Salman Farook's Big Computer Crash

BY RICHARD BAUDOUIN

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By his own admission, Farook, 36, thought he possessed a Midas Touch when his Inacom Computer Centers store on Johnston Street soared to profitability in the 1980s. Month after month, he reported increases in sales and net income, totaling $200,000 in profits during his second year in business.

In truth, say most observers, he was just in the right place at the right time. The personal computer revolution was at its height. Businesses and individuals rushed to purchase the latest technological gadgets from IBM and Apple, both of which were represented in his store. Competition in the marketplace was still minimal. "If you are the only place in town selling candy, people are going to come to you," says another computer company operator.

But that assessment understates those components of Farook's personality which contributed to that success. Like his awesome self-confidence. His almost legendary persistence. And his knack for generating publicity.

Shortly after opening his store, he had established a reputation in Lafayette as a super-salesman. (He was profiled in a story on aggressive marketers in a business edition of The Times.) In 1989, former Gov. Buddy Roemer named Farook the Small Business Person of the Year for Acadiana.

It was clear from the outset that Farook saw himself as a man destined for great accomplishments. The press release issued by the governor's office in conjunction with the award offered a glimpse of his vision for himself, and his store. "With limited funding, Farook opened Inacom Computer Centers in 1985... By its seventh month of operation, the business was in the black and had turned a profit every month since. Sales were so brisk that three employees were added to the startup work force of six before the year ended, and a second store was opened in Baton Rouge."

The press release reported on Farook's other big plans, including the launch of a discount software store called Iggy Soft Warehouse in Baton Rouge: "Farook said Iggy Soft Warehouse has been so successful...that he is already looking for a location in Metairie. Within the next two years, Farook projects that he will have 20 locations of the two divisions operating in the state with sales of at least $15 million."

But the state did more than tout his business success. The Louisiana Economic Development Corp. loaned him $20,000 to open the store in Baton Rouge after Farook couldn't secure financing for his venture in the private sector. But that loan would eventually become his bane. Farook's inability to repay the money precipitated a crisis in his business from which he may not recover.

Farook's move to Baton Rouge was a major mistake for the young entrepreneur. It also revealed some critical flaws in his business persona. "He overestimated what was here, and he underestimated his marketing ability," says the owner of a computer store in Baton Rouge who asked not to be identified.

As is his style, Farook entered the market with great fanfare. He sent out, in the words of a competitor, "a killer mass mailing" to businesses and professional firms. He set up lavish offices. "Most people have beige walls, well he had $50,000 of flecked paint on the walls," says Ann Ward, who ran Farook's training program in Baton Rouge. "There was a lot of splash and flash with nothing behind it."

The Iggy's store got mixed reviews from the Baton Rouge computer community. "I was really surprised that it did not do well. He had a really nice location with a lot of good software," says Robbie Miller, owner of P.C. Warehouse. "The only thing that I can figure is that he wasn't cost-competitive, but I'm not sure."

But another computer store owner says the concept and the execution of Iggy's was flawed. "He hired these yahoos, these kids. He dressed them up and made them look good... They looked O.K., but they really did not have the knowledge," he says.

Indeed, personnel was a continuing problem for Farook in Baton Rouge as his Inacom store suffered from high turnover and poor employee relations. (He fired four managers during the two years he was in business in Baton Rouge, says Ward.) The charm Farook often displayed for the buying public or other businesses was not much in evidence in his dealings with his Baton Rouge employees.

"He was not an easy man to work for," says Ward, who now owns her own computer training business. For example, she cites an instance when he called her at 4:55 p.m. on a Friday afternoon and told her she had two weeks to increase her training business or she would be fired. Farook candidly admits now that the

General manager Art Shaffer and Inacom owner Salman Farook (right) remain optimistic that they can get the company out of financial trouble.

But Farook's problems were not all of his own making. In Lafayette he faced an increasingly competitive market as computer stores opened and—more significantly—mass merchandisers like Sears, Wal-Mart and Service Merchandise started selling the machines. As price became an issue for consumers, Farook and other retailers were forced to cut their profit margins in order to attract business away from the big chains.

