



The Kohlers of Kohler, Wisconsin, one of the great business families in America, have prospered for a century and a quarter despite — or perhaps because of — the differing personalities and management styles of their company's leaders over the years. If there is one thing you can say about the Kohlers, it is that each generation has marched to the beat of a different drummer. To be a Wisconsin Kohler is to be a rugged individualist. Self-reliance and independent thinking, occasionally even to the point of eccentricity, have always been encouraged within the family. Maybe that is one reason why Kohler Co., founded in 1873, has succeeded so consistently for so long. Given the imaginativeness of its leaders, Kohler Co. has never wanted for original ideas.

Kohler Co. is a diversified enterprise participating in four business fields: kitchen and bath, including plumbing fixtures, faucets and cabinetry; power systems, including electrical generators, small engines and generator rental services; interiors, including furniture, accessories and tile; and hospitality and real estate.

To many consumers, it is best known for one of those businesses, plumbing products, and for having single-handedly changed the look of the bathroom. Indeed, Kohler Co.'s success in continuously reinventing the bathroom is a prime

example of the company's creativity from generation to generation of family leadership.

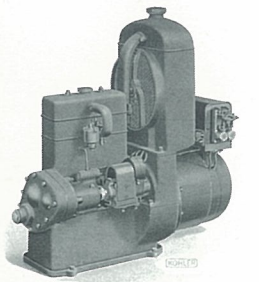
Until the turn of the twentieth century, Kohler Co. was a small regional supplier of quality plumbing products, a mere speck on the competitive scene in comparison to Standard Sanitary Manufacturing Company (a predecessor of today's American Standard Companies Inc.) and Crane Co., which dominated the industry. Then matters began to change. At that time, bathtubs and other plumbing products were considered to be boring utilitarian necessities. The majority of American homes still had outhouses, and indoor plumbing fixtures were rudimentary. However, Walter J. Kohler, a son of company founder John Michael Kohler, championed a new idea — that plumbing products could be beautiful as well as practical. With that notion, he launched a plumbing products revolution.

Under Walter's leadership, Kohler Co. introduced stylish new products, beginning with its elegant Windsor line in 1908. In the 1920s, it developed pastel and jet black

toilets and other fixtures, defying the industry convention that plumbing products came only in white. Kohler's jet black products were so unusual, even spectacular, for their time that they were featured in a 1929 show on



John Michael Kohler, above, founded Kohler Co. in 1873. He was a civic leader and supporter of the arts, in addition to being a successful businessman, and led the company until his death in 1900. He was succeeded as president by his son, Robert J. Kohler, right, who led the company until 1905.



Another of John Michael's sons, Walter J. Kohler, ran the company from 1905 to 1940. The inclusion of Kohler plumbing products in a 1929 Metropolitan Museum of Art exhibition, below left, was an important endorsement of the company's design leadership. Above, Kohler entered the electrical generator business in 1920 with the development of the Kohler Automatic Power & Light.



industrial design at New York's Metropolitan Museum of Art.

Kohler Co. innovated in other fields as well, such as its development in 1920 of the world's first engine-powered electrical generator, the Kohler Automatic Power & Light. Unique for its era, the unit started automatically when an electrical appliance or light was turned on. "This 1,500-watt unit brought electricity to rural America for the first time without the use of 32-volt batteries," *Construction Equipment*



Walter was succeeded as Kohler Co. president by another of John Michael's sons, Herbert V. Kohler Sr., who was CEO from 1940 to 1968. During his watch, the company began producing small engines, manufactured precision controls, built its first plant outside the state of Wisconsin and launched The Bold Look of Kohler theme.

remarks. Beginning with that pioneering generator, Kohler has become a major force in the power systems industry.

Kohler Co. withstood the Great Depression of the 1930s, converted to military production during World War II and resumed its innovation and growth after the war. In 1948, it opened a factory to manufacture small engines. Today the company supplies engines to customers such as Sears Roebuck, John Deere and Toro to power their garden tractors and other equipment. Kohler entered both the generator and engine businesses through internal development, drawing on the engineering, manufacturing and marketing skills of its

people, a far tougher road than diversifying through acquisition.

