



**Profile 1982**



*The home computer is the most exciting, fastest growing consumer industry of the 80's. One of the critical factors behind this growth is, and will continue to be, the software which makes the hardware work its magic. In recent years, video games have been the driving force behind the acceptance of the home computer. To many who are unfamiliar with computers, video games provide not only entertainment, they open a window on the home computer world of the future.*

*Activision is a leader in the video game software industry. A look at the company is really a look at the direction of this industry. This book profiles two stories: the story of Activision and its industry; and the process that drives the company and the industry—the development and delivery of creative product.*

In the fiscal year ended March 31, 1982, Activision, Inc. experienced the kind of unprecedented growth that has stirred many industry observers to call it a Cinderella story. Revenues rose 960 percent to \$65.9 million, and net income of \$12.9 million was 1,600 percent above that of fiscal 1981. For a company that was founded on October 1, 1979, and shipped its first product in July, 1980, that is, indeed, almost magical growth.

This growth did not occur without a great deal of hard work and sacrifice. Thousands of hours have been spent on the basics of our business: careful planning; original creative product; a responsive, disciplined manufacturing/distribution system; innovative and unique marketing programs; dedicated people; and sound financial support and control. Because of these efforts, Activision's share of the video game market grew from about 5 percent to nearly 20 percent during fiscal 1982. The number of our game titles increased to 14, and *Video*, *OMNI* and *Playboy* magazines honored Activision and our designers with awards for outstanding game design.

In June of 1982, we released *StarMaster™* and *Chopper Command™*, bringing our total number of game titles to 16. We also previewed two new games, *Pitfall!™* and *MegaMania™* for fall delivery, and announced plans to release in November our first cartridges for use with Mattel Electronics' Intellivision® system—*Pitfall!™* and *Stampede!™*. We expanded our creative team from five to eight designers during fiscal 1982, and, in June, we added five new designers at our Eastern Design Center in New Jersey.

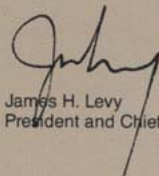
During the fiscal year, we opened a 92,500 sq. foot manufacturing and distribution center in Milpitas, California, which significantly improved our capacity and delivery capabilities. We broadened our distribution through major national retail accounts such as Sears, Roebuck and Co., J.C. Penney and Montgomery Ward. Today, Activision video games are available in outlets generating more than 90 percent of video game sales in the United States.

Activision entered the international market in August, 1981, when we shipped our first cartridges to the United Kingdom. Today, our games are sold in 32 countries, representing 90 percent of the worldwide video game market.

Fiscal 1982 also brought tremendous growth in our advertising and promotion programs. We expanded our original and effective television and radio campaigns, created innovative consumer promotions, and provided retailers with dramatic point-of-purchase advertising materials and cooperative advertising programs. We broke new ground in the advertisement and the promotion of video games.

Perhaps our most significant achievement was managing this extraordinary growth with good financial discipline, operating control and a unique approach to human relations. During the fiscal year, our staff quadrupled from 22 to 89 employees. As of July 30, 1982, our family had grown to 131 people. We added several key senior executives and built strong middle-management and support teams.

Activision is a creative company, and our management priorities place great emphasis on retaining in the future the spirit of innovation and enterprise which created the company. By concentrating on the basics that made our success possible—planning, product, manufacturing/distribution, marketing, people and financial discipline—and by consciously maintaining our unique, family-oriented corporate culture, we expect to be a leader in our industry for years to come.



James H. Levy  
President and Chief Executive Officer





Activision was the first independent company to design, manufacture and market video game software. In 1979, the year the company was formed, such software was made only by manufacturers who built game systems—and was primarily designed to help them sell the systems. But, the history of other forms of home entertainment—television, radio, recorded music—had shown that software and hardware posed very different development and marketing challenges. Software needed a unique environment in which to grow.

Activision was founded by four talented video game designers and an entrepreneur who had learned how to market and deliver creative product through management experience in the packaged goods, publishing and recorded music industries. The founders shared a conviction that original, creative video games would lead the software side of the home computer revolution.

Today, just three years after Activision's founding, the video game software industry is distinct from the hardware industry. Dozens of new software-only manufacturers are entering the market. Established companies, who had previously taken a consolidated approach to hardware/software design, distribution and marketing, are beginning to see the importance of separating the two.

**"Not only are new software-only producers jumping on the Activision-led bandwagon, but, hardware-software producers are also acknowledging the differences in the two businesses."**

**HFD—Retailing Home Furnishings  
May 31, 1982**

Software is as important to the long-term success of home computers as the capabilities of the computers themselves. By influencing the way computer games should look, play, and feel—and be delivered, promoted and sold—Activision has become an important contributor to the growing acceptance of the home computer.



