Logitech:

The House That the Mouse Built

The Logitech team: Pierluigi Zappacosta stands at left. Giacomo Marini is third from left.

By Patricia L. Beemer

In today's world few devices are more ubiquitous than the humble computer mouse. Most of us take for granted the intuitive ease it gives us when navigating our screens and working in the plethora of programs we use every day.

It's hard to believe that just 27 years ago, the mouse was unknown to most of us, and the personal computer didn't even exist. Although it had been invented by Douglas Engelbart in 1964, the mouse languished in obscurity until 1982, when two Italians and a Swiss began to recognize its potential.

When Giacomo Marini, an engineer, traveled to Palo Alto, California to visit a friend from his high school days in Abruzzo, Italy, he could scarcely have known that the visit would be the start of one of the Silicon Valley's greatest success stories. While visiting Pierluigi Zappacosta at Stanford University, he met Daniel Borel, a Swiss friend and colleague of Zappacosta's in the school's graduate program in computer science.

Borel and Zappacosta were inspired by the innovative, entrepreneurial businesses they saw springing up in the area around Palo Alto. "That's where [we got] the idea of doing something, something so we could have our little independence," recalls Zappacosta.

"And we said, why can't we do this? Why do we have to go back to Europe and go work for some large company?" Zappacosta's wife, Enrica D'Ettorre, was working for IBM in Palo Alto at the time. The couple wanted to stay in the Bay Area.

After an unsuccessful attempt to found a word processor manufacturer, the trio turned their focus to software consulting. "We didn't need capital to do software consulting — a few computers was enough," recalls Zappacosta. "And so we started Logitech doing, essentially, software consulting."

Borel, Zappacosta and Marini founded Logitech, S.A. in 1981. They opened their first office at a farm in Apples, Switzerland and started to design hardware and software for clients as diverse as Olivetti and the Winter Olympics. As the fledgling company tried to find its focus, "We went a little bit all over the place," Marini recalls. But still, their thoughts returned to California.

The trio knew how the high-tech industry was growing by leaps and bounds in the area surrounding San Jose and Palo Alto, an area that was increasingly referred to as the "Silicon Valley." So when Japanese manufacturer Ricoh signed a major contract with Logitech, the next move was natural: In 1982 Logitech opened its first U.S. office in Palo Alto, conveniently close to Ricoh's San Jose development office.

Before long, the startup got its sense of direction from an unlikely source. Bill Joy, who had just cofounded Sun Microsystems, was seeking information on an obscure device called the Depraz mouse that existed in Switzerland. As fate would have it, the Logitech trio had some familiarity with the esoteric device. "We had already built in 1981 a graphics interface with it," recalls Marini. "There were very few people who were familiar with it."

A professor at the Swiss Federal Institute of Technology in Lausanne, Switzerland, had designed the mouse for a project at the university. He had arranged for a local company to fabricate the mouse for his use, and he authorized the manufacturer to sell it to other parties. The manufacturer "didn't have any clue what the mouse was for," says Marini. When they saw that Bill Joy was interested in the device, "Pierluigi asked [Borel] to get some distribution rights, thinking that if people are looking for this, maybe we can sell this thing." A few weeks later, they heard back from Borel, "We have worldwide distribution rights to the mouse. Now we have to sell it."

Taking the mouse from the lab to the market proved to be a challenge, partly because the rest of the industry needed to reach the point where a ➤

mouse would be worthwhile. IBM had just released its first personal computer in August 1981 with a measly (by today's standards) 16 kilobytes of memory and one or two 160-kilobyte floppy-disk drives, for the present-day equivalent of $4,000. There were very few applications that were mouse-compatible.

The Logitech founders used both hardware and software to address this challenge. "At the beginning," recalls Marini, "we built a little device that would fake the mouse into moving cursor keys over the screen, so you could use the mouse with programs that had not been written for the mouse, that had been written for keyboard keys."

"None of these were significant commercial successes," says Marini, "but they showed the way; people started noticing these things. Early adopters were noticing there was good stuff coming from this company. So the next time this company put something out, they paid attention."

