

Bigtime profits in a rural setting

Tv-equipment maker takes to the woods, finds peace and quiet
no bar to an earnings record that city slickers would envy

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Anachronistic. Donald G.C. Hare, founder of GVG, and his executives find sylvan scene no drag on progress or profits.

Grass Valley, a small town in Nevada County, Calif., was nearly bypassed by the 20th Century. A relic of Gold Rush days, it is—as its name suggests—pleasant, quiet, rustic. Aging gas stations and supermarkets are its only external concession to modernity. Many residents won't drink from the public water supply, and some homes on the outskirts have no electricity. Yet sleepy Grass Valley is the home of an electronics company that has not only managed to stay in the forefront of television broadcast technology, but has compiled a phenomenal earnings record in the process.

The company, Grass Valley Group Inc., is the personal creation of physicist Donald G. C. Hare. He founded it 10 years ago, nursed it through some lean years as a one-product operation, and watched its

revenue blossom from \$200,000 to \$2.2 million and its earnings from \$27,858 to \$482,845 over the past five years. Sales and profits began to soar a year after Hare moved GVG into the business of making solid state line and terminal equipment. The firm now has 85 employees (including 10 engineers, 6 technicians, and 18 sales and administrative personnel) and markets about 100 products that amplify, edit, process, and distribute video and timing signals for tv studio and transmission systems.

"The chances are excellent," Hare says, "that just about any television program in the country moves at some point through GVG equipment." About two-thirds of all of the nation's tv stations use GVG products, Hare adds, along with some 80 colleges and univer-

sities operating closed-circuit systems. The American Broadcasting Co., the General Electric Co., and the Ampex Corp. are heavy GVG customers.

Pastoral but productive

One small irony here is that GVG's employees have a hard time picking up the programs they make possible; reception in Grass Valley is pretty much limited to a couple of Sacramento channels. But Hare apparently chose shrewdly when he founded his company in the Sierra foothills. He has had no trouble establishing good labor relations with the local community, or in recruiting engineers who are fed up with metropolitan life. Grass Valley may be a one-industry town, but the company itself is unobtrusive; its elegant buildings are nearly in-



Hare and hounds. GVG's founder-president is a confirmed dog lover, and his dachshunds are given the run of the place, including the lab.

visible against the pine forest in the valley. The entrance is marked only by a small sign, behind which some of Hare's dachshunds may be seen sporting on the firm's putting greens. The dogs are just as likely to be curled up on Hare's workbench. Next to the office building is a man-made lake on which ducks and swans swim about.

The low-pressure atmosphere seems to work. It would be hard to find another company in the hotly competitive electronics industry that can match GVG's return on sales. Because it's a closely held company that hasn't paid a dividend since 1962, and because some outsiders are skeptical of Hare's ability to attract topflight management in the future, the company has been pretty much ignored by the financial community.

But GVG's backlog last month was at an alltime high of \$690,000, of which \$540,000 was in switching and special-effects equipment. Backlog a year earlier totaled only \$110,000, and none of the orders was for such systems.

Hare started GVG in 1959 after leaving the Sangamo Electric Co. (Charles H. Lanphier, chairman of Sangamo, sits on the GVG board today.) For a year, Hare rode high on a \$500,000 contract under which GVG made the five-channel sound equipment for Cinerama's 70 theaters. "Then," Hare says, "we starved for four years, waiting for another windfall." In 1963, the company actually had a loss of \$21,000.

It was then that Hare decided to forget about sound systems and move into television. "Everyone advised me that it was too late to get into the tv-equipment business," he recalls. But Hare had one advantage over the competition: he could jump into the market with a line of completely solid state equipment, whereas his competition was still heavily committed to vacuum tubes. And GVG has under way a move toward even greater use of integrated circuits.

Even complete use of IC's won't solve the company's one basic problem: the commercial television equipment market is just about saturated, Hare concedes. So where, if the market is saturated, do you go with a fine organization and a history of excellent products and profits? Like many other presidents of successful corporations, Hare is considering diversification by acquisition.

Education moving

Hare ticks off figures about the increasing number of students and the decreasing number of teachers in the U.S., and then he considers the educational needs of the rest of the world. The big outlet of the future for a company like GVG, says Hare, is the educational television market—after the disputes about the merit, format, and content of instructional tv programs in schools are resolved.

"We have an educator on the payroll," says Hare, "and we're

studying what the needs of instructional tv will be, both from the point of view of equipment and from the point of view of program content." The most successful company in the nascent educational tv market, he suggests, will be the company that offers a complete package—hardware and prerecorded educational videotapes. It's this area into which GVG may move.

The market for instructional tv equipment will be vast compared to the amount sold to the more than 1,200 commercial television stations. Now that color cameras and video recorders have gotten pricetags below \$15,000, the run will start, Hare says. Further impetus will be added to the movement, Hare says, when the Government stops spending a "disproportionate" amount of the national income on defense preparations. In the long run, the real money will be in providing not just the line and terminal equipment, but in the production of tapes.

A major stumbling block to the expanded use of educational videotapes will be getting a consensus on how such tape should be prepared for school children. Many educators believe that the individual traditional approach to education is sacrosanct and will be impossible once the student is mated with a computer. To best overcome the objections of educators to videotape instruction the industry should introduce a method by which the student can ask questions and receive answers on the subject under consideration, Hare says.

Hare's experience with the Grass Valley community answers one of the questions frequently posed by the electronics industry. It is possible to establish a successful firm in an area not already inundated by skilled electronics personnel. Hare has recruited all his assembly personnel from the community and has trained them himself. Since electrical engineers deluge him with requests for employment anytime he advertises an opening, he can select among many applicants. Building costs and maintenance costs are low. Grass Valley offered a tranquil, rural setting yet didn't deny a continuing profit from the needs of metropolitan centers. Hare's company is a true participant in McLuhan's global village. ■