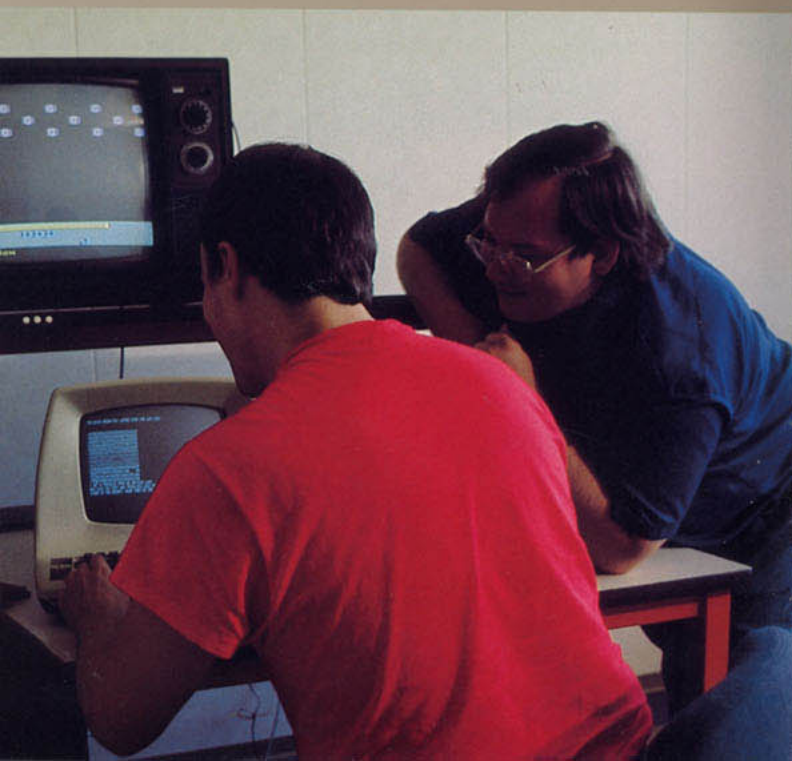




The creation of a video game is similar to that of most creative works—musical recordings, books, motion pictures. Like other artists, Activision's designers begin with an inspiration. Their media of expression are the computer and the television, and their work is a unique marriage of creative inspiration with technology. As David Crane explains, "We start with the kernel of an idea, and it evolves. Sooner or later, we have to figure out if it will be good enough to be an Activision game." That "figuring out" involves not only a technical mastery of the microcomputer, but a commitment to the painstaking task of turning a creative idea into an outstanding video game.

**"We're a hard group to please, because we've got 30-40 years' game playing experience among us."**

David Crane



For Alan Miller, "figuring out" means alternating between long hours at home in a rocking chair, patiently working on hand-written computer code, and frenetic bursts of activity at a computer keyboard in the design laboratory. A perfectionist, he worked six weeks to produce just the three-dimensional feeling of the star movement in *StarMaster*.

David Crane, on the other hand, codes a concept directly into the computer as he thinks of it. He may spend months thinking of a game concept, or an idea might strike him overnight. The idea for *Freeway*™ flashed when he watched a man trying to run across Chicago's Lake Shore Drive in rush-hour traffic. From inspiration to reality, *Freeway*™ took less than three months to complete.

According to Steve Cartwright, "It's easy to design a game 80 percent of the way. It's the fine-tuning, the last 20 percent of the work, that makes the difference between a good game and a great game." This fine tuning is an interactive process. Designers will spend hours playing a colleague's new game, asking questions, making suggestions. Rookie designers and award-winning veterans critique, coach and learn from each other, striving for improvement. As master game players, the designers are their own ultimate critics and consumers. As Bob Whitehead says, "Competence breeds competence. We have faith in each other's work. Eventually, all our designers contribute to any game we develop."

Activision's senior design group



Co-founder and senior designer, David Crane



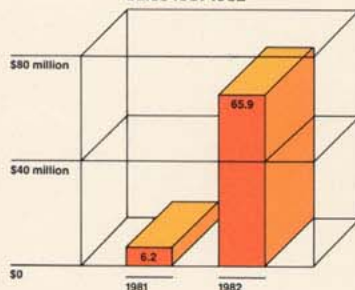


Activision was founded on October 1, 1979, and, in just 18 months, proved the viability of an independent video game company. In March, 1980, the company announced its first four games, compatible with the Atari® Video Computer System™—Dragster,® Boxing, Checkers and Fishing Derby.® In July of that year, Activision shipped its first cartridges and had 13 employees in its 1,750 sq. foot headquarters in Sunnyvale, California.

