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**References**

DeMott, J. S., Zagorin, A., & Moritz, M. (1984). A New Pac-Man. *Time*, 124(3), 56.

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**A New Pac-Man**

Jack Tramiel gobbles Atari

Of all Silicon Valley's microchipped wonder companies, Atari was one of the earliest and most colorful. It gave birth to the video-game industry and churned out amusements like Pong, Asteroids and the home version of Pac-Man. It saw its sales explode from \$30 million in 1976 to a peak of \$2 billion in 1982. It spun off famous employee alumni, like Steven Jobs, co-founder and chairman of Apple Computer. Physically, it spread to 49 buildings around Sunnyvale, Calif. But its fall came even faster, as a fickle public cooled to its video games. Losses hit \$539 million last year. Not even TV commercials featuring M\*A\*S\*H Superstar Alan Alda could revive Atari. Last week Warner Communications, which has owned Atari since 1976, gave up on turning the company around and sold it. The principal buyer and new boss: Jack Tramiel, 56, a blunt, balding executive whose adage is "Business is war."

Tramiel, the former president of Commodore International, who built it into the leading home-computer manufacturer, will pay no cash for Atari but will pick up \$240 million of the company's debts. He will also get rights to buy 1 million Warner shares at \$22 each, about equal to last week's price. Warner, which evidently believes that Tramiel can succeed where it failed, will hold onto a 32% stake in Atari.

Tramiel moved swiftly and ruthlessly after arriving at Atari's headquarters in a two-tone Rolls-Royce. As industry experts saw it, he intended to dismantle Atari, regarding it as a start-up operation. He pushed aside Chairman James Morgan, 42, the former Philip Morris executive

whom Warner had brought in last September to perk up the company. Morgan had tried to save Atari, chiefly by slashing its worldwide work force from 9,800 to 3,500

Tramiel went further. He installed Sons Sam, Gary and Leonard in key management posts and sent out pink slips to some 70% of Atari's remaining U.S. work force of 1,100, leaving a skeleton crew of no more than 300 engineers, financial and marketing people and clerks. Atari's manufacturing facilities will be shifted and consolidated. One center in El Paso will be moved to Sunnyvale, and Atari's software production will be relocated to Taiwan.

The company's remaining executives quickly realized that Tramiel would not run the company by committee. Tramiel, says an associate, demands "full, complete, undisputed authority." The new chairman's blitz would make Atari "leaner and meaner," said Vice President Bruce Entin. "The guy was in command. He was kind of like a general."

A Polish immigrant and survivor of the Auschwitz concentration camp, Tramiel has amassed a fortune estimated at \$100 million. He did it mainly by nurturing a typewriter business he founded 26 years ago into giant Commodore International (1983 sales: \$1 billion). He left the company abruptly and unexpectedly in January, apparently because he had trouble sharing power with other Commodore executives. In the following months, he took the time to tour Sri Lanka and Hong Kong and think about his future.

Tramiel became aware that Atari was up for sale seven weeks ago and began talks with Warner Chairman Steven Ross. After arduous bargaining in Manhattan, Tramiel's son Gary and Warner representatives closed their deal at 15:30 a.m. on Monday of last week. By that time, Tramiel was flying to California in a private jet and was at Atari headquarters by 8:30 a.m.

That Tramiel would choose to buy control of Atari is ironic. As Commodore's boss, he had helped run Atari into the ground by slashing prices on his company's own popular home computers, the Commodore 64 and VIC 20. The strategy frustrated Atari's attempts to get into the home-computer market and diversify away from fast-failing video games.

Tramiel may try the same tactic at Atari, only this time against his former company. Atari sold roughly 250,000 of its 800 series computers last year, far fewer than the average 1 million Commodore 64s sold annually. The best guess by experts is that Tramiel's first marketing move may be to try to reverse those numbers by drastically underpricing Commodore's products. Later, perhaps next year, he might develop a model that would compete against more powerful machines made by Apple and IBM for the sophisticated home user. The general's campaign has just begun.

—By John S. Demott.

Reported by Michael Moritz/San Francisco and Adam Zagorin/New York

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By John S. DeMott; Adam Zagorin and Michael Moritz

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