Hope and crisis: Hohner as a producer of small business computers

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1. Introduction

The West German company Hohner is an example of the hopes and expectations of a new beginning associated with the emergence of medium data technology in the 1960s. Entering this sector even seemed suitable as a second pillar for a non-industry company in the crisis. However, the history of Hohner also shows that, after just a few successful years, medium data technology and its manufacturers quickly found themselves in a crisis. Consequently, Hohner had to pull out of the market in 1976.

2. Origins of Hohner

Watchmaker Matthias Hohner began manufacturing harmonicas in the Swabian town of Trossingen in 1857. In the light of an increasing demand for the handy, inexpensive and popular musical instruments, particularly from the USA, his company was able to expand from the 1880s on. By 1885, he was producing one million harmonicas a year, and by 1900, well over three million, most of them for export. At the beginning of the 20th century, Hohner also began to sell accordions, another popular and mass-appeal musical instrument. His sons took over after the death of the company founder, and the company was transformed into a family-owned stock corporation in 1909 and continued to expand. At the end of the 1920s, Hohner was producing around 20 million harmonicas per year and had become Germany's largest producer of musical instruments. During the Nazi era, the company focused on the domestic market, and later manufactured munitions boxes and shell detonators for the Wehrmacht. After the war, Hohner tried to return to its previous successes with musical instruments.

However, lifestyles and consumer habits changed in the post-war period, to the disadvantage of the company. Popular music no longer had to be

homemade; instead, turntables and radios provided a more convenient way of enjoying everyday music. Harmonicas and accordions, once sold in large numbers to the masses, turned into musical instruments for a few talented entertainers. Hohner initially had no answer to this existential crisis. In the 1950s, the company began to diversify its range of musical instruments and started to produce flutes, saxophones and electronic pianos. As this did not provide a way out of the crisis, in the 1960s, Hohner decided to take on manufacturing jobs for other companies. This was a highly lucrative business during the years of full employment, and Hohner was able to utilize its large workforce and avoided lay-offs. As a result of this activity, the company acquired additional expertise in electronics production because Hohner manufactured taxi radios for Siemens and circuit boards for IBM.[1]

3. A producer of medium data technology

It was only after the death of Ernst Hohner in 1965, who was still part of the first generation after the company's founder, that the company tried to set up new structures, aiming to become less dependent on the musical instrument business or external production orders. This step was also a consequence of the brief recession of 1966/67, during which external manufacturing jobs suddenly fell away. At first glance, it seems surprising that Hohner decided to enter the medium data technology sector, searching for a secondary foothold. However, from Hohner's perspective in the mid-1960s, this was not so far-fetched. The company already possessed extensive experience in precision engineering and had gained a certain expertise in electronics through external manufacturing jobs. Given the technical fundamentals of the first office computers of this time, this seemed a sufficient foundation to join the growing data processing market as a newcomer. This decision was certainly also influenced by geographical proximity. Trossingen was only ten kilometres away from Villingen, the headquarters of Kienzle, one of the pioneers in the industry (see the article by Armin Müller in this volume).

In order to enter the data processing market, Hohner recruited senior engineers from Nixdorf and IBM, and they began developing computer models in 1967. The entry into the market was also supported by a partner-

1 For the history of Hohner up to the 1970s, see Berghoff: Zwischen Kleinstadt und Weltmarkt.

ship with the bookkeeping company RUF. The Swiss company, similar to its competitor Taylorix, had been developing a bookkeeping system based on forms and carbon paper since the 1920s. Later, it also supplied its customers with booking and billing machines, which it purchased from various manufacturers. In the mid-1960s, RUF began selling magnetic card computers, which were marketed under the name Praetor. While RUF purchased electronics for a Praetor model from Heinz Nixdorf and his "Labor für Impulstechnik" from 1965 onwards,[2] it also sold other models under the same name that were produced by Hohner, starting in the late 1960s.[3]

As a partner with market experience and an established sales structure, RUF certainly made it easier for Hohner to enter the data processing market, but Hohner had to establish itself as an autonomous computer manufacturer to avoid becoming dependent. Therefore, at the end of the 1960s, the company began to invest in setting up its own distribution network and training centre. It finally marketed its first models in 1970 under its own name via its subsidiary "Gesellschaft für Datensysteme und Computer".

Hohner finally launched several classes of instruments on the market between 1970 and 1972, covering different price and performance categories, from the Hohner-2000 to the Hohner-9000.[4] Thanks to its cooperation with RUF and the sales of its own sales department, the turnover of Hohner's computer division grew from DM 12.1 to 26.8 million between 1969 and 1973.[5] Even if these figures looked like a successful market entry at first glance and Hohner made profits in these years thanks to its computer division, these turnovers look problematic when looking at the market as a whole. During the period in which Hohner was able to double its income, industry leader Nixdorf was able to almost triple its turnover.[6] While Hohner was able to benefit from the boom of medium data technology and grow with the market, it was unable to generate independent growth beyond this. This meant that Hohner was heavily dependent on the development of the market.

