

FEATURE

THE COMMODORE QUARTER CENTURY

FROM RETAIL SHOP

TO

GLOBAL GIANT

In just 25 years, a small typewriter sales and repair shop tucked away in downtown Toronto, Canada has been transformed into one of the hottest personal computer companies in the world -- Commodore International Limited.

Shipping more units world-wide than any other computer company, Commodore has grown from sales of \$46 million (U.S.) in 1977 to over \$680 million (U.S.) million in fiscal 1983 (year ended June 30). And much of that success is due to the entrepreneurial instincts of Commodore's founder and present vice-chairman, Jack Tramiel.

The Polish-born Tramiel survived Nazi concentration camps to immigrate to North America and, in 1958, open his own typewriter shop in Toronto. Tramiel has always had a gift for anticipating future home and business electronic needs -- and the ability to move quickly to fill them. Commodore's progress is a testimonial to that trait.

Over the past quarter-century, Tramiel has led Commodore on a heady ride through adding machines, electronic calculators, digital watches and the introduc-

tion of the personal computer age. Together with his skilled management team around the world, he is still considering: what's next? Commodore in fact, is widely acknowledged as a company that puts into action a smart but simple rule -- hold onto the old for as long as it is good and change to the new the moment it becomes better.

During those early years, Commodore grew from typewriter repairs and sales to typewriter manufacturing, with the acquisition of a factory in Berlin, West Germany. Early in the 1960s, Tramiel began selling and servicing a wide range of office equipment, and distributing nationally for an office furniture company.

In 1965 Commodore acquired the furniture manufacturer, and moved his operation to what is now Commodore's present Canadian headquarters. Commodore still manufactures office furniture (mainly filing cabinets and desks, plus metal housings for the CBM 8032 and SuperPET) at this plant in Scarborough, Ontario, and has expanded operations to three offices and two manufacturing plants in the Toronto vicinity.

Also in 1965, Tramiel met Canadian lawyer and financier Irving Gould, who later



Butterfield: "You see Beach, BASIC is a much older language than you may have thought."

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became Commodore's chairman. These two formed the head of the team that built the Commodore we know today. One of the first things this team did was to sell Commodore's adding machine plant and find a company in Japan to make adding machines for Commodore to distribute. While in Japan, Tramiel got his first look at an electronic calculator, and he quickly deduced that this product would mean the death of the mechanical adding machine. With the Commodore philosophy that "if we are not our own competition, then someone else will be", Tramiel moved quickly and found manufacturers to produce electronic calculators under the Commodore name. Thus, the company was right there in the market when it began to take off.

The company began manufacturing its own electronic calculators in 1969 using Texas Instruments chips. In fact, Commodore was the first company to bring out a "hand-held" calculator - the C108 - an example of what has become a long history of Commodore "industry firsts" in marketing value, innovation and performance in new products. It is interesting to note that this product was sold at much the same price, through similar distribution channels and to similar customers, as is the popular VIC-20 today.

Up to 1974 Commodore expanded its line of calculators from simple four-function machines to memory machines, scientific machines and keyboard programmable models. Commodore was largely dependent on third parties for the chips and displays that went into the products it was making.

In 1975, Texas Instruments decided to go into business against its own customers by manufacturing calculators. At the same time, chip prices dropped to \$1. from \$12. and Commodore was caught with a big inventory of chips and calculators while market prices plunged. It was this incident which led to Tramiel's decision that Commodore would be a company that controlled its own destiny, and not be at the mercy of other manufacturers.

Commodore purchased MOS Technology, one of its semiconductor chip suppliers, in

1976, and worked its way to become vertically integrated. This vertical integration allows Commodore to supply its own needs, and it gives the company significant lead time in new product development which means manufacturing cost advantages - and that in turn translates into price/performance benefits for consumers.

The acquisition of MOS Technology was followed in the next 18 months by two further key investments: the purchase of Frontier, a Los Angeles chip manufacturer complementary to those produced by MOS, and the acquisition of Dallas-based Micro Display Systems Inc., a manufacturer of liquid crystal displays. As a result of these acquisitions, Commodore had in-house expertise and production in more key technologies than most electronics companies several times its size.

Also in 1976, Commodore reorganized its corporate structure as Commodore International Ltd. and moved its financial headquarters to the Bahamas and the operations headquarters to Wayne, Pennsylvania (it has since re-established in West Chester, Pa.).

The next year was the watershed for Commodore when in 1977 -- still anticipating the future in true Commodore style -- the company introduced its first personal computer: the PET.

