

## Atari, Coleco Rinse Computer Prices

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# Atari, Coleco Raise Computer Prices

Two major home computer manufacturers, Atari Inc. and Coleco Industries, announced sharp price increases yesterday, reversing months of price discounting that has disrupted the computer industry and caused millions of dollars in losses.

Analysts said the two actions were in direct response to a decision by Texas Instruments two weeks ago to drop out of the home computer market. The analysts also raised the possibility that the International Business Machines Corporation's introduction last week of its new home computer, the PCjr, may already be

having a stabilizing effect on the volatile home computer market.

Atari, the beleaguered home-electronics unit of Warner Communications, said it would raise the prices of its home computers and video game consoles by between 17 percent and 29 percent, effective Jan. 1. The increases will raise dealer prices on Atari's least expensive home computer — the 600XL — to \$180, from \$140. The price of its more sophisticated unit, the higher capacity 800XL, will rise to \$280, from \$240.

Five hours after the Atari announcement, Coleco Industries said it

would raise the wholesale price of its new Adam home computer by 24 percent, to \$650, also at the beginning of the year.

Some analysts expressed surprise at the timing of the Atari announcement. They noted that the company's products will still be competing with Texas Instruments' 99/4A throughout the Christmas season and the announcement could hurt holiday sales by conveying an image of a high-priced machine.

Many retailers are now selling the T.I. machine for as little as \$49.95 in

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an effort to liquidate remaining inventory.

"This industry is absolutely crazy," said Michelle Preston, an analyst for L.F. Rothschild, Unterberg Towbin. "It is almost unthinkable that at a time when you can buy a Texas Instruments computer for under \$50, Atari is raising the price."

Other analysts suggested that Atari was seeking to quickly improve profit margins on its home computers — generally described as machines that sell for under \$1000 — now that Texas Instruments is leaving the business.

Coleco, in a statement, said its move was prompted both by T.I.'s exit from the market and the introduction of I.B.M.'s PCjr, which it said would accustom consumers to paying more for complete home computer systems. Coleco's Adam, which is only this month showing up on retailer's shelves after numerous production delays, combines a computer, a tape-drive memory system and a printer in one package.

Morton Handel, Coleco's executive vice president, said last night that the decision to raise the price "was announced to our dealers several days ago" and that the timing of the announcement after Atari's "is purely coincidental."

Mr. Handel conceded, however, that the higher-than-expected price for the two models of the PCjr — \$699 and \$1,400 when they become available in the first quarter of 1984 — permitted Coleco to increase its profit margins on the Adam system.

Coleco earned \$2.3 million on \$114.5 million in sales in the third quarter, sharply below analysts' expectations and the company's performance in the same quarter in 1982, when Colecovision game sales were booming.

Atari officials denied that T.I.'s decision to quit the home market was a factor in its price increases. But analysts noted that T.I., which announced a third quarter loss of \$110.8 million the day it pulled out of the home computer market, was one of Atari's chief competitors in sales of computers retailing for under \$300.

Today's announcements may mark the end of a price-cutting war that began last December, when Atari unexpectedly announced that the supply of its video game units and software vastly exceeded demand. Orders for new equipment and game cartridges virtually stopped dead. The price war and oversupply problems soon engulfed others in the industry, including T.I. and Mattel, Inc.

So far this year, Warner Communications has lost \$424.7 million, largely because of Atari's operating losses of \$536.3 million in the period. Warner expressed hope yesterday that the Atari price increases would return the company profitability.

"Recent events in the home computer industry point to the sheer folly of spiraling downward prices on home computer products," Geoff Holmes, a vice president of Warner Communications, Atari's parent company, said yesterday.

"We have made a decision that we are no longer going to play the game of making superior products and then giving them away. That was a strategy that was doomed to failure."