

# ALPS

## METAMMO

ALPS used to be a development company working on writing and computer-aided-translation software. Since its founding in 1980 until last year, it had sunk US\$ 16 million into R+D and hadn't made a dime. Then the Financial Accounting Standards Board changed the rules on capitalizing software development, and a little writing program which ALPS created from its technological parts bin for Weaver State college became a mass market bestseller — and lo and behold, in 1986 ALPS finally turned its first profit and went public. But what are we to make of this talk of it becoming a \$100 million company, the next Microsoft?



RED ZIRKLE, president of Automated Language Processing Systems (ALPS), is built like an American bison. It's as though one of the

herd stretched out on the plains of the Remington print on his office wall had jumped out of the picture and landed in the chair behind his desk.

"Critical mass has been reached in technology development," he says thoughtfully, deliberately. "It's time to package the technology and begin saving customers money."

Time. Some, like the chief technical honcho Brian Gessel, have been involved with the software for sixteen long years. The grin that cracks across his face like a rupturing fault line is answer enough to the question of what it feels like to have finally made a profit in 1986.

Although he has been there less than a year, director of marketing Dennis Sullivan, knows about time too. "Only the



# ALPS

## ARPHOSIS

very farseeing — or stupid — stayed in the business. And now the market is ready to explode." He chuckles richly. "And you can't just go into your garage to make one."

For Merrill Berman of the New York investment advisors Berman Kalmbach, time means the future. "Their promise is exceptional. They're in the vanguard of natural language processing, the software of the future. They have a big, a very big future."

### MacProof improves ALPS style

With a product line that stretches from a mass market style checker to computer-aided translation (CAT) software to a linguistic development environment with AI potential, ALPS is the first company which embraces all aspects of the language industry.

"You can count on one hand the companies whose revenues come from translation or natural language," says Fred Zirkle. "And we're already profitable."

That they are. Thanks to a little help from the new Statement 86 of the fi-

ancial Accounting Standards Board, which allows companies like ALPS to capitalize software R+D costs. And a product that shot out of nowhere to become a mass market software hit.

"They had this perfectly good little style checker program that they developed under a grant from Weaver State College for networked Macintoshes," Dennis Sullivan explains, his shirt collar open in an office full of ties and jackets. "It was used in writing-labs and the students loved it. I asked Fred for US\$ 100,000 and a little time to prove there was a mass market out there for the product." He laughs. "We're shipping a thousand MacProofs out the door every month now."

"Beyond the cost of development, you know what it costs to make an extra copy of a software program?" asks Merrill Berman of Berman Kalmbach, New York investment advisors. "Maybe four dollars for the disk, package, shipping — that means every sale beyond the cost of advertising is pure profit. MacProof sells for US\$195. They're

projecting moving US\$2 million dollars worth of MacProof in 1987."

Dennis Sullivan lights a cigarette, a most un-Mormon thing to do in this 95 percent Mormon company. "We just signed to do a Japanese version. Apple is thrilled because the program is so good schools are buying MacIntoshes to run it. We're talking to Apple about doing a joint marketing program." His eyes become wistful. "But if MacProof is selling 1,000 a month to a million installed Macs worldwide, think how many you could sell to the 21 million installed PCs?"

The PC Proof product is due in February 1988.

### New emphasis downmarket

But that's not the only low end product in the pipeline. The long-rumored "ABC" product — consciously named after 123 from Lotus, the spreadsheet that still dominates the category of software it created — is officially scheduled to be released in June of this year.

Running under DOS, ABC is a resident



memory program with a demand-mode pop up menu which gives access to a planned family of add-in natural language programs. From multilingual dictionaries for computer-assisted-translation (CAT) to grammar, style and spelling checkers for writers.

"We want the IBM philosophy to be at work here," Dennis Sullivan says. "The client buys one box at a time. If you want more, you pay more."

The shell will be priced in the range of 200 to 250 dollars, and the bilingual dictionaries between 50 and 150, with industry specific dictionaries going for 200 to 325. The first industry specific dictionary will be banking.