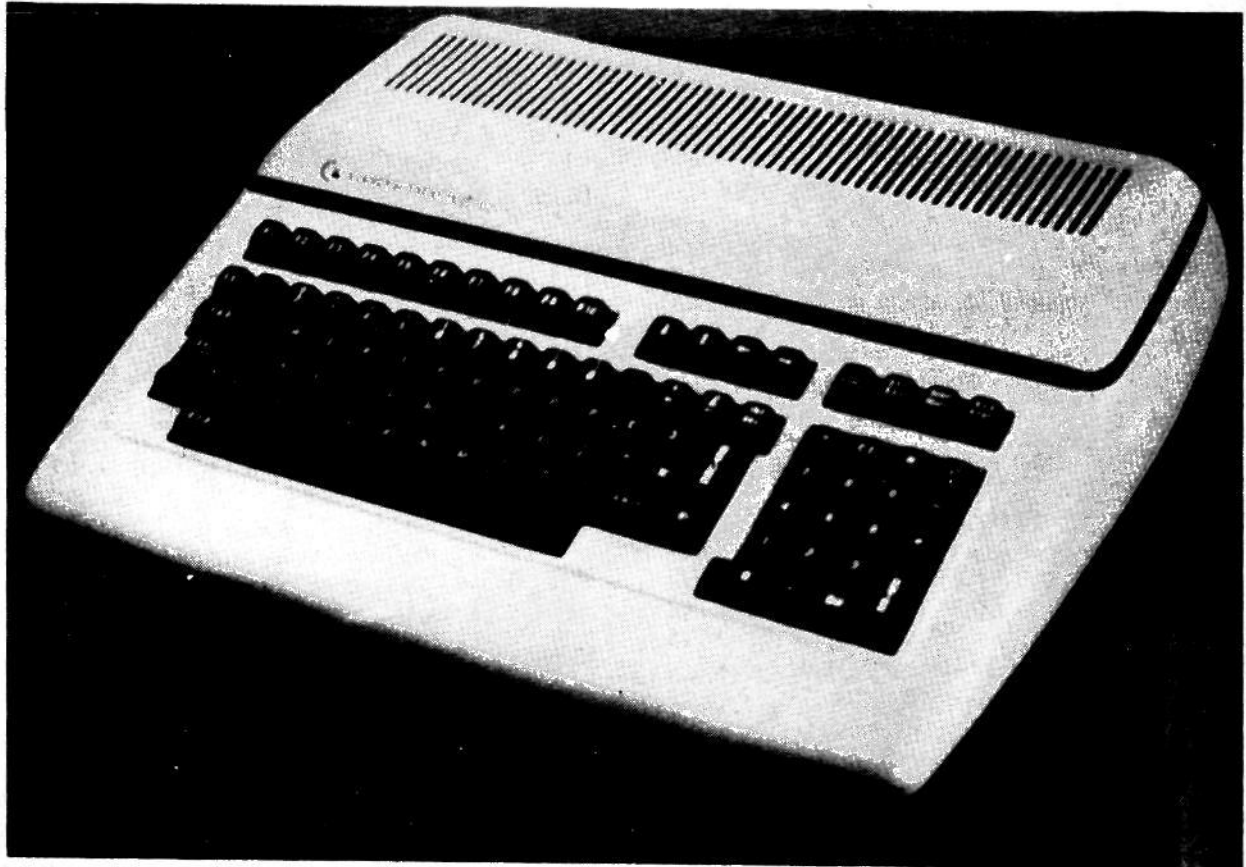
The PET (Personal Electronic Transactor) uses the MOS-designed 6502 microprocessor which is also used by some of the competition. It was the original machine, launched at the Hanover Fair in Germany and the Consumer Electronics Show in the U.S.A., that helped give birth to the personal computer market of today.

The PET sparked another period of rapid growth which is still underway today. It was marketed world-wide and really took hold in the European market because of the widespread, loyal dealer network Commodore had developed in its distribution of calculators. Commodore dominates the personal computer market in Europe today with more than 50 percent of the market in many countries. In fiscal 1983 (year ended June 30) European sales reached \$155.6



To the left: The Commodore portable Executive 64 weighing 27.6 pounds, travels easily. It has 64K RAM, a built in five inch monitor and floppy disk drives with 170K capacity.

Below: The advanced Commodore "B" series business micro computer with a minimum RAM of 128K expandable to 896K.



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million.(U.S.) almost 23 percent of Commodore's total sales.

After the PET line was completed with the 4000 and later the CBM 8000 series micros, the next major product from Commodore was the very popular VIC-20. The prototype of the VIC-20 was previewed at the National Computer Convention in Chicago in 1980, and it was first launched in the Seibu Department Store in Tokyo, Japan because, as Jack Tramiel said about the threat of competition from Japan, the Japanese are coming, therefore we must become the Japanese."

Commodore sold 800,000 VIC-20s world-wide in 1982, reached the 1 million mark early in 1983, and they are now being shipped at the rate of 100,000 units per month.

Commodore didn't stop with that success either, but continued research and development and in August, 1982 shipped the first Commodore 64. By the end of that year, aided by the single biggest advertising campaign in Commodore's history, The 64 had already passed the Apple II in monthly unit sales. And by March, 1983 The 64 was being shipped at the rate of 25,000 machines a month.