By 1984 we had married the mouse.

— Logitech co-founder Giacomo Marini

At first, Logitech made a few small sales to computer manufacturers in the niche graphics market. In late 1983, Logitech began to register some larger sales, the biggest of which was to Apollo Computer, a workstation manufacturer that bought 500 mice a month at $99 apiece. In early 1984 the company made a deal with Hewlett Packard to manufacture a redesigned mouse at $44.95 a unit—a contract that allowed for only a tiny profit margin, but one that paid off as the production rate would eventually climb to 25,000 units per year.

It had taken a few years to generate enough business to convince the team that the mouse could secure the company's future, but by 1984, recalls Marini, "We had married the mouse."

The next step was to enter the retail market. When entering the retail market, he explains, "you could end up with a large number of unsold mice in your inventory, and that's a very expensive mistake." Zappacosta thought that the possibility of the much-higher return per unit sold justified this risk, and in 1986 the decision was made to sell Logitech mice to consumers through retail stores.

Although Logitech wasn't the only mouse manufacturer at the time, the trio set themselves apart from the others by parlaying their considerable knowledge of software into a competitive advantage. They bundled mice with mouse-compatible applications, such as LogiPaint, an early drawing program, Logitech Publisher, an early desktop publishing program, and LogiCAD, a computer-assisted design application, so that retail customers could immediately see what the mouse could do and get the most out of their new gadget.

The high standards previously imposed on Logitech by such customers as Hewlett Packard, DEC and AT&T gave them a leg up on the competition. "It forced us into designing a very well-made, very well-built product," explains Marini. "So when we got to the retail business, we got there with the ability to make products that work very well."

To ensure that consumers would be happy with the mouse, Logitech backed it with round-the-clock customer support, an anomaly at the time. "We were manning it with a very small crew," recalls Marini. "Not many people call on a Sunday afternoon, but if they do and somebody solves their problem—at any moment, day or night — you never forget that experience. It will make you a customer forever."

It quickly became clear that Logitech's manufacturing needs had exceeded the capacity of its little Swiss manufacturer. Ahead of the curve again, the founders looked to Asia. The opening of Logitech's manufacturing facility in Taiwan in 1986 readied the company to expand production. Logitech opened a manufacturing center in Hsinchu, Taiwan, in 1986. Eight years later, it would open its first fully owned manufacturing facility in Suzhou, China. Suzhou is now Logitech's primary manufacturing center.

To finance its growth, Logitech made its initial public offering in 1988 on the SWX Exchange in Switzerland.

Over the next few years, the mouse became the computer device that we all take for granted. The design evolved to take on a more ergonomic, curved shape. In 1992, the advent of Microsoft Windows 3.1, the first full-featured operating system with a graphical user interface, increased the demand for mice in the personal computing environment.

As competition grew in the early 1990s, the company began to diversify its product line to sell a broader variety of computer peripherals. With the increasing popularity of the Internet, the company introduced scanners, cameras, gaming controls and Webcams.

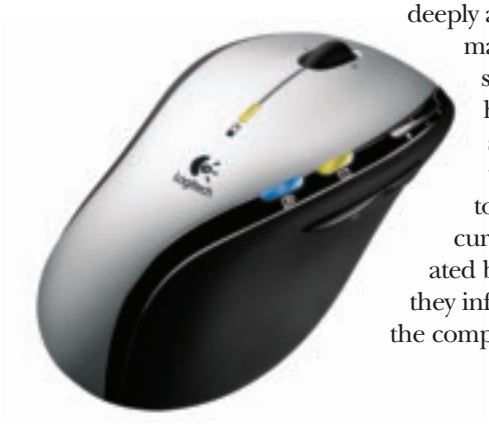
For many years, the three founders ran the company as a team. When Marini left Logitech in 1992, he was the company's executive vice president and chief operating officer. Zappacosta, who left Logitech in 1998, served as president and chief executive officer, and later as vice chairman. Daniel Borel worked as chief executive officer and chairman of the board. He left the last position in 2007 and remains a member of the company's board of directors.

