



FirstTech Loyal To The Core*

For 30 years, the Minneapolis business has tied its fortunes to the big computer firm and serving customers.

By Steve Alexander, Star Tribune

Few family-owned businesses have ridden the wave of personal computer technology longer than FirstTech Computer of Minneapolis.

And it's been quite a ride as the Apple computer retailer managed to survive Apple Incorporated's shifting fortunes for three decades: up like a rocket, down like a stone and now up again.

On Friday, FirstTech Computer will celebrate 30 years as an Apple dealer, an event that coincides with the release date of Apple's new Macintosh computer operating system software, called Leopard.

"It took six months to sell the first Apple II computer," recalled Rick Zuckman, 62, a FirstTech vice president. Its price in 1977 was \$1,200, and it came without a monitor or a storage device such as a cassette tape drive. But FirstTech's precomputer background helped out.

"We'd been selling TVs and cassette tape recorders, two things you needed for an Apple computer," said Harvey Zuckman, 56, vice president of finance.

The young salesman who closed the first computer sale for FirstTech was Pete Paulsen, 52, now its general manager.

These days, Apple computers and accessories account for a little less than half of privately owned FirstTech's \$15 million in annual revenue; the rest comes from an array of computer services, consulting and repair operations, Paulsen said. But about 70 percent of revenue "is in one way or another tied to Apple." FirstTech also sells iPods, although they aren't a major part of its business because the music players are sold at many other stores and even from vending machines.

While today's annual revenue is down from the store's peak of \$22 million just before the stock market's "dotcom bubble" burst in 2001, "we're definitely growing," Paulsen said.

It started with Mom and Dad

The Hennepin Avenue store, owned by brothers Arnie, Rick and Harvey Zuckman, traces its heritage to Z Radio, a radio repair business started in 1941 by their parents, Maury and Betty Zuckman. By the 1950s, it had become a wholesale distributor of the consumer electronics of the day, TVs, radios and phonographs. In 1956, it joined consumer electronics chain Team Electronics, where it began selling Apple computers in 1977. In 1985, the store left financially troubled Team Electronics and became FirstTech.

During FirstTech's three decades of computer sales, Apple went from being the epitome of the American dream (two kids invent a computer in a garage and change the world) to a financial train wreck in 1996, when the company was rumored to be for sale. In a dramatic renaissance, Apple Computer made up for its sagging computer business by introducing the iPod, which by 2003 had revolutionized the way music was sold and heard. Analysts believe the "halo effect" of the iPod has enhanced Apple's computer sales. Apple reported \$904 million in fourth-quarter net earnings Monday, up 67 percent from the same period a year ago, on revenue of \$6.22 billion, up 29 percent.

Moments of uncertainty

The Zuckman brothers admit they had some doubts during Apple's bleak period in the 1990s.

"We were concerned, but not overly concerned," said Arnie Zuckman, 65, FirstTech's president. "Apple sales slowed down a bit, but we continued to sell them. And we felt that if Apple Computer fell apart, there were still a lot of Apple machines out there that would need support and service."

The Zuckman brothers got an unpleasant surprise from Apple in 2001, when the recovering computer manufacturer opened its own retail stores, which would compete with FirstTech and other independent dealers.

"The Apple stores certainly took a little bit of business from us," Arnie Zuckman said. "But they haven't taken a majority of our business, because we have some very loyal customers who appreciate the services we offer, which go above and beyond being an Apple store." Another factor in FirstTech's favor, he said, is that "Apple's company stores typically are staffed by younger people. We have a broader ranges of ages, which gives us a lot more experience."

Added Harvey Zuckman: "Our youngest staff person is almost 20, and our oldest is in the mid-60s." Four of the firm's 65 employees have been with FirstTech for 20 years, and five more will hit that mark by next year, he said.

One reason for the firm's employee retention is that First Tech cut salaries instead of laying people off during the financially difficult 2001 period, Harvey Zuckman said. "We didn't want to throw anyone out on the street, and we didn't have to. So people stuck with us through tough times."

Customers stuck with them, too, partly because FirstTech helped pioneer the education, publishing and advertising markets that are Apple's prime niche today, said Bob Demeules, a Plymouth-based Apple consultant and former officer of Mini'App'les, an Apple computer users' group in the Twin Cities. He's been a FirstTech customer since 1986.

"FirstTech's longevity is noteworthy," Demeules said. "I think they are much more in touch with the local market than the Apple company stores, which follow whatever directive comes out of Apple's headquarters."

Perhaps as unusual as FirstTech's longevity is the ability of its three sibling owners to get along for so long.

"In a lot of small family businesses you hear about behind-the-scenes nightmares with the different personalities," Paulsen said. "I've never seen three brothers who work things out as well as the Zuckmans do."

Added Arnie Zuckman, "Sometimes our longevity amazes me, too."

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