Consequently, after its brief boom phase in the years from 1970 to 1973, the company, together with other medium data technology companies,

2 Berg: Heinz Nixdorf. Eine Biographie, p. 94-99.
3 Eglau: Computer vom "Bläslemacher", in: Die ZEIT 32, 11 August 1972.
4 Auerbach: Guide to small business computers, p. 2.
5 Berghoff: Zwischen Kleinstadt und Weltmarkt. p. 605.
6 Berg: Heinz Nixdorf. Eine Biographie, p. 114.

fell into a crisis from 1974 onwards. Even though the company attributed this to many companies' unwillingness to invest because of the economic turbulence of the mid-1970s, it became apparent during this period that Hohner had been too optimistic about its market opportunities. This was mainly because the conditions of the former office machine market were changing rapidly in the 1970s due to the advance of computers. Until the 1960s, office machines could be sold almost unchanged for several years or even decades, but the computer market had a faster pace of innovation. To keep up with the increasing international competition, high and especially continuous investments in the development of products were necessary. A smaller manufacturer such as Hohner, which could only sell limited quantities, could not afford this level of investment.

Therefore, in the mid-1970s, Hohner had to modernize its product portfolio in order to keep up with the new dialogue-oriented magnetic disk systems of its competitors. Despite building up sufficient in-house expertise, Hohner contracted the development work to the external engineering firm "DFE" near Karlsruhe, founded by a former Nixdorf developer, which was later successful with own products.[7] But the high development costs for the new Hohner computer "HC 1", which was first was presented in October 1975,[8] could no longer be recovered from sales of the older models, meaning that the computer division made losses.[9] Even unusual campaigns to increase sales, such as offers for short-term leasing of appliances at year-end, including the provision of trained staff via the employment office,[10] did little to help.

The overall situation of the company took a clear turn for the worse and insolvency was imminent. Largely under pressure from its creditors, Hohner began to withdraw from the computer market in the course of 1976. The West German market leader, Nixdorf AG, quickly came into play as a buyer. In the autumn of 1976, Nixdorf announced that it would initially take over 75 % of Hohner's computer division. Hohner's sales division would now sell Nixdorf's hard disk system 8870 instead of its own development

7 Kontinuierliches Wachstum beim MDT-Spezialisten DFE, in: Computerwoche, 22 April 1977.

8 Anwender zeigen wieder Kaufinteresse. Signalisierte die Orgatechnik den Konjunkturaufschwung?, in: Computerwoche, 31 October 1975.

9 Hohner: Verlust bei DV, in: Computerwoche, 27 August 1976.

10 Hohner Computer 2000M für 2 bis X Monate Kurz-Zeit-Miete. Anzeige in SPIEGEL 46 (1975), p. 228; Magnetkonten-Computer in Kurzzeit-Miete, in: Computerwoche, 21 November 1975.

"HC 1".[11] But it appears that Nixdorf's main objective in the takeover was probably neither the models nor the production capacities, nor even Hohner's sales channels, but primarily the expansion of Nixdorf's market share and Hohner's customer contacts. This enabled Nixdorf's additional growth opportunities by selling new devices in the medium data technology market, which is strongly defined by strong customer relationships.

4. Conclusion and end

When Hohner withdrew from the computer market in 1976, it became clear to many market observers that the boom phase of medium data technology was finally over. In the same year, Anker, a traditional manufacturer of cash registers and pioneer of medium data technology, also had to file for bankruptcy. The protected niche between the large mainframe computers and the smaller booking machines, which had made the emergence of medium data technology possible, no longer existed. Hohner was a company from outside the industry, and had taken the risk of entering a wholly new and promising market, driving forward the transformation of the office machine into a computer, but it underestimated the dynamics of this market and its underlying technology. Looking back, it seems as if Hohner's computer activities were doomed to failure from the outset. This misjudgement was widespread. After a brief period of success, none of the other West German producers of medium data technology managed to establish themselves as sustainable computer manufacturers. Similar to Hohner, they remained too small to build up sufficient development capacities or, like Nixdorf, focused more on a strong sales organization. However, this did not enable them to remain competitive as computer manufacturers in the long term. Once the PC became the central office machine in the 1980s, the remaining manufacturers were no longer able to keep up. To this extent, Hohner's short history as a computer manufacturer is an illustration of what happened to West German computer manufacturers.

5. Bibliography

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11 Nixdorf übernimmt Mehrheit bei Hohner GDC, in: Computerwoche, 3 December 1976.

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