By the 1920s, Detroit was no longer devoted simply to supplying transportation. Instead, cars had become "the most symbolically charged social emblem the average consumer was to buy" [6, p. 185]. Auto print advertising evolved during this period from "presentation of technical details" to the promise of "style, status, or escape to an exotic 'real life' far from the reader's ordinary experience" [6, p. 27].

Automotive demand had leveled off in 1927, encouraging General Motors to establish new industry institutions. Introduction of full "lines" of cars afforded buyers the opportunity to experience upward mobility without changing auto companies. Also, the introduction of annual model changes established the phenomenon of systematic obsolescence before dysfunction [2, p. 21]. By the late 1920s, production skills, a la Ford, could not insure success in the auto industry. This remained true through the end of World War II.

The war briefly restored a "seller's market," with auto demand once more exceeding supply, returning pure production skills to the critical position they had occupied during the heyday of the Model T. The "Big Three" automakers had ceased production for four years, assisting the nation's war efforts instead. Consequently, the number of automobiles on American roads declined from twenty-nine million in 1942 to twenty-two million in 1945 [3, p. 232]. As the war ended, eager buyers were ready to gobble up virtually anything on four wheels. An opportunity existed for a newcomer who could act quickly.

True to his organization's culture of production, Kaiser emphasized basic transportation when first hinting he would enter the automobile industry. During the war, he promised to build a lightweight, small, $400 "workingman's car," to be distributed at gas stations [21, p. 28]. Kaiser intended to create an assembly operation, believing he could do so more efficiently than the Big Three [1].

Just weeks before V-J Day, Henry Kaiser moved aggressively to achieve his new goal. He established a partnership with Joseph Frazer, president of the tiny Graham-Paige Motor Company. Frazer was considered one of Detroit's top salesmen, having compiled an impressive record at Chrysler in the late 1920's and early 1930's. In addition to his sales experience and automotive background, Frazer would bring his 2000 Graham-Paige dealers to the venture [17, p. 233]. Frazer's dealers were significant because Chrysler, the last successful challenger to Ford and General Motors, had not achieved a "secure" industry position until its 1929 acquisition of Dodge's nationwide dealer organization [23, p. 195].

In teaming up with Frazer, Henry Kaiser saw an opportunity to duplicate his shipbuilding feats: once again his men would learn traditional methods of production and then take off on an innovative tack. It apparently did not bother Kaiser that in their haste to establish a reputation before a "buyer's market" returned, the two agreed to produce the conventional car Frazer's people were working on: "That's how we started in shipbuilding. The first hundred ships we built were made the way the other fellows made them. After that we cut loose" [26, p. 71]. Kaiser even selected the two men who ran his shipyards, his son Edgar and Clay Bedford, for top spots at Kaiser-Frazer: "It was the shipyards all over again" [15, p. 40].

If all you had to do to succeed in the business was manufacture cars, Kaiser-Frazer might well have had a dramatic impact on the industry. The firm's first three years provided ample opportunity to develop mass production skills, and in 1948 the company manufactured over 180,000 cars, making it the top independent automaker [11]. Ten years later, George Romney, president of American Motors, estimated that a company producing between 180,000 and 220,000 cars a year "will make a very good profit" and "not take a back seat to anyone in production efficiency" [25, pp. 2850-51]. Indeed, Kaiser-Frazer earned approximately $20 million pre-tax, in both 1947 and 1948 [11].

But then came the firm's real test. When the postwar demand was saturated, the "buyer's market" returned in the Summer of 1948. It quickly exposed a number of company weaknesses. First of all was market research: as late as fall of 1947, Kaiser and Frazer believed there would be two years remaining in the "seller's market". Second, when pre-war output levels were attained, the industry experienced a transition back to annual model changes and "full lines" of cars. But Kaiser-Frazer could not clear this hurdle. A serious capital shortage created by a 1945 Kaiser miscalculation, and exacerbated by a 1948 stock offering gone awry, prevented a smooth transition for Kaiser-Frazer. This made 1949 a disastrous year. While the company made its best cars after 1948, it could not sell them.