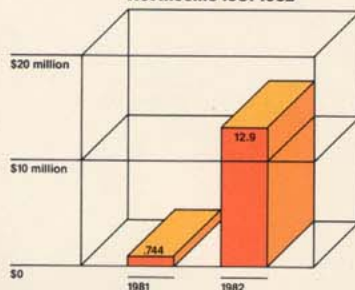
**"The enormous success of Activision, the hottest new entrant into the video games market, is proof positive that you don't need a new idea to make a fortune in Silicon Valley—you just have to do something better!"**

**The Village Voice  
March 31, 1982**

**Sales 1981-1982**



**Net Income 1981-1982**



Activision added four game titles during fiscal 1981. Skiing and Bridge were released in December, 1980, and Tennis and Laser Blast™ reached retail shelves in March, 1981. Sales for the fiscal year reached \$6.2 million, and net income was \$744,000. Activision grabbed a five percent share of the booming home video game market. The company grew to 22 employees and moved to 10,000 sq. feet of office space in Santa Clara, California.

In fiscal 1982, Activision became an important force in home video games as the market exploded. The company added four new designers to the creative team, and released Freeway,™ Grand Prix,™ Kaboom!,™ Stampede,™ Ice Hockey and Barnstorming.™ The company shipped its first games to international markets in August, 1981. In December, Activision opened a 92,500 sq. foot manufacturing/distribution center in Milpitas, California.

Revenues in fiscal 1982 rose 960 percent to \$65.9 million, net income soared 1,600 percent to \$12.9 million, and the company reached a 20 percent share of the home video game market.

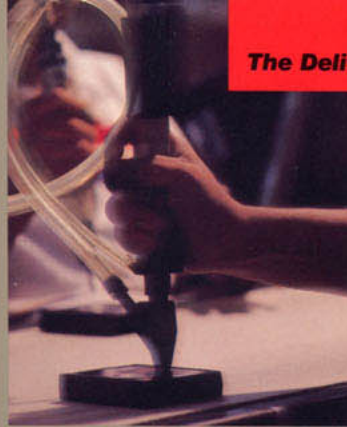
In May, 1982, with more than 100 employees, Activision once again moved to new corporate headquarters, in Mountain View, California. In June, the company released StarMaster™ and Chopper Command,™ previewed Pitfall!™ and MegaMania,™ announced plans to release cartridges for use with Intellivision,® and established an Eastern Design Center in New Jersey with five new game designers.

Activision's rapid growth was accomplished with organization and discipline. Today, the company plays a leading role in the fast-growing video game software industry.

Atari® Video Computer System™ are trademarks of Atari, Inc.







A flexible, well-managed and responsive delivery system is essential to the software business. The delivery system begins with manufacturing. Every month, millions of individual components arrive at Activision's manufacturing/distribution facility. Each day, tens of thousands of new games are assembled and packed for shipment. Quality and flexibility are priorities in every aspect of manufacturing operations—from inventory planning to material control and assembly. The company balances the efficiency of high-volume production with the flexibility to shift from title to title as the market dictates. Careful attention to quality control reduces the failure rate to a fraction of one percent of cartridges shipped.

Activision's distribution and sales approach has been strongly influenced by practices in the packaged goods, publishing and recorded music industries. The objective is to make games available as quickly and efficiently as possible, maintaining broad retail distribution, with good inventory control.

The company's domestic sales organization, using independent sales representatives guided by Activision managers, sells both to retail outlets directly and through wholesale distributors. A sales support team provides complete merchandising support and customer service.

**"We're not talking about a high-tech product, we're talking about a creative product. We have to have artistic freedom, so we can put ideas together in new and creative ways."**

**Alan Miller**

International sales are handled through exclusive local distributors in each country. To support these international customers, Activision provides special advertising services and internationally-tailored merchandising materials.

With quality manufacturing and efficient distribution of games worldwide, Activision's delivery system is the necessary link between a game's design and its display on a retail shelf.

Co-founder and senior designer,  
Alan Miller





## The Family

Activision was founded by energetic and creative people working in an unconventional occupation—people who wanted to provide a unique human community that encouraged individual expression and enterprise and, when necessary, a healthy zaniness.

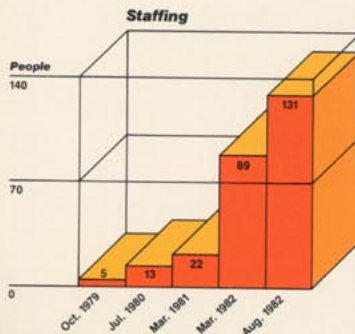
But, Activision was founded as a business, as well as a family. The business required discipline, direction and control. The two concepts—business and family—merged in the first group of individuals who joined Activision. These people had the critical character traits—creativity, discipline, vision, energy, stamina and human concern—needed to take the company's sales from start-up to \$65.9 million in just two and a half years, while creating a family unit and a corporate personality.

