

# Purchaser a Problem as Xerox Abandons Computers

By H. J. MAIDENBERG

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When the Xerox Corporation said it would abandon the manufacture of computers late Monday afternoon, industry specialists immediately began speculating about a possible purchaser of the large operation.

Given the nature of the computer industry, which requires vast amounts of capital, technical expertise and a market, many analysts said they expected the buyer would have to be a foreign company or even a Government.

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*Prospects of the Xerox Corporation since its abandonment of computer manufacturing are discussed in today's Market Place column. Page 48.*

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For one thing, they noted, none of the handful of domestic manufacturers of basic mainframe computers have either the capital or a favorable legal climate for further concentration.

The giant International Business Machines Corporation, the leader in the computer field, is in fact now involved in anti-

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**A technician working on a Xerox component for a data processing system. Xerox is following RCA and General Electric, both of whom discontinued computer manufacturing.**

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trust litigation with the Government, which is trying to break its hold on the industry.

The legal climate posed no problems when the General Electric Company sold its computer operation to Honeywell, Inc., in 1970, or when the RCA Corporation sold out most of its lines to the Sperry Rand Corporation a year later.

Nor was there any Federal objection when Xerox entered the computer business in 1969 by buying Scientific Data Systems, Inc., for \$900-million.

Perhaps one reason for Washington's green light in those years was that the manufacturing operations involved consisted mainly of the so-called minicomputers, related systems and hardware.

In Xerox's case, the analysts said, it was unwilling or unable to spend the huge sums needed to finance integrated operations that included production of all basic equipment, rental and branch office systems.

Today, only I.B.M., the Burroughs Corporation, Sperry Rand and Honeywell offer a full line of general purpose machines and related systems.

Xerox; the NCR Corporation; Control Data, Inc.; and the Digital Equipment Company, the other major elements in the industry, offer specialized computers, systems and related hardware.

Because of the recession, the falloff in orders from the aerospace industry and the saturation of other government markets, the competition for

available business has intensified tremendously.

Moreover, technological advances, a major factor in luring business, have become increasingly costly. Sperry Rand's Univac system, introduced after World War II, held sway until 1959, with the vacuum tube technology born of the radio age. By 1964, solid state electronics dominated the field, followed by printed circuits and, finally, today's semiconductor memory bank systems.

At the time Xerox bought the eight-year-old Scientific Data Systems as a springboard into the industry it had a narrow base of clients, mostly the Government and a few highly scientific organizations. Although Xerox introduced a broad line of equipment, most industry experts recalled, it did not have the marketing depth.

"Xerox had an extraordinary line of equipment and had proven its ability to market copiers," one analyst said. "But computers are not copiers and Xerox apparently couldn't marry their expertise to their new operation."

Because of the awe that has surrounded Xerox's rapid growth and enviable general financial strength over the years, its move prompted speculation on possible future withdrawals from computer making. As one Wall Street analyst said:

"When a top-flight outfit throws in the towel, you look twice as hard at the weaker companies in the field."