And if that isn't mass market enough, then how about the ultimate mass market translation product, a quick and dirty translator, with the official project name GIST, that goes for 600 dollars and is due in the fall of 1987? Nothing that could do a real, grammatically and syntactically correct translation, mind you (indeed, inside the company the product is referred to as WIMP, precisely because it isn't a sophisticated translator). Instead, it's designed to tell you what's in

that letter in Portuguese you received this morning from the Brazilian computer company.

"The language barrier is one thing that limits sales," Dennis Sullivan grins. "Every company in the world is a candidate to own one."

Pie in the sky? Except that Dennis's strength is mass marketing — he won a Cleo, the Oscar of advertising, for that mass market behemoth Anheuser Busch and its Budweiser beer, the best selling beer in America.

### Expanding the Upper End

Despite ALPS's recent success in the mass market, however, it has no intention of abandoning computer-aided-translation software and development.

"I envision a company that will be the leader in natural language, and specifically machine translation," Fred Zirkle says. "I don't know a bigger concentration of computational linguists and systems developers than ALPS."

Those linguists and systems people are currently working on development projects with four of the top five computer manufacturers in the world: IBM,

UNISYS, DEC and NCR. These projects include porting over existing software, as well as developing a Document Revision Facility (DRF) for IBM European Language Services, and Korean, Japanese and Chinese versions of the translation software for IBM Japan.

In addition Eureka, the European research funding apparatus made up of the European Community (EC) plus seven other European countries, has funded ALPS's Swiss subsidiary to develop a project called Mobidic, along with the Dutch Van Dale and the French Robert, publishers of high quality dictionaries. And discussions are underway with Apple and Microsoft.

And in Asia, ALPS is in the final stages of negotiations with three major computer players: Fuji, the above-mentioned IBM Japan, and in Taiwan, with the Electronics and Research Organization of ITRI, a government-owned electronics company. Each contract is worth between a million and two million dollars, and will run for 18 to 24 months.

It fits in with a fundamental ALPS strategy: create development partnerships with leading users and possible third party sales organizations, get users to pay for development of technology, then repackage technology and resell it to other potential customers.

"To be a development company," Fred Zirkle says, "you have to be in the market. It's okay to do university research, but in the development business you have to realize that our only purpose is to save our customers money. And be profitable doing it, to insure ongoing research and development."

The Asian deals it is presently negotiating, for instance, provide ALPS partners with the rights to market the fruits of the joint development within local spheres of influence, either Japan or Asia in general. But ALPS reserves the rights to market in North America and Europe. And in the case of the Taiwanese contract, ALPS also retains the rights for mainland China, which could be extremely lucrative if ALPS can make the right connections.

### Other targets

Another market ALPS is targeting this year is larger translation bureaus. In January they cut the prices of their translation software, dropping the price of the shell and source text analyzer to 1500 SF (US\$ 1,000), and AutoTerm with first source language to 5,000 SF.

And still another market is other developers of translation software. They have begun licensing paid beta sites of their PeriPhrase natural language development environment (at US\$ 24,000 a throw for single CPUs, plus royalties on



## THE ORIGINS OF ALPS

This is the story of the metamorphosis of a development company to a market aggressive company — from a university orientation to the hard world of business. They teach you things in university, but not deadlines."

Brian Gessel has been there since before there was an ALPS.

"Late 70, early 71, Professor Eldon Lytle had a student who was looking for a master's project. A recent Phd. graduate himself, he had a theory of linguistics — junction grammar rules. So he organized a little research project to make a prototype Russian to English translator.

"Then students started appearing out of the woodwork, interested in machine translation. And the project got funding from the Air Force, a father of a student, and the LDS Church, [Latter Day Saints, in other words Mormon]. The LDS Church's interest in machine translation is obvious: it's a missionary

church with a need to communicate in different languages all over the world. Two million dollars came from the LDS Church, the largest contribution.

"I joined in mid-1972. The goal was to develop machine translation from English to several languages. Initially English to French, German, Spanish and Japanese. Later we added Portuguese and dropped Japanese. In 1976, we added Chinese.