**"Activision mushroomed from a gleam in five pairs of eyes to a giant in the software industry in record time."**

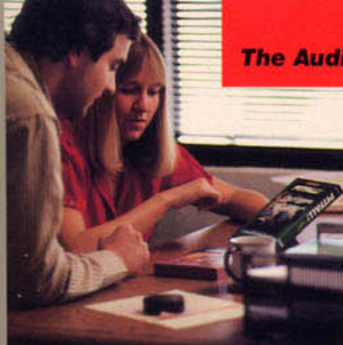
**Dallas Times-Herald  
July 31, 1982**

The Activision family of today—131 and growing—shares the same business discipline and human concern which were so important to the original group who created Activision.

The challenge ahead for the company is to maintain good business discipline while continuing to encourage initiative and creativity. The answer to this challenge is twofold. First, the company's personality and culture will continue to be a significant priority. Second, Activision will continue to seek and retain individuals with the character and determination that are critical to the company's success.







## The Audience

The consumer audiences for video games are as broad and varied as the games themselves. Each game has its own audience, thus, each game requires a tailor-made marketing plan.

As a game is developed, Activision's editorial development group, working with its marketing team, determines to whom the game most likely will appeal and creates the title, packaging and instructional materials which complete the game design process. Consumer research often is used as part of this process, as a tool for identifying a game's audience and special appeal. Simultaneously, Activision's marketing group defines ways to communicate the features of the game to the audience. Once advertising concepts are developed, budgets are committed to television and radio commercials, print and trade advertising, publicity, point-of-purchase displays, cooperative advertising and sales promotion materials. The objective: to communicate a game's appeal to potential purchasers.

**"To create a game you have to be tough on yourself, you have to set standards. But, to get the result you want, you have to be willing to make compromises."**

**Bob Whitehead**

All Activision game designers are given full recognition for their creative work. As a result, thousands of consumers not only know the Activision games, but know the people behind them. The company receives 8,000 letters a week from video game fans of all ages, and its toll-free phone number constantly rings with calls from game players eager to find out the latest world record. Many of these fans are members of Activision's game clubs, which recognize high scorers as master game players.

Consumer response completes the loop between a designer's concept and game development, the manufacture and distribution of a game, and the advertising and promotion activities that bring the game to the consumer's attention. Activision's close relationship with its video game audience fuels the entire product development, delivery, and communication process.

Co-founder and senior designer,  
Bob Whitehead





## Dear Activision:

You knocked me out with **BOXING**  
 Your **TENNIS** is a smash  
 You broke my leg with **SKIING**  
**FREEWAY** made me crash!!

You trampled me with **STAMPEDE**  
 In **FISHING** I caught a snag  
 You blew my mind with **KABOOM**  
**DRAGSTER** is no drag.

I had a blast with lasers  
 And played hockey on ice  
 You jumped with your **CHECKERS**  
 you made **BRIDGE** with spice!

I've stayed up till 2 a.m.  
 Playing all your games  
 Everyone at **ACTIVISION**  
**YOU'RE DRIVING ME INSANE!!!!**

So here I am at Bel-View  
 With my T.V. set  
 Waiting until summer  
 For your next cassette.

Sincerely,  
 Sean Andrechak  
 Collinsville, Connecticut

## Dear Activision:

Having completed another grueling school year, I had been looking forward to a relaxing summer vacation, but alas it was not to be! Mr. Bob Whitehead of your design staff saw fit to release a new game cartridge entitled **CHOPPER COMMAND**. What was a video warrior such as myself to do? The call was clear! The truck convoy needed protection so I hung up my swim trunks and headed for the Chopper Pilots ready room for mission instructions and then to the takeoff pad. After a few aborted missions I earned my wings as an "Air Ace" with successive scores of 11,400, 16,600 & 18,800. Don't fret or fear, Chopper Ace Doug Burris, guarding the home front.

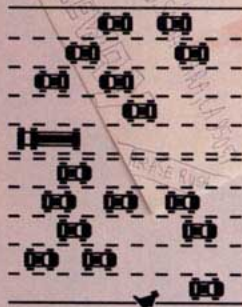
Yours in the Cockpit,  
 Air Ace Doug Burris  
 Overland Park, Kansas

P.S. Please forward a **CHOPPER COMMAND** award patch so that I may proudly display it along with my **HOCKEY** and **STARMASTER** awards.

