

NEWS RELEASE

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SUBJECT:

AN INTERVIEW WITH RADIO SHACK'S PRESIDENT
REGARDING THE COMPANY'S MICROCOMPUTER BUSINESS FOR 1980

Fort Worth, TX — “While enhancement of our leadership in electronics and manufacturing capability was a driving motive in getting Radio Shack into the personal computer business in September, 1977, the situation has changed dramatically and for the better as far as the 1980's are concerned,” according to Lewis Kornfeld, Radio Shack's president who is additionally executive vice president of its parent Tandy Corporation.

“In just two and a half years, our company has surged to the head of the pack in microcomputers, being credited with somewhere between 30% and 50% of the infant (but lusty) industry,” he said. “If you remember, at our May, 1979, introduction of the new TRS-80 Model II system, we revealed sales to date of the continuing Model I had already totalled over 100,000 and the contribution to sales of our computer business and systems topped \$100 million.

“We revealed those numbers at that time primarily to quell rumors that the facts were either smaller or grossly larger than we knew them to be. But a secondary reason had occurred to us: we were now fully aware of the costs of entering the computer business and the moral responsibility for the manufacturer to back up his sales with service, software, and consulting personnel, as well as to provide major market instructional facilities and parts inventories.

“In effect,” Kornfeld said, “we were warning potential competition that computers were not the place to look for a quick buck — like CB and car stereo — and that only well financed and responsible companies would be advised to enter this particular club.”

This reporter then posed a series of questions to the veteran electronics executive, and both the questions and their answers follow.

Q: Why should businesses and institutions choose a computer built and marketed by Radio Shack, instead of say, one from a company with a longer history in computing?

A: Of course an obvious and very American tradition is for companies, or just plain folks, to buy something that they know is of equivalent value to competition but distinctly lower in price. By now, there are more Radio Shack TRS-80 microcomputer systems in use than those of any other brand and it's pretty obvious that our customers are satisfied with their reliability, so we don't have to fight that problem any more — I mean the problem of being the newest kid on the block.

Q: But even agreeing that lower price and proven reliability are important, what about the other claims, or rather warnings, by such advertisers as HP and IBM that a computer company has to be a lot more than just a good vendor with a good product and 4-color advertising?

A: Well, it so happens I understand the thrust of this advertising and agree with it, even though some of our more sensitive employees think it's aimed at us. Let us run through a list of things a good computer company should provide and which Radio Shack and Tandy provide in full measure:

— Computer Leasing. In January, 1980, we announced a program for leasing that is backed by the full might of a billion-dollar 59-year-old company. Recognize it? I'm talking about us! We're well aware that TRS-80 Model II purchases will average up to 10 times the cost of Model I systems, and for the small businesses we're aiming at that's a lot of money. However, as one of our recent ads observes, and it's a startling revelation, a fully equipped Model II system with all the trimmings costs less than a company car or truck, in other words less than \$10,000. At any rate, leasing is a way of life for many firms and individuals and we're not going to make it hard for them to buy TRS-80.

— Service Centers. At the time we entered the computer manufacturing and selling business, Radio Shack had 55 strategically located service centers in the USA, devoted wholly to servicing our exclusive lines of consumer electronic goods which we make (and have contract-made for us). These were immediately expanded to include the technicians and instrumentation required to maintain TRS-80 equipment. In calendar 1978-9 we opened 50 major market Radio Shack Computer Centers, each incorporating a full servicing facility, as well as a classroom, stockroom, salesroom and display area. So by 1/80 we had 105 places across the country where "TRS-80" is not only spoken, but spoken fluently. I'm not up on the numbers of such places that are wholly owned and operated by others in the business, and solely dedicated to the product of one manufacturer, but if there are others with 105 locations I'd be quite surprised.

— On-Site Service. We are also instituting, market by market, provisions for optional on-site or bring-in service. “On site” means simply that when you need us we come. It should indicate to even the most skeptical buyer that we look on TRS-80 installations as being a vital part of the customer’s operating system; when it malfunctions or is not thoroughly understood, it must be attended to at once and not at some later date. To me, it means Radio Shack and Tandy have arrived and cannot be looked upon — even by innuendos in advertising — as a manufacturer whose only care is to shove product out the door.

— Peripherals and Software. Lots of people talk about such things as if they were both mysterious and inaccessible, or had to be obtained from sources other than the manufacturer. In some instances, those concepts are not entirely without merit, but Radio Shack recognized from “day one” that we’d have to be in both of these fields simultaneously with our hardware. And we are. It’s amusing to reflect that the unheralded advent of TRS-80 in massive numbers probably wrecked the logistics of the peripheral industry — particularly disk drives. Then too, we dried up quite a few puddles of ICs and memory devices adding to the shortages we’re now all plagued with. A computer publication recently remarked that “it’s safe to say there are more programmers writing software for the TRS-80 than any other computer in the world.” That quote comes from Computer Business News 10/22/79 issue. Some of these writers are ours, naturally, and my only reflection on the subject is that it takes longer to write bug-free software than I’d imagined in the pre-1977 days when my thoughts about computers ran more to why every executive in the corporation needed computer runoffs (regardless of cost, you understand) when hand-processed calculations and inventories had been good enough for our first 40 years in business.

