

Computer Shakeout Made '84 Rollercoaster Year

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Knight-Ridder Newspapers

SAN JOSE, Calif. — The tremors that shook Silicon Valley in 1984 weren't all caused by California's famous earthquakes.

Layoffs and bankruptcies rocked a personal computer and software industry accustomed to meteoric rises in fame and fortune. The rumblings echoed on Wall Street. Computer stock prices dropped drastically, on average by about 33 percent since last January. Venture capital and equity financing for young companies nearly disappeared.

Computer and software sales were up in 1984, but profits were very thin. The home market began shifting to higher-priced computers.

The industry's upheaval isn't over. But most of the chaos appears to have subsided, and experts see 1985 as a year of stabilization and maturity.

"The industry should grow 30 to 45 percent in 1985. While the pace is down for high-tech companies used to 80 to 150 percent growth, it's still a healthy marketplace," said Tim Bjarin, senior analyst for Creative Strategies Inc., a Cupertino, Calif., market researcher.

Unlike the industry's early years, future success depends more on marketing than technological innovations, Bjarin said. It's a lesson International Business Machines Corp. taught the industry.

There's no question that IBM will continue to dominate as it has since introducing a personal computer in August 1981. IBM's market share of computer sales grew from 7 percent in 1981 to 23 percent in 1984.

If a computer company isn't a leader today, don't expect that to change as the year unfolds.

"1984 was the last year (for computer companies) to grab shelf space at the retail level,"

said Jan Lewis, senior analyst for InfoCorp., another Cupertino market researcher.

The only exception might be last year's new entry, AT&T. Deep pockets and a global telecommunications network provide AT&T with the chance to come in second to IBM in the office computer foot race, analysts say.

A sign of the market maturing is the continuing growth in market share of the five largest sellers of computers, Lewis said. In 1984, the top five computer makers — IBM, NEC, Apple Computer Inc., Commodore International Ltd. and Tandy Corp. — made 42.3 percent of all sales of computers under \$25,000.

Industrywide sales of computers that cost \$25,000 or less last year rose 51 percent to \$43.4 billion. Fifteen million computers were sold in 1984, up 39 percent, compared with 10.8 million in 1983, according to InfoCorp.

Meanwhile, office and home computer prices

fell 30 to 35 percent.

Because there are more computers in more offices, many market analysts believe that 1985 will be the year that connecting computers and accessories together — or networking — will take off. IBM's November purchase of telecommunications leader Rolm Corp. signals an industry direction.

Networking, microcomputer to mainframe computer links and more memory power are on tap for 1985, analysts say. Clones of IBM's latest office computer, the powerful AT, are inevitable. But it won't be copied to the extent IBM's original personal computer was "because of all the casualties from that," said Andrew Seybold, IBM watcher and editor of an industry newsletter. He believes the growth of local area networks will begin in 1985 but that the big years for LANs are yet to come.

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