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COMING THROUGH LOUD AND CLEAR



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President Dan Digre of MISCO at his office and plant in Minneapolis. The son of founder Cliff Digre, he joined the company in 1984.

● When it comes to lean manufacturing, Minneapolis Speaker Co. was far ahead of its time.

ON BUSINESS
NEAL ST. ANTHONY



The late Cliff Digre was a handy guy who turned his wife's broken radio into a speaker business whose products today are heard by millions of people worldwide.

Digre, a gunner and radio operator in the U.S. Army Air Force during World War II, founded MISCO — short for the Minneapolis Speaker Co. — in 1949. Digre, who died at 89 last November, was a frugal innovator who lived modestly and raised a family with wife Bernice not far from their Minneapolis shop. All four kids worked there part time as they grew up.

The low-profile MISCO remains a niche player in an industry that's largely moved production to cheaper labor markets in Asia.

"MISCO would not be here were it not for my dad's frugality," said president Dan Digre, 56, who joined MISCO in 1984. "He understood 'lean manufacturing' before it was popular."

A conservative guy by nature who eschewed debt, Digre also could play the role of risk taker. Nearly 80 years old in 2001, Cliff Digre invested more than \$1 million — essentially his retirement savings — to build a new south Minneapolis factory. Over the past decade, the company has doubled employment to 50-plus workers and revenue to \$15 million.

"We grew 20 percent last year, and we're growing and hiring this year," Dan Digre said. "I think there's an opportunity for this to be a \$40 or \$50 million company. Dad would approve."

That would be something for a business started on a whim. After surviving the war and marrying his hometown sweetheart, Cliff Digre worked several laborer jobs and attended radio-repair school in

St. Paul. One day, he brought Bernice's broken radio to an instructor. He told Digre that the speaker was broken. Digre didn't like getting stuck \$4.50 for a new speaker, instead of the \$1.50 that he'd been told a repair would cost. The St. Paul repair shop owner told Digre he'd lost the old speaker.

"The \$3 price difference was a lot of money in 1948," Digre recalled in his memoirs about harrowing World War II flights, business and family. So he started his own Minneapolis radio-repair shop on Jan. 1, 1949, in a storefront on Cedar Avenue S. That eventually led to a manufacturing shop on 38th Street and Grand Avenue S.

MISCO, with its trademark red- and gold-colored parts that distinguished its speakers from the standard black of the competition, was known as a quality designer and maker of products sold through independent distributors and music shops. Customers for the company's high-end acoustical equipment included drive-in theaters and restaurants and even the storied likes of performers Les Paul, Carlos Santana and Eric Clapton.

But by the early 1980s, the industry was moving to cheaper overseas manufacturing. Margins were squeezed, and 10-employee MISCO was barely breaking even on about \$250,000 in annual sales.

After several years as a high school music teacher and corporate trainer, Dan Digre joined his father's company in 1984 as a \$7-per-hour salesman. He studied the commercial markets and concluded



MISCO

Cliff Digre, founder of MISCO, was a gunner and radio operator in World War II. He started the company on a whim, inspired to fix his wife's radio cheaply.

« THEY ARE PROSPEROUS BECAUSE THEY USE FLEXIBLE, LEAN MANUFACTURING. »

Mike Shields, a veteran speaker engineer, on MISCO's success

MISCO continues on D2 ►

MISCO STILL LOUD AND CLEAR



(left) JOEL KOYAMA • jkoyama@startribune.com; (right) provided by MISCO

The radio in the pictures above belonged to Bernice Digre, the mother of Dan, left, and wife of Cliff, right. It was the very inspiration for MISCO's beginning in 1949, when Cliff started his own repair shop. In 1984, he was wise enough to take advice from his son, and the company has flourished.

MISCO

Business: Originally Minneapolis Speaker Co., MISCO is one of the last U.S. speaker manufacturers. It makes high-end acoustical equipment for the gaming, medical products, commercial building, aviation, entertainment and other industries

Founded: 1949, by the late Cliff Digre, a gunner and radio operator on a World War II bomber, who was trying to fix his wife's radio.

Location: Minneapolis

Employees: 50

President: Dan Digre

Revenue: \$15 million in 2012, up 20 percent

Quote: "I think there's an opportunity for this to be a \$40 or \$50 million company. Dad would approve." — Dan Digre

that his dad, who hadn't attended a trade show in 15 years, was making nice products for a declining market.

"It was a great product for the 1960s," Dan Digre said. "His mind-set was, 'This is what we make. Go sell it.'"

"I had to tell Dad that we weren't making what the customers want. We only sold speakers. We needed to partner with others, such as transformer suppliers, and put together complete packages."

Cliff swallowed his pride and asked his son to help. By 1985, MISCO introduced a line of commercial speakers for audio-system packages. The company went from making 300 speakers a month in 1984 to 3,000 a month by 1987. People riding subways and trains, flying on airplanes or relaxing in casinos and attending concerts or church were likely to be hearing MISCO speakers.

Cliff Digre eventually bought two small buildings next to his

shop on Grand Avenue. Business got better. He and Bernice splurged on a retirement cottage on Prior Lake.

By 2001, the company grew to several million in annual sales, 25 employees and had outgrown its space. Cliff Digre agreed to build an expanded plant. But it had to be in south Minneapolis.

"That's where most of our people lived," Dan Digre said. "We wanted to make speakers in Minneapolis, not China."

Mike Shields, 70, a veteran speaker engineer and consultant, said MISCO succeeded because Cliff was a conservative financial manager but was willing to back his son by investing 30 years ago on new approaches.

"Dan has done a stupendous job of managing what he inherited and transforming it into something that's relevant to today's market," Shields said. "They are prosperous because they use flexible, lean manufacturing. They retain customers because the customers know them, and

they are fast and responsive. They are a major supplier to the gaming industry, aerospace and mass transit and a lot of other places you don't think about loudspeakers."

Today the company has a Chinese manufacturing partner that supplies it with parts and about 30 percent of its speakers, but the design and 75 percent of manufacturing is done in Minneapolis.

On the factory floor, Dan Digre, as did Cliff, knows the line workers by first name. Times are good, with ample overtime. During the recession, Digre cut hours but declined to lay off workers. Most line workers make between \$10 and \$20 per hour, plus overtime, profit-sharing bonuses and benefits.

"There's a real interest in moving manufacturing back to the U.S.," Digre said from a trade show in Las Vegas last week. "We can make it and ship it much quicker to U.S. customers. And we are there when they need us. Some of these customers are learning that the costs of 'off-shoring' are higher than they think."

The company's recent success and aspirations to double in size make the hard work and occasional father-son conflict of the 1980s worth it, Dan said.

When it was put-up time, Cliff Digre sacrificed short-term wealth to invest in a bigger, better Minneapolis company.

"He was a great mentor," Dan Digre said.

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