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Firm struggling to emerge from troubled waters

By Renate Lerch

Exuding energy as he gestures emphatically to prove a point, Bill MacLean, the president of **BMB Compuscience Canada Ltd.**, remains his company's best salesman.

He's positive the microcomputer hardware and software retailing business he helped start six years ago in Milton, Ont., will soon return to profitability — possibly even in the current quarter, and he's determined to convince everyone else of this.

That may prove a tough task. Although BMB was anticipating a brilliant future when it went public in late 1983, more recently it has been struggling to emerge from troubled waters, with sales slowdown and financial losses.

In the first quarter ended July 31, 1985, the company lost \$244,121 on sales of \$1.7 million. This followed the loss in fiscal 1985 (ending April 30) of \$963,793 on sales of \$11.1 million, vs \$689,939 profits on sales of \$11 million in 1984.

The disappointing figures are a fairly recent development. From 1979-82 BMB built a successful business distributing **Commodore** microcomputers and developing proprietary software and hardware for this micro.

Competition heating up

Then, when **IBM** entered the personal computer market, BMB switched to selling **IBM** Personal Computers and compatible hardware and began adapting its software products to the new standard — a process that took considerably longer than expected.

In the early days with the **IBM** PCs, demand far outstripped supply, so BMB was able to rack up respectable sales and profits, as well as opening six retail outlets.

By mid-1984, competition in the micro marketplace had heated up and margins were narrowing. BMB got caught in the squeeze, which became even tighter as the entire computer industry, which had been growing at rates of up to 50% a year, headed into a downturn.

BMB's solution was to get out of the personal computer retail market: it closed two sales offices and is phasing out the Toronto outlet; layoffs have reduced the number of employees to 70 from 108. Now the corporate emphasis is on its own soft-

ware and networking products.

"We're focusing our sales on generalized information processing solutions for medium-sized and large businesses," says MacLean, 40, who remains as optimistic as when he started the company.

Although his background was not in computers, he brought valuable experience to the venture, having spent about 10 years working for **Perkin-Elmer Corp.** of Norwalk, Conn., the giant manufacturer of analytical instruments, electronic systems and other complex equipment.

'Best achieved'

The turning point came in 1978 when he bought his first personal computer, a **Commodore Pet**. After working on the machine for 2½ hours, he realized the tremendous potential of the new technology — "this is where the future lies" — and decided he wanted a part of it.

He chose to sell **Commodore** micros because "they were the best machines at that time, dominating the home market, and I was able to talk with the top management people in Canada."

A three-way partnership, consisting of MacLean, wife Barbara and Marcel Brunschweiler, currently vice-president of finance, was set up. The initials of their first names, BMB, became part of the new company's name.

They picked Milton, a small town about 50 kilometres west of Toronto, for company headquarters, because "we couldn't afford to live in Toronto." It proved a convenient location, easily accessible by highway 401 and close to the Toronto airport.

At first, BMB concentrated on selling **Commodore** machines to scientists, research engineers and then the educational sector. During this period, it developed the **Manager**, a financial database for information management, and **Imaginet**, a hardware product to link **Commodore** machines into local area networks.

Another new product was the **SuperPet**, an upgraded **Commodore Pet**, whose rights were licensed to **Commodore**.

Until 1982, about 95% of the company's revenue came from the relationship with **Commodore**, including the sale of 60,000 copies of the **Manager** and the bi-monthly publication of the **Transactor** computer



PHOTO BY PETER REDMAN

BMB President MacLean: Return to profitability just around corner

magazine to 60,000 subscribers.

Late in 1983, at the height of the stock market enthusiasm for high-technology issues, BMB completed a public offering of 1.3 million shares (24% of the company) at \$9.50 a share.

Currently the three original partners and John Stovekin, director of research, own 56% of the shares, with the remainder held by Frank Bailey, a former operating officer of the company.

BMB shares are now trading at \$2.65, slightly above their all-time low of \$2.40. Although the 1983 refinancing made the company cash-rich, its conservative financial practices insured it retains about \$10 million in working capital, including \$7 million in cash.

With the decision to hop on the **IBM PC** bandwagon, BMB's business acumen faltered.

"The company was a late arrival on the **IBM** scene and became a weak competitor in **IBM** distribution," says Graeme Kirland, market analyst and head of **Third Capital Corp.**, Toronto.

Conversion problems

"No one could have foreseen the widespread industry problems or the difficulties endured by BMB in converting successful products and marketing from **Commodore** to **IBM PC**-compatible markets," says Bill Cara, high-technology analyst with **Dean Witter Reynolds (Canada) Inc.**, Toronto.

"With flattening sales and current losses, BMB has suffered a loss of credibility and must be concerned with rebuilding

its corporate image."

Another criticism levied at BMB is that its new products have taken a long time to reach store shelves. The most recent releases, geared for **IBM PC** users, did not hit the market until May. They consisted of **PC**-compatible versions of the **Manager** and **Imaginet** along with new products.

Blink is an interface that allows remote users to access the system over telephone lines, **NetMail** provides electronic messaging for users of the **Imaginet** network, and **DataVac** enables incompatible microcomputers to communicate with the **Imaginet** network.

"We've tried to build a local area network that's utterly transparent to the networking environment," says MacLean. "It will be able to work with all the different hardware and software products that come out."

He's pinning his hopes on the networking products (linked with appropriate hardware and software) to draw in big customers. Recent clients include **Wardair International Ltd.** which awarded BMB a \$250,000 contract to automate its personnel management system.

Other customers include the **London Life** head office in London, Ont., **Aetna Life**, of Hartford, Conn., Ontario Hydro, the Justice department in Ottawa and the city of Scarborough.

As well, the company has reached an agreement in principle with **Atari Inc.**, whereby the California-based microcomputer manufacturer would market BMB products for the **Atari 520ST**, its new graphics-oriented personal computer.