— Sales Outlets. Nobody has or will have the number of sales counters that Radio Shack has today, where a genuine computer may be handed over to a customer. Rash statement? Well, we have 7400 outlets worldwide at this time and we’re still growing. Of course, I don’t refer to computer toys and games — I refer to computers perfectly at home in a business, professional or organizational establishment and designed not as a plaything, but as working gear. What the number 7400 means to me is not just magnitude; I view it as an opportunity for people in all walks of life to see, feel, examine, learn about, and acquire a device that has already impacted their lives and which would not have reached their community in “off the shelf availability” quite possibly before the next decade. It’s a comfort to know that the company is close to all its computers and, therefore, its customers. I think it’s a quite incredible asset, but then I am prejudiced!

Q: How can Radio Shack undersell its major competitors?

A: By undersell, you mean “sell for less.” That’s easy. We’re the manufacturer and the vendor. You buy “factory direct” in most cases. By selling more, we have what’s known as the “economy of scale” on our side, with another very nice effect that comes simply from volume production: greater consistency of product quality. Our start in life came as retailers, thus we already had a lot of the sales places and staffs in place. When you sell primarily to yourself you eliminate certain other costs common to all manufacturers who do not sell direct: credit collection and losses; salesmen’s commissions and special incentives; and the need to “fight” other brands for floor space and time and investment with costly counter-measures. These are some of our advantages. You’d sum them up by saying simply that our selling costs are just lower than others’ and we pass the savings along to our customers.

Q: Does Model II eliminate the need for Model I?

A: Heavens, I thought we’d knocked that one out in the first round. Model II with its greater speed and power was built because we saw, early on, the need for this capacity in many of the businesses which first looked at Model I because Model I was their first hope to get into computers at low cost. Model I will always have a whole flock of needs and buyers who don’t need a II for their tasks and/or simply don’t want to make the investment. The situation, in the pre TRS-80 days, was that invariably a customer bought “too much computer” for his needs because “too much” was all there was! As a camera hobbyist, I can tell you I’d get an 8x10 if that’s all there was, but fortunately George Eastman and a few other guys shrank the camera down to “just right” size. Even so, just right isn’t forever. When I needed a variety of lenses, I had to go to interchangeable-lens cameras—in other words I needed an expandable system. Okay: Model I was designed from the start to be an expandable system. And when we had to expand just one giant step above Model I, well we were ready with Model II—and as you know, it’s also expandable. Our range in cost now runs from \$499 to nearly \$10,000 per system, and that’s right where we want to be and where the market wants us and needs us.

Q: What do you see in Radio Shack’s future line?

A: Certainly that’s a question of supreme daily importance to us because this is not exactly a stable industry in terms of technical change. The future, therefore, is relatively short range. For Model II, life is just beginning and what I see here is reduction of the waiting time for ANY part of the system to 14 working days, and a very quick rise in the amount of available software. For Model I, my guess is that

we'll continue to have some neat enhancements in calendar year 1980. I won't be more specific but I will tell you that, unlike our aspiring competitors, when we announce we'll also deliver.

Q: What about color?

A: We've talked about color in computing. As you know, both TI and Apple have color systems. Actually, the real need for color in a computer is limited by logic and even by definition. But color is "nice" for artists, designers, certain educational purposes, industrial displays. And yes — for games. I can assure you that when TRS-80 puts its logo on a color device, it'll be because we feel we've got the best in town. In addition, we're looking at all sorts of novelties in the pocket-sized area, voice and sound, and so on.

Q: What are you doing in word processing?

A: Our first announcement was the SCRIPSIT system for Model I, along with an optional lower/upper case conversion program that's really exceptionally clean and for which lots of people have been waiting patiently. (Some have produced their own, with only modest success in graphic appearance.) Word processing is a "natural" for TRS-80 and an entree for us into every office in the entire world. When you go the TRS-80 route you get not a dedicated system (w-p only) but a computer as well. And still the price is lower and the service probably better. In 1980 we'll also provide word processing for Model II. Why invest in a "smart typewriter" when you can get a talented, reliable computer "for nothing"?

Q: Can you comment on non-standard equipment and components?

A: You bet! Many suppliers of peripherals, software, and modifications have shown up (much to our surprise) just like they have in the traditional computer market — ask IBM! Naturally, it is not possible for us to evaluate or approve these items so "let the buyer beware!" When you buy Radio Shack-supplied items, of course they have gone through thorough testing and evaluation, and they are backed by our entire organization. Non-standard modifications to our equipment are particularly troublesome because our repair technicians have not been trained to service them and consequently may lead to extra cost to you for repairs or even a void of your warranty.

Q: What's the outlook for Radio Shack computer centers?

A: We have two programs, really. The stand-alone computer center, as described earlier, with 50 units in our largest markets. I think we'll eventually go well beyond the "top 50" metro areas because the need is there and the company can afford these locations. It's interesting to note that we have a fabulous "RSCC" in Paris, France, and will shortly have one or more in each of our major overseas and Canadian sales centers. Our other program is the "regular" Radio Shack store that has been enhanced with extra computer inventory including a Model II demo, and a specially trained salesman and problem solver. We have 100 of these stores, each located in a territorial area we call a "district." The USA is divided into some 150 Radio Shack districts; thus with 50 centers and 100 enriched stores, we haven't omitted a single district from the program. Needless to say, each and every store has computers and sells computers; it's just that we have a "lead horse" in every district. I trust I've made it abundantly clear that Radio Shack sells, services and explains TRS-80 computers EVERYWHERE in the country. You don't get to be "the biggest name in little computers" without giving even the littlest computer user his full measure of backup and protected investment.