## Dear Activision:

Thank you for inventing such an intriguing game. I think it has paid for itself in just the one month I've owned it. Enclosed is a picture of my Activision Ski Team qualifying time. I would like you to know that my animated "Jean-Claud" caught gate 19 with the tip of his ski and completed the course with a broken ankle. This took such courage that I had to send in a picture on behalf of my little slopster.

Thank you once again,  
 Jim Parkman  
 Kalispell, Montana





Dear Activision:

I would just like to congratulate you on building such a fine industry. Ever since I first bought my TENNIS game, I've been hooked. And I've bought four more; FREEWAY, SKIING, DRAGSTER and STAMPEDE, and I can't wait for GRAND PRIX.

Jan Marsella should be thanked for doing such a fine job. Since I began corresponding with her, she has sent me 3 Activision posters! Please thank her.

I love your company and will stay a committed customer as long as you exist.

Thank you.

A satisfied customer,  
Nick Lango  
Canoga Park, California

Dear Activision:

*Help! My law practice is suffering because I spend my time playing KABOOM and FREEWAY instead of researching briefs. All of this is not for naught, however, as you can see by the enclosed Polaroids. Please enroll me in the Save the Chicken Foundation and the Activision Bucket Brigade. I think my score of 25 on FREEWAY (level 3) is just about the highest physically possible but I know that my score of 3246 on KABOOM barely scratches the surface.*

*Do you have any emblems for the above groups which don't look conspicuous on my three-piece suits?*

Very truly,  
Jeffrey Feinberg  
Attorney at Law  
Hallandale, Florida

Dear Activision:

Hold everything. STARMASTER has to be the ultimate video game yet! The realistic action is unbelievable. How does Alan Miller do it? Each time I play, I enjoy STARMASTER more... and because I enjoy it so much, I play more. Soon, I will earn my patch. Until then...while being pushed to the edge of the galaxy, I'm also on the edge of my seat.

Sincerely,  
Gerry Koelke  
Charlestown, Indiana

P.S.  
I want that patch!

Dear Activision:

Hi!

My name is Walter Michael. (My friends call me Waldo.) I am 9 years old and in third grade. We got FISHING DERBY first, then when we saw LASER BLAST, we just had to get it. We got LASER BLAST May 26 and I scored 111,240 on May 27. One day after we got it! I'd sure love to be in the Activision Federation of Laser Blasters! If I beat my own score I will write to you about it.

Your Pal,  
Waldo  
South Amherst, Ohio

P.S.  
We now have 12 cartridges.  
P.P.S.  
We are going to get FREEWAY.  
P.P.P.S.  
DRAGSTER, too!

The market for video games has grown dramatically in the last few years. In 1980, approximately 6 percent of U.S. television households owned video game systems. Ten million game cartridges, with a retail value of \$230 million, were sold that year. In 1981, U.S. television households owning video game systems increased to more than 10 percent, and 32 million cartridges were sold that year. By the end of 1982, approximately 18 percent of U.S. television households will own video game/home computer systems, and sales of cartridges are expected to climb to 65 million, with a retail value of \$1.5 billion. And, the market abroad is just beginning to develop.

Most forecasters predict that over 50 percent of households in the U.S. will own some kind of home computer by the end of this decade. Some will be similar to the special-purpose video game systems of today, but more sophisticated and less costly. Others will be more versatile, with greater capabilities to entertain, educate and inform.

**"Considering the impact that Activision has had on the video game industry in a very short time – and its dedication to creative excellence and marketing innovation – it seems certain that the company will be a major force in the future of the video game and home computer industries."**

Video Swapper  
September, 1981

Whatever its final form, the success of the home computer will rest on the quality, friendliness, and enjoyability of the software. As consumers become accustomed to using home computers, their needs and demands may change. But, they will look for unique, original, creative, "quality" software – whether a video game, an educational program, or a household management tool.

The home computer will provide man with endless potential for entertainment and education. And Activision is dedicated to helping all of us take full advantage of the opportunities the home computer can provide.





*Creativity is not the exclusive domain of Activision's video game designers. It is an essential part of almost everything we do, from finding a new way to streamline distribution, to the splash and pizzazz of developing an advertising campaign.*

*Activision's success can be attributed to many factors, but the single most important is our people. These individuals share a commitment to the organization, its goals and ideals and philosophy and product. They have sought new, creative approaches to develop our business and our industry. They have spent twelve-, fourteen-, sixteen-hour days building the story of Activision. This book is dedicated to them.*



*The original Activision family, who managed 1000% growth in one year.*









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