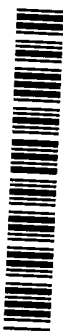


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indicated median sales of 200,000 VCPs in 1985, as opposed to 150,000 VDPs. VCP forecasts ranged 50,000-500,000, VDP 50,000-250,000.

It will still be tough to make a buck in consumer electronics. Although dollar sales will be up a median 6%, respondents saw profits remaining same as in 1984. Dollar sales forecasts ranged from same as 1984 to 15% increase, nobody seeing decline. There was more division on profits -- same percentage (35%) saw increases as decreases, with 30% predicting no change in profit situation.

Main challenge for 1985? Same as 1984 -- majority of respondents cited profits and prices. Written in were such related challenges as maintaining sales momentum, avoiding overproduction, competition, inventory control and oversupply, keeping order in VCR market, Korean VCRs, managing technological change. Among product challenges, multichannel TV sound stood out, along with 8mm Video, super VCR, monitor receivers. One reply seemed to sum up much of challenge of the future: "Confusion."

NINTENDO'S AVS: Japan's Nintendo is aware that high-end home videogame business is in state of depression, but feels it can be successful with sophisticated component type Advanced Video System it plans to unveil at upcoming Winter CES, according to Consumer Products Sales Vp Bruce Lowry. He told us company already has gotten signs of acceptance from some key retailers, has eye on sales of up to 500,000 game consoles in 1985, and is prepared to back launch with major ad and promotional effort.

Nintendo's AVS falls somewhere between high-end game and low-end computer, offers outstanding graphics, comes with wireless infrared remote pushbutton controllers that slide into game console for storage. While system hasn't yet been finally priced, basic console will list at about \$75, and 25 cartridges to be available at introduction will go for \$20-\$30 each.

One advanced feature is edit capability on some cartridges, which allows user to modify game by adding, deleting or moving obstacles around to make game harder or easier to play. Upcoming keyboard accessory will let user change basic game program itself. Optional cassette data recorder will be offered so changes, though not program itself, can be stored and reloaded. Other accessories on way include piano-type music keyboard with memory, pistols for target games and more standard joystick controls.

Company should have little problem on brand awareness, Lowry indicated. Test panels indicated youngsters were well aware of Nintendo name because of its appearance on arcade coin-op video games and on home video and computer games it's licensed to other marketers here. But while contending "we see an opportunity for a video entertainment piece for the home," he acknowledged company faces job getting today's consumers in mood to make sizable cash outlay for game. We estimate that complete AVS system would run upwards of \$300, excluding software.

Nintendo hasn't firmed up policy on 3rd-party

software, but it's likely to follow hard line it has taken in Japan, according to Gen. Counsel Howard Lincoln. There 2 other game makers, Taito and Namco, offer programs for AVS -- sold in Japan as Family Computer System -- under license and veto control by Nintendo. Such U.S. game producers as Atari and Mattel encouraged independents to develop and market cartridges for their systems, and ensuing flood of cheap games with little originality or play value was major contributor to collapse of game market here, Lincoln said, adding Nintendo isn't going to let that happen to AVS.

Lincoln told us company probably will seek 3rd-party software support but has yet to make decision on whether Nintendo will insist on handling marketing or let independents do it themselves. It will insist that all AVS games meet acceptable graphics and play quality standards. "We have a very strong patent position and intend to enforce it" against infringers, he stated.

Radio Shack cellular phones have been introduced in 7 markets at \$2,000, or packaged with installation kit at \$2,200. Units are being offered in Atlanta, Baltimore, Dallas, L.A., N.Y., Pittsburgh, Washington. Phones are being sourced from Finland's Mobira, partner with RS parent Tandy in cellular phone production. It's understood venture plans to manufacture equipment in Korea. Also moving into cellular is Audiovox, which will be marketing 2 hands-free Toshiba-made models at \$2,300 and \$2,600, last with built-in message counter and recorder.

Satellite dishes were outlawed in Harpers Ferry, W.Va. because Town