In plumbing products, the next great creative burst occurred in the 1960s, when the company — now headed by Walter's brother, Herbert V. Kohler Sr. — unveiled the industry's first products in "accent" colors. These colors were richer and more vibrant than the pastels of the 1920s, and they offered an array of new design possibilities.

The concept of accent colors originated with three Kohler executives in the advertising and public relations department — Charles Pagnucco, Alfred Ellrodt and Armond "Bud" Grube. They took their idea to Herbert Sr., who quickly

gave his blessing. Not being color experts themselves, the three executives approached an editor of *House & Garden* magazine who helped them select five stylish colors to which distinctive names were assigned: Antique Red, Blueberry, Citron, Espresso and Jade.

The new products were introduced at the National Home Builders Show and at regional meetings of home builders and Kohler distributors. With appropriate hoopla, a large satin bed sheet was pulled aside to reveal five lavatories (the industry term for bathroom sinks), each a different color, unadorned on the stage. Audiences went wild. In San Francisco, the entire crowd of Kohler

distributors rose to its feet and cheered. Speaking of the response, Bud Grube said, "They were salespeople and they were excited. They had waited a long time for something new in the plumbing industry."

More important still, the new products were an immediate hit with consumers, capturing an emergent public taste for upscale household design. The company kept the color pot boiling, offering fresh colors virtually every year beginning in 1965.

However, it was not just the accent colors that were new. It was also the style and functionality of the products. Starting with the renewed growth of the plumbing market after World War II and continuing to this day, hundreds of new products — bathtubs, whirlpools, toilets, urinals, bidets, lavatories, kitchen sinks, faucets — flowed from Kohler Co.'s factories, featuring beautiful designs as well as the latest technological advances, such as toilets that used less water and innovative whirlpool baths.

Some people, though, had trouble talking about toilets and other bathroom accouterments, or they poked fun at those who did. When Kohler advertised its products on *The Tonight Show*, Johnny Carson, the show's host, referred to them coyly as "Kohler conveniences." And when Kohler advertised its luxurious new bathtubs for two, picturing a man and woman bathing together in a relaxed and thoroughly wholesome manner, some consumers saw sexual innuendo and

The industry's first "accent" color plumbing products were introduced during Herbert Sr.'s tenure under The Bold Look of Kohler tag line. Pictured is the Lady Vanity lavatory, designed for use as a shampoo center/baby bath.



wrote letters of protest to the company — and still do. Unfazed, Kohler Co. stuck to its advertising approach.

In 1967, Kohler's advertising team dreamed up the tag line, The Bold Look of Kohler, for its accent-color plumbing products. Today, The Bold Look of Kohler is one of the memorable advertising slogans in America and remains the company's signature, underscoring the originality, quality and elegance of Kohler products.

Propelled by its leadership in new products for the bathroom and kitchen — and led now by yet another Kohler, Herbert Sr.'s son, Herbert V. Kohler Jr. — Kohler Co. soon caught up with and, in the 1970s, breezed right by its two larger

competitors, establishing a lead in the plumbing products industry it has never relinquished.

Kohler is today "the undisputed king of the American bathroom," in the words of *Forbes* magazine, and the industry's design and innovation leader. Its relentless rise to the top of the industry is one of the great business success stories of our time.

The bathroom has come a long way from those first Kohler Windsor products in 1908. No longer viewed as a mere humdrum necessity, the bathroom has evolved into a center of design and luxury in the home. Today's state-of-the-art bathrooms have amenities such as whirlpools, body sprays, dual lavatories, decorative

tile and cabinetry. Homeowners talk about their bathrooms and show them off to friends and neighbors. Each year, Kohler Co. introduces a profusion of new products that are innovative, functional and beautiful. A recent catalog of Kohler products for the bath and powder room ran 140 pages and contained nearly 500 full-color photographs of bathtubs, lavatories, toilets and other products, and an entirely separate catalog of Kohler faucets ran 90 pages.