"The project kept getting bigger and more important, finally becoming the Translation Sciences Institute at Brigham Young. A private donor bought us an IBM mainframe for the project. The staff grew to 15 full-time and 15 parttime.

"Finally, at the end of 1979, we finished a prototype. Since the LDS Church had been providing most of the funding, they evaluated it."

Their reply? "They said it was nice, but — it wasn't adapted for a production environment," Brian Gessel winces like it

still hurts. "You see, we thought we were developing a product, but we weren't constrained by the real world."

Funding dried up in 1980. Brian and five others left.

Then the miracle happened. Rich automotive dealer Rick Warner came across a Weidner prospectus, discovered machine translation and started ALPS with five ex-TSI'ers.

"Then it starts picking up old TSI people — most principal BYU researchers," Brian Gessel continues. "Meanwhile, Weidner's operation out here started crumbling — there are over a dozen ex-Weidner people here now."

And about that early decision to develop an interactive translation system, not a batch translator?

"Automatic translation is a big misnomer," Brian Gessel answers. "There's nothing automatic about it if you have to go back with translators and edit the translation. It's really just automating part of the process."



sales of products developed with it) which runs on PC RTs and DEC, while DOS is still being tested. Created to develop their own software, PeriPhrase "allows a beginning linguist," Brian Gessel says proudly, "to output code that only an experienced computational linguist with heavy programming skills could do previously."

But development of translation systems is only one of its possible uses. Another and perhaps even more profitable use is for developing natural language interfaces for databases and other programs. The first customer: Computer Cognitions, who are using it to develop natural language front ends for their programs, one of whose main customers is the US military.

### The future

"In the next few years, we are going to do a massive technological transfer to Europe," Fred Zirkle states. "We see an obvious need in Europe to focus heavily on development on a local basis."

"Seventy five percent of the translation market is in Europe," Dennis Sullivan adds.

Meanwhile, research in the US will continue to expand. A new facility is planned for Salt Lake City on the University of Utah campus. ALPS is hiring additional linguists in anticipation of new offerings in Portuguese, Spanish, Arabic, Hebrew and Scandinavian lan-



## D E N N I S S U L L I V A N

he first Christians get the best lions," he chuckles. "It used to be funny until I came here. What are we," he asks his assistant Eugene, "85 percent LDS? 90?" Dennis Sullivan, ALPS

marketing director. Definitely not Mormon. Former Disney cartoonist (he worked on the sequence where Dick Van Dyke dances with the penguins in Mary Poppins). Later, he wrote songs and played guitar in the rock group Help,

two albums out on Capitol.

More recently, he's won a Cleo for Budweiser beer — a campaign for the military market, perhaps the first purely surrealist theme in advertising history, with sailors loading Budweiser bottle shells in Budweiser shaped cannons, or marching rows of Budweiser cans, with little Budweiser cans on their shoulders, or a fly-by of Budweiser bombers, dropping little Bud bombs, with the headline, "Buds Away!"

Dennis has a simple, straightforward philosophy of marketing. "Any reasonable product can be promoted. And if it lives up to its promotion, it'll sell. We want to make ALPS the de facto standard company for translation. When you think of translation you think — Kleenex."