In 1997, Logitech went public in the United States, becoming listed on the NASDAQ Exchange with a market capitalization of $325.1 million.

Once the company had gone public in the United States, the board of directors decided that the company needed a more conventional ➤

management structure to carry it into the future. For the company's new president and chairman of the board, they turned to Guerrino De Luca, a veteran of Apple, who happened to also be from Abruzzo, Italy.

For his part De Luca expresses admiration for Logitech's founders. "Together," explains De Luca, "Daniel Borel, Pierluigi Zappacosta and Giacomo Marini brought the mixture of values and attitudes that formed the core personality and DNA of Logitech, which still persists today. All three care deeply about people, and many of their decisions were based on humanity. At the same time, they were – and still are today – delighted, curious and invigorated by technology, and they infused this passion in the company and everyone who joined. And they built a company where cultures blended, the European with the American and with the Chinese."



Today Logitech has branched out from its mouse-centric beginning and is a worldwide leader in the field of personal computer peripherals. Its products facilitate PC navigation, gaming, Internet communications, digital music and home-entertainment control. In the fiscal year 2007, it registered $2.1 billion in sales in more than 100 countries worldwide.

Looking back, Zappacosta and Marini attribute Logitech's early success to a number of factors. "I always say that the most important factor in life, but also in business life, is luck," explains Zappacosta. "Simply being at the right time at the right place. If my wife had not taken me to the Silicon Valley, if she had not chosen to work at the Palo Alto Scientific Center, I certainly would have missed the Silicon Valley. And work—you cannot sit and wait for luck to work its magic. There's always a lot of work that's required." Nevertheless, he insists, "Without opportunity, hard work won't take you anywhere."▲

The Silicon Valley Italian Executive Council

While everyone knows about Italians' contributions to such fields as the arts, gastronomy and winemaking, many Americans remain ignorant of the advances in science and technology that have been made by Italians and Italian Americans.

In 2004 NIAF Regional Vice President for the Far West Region, Jeffrey M. Capaccio, Esq. formed the Silicon Valley Italian Executive Council (SVIEC) to recognize the achievements of these great technological innovators and to offer high-tech executives the opportunity to make the sort of contacts that could lead to further innovations. Participants include high-tech, biotech and venture capital executives, both Italian and Italian American.

From an initial core group of 40-50 members, the council's membership has grown in four years to a number in excess of 400. Attendees at the group's bimonthly events span the history of the high-tech industry, from Federico Faggin, co-inventor of the microprocessor, to Kim Polese, CEO of SpikeSource, a company on the vanguard of open-source software.

At SVIEC events, members and their guests have the chance to mingle and network. Each gathering features an influential guest speaker, such as Arizona Governor Janet Napolitano, Logitech Chairman Guerrino De Luca, or biotech pioneer Roberto Crea.

The council's influence has expanded far beyond the San Francisco Bay Area. "We have a strong international component," explains Capaccio. "One of the things we want to do is to foster a very strong bridge for technology transfer and exchange between Italy and the Silicon Valley.

Together with a colleague in Italy, Capaccio has organized three study tours that brought Italian engineering students to Silicon Valley. Additionally, SVIEC helped successfully launch the Business Exchange and Student Training program, a six-month Fulbright program that gives innovative young Italian science and technology PhDs a crash course in entrepreneurship followed by an internship in a high-growth company in his or her area of expertise.

Jeffrey M. Capaccio, Esq.

The council has worked closely on various technology initiatives with United States Ambassador to Italy Ronald P. Spogli as well as the Italian embassy and consulate. "SVIEC sees that changing attitudes will increase Italian-American mutual investment, which will ensure the next generation's commitment to the bilateral relationship," Spogli said. "These are goals larger than governments alone can fulfill. We need partners like SVIEC."

To learn more about the Silicon Valley Italian Executive Council, contact Jeffrey M. Capaccio at jcapaccio@carrferrell.com.