So-called "clone" computers also hurt stores like Inacom which had built their reputation on sales of name-brand products like Apple and IBM. Clones were compatible with the software developed by

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Under a seizure order, Inacomp's Johnston Street store was stripped of furniture, fixtures, computers and software.

On the following Monday, his attorneys filed the papers, and relief was ordered. The most immediate effect was an order to the LEDC to return the seized collateral to Inacomp's store. They came back in Tuesday or Wednesday and reversed the process," says Art Shaffer, Inacomp's general manager. Farock is a bitter after the state action. He claims that he has submitted a repayment plan to the LEDC and had not heard back from them when the judgment was ordered.

But LEDC attorney Daryl Manning says the agency got very little information from Farock about the problems associated with his business. "I'm not aware of any plan," he says.

Farock blames the delinquency on oversight by employees, but Art Shaffer, Inacomp's general manager, acknowledges that at times the business has desired whether to pay taxes or make payroll. Inacomp also owes money to the owner of the Centerpiece Shopping Center, where the store was located for many years. Two weeks ago, the company moved from Centerpiece to a building off Johnston Street on Montrose Boulevard. Farock says the company had been looking to move out of the center for a number of years because of the traffic. But a representative of the family that owns the center says he and Inacomp couldn't agree on a price for continuing Inacomp's lease.

This week, Farock plans to file a reorganization plan in U.S. Bankruptcy Court in Oklahoma. That document will contain a proposal to pay back his creditors and outline a marketing direction for the company. Creditors will review the plan and vote on whether to accept or reject it. Rejection could force the company into liquidation.

Farock insists that he wants to pay back everything he owes, but acknowledges that in fact he will be able to pay back only a portion of his debts at the time the application was submitted and that he is going to pay it sooner or later," he says.

Farock, as usual, is unfailingly optimistic about the future direction of his company. "We're doing better than what the others are doing," he says. Financial statements filed with his bankruptcy show application small profits in recent months.

Farock says the biggest lesson he learned from the failed Baton Rouge venture is that you don't have to increase your locations to do more volume. His new marketing strategy calls for less of an emphasis on over-the-counter retail sales and more on big contracts with businesses and government agencies which can be handled out of Lafayette. And he is moving to upgrade the technical expertise of his personnel to provide a higher level of service, particularly in the company network, which is the hottest thing in computers today.

Nine months ago, Farock hired Art Shaffer as general manager of Inacomp. Shaffer, who has a master's degree in business administration and run a computer company, will oversee day-to-day operations at the store. That will allow Farock more time for selling, which is his strong point. Farock spends much of his time making contacts outside of Lafayette and is even trying to open up some foreign markets. "I have no doubt that we are going to work it out," says Farock.

But only about 5 to 10 percent of companies that seek Chapter 11 protection successfully pull themselves out of debt. And Inacomp has liabilities that are more than just financial. The company is still geared to sales in a market that has not yet recovered from recession and the downturn in the computer business.

"The sales arena is dead," says one competitor. "It's all service, repair and Novell networking.

Farock's personal style also created problems for him over the years, particularly when he was flying high. Some considered him an aggressive salesman, others considered him pushy and overbearing.

Louis Martas, owner of the MicroAge Computer franchise in Lafayette, declined to speculate on the fate of his competitor. But he issues a ominous prediction: "There are three national [computer] franchises in Lafayette today," he says. "I don't see them all surviving." (The third, besides MicroAge and Inacomp, is Entre Computer Center.)

For now, at least, Farock is holding on to some important connections. Michael Victorian, regional manager for IBM, says Farock is still a licensed distributor of its products. Is IBM considering removing his authorization? "I don't know anything about that, and if I did I couldn't comment on it," Victorian tells The Times.

And a representative of the company which holds the right to the Inacomp franchise says his organization is standing by its franchise agreement. "At this point in time, we are not terminating the franchise...we are waiting to see what kind of recovery might be possible," says Durkin in Inacomp. "Saman can be very resourceful. We'll just see."