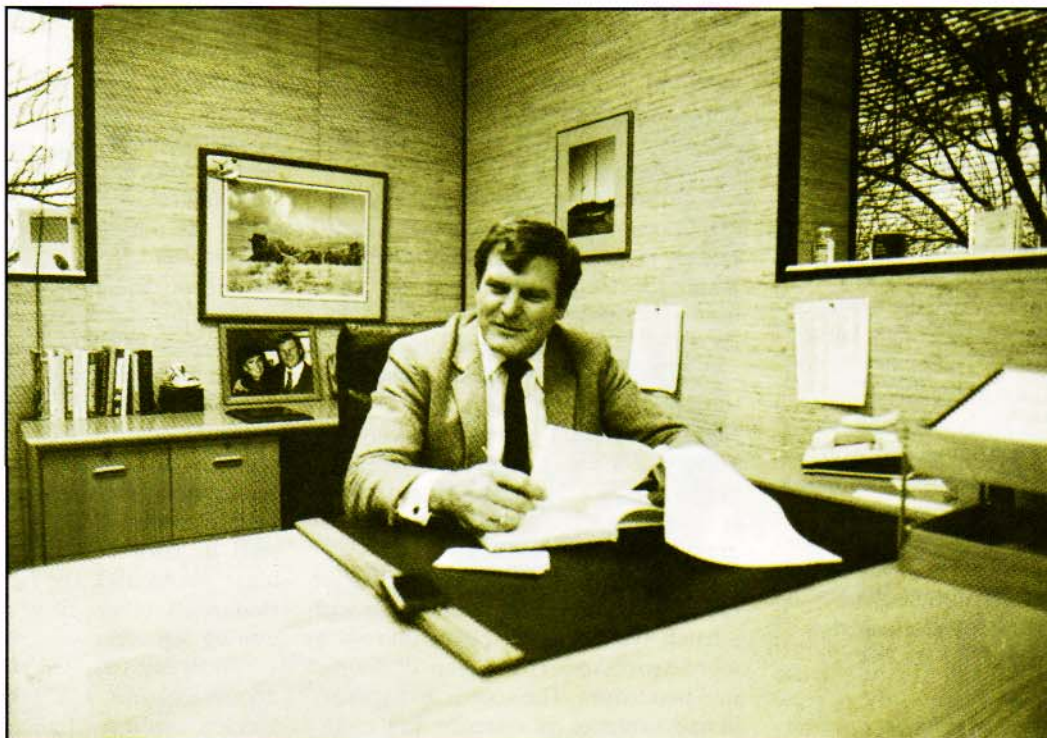
He chuckles.<<

guages. And they talk of tripling their research staff in the next three to five years.

"A lot of computer companies bring out one product, are successful, bring out another product, and it's not quite as good as their first and they just trail off," says Dennis Sullivan. "I believe that every successive product you bring

out has to be better than the last — which is why I'm so enthusiastic. And because we're going to be spending a lot of money on advertising in the coming year.

"ALPS could easily be a 100 million dollar company in five years," their investment banker Coleman Abbe of Evans and Company boasts.



F R E D Z I R K L E



## Worries?

"We can see a competitor coming five years away," Fred Zirkle replies, squinting his calm, steady blue eyes. "It's a luxury I've never enjoyed before. And by the way, we would welcome at least one major player — to add to the credibility and quality of services that machine translation vendors supply."

Where will that competitor come from?

Brian Gessel has no doubts. "Japanese companies," he declares unequivocally. "Fuji, Fujitsu, Hitachi — there are no fewer than eight really serious projects committed to developing MT systems. So big, so well-funded."

And what of those reports that the source text analyzer, the core of the translation system (see sidebar on NCR) is buggy and slow, taking hours to crunch text and producing dictionaries, sometimes crashing?

Brian Gessel's grin becomes forced. "We're working on speeding up the Source Text Analyzer."

Or that a decision of the American Accounting Board to allow software development expenses to be capitalized was what's responsible for the profit last year.

"Oh, you noticed that," Dennis Sullivan smiles impishly.

"It's perfectly justified," Coleman Abbe replies. "The old rule was unfair. Why should the cost be fully expensed before the product is even brought to market?"

## Wall Street

In any case, ALPS is starting to attract attention on Wall Street. In a year-end article, the Wall Street Journal called ALPS one of only three successful artificial intelligence companies — artificial intelligence being this year's buzz word in the investment community.

"ALPS has four things going for it," Coleman Abbe of Evans and Company states confidently. "One, it doesn't have a single competitor. Two, the managers' heads are screwed on right, they know where they're going. Three, they're continuing to do all the necessary research. And finally, they are not making me-too products — all are original and well thought-out. Quality houses with broad institutional accounts are starting to make the trip to Utah."

How big could it get?

"Imagine selling a million clone-related products," Merrill Berman says "That's how big it could get."◀◀