Throughout the brief life of the company, reviews of its cars were mixed, ranging from the enthusiastic response of independent reviewers Floyd Clymer and Tom McCahill to claims of overpricing and poor trade-in values by the *Consumer Research Bulletin* [17, pp. 82-83]. Richard Langworth of *Automotive Quarterly* has argued that the quality of the company's cars was comparable to that of the competition [17, p. 82]. Regardless, by the time Kaiser-Frazer's *Consumer Research* reviews began to improve, the company was already in serious trouble.

Post-1948 events indicate that even an adequate initial supply of capital may not have enabled Kaiser-Frazer to overcome its marketing weakness. A chart prepared for Kaiser in 1943 should have prompted him to pay more attention to marketing. A summary of costs required to build a car and get it into the customer's hands indicated that over one-third of those costs were marketing related [13]. George Romney went further, suggesting that fifty percent of the initial capital investment of an auto company should go to establishment of its dealer network [25, p. 2884]. Kaiser, however, had little marketing experience on which to build in the postwar years. Unfortunately, this facet of the business could make or break an auto maker. Acording to Lee Iacocca, "It's the dealers who have always been the guts of the car business in this country" [10, p. 33]. Henry Kaiser failed to grasp that concept.

The network Joe Frazer assembled was woefully inadequate, but that weakness was hidden during the company's first two years, when dealers did not have much work to do in order to sell cars. During this period, "every car was sold at its list price--if not more" [10, p. 32]. Dealers with the best locations were already committed to the Big Three. In addition to inferior locations, Kaiser-Frazer dealers suffered from underinvestment and inexperience. Kaiser-Frazer's chief engineer lamented: "We had dealers in north Detroit, where I lived, that I couldn't recommend to my friends" [17, p. 233].

Dealer relationships with the parent company were also a problem. According to Iacocca, dealers are often not treated as part of the company family, not "invited to eat at the head table" [10, p. 33]. Such was the case with Kaiser-Frazer dealers interviewed by David Smith who spoke about the company "as if it were something apart from their own businesses" [23, pp. 222-23].

Once the "buyer's market" returned, demand for Kaiser-Frazer cars fell dramatically, more so than for any other auto company. In a tacit admission that the firm had failed to achieve its desired level of goodwill at the dealer level, over fifteen hundred dealers were let go. The company was never a major factor in the industry after the return of the "buyer's market."

Kaiser-Frazer's capital problems helped prevent the company from returning to Kaiser's original idea of the "workingman's car" until 1950. Then, the "Henry J" made a brief splash but accumulating poor reviews, and demand for the car quickly dissipated. What if the Henry J had come out a little later, when gas prices were higher? What if Kaiser-Frazer had had more money to allocate to the Henry J? The answer probably lies in the experience of Volkswagen.

Just a few years later, Volkswagen would make an inexpensive, functional car the first serious foreign challenger in the American market. According to Walter Nelson, Volkswagen's success in the United States was as much a function of the establishment of a superb dealer network, followed up with creative advertising, as anything else [20, p. 206]. Though Volkswagen had all the physical characteristics of a "workingman's car," its advertising inspired "reverse snobbery" in those "who prefer to display intellectual instead of material wealth" [20, p. 253]. It was not just basic transportation. This suggests that even a mechanically successful entrant embodying Kaiser's production culture would have failed without the sort of marketing expertise that Volkswagen had and Kaiser lacked.

Conclusion

Henry Kaiser saw the automotive industry as another arena in which to parlay his company's production skills into success. The industry, however, had evolved from one rewarding producers of basic transportation to one rewarding purveyors of status and style. To make it in this industry you had to have sophisticated consumer marketing skills. Kaiser-Frazer didn't. Kaiser would try other consumer goods, most notably household appliances and aluminum foil, with similar results. His organization, which thrived for thirty years in a production culture, found it painfully difficult to adjust to a consumer culture. In this case even a powerful industrialist failed to adjust to the new culture of consumption, and I believe Kaiser was not alone. Other businessmen fell to the wayside for similar reasons, and they too deserve a place in business history and in the history of consumer society.

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