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R W Witty
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1. INTRODUCTION

Nolan Bushell is the architypal entrepreneur and street trader. He invented the video game by inventing PONG which formed the basis of his company ATARI. ATARI was started by Bushell with 250 dollars of capital and he spent a lot of his time with the Sheriffs threatening to close them down because they had no money and did not pay their bills. Venture capital was essentially impossible to get for somebody like Bushell.

Bushell told us that when young he worked in an amusement arcade as a student job helping him pay his way through college whilst doing an electrical engineering degree, these two things together were the background that enabled him to invent PONG. He knew the market and the technology to satisfy the needs of the market. He had also done economics and business studies whilst at college which gave him the background to start a business. He said that "6 months at school and 6 months at work is the best educational formula".

Eventually he sold ATARI to Warner Bros for 28 million dollars. However he said that 2 years later ATARI had 2 billion dollars in sales in 1976 and to some extent he resented selling it so cheaply.

When starting ATARI he had got rejected by all sorts of venture capitalists. He eventually found somebody in Sear's (the big department store chain) who liked the product and placed an order for it. He then persuaded Sear's to give him payment up front for the orders so that he could fund manufacturing. Similarly given that he got a big order from Sear's he got the suppliers to ship him components before he actually paid the bill so by playing one off against the other he was able to get the business going with no venture capital. Clearly Bushell is "something of a wide boy".

He then went on to found the Chuck and Cheese restaurants, then founded the Catalyst venture capital company and subsequently went on to produce the world first high tech teddy bear and robotic cat.

2. CHUCK AND CHEESE

He bought Pizza Time Theatre from ATARI and turned it into Chuck and Cheese which he said was "killed by good pizza". Everybody told him how bad the pizza was at Chuck and Cheese so he improved it, but the costs increased from 19% to 26% to provide better pizza and went up from 16% to 22% to provide better service. They then started advertising aimed at adults and had a complete disaster with sales plummeting. Chuck and Cheese is a combined animation and pizza show, I have never been in one. When they returned back to bad service and bad pizza they started to make money again. They have some 280 stores.

Bushell said his next idea was to build a company which served good food, had good service but had no labour whatsoever.

3. CATALYST TECHNOLOGY

Bushell's idea here was to act a venture capitalist but provide shell companies complete with working telephones etc, so that entrepreneurs could just walk in and start work immediately.

He claimed to have funded companies called Magnum and ETAC which had been good, but he said the bad companies lost between 1 and 8 million dollars each. He closed Catalyst because he spent his time only working with bad companies which was no fun.

4. AXELON

He started Axelon two and half years ago to build the world's first talking teddy bear which went from zero to 15 million dollars sales in the first year, essentially with no injection of capital.

At the 1986 toy fare he took 40 million dollars in orders. The orders then went to Korea for manufacture but due to what he called the "auction market" for manufacturing Korea which he did not quite understand at the time it meant that he actually received no product from the Koreans. Eventually when they did get shipped they did not work and this caused the company to collapse somewhat. Bushell trimmed the company back down to almost zero because 1987 turned out to be a bad year for toys as people bought video games and not toys.

He has now decided to go into coin operated games and is going to announce something with a UK company soon.

5. GENERAL COMMENTS ETC

Bushell said that "capitalism is predicting the future" by which he meant guessing what is going to sell next year.

On patents he said that it takes a quarter of a million dollars to prosecute someone for a breach of patent so can any small company actually afford to use patent suits to defend their business? The implication was no.

He advised entrepreneurs not to get venture capital. He said the best way was the way he had done things with ATARI which was to get the customer to fund it and also to get the suppliers to fund it.

Bushell asked the question is it the idea that is important or the process of getting the idea implemented? Bushell defined entrepreneurship as a process of implementing not having ideas. The implication being that all sorts of people have good ideas but the number of people who could really get them implemented was few and far between because it took, as Bushell said, self reliance and resourcefulness to actually achieve these things. He felt that the small company led by an entrepreneur had an advantage through its self reliance and resourcefulness because it could respond fairly immediately to market opportunities.

He found that from his venture capital experience with Catalyst that the failures all had a common thread and that was always bad management.

He said the secret of business success was always to listen to the customers, let them tell you what they wanted and then respond to their requirements.

He felt that the higher the gross margins the faster business can be grown and vice versa. The implication of this is that one can actually afford to make a few mistakes if one is making serious money ie by gross margins. The corollary of this is that one should grow fast if one is profitable so that one then builds up cash to be able to withstand a mistake (in retrospect I guess it is clear that SUN were very good at making high gross margins in the early days which enabled them to grow the business very fast). Now in later times as the market matures they are able to compete on price more.

He claimed that market research, as in the formal market research type activities, was a waste of money.

He said that the freeze frame video telephone idea which he had come up with had been killed by Warner when they took over ATARI.

Bushell is really fascinated by the possibility building robots. Interestingly he defined robots as being "servants without guilt". He felt that the achievement of Robotics would only be realised in the longer term but the motivation was tremendous ie because of the guilt factor "sloth can only be accomplished robotically".