The bathroom has changed forever. And it all began early in the twentieth century with Kohler.

Taking Independent Thinking to New Heights

Kohler Co.'s innovation in plumbing products, generators, engines and other fields has been made possible by the long-term stability of its management and the willingness of its leaders to explore new opportunities and take risks. As the company celebrates its 130th anniversary, direct descendants of the founder still own and manage the business and still live in Kohler, Wisconsin.

The company is headed today by Herbert Jr., a grandson of founder John Michael Kohler. Demanding and incredibly energetic, Herb

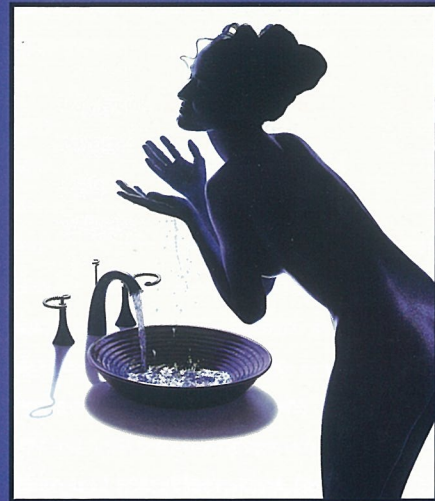
Kohler is a bigger-than-life character who has been described as "the most controversial and charismatic personality" in the plumbing products industry. He has embraced the Kohler family legacy while pursuing a singular vision of what the company can become.

True to the family tradition of innovation, Herb has led Kohler Co. in entirely new directions, such as developing and operating golf courses and manufacturing furniture. In explaining the company's product and service diversity, he says, "Fundamentally, we are in the business of creating and marketing living environments."

Herb was just 33 years old when he took the reins as CEO in 1972, following the death of his father, Herbert Sr., four years earlier. One of his first major decisions was to build the world's largest and most efficient cast-iron molding line, replacing the company's antiquated coke-fired foundry with modern electric-induction melting technology. To help finance this and other investments, Kohler Co. sold \$8 million of debentures, the first and only public offering of securities in its history. (Having an outstanding issue of public securities forced Kohler Co. to disclose its financial results, which Herb did not like in the least. The debentures were repaid in 1978, and since that time Kohler Co. has returned to keeping its financial results private.)

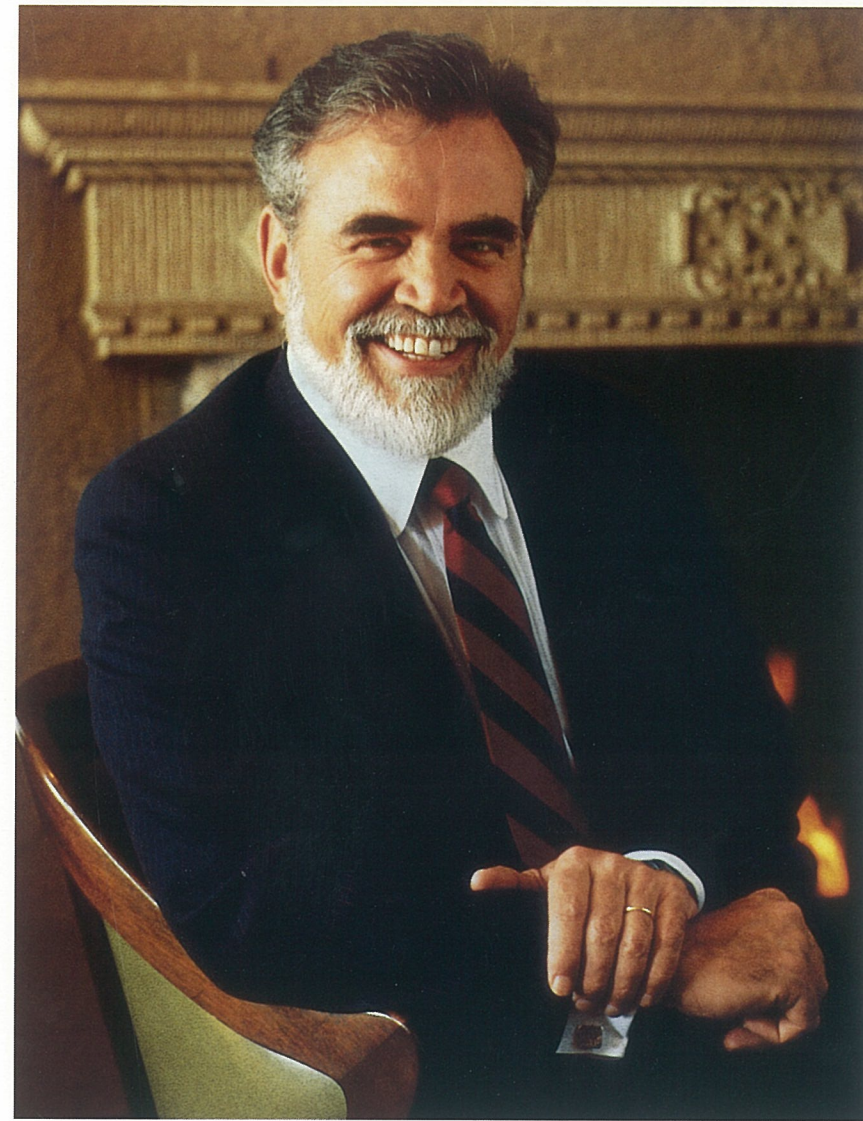
Not long after Kohler Co. began

*D*istinctive consumer advertising has been a key to Kohler Co.'s success since the 1920s. The ad at left, titled "Out of the Blue," is from the company's "As I See It" series which features images by contemporary artists and photographers. Pictured is a Kohler Vessels over-the-counter lavatory (bathroom sink).



THE BOLD LOOK OF KOHLER

A fresh look at the familiar. The KOHLER Vessels® lavatory. Perfect simplicity combined with perfect function brings art to the ordinary, a new delight to the everyday. Sleek and surprising, this sink will delight the eye forever. Shown here: Turnings lavatory. See the Yellow Pages for a KOHLER® Registered Showroom, or call 1-800-4-KOHLER, ext. XXX to order product literature. www.kohlerco.com



*H*erbert V. "Herb" Kohler Jr., pictured in 1989, a grandson of founder John Michael Kohler, assumed leadership of the company in 1972 at age 33. He has expanded the company's plumbing products business in the U.S. and overseas, and has broadened operations to

include furniture manufacturing and the creation of a world-class resort in Kohler Village. He continues as CEO today. Upper right, Kohler Co. invested in modern cast-iron manufacturing capacity in the 1970s when many other manufacturers were phasing out of the material.

building its new foundry, a senior executive of American Standard gave a speech proclaiming that the use of cast iron for plumbing products was obsolete. He predicted that cast iron would be replaced by acrylics and other new materials. "And here I was staking a good part of our company's future on cast iron," Herb recalls. "It put me on the edge of my seat."

As it turned out, Herb Kohler was right and American Standard was wrong. With its high quality and exceptional durability, cast iron remains a staple of the plumbing products market. The key is to process the material as efficiently as possible. Kohler Co. is able to manufacture cast-iron bathtubs, kitchen sinks and lavatories less expensively than any of its competitors thanks to in-line casting technology and the electric-melt facility installed in the 1970s, as well as to more recent investments in robotics. It also makes products from acrylics, fiberglass-reinforced plastic, sheet-molded compound fiberglass and other materials. "There are great synthetics, and ceramics are a wonderful material, and we make many products in these materials," Herb points out. "However, cast iron continues to be a