Both the VIC-20 and The 64 are sold through mass merchandise retail outlets, as well as computer dealers and selected electronics stores, a successful marketing technique that has since been emulated by other companies.

Commodore has now become the largest unit seller of microcomputers in the world. And, according to a Dataquest study published in Electronic News recently, Commodore is No. 1 in computers priced under \$1,000, with an estimated 43% dollar share in the U.S. Maybe this is one reason why the "Commodore 64 Programs Reference Guide" is currently the top-selling computer book in the U.S.

As well as the obvious success the company has achieved in the home market, the Commodore name is familiar in both the business and education markets for

personal computers. Commodore is one of the leaders in small business computers with its SuperPET and CBM lines, and The 64 is also being used for a number of functions in small business.

The education market is another area in which Commodore is a frontrunner. In Canada, for instance, Commodore holds about 65 percent of the national market for computers in education. Penetration is also significant in U.S., British and European schools and universities.

Commodore has become an international company, with manufacturing facilities in Japan, Hong Kong, West Germany, the U.K., Pennsylvania and California in the United States and Scarborough, a city within Metropolitan Toronto, Canada. In fiscal 1983 world-wide sales increased 44.7 percent over 1982's \$304.5 million (U.S.) to reach over \$680 million (U.S.) By the end of fiscal 1984, Commodore will be a billion-dollar-plus company.

Wall Street financial analysts who follow Commodore (shares have been traded on the New York Stock Exchange for three years, and on the American Exchange several years prior to that) state that much of the company's success is due to its flexibility and willingness to adapt quickly to - and even lead - changes in technology and in the marketplace. Jack Tramiel puts it more simply: "The minute you're through changing, you're through."

Commodore International has the most complete line of products of any microcomputer manufacturer, with models and software specifically geared to the education, business and home markets. The company's track record of tradition and steady growth have resulted in an organization whose sophistication in research and development and in product engineering are second to none.

This commitment and dedication to research and development - over \$37 million was invested in R & D last year - will lead to advances in technology and product application from Commodore in the years ahead. The company is driven by

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technology, and prides itself not only on giving its customers the products they want, but on introducing products the public didn't even know were available.

Commodore has programmers, systems designers and engineers working full-time to develop improved microprocessors, more efficient manufacturing techniques, enhanced quality control procedures, improved product design and engineering and, perhaps most importantly, an accelerated software development program.

Commodore is further expanding its software development in the United States and Canada with both in-house and external programming teams. The results of this program will certainly be evident to users of Commodore computers late in 1983 and throughout 1984.

Commodore remains a firm believer in the adage that if you just stand and watch the world go by, it will. So, the company continues to advance with a planned series of new proprietary systems, including a family of advanced microprocessors and peripheral integrated circuits for high-speed, low-power battery-operated computer systems, and improved video graphics. In addition, investigation into advanced microprocessor architecture is well underway that could lead to even lower-cost 16-bit Commodore computers.

The most recent results of Commodore's high-level quality and value approach are the advanced "B" series business microcomputer and the portable Executive 64. The "B" series has a minimum RAM configuration of 128K, expandable to 896K. It is ideal for variable work situations, especially where high output levels are demanded. The Exec 64, weighing only 27.6 pounds, can go anywhere with no difficulty. It has 64K RAM, a built-in five-inch monitor and floppy disk drive with 170K capacity.

Another recent step has been the development of a sophisticated new voice synthesizer for the Commodore 64. The Commodore speech module plugs directly into the Commodore 64, and at present

has a vocabulary of 235 words. This is the first voice I/O product to be developed at the company's Speech Technology Division in Dallas, Texas.

Also, Commodore's first consumer robot will soon be announced. Robotics is a challenging field of consumer electronics which has not yet been fully explored, and the company is excited about the potential in this area.

Commodore is celebrating its 25th year with an international extravaganza being held in Toronto, Canada early in December. The "World of Commodore" Show is the first truly international computer show to be orchestrated by a single microcomputer company.

This is the first all-Commodore show to be held in North America. There will be 65,000 sq. ft. of exhibits by suppliers of Commodore computers, software, peripherals and accessories, and by Commodore users clubs, special interest groups and microcomputer and business publications. Exhibitors are coming from several countries, including Canada, Turkey, the United Kingdom, Sweden, France and the U.S.A. to participate. Commodore operations from around the world will also be represented.

A series of seminars by some of Canada's best-known experts in the field will take the mystery out of micros for novices, and give valuable information to more experienced users.

A 10,000 sq. ft. hall will hold a major exhibit outlining Commodore's 25 years of history, its present hardware and software and the future of the company and its products. All who attend will see that the next 25 years will be as exciting as were the first 25.

In fact, looking at the history of Commodore at the close of its first quarter century, it is easy to see that the company has consistently been a leader in recognizing change and leading the electronics industry into the changes. But, more than studying history, Commodore is a company that creates the history. Just watch.