

I.B.M.'s Speedy Redirection

New York Times (1857-Current file); Nov 2, 1983; ProQuest Historical Newspapers The New York Times

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COMPANY NEWS

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Industry experts and competitors of the International Business Machines Corporation agreed yesterday that the PCjr is the latest element of a fundamental change in marketing strategy and product design for the computer giant.

In two short years, they say, the company has created an entirely new line of compatible desktop computers — each able to transfer information freely with the other — that I.B.M. officials think will propel the company to \$100 billion in sales annually by 1990.

The PCjr was the last link in the chain, bringing into the living room for under \$700 a machine that can prepare data for further analysis on the rest of the company's more powerful line of office machines.

'Everyone's' Processor

"The whole company has been fundamentally redirected," said Thomas J. Crotty, vice president of research for the Gartner Group, a Stamford, Conn., research firm that follows I.B.M. closely. "It's not only that they want to be part of all markets, or be everyone's computer maker, it's that they want to be everyone's information processor," whether their customers are in the office or in the living room.

So it surprised few that I.B.M., freed of the 13-year Government anti-trust suit that drained its resources and dulled its competitive edge through the 1970's, is now aggressively moving to grab a tremendous share of its new markets. When asked yesterday how many home computers the company planned to sell — the

PCjr's product manager, Dave O'Connor, did not hesitate.

"We are going to sell as many of these things as we can possibly make," he said. In years past, when the company was being sued on charges of anticompetitive activity, including predatory pricing, the company was not so forthcoming with such predictions.

Early Announcement Cited

And some industry experts and competitors were quick to note that, by announcing the PCjr in November, even though it will not be available until next year, I.B.M. was apparently trying to freeze Christmas sales of competing models. While early announcements are the norm in the industry, one analyst contended yesterday that "they wouldn't have dared to try this three years ago."

In fact, analysts say, the success of the whole new line of home and personal computers is far more important to I.B.M. than their meager contribution to the company's revenues would indicate. While sales of I.B.M.'s Personal Computer will amount to about \$1 billion this year, the machine represents the cutting edge of an I.B.M. effort to get the biggest share of what analysts expect will be a \$90 billion market for microcomputers by 1992.

That is roughly equal to the projected market size for the huge mainframes that I.B.M. has dominated since the dawn of the computer age.

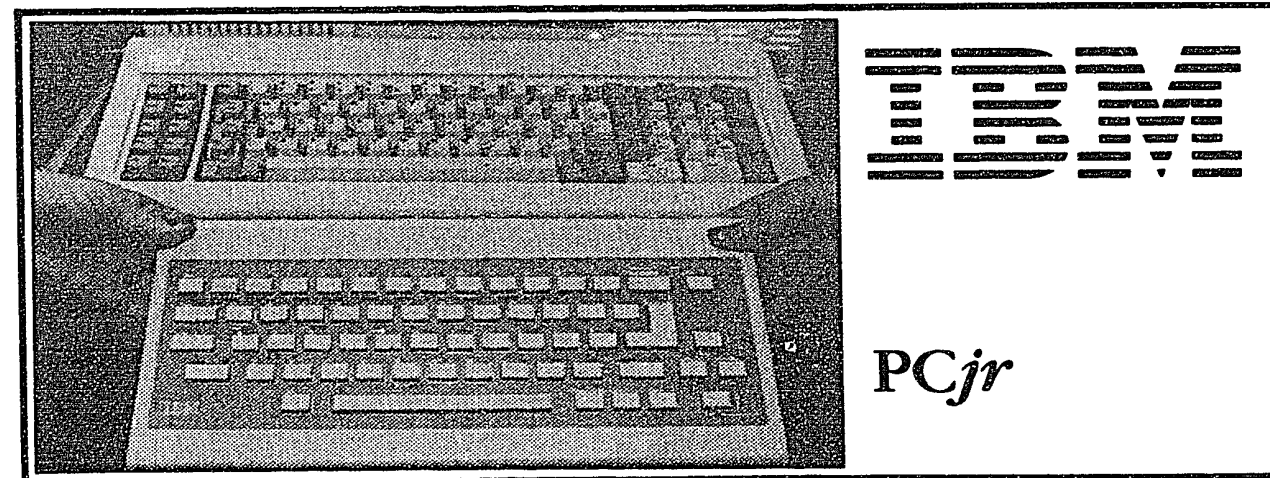
The centerpiece of the new I.B.M. line is the two-year-old Personal Computer, a machine that has taken such a leading role in the microcom-

puter industry that even I.B.M. officials admit to being surprised by its success. About a quarter of all the personal computers over \$1,000 sold this year were I.B.M.'s, and most analysts expect that the company will ship two million more next year.

"It really started as something of a defensive product," to protect I.B.M. against Apple and other personal computer makers, said Frank R. Gens, director of information systems research at the Yankee Group, a Boston-based market research firm. "What is remarkable is how they turned the defensive product into such a strategic success."

That strategy became evident earlier this year, when I.B.M. announced an advanced version of the machine, called the XT, with far greater memory capacity than the original. Last month, it introduced two new models, both capable of interacting with both the Personal Computer and several of the most popular mainframe computers that still fill the basements of many of the nation's Fortune 1,000 companies.

"What is new about these machines, even new for I.B.M., is that all the units can talk to all the other units," Mr. Crotty said. As I.B.M. officials demonstrated at yesterday's introduction, a business executive could prepare a financial statement at home on a PCjr, then take the magnetic disk on which it is stored to the office for more sophisticated manipulation on the Personal Computer. Should it be necessary, the information could be transferred instantly to a more sophisticated I.B.M. machine, including a mainframe.



The New York Times/Sara Krulwich
International Business Machines' PCjr keyboard, bottom, and the older PC keyboard. The new machine has fewer keys and they are made of a rubber-like material.

To enter this new and broader computer market, I.B.M. has shed many of the restraints that have traditionally bound most of the company's units, and which some blame for the company's failure to enter the mini-computer market in the 1970's. At the instigation of John R. Opel, the company's chairman, the original Personal Computer was designed by an independent business unit set up by the company. Other "I.B.U.'s," free of I.B.M.'s bureaucracy, have been set up to find new niches for the company in telecommunications, robotics and instrumentation.

While analysts applaud I.B.M.'s approach to its new ventures, they say that there are also substantial risks — particularly in the marketing to the general public that is accel-

ated with the PCjr. I.B.M. is unaccustomed to dealing with consumer markets, they point out, and it justifies the relatively high price of its machine — higher than those made by Commodore, Coleco and Tandy, among others — by insisting that the public is willing to pay more for I.B.M. quality.

"The main danger is, if the machine turns out not to be highly reliable," Mr. Crotty said, especially at crucial points such as the remote control, which is the infrared link be-

tween the PCjr's keyboard and the central processor. "Their biggest asset is those three letters," I.B.M., "and if they run into problems the logo isn't going to be worth as much the second time around."

At the same time, experts note that I.B.M. is moving cautiously, and they say the company will probably prove immune to the kind of price-cutting wars that drove Atari, Texas Instruments and Mattel to millions of dollars in losses this year.