

Computer Sales Predicted to Rise; Price Wars Loom

By MARY A.C. FALLON, Knight-Ridder Newspapers

SAN JOSE, Calif. — Personal computer sales are expected to jump this fall, spurred by a slew of hot new products.

But even if unit sales shoot up, industry analysts expect price wars among makers of IBM compatibles to rob dealers and manufacturers of substantial growth in dollar sales.

"We're pretty excited because this is the first fourth-quarter since 1984 that we've had some new products, and that's what makes retailing fun," said Michael McConnell, executive vice president of Computerland Corp. of Hayward, the world's largest franchise computer retailer.

Increased personal computer sales spell good news for many of Silicon Valley's chip, software and peripherals manufacturers, as well as the personal computer makers themselves.

One of the hottest products this fall will be Apple Computer Inc.'s IIGS, which will hit the stores in limited quantities Sept. 27.

A color and sound computer aimed at the education and home markets, the IIGS basic system will sell for \$1,600 to \$1,900.

At the higher-price end, Compaq Computer Inc. of Houston last week introduced a powerful desktop computer based on Intel Corp.'s 80386 microprocessor — nine months ahead of the time a similar computer is expected from IBM.

Industry analysts expect as many as 20 more 386-based computers will reach the market by November.

"The Apple and Compaq computers will generate strong interest in

personal computers again," said David Carnevale, director of microsystem research for InfoCorp, a Cupertino market researcher.

Meanwhile, there seems to be no slowing of the flood of lower-priced IBM clones, most from foreign companies. The Gartner Group, a market researcher in Stamford, Conn., estimates there has been a 75 percent increase in unit sales of IBM clones this year over last year.

"This year we've seen a real big surge in the sale of IBM PC compatibles. I wouldn't be too surprised to see things intensify," said Peter Teige, an analyst for Dataquest Inc., a San Jose market researcher. "Expect even more intense competition on pricing and promotions."

Overall, market researchers don't agree on how many units will be sold or dollars made in the fourth quarter, but there is a consensus that new products will create an end-of-the-year buying spree.

"We're clearly headed for a large, sustainable upswing in the fourth quarter that will build steadily through 1987," said Douglas Cayne, vice president of the Gartner Group. "However, the rebound won't be in dollars but in units."

InfoCorp this year expects nearly 5.5 million personal computers to be sold in the United States for an estimated \$13.6 billion. That's an 11 percent hike in units but only a 6 percent increase in dollars over 1985. InfoCorp also expects 1986 unit sales to be below the records set in 1984.

Dataquest, which uses a somewhat different forecasting method, predicts that 8.2 million personal computers will be bought this year, ringing in a total of \$19.9 billion.

That compares with 7.6 million personal computers and \$18.9 billion in sales last year. Dataquest expects this year's unit and dollar sales to

exceed 1984 levels.

"Forecasting is a highly inexact science, so its not unusual to see discrepancies," Teige said.

But there's no differences in the analyst's opinion that fourth-quarter sales will represent 30 to 40 percent of computer retail business this year.

For dealers, many who have seen their profit margins shrink drastically, a big surge in buying activity is what the doctor ordered.

"In the last nine months there has been a lot of supply chasing not enough demand," Computerland's McConnell said. "Since last year, there has been nothing to rev up demand. Last fall the industry didn't see the big seasonal difference it usually does because there weren't a lot of new products."

In fact, some of this year's new computers, including Compaq's 386 machine and Apple's IIGS, are expected to be in short supply. That's because during the first months of production, companies work out manufacturing glitches, which slows delivery.

Although retailers may gripe about a shortage, actually "it's heaven for retailers because it holds up profit margins," McConnell said.

Helping personal computer sales along — particularly sales of Apple's Macintosh — is the growing interest in using personal computers to create newsletters and other publications.

Many industry experts, including Apple co-founder Steve Jobs, expect that in two years desktop publishing will become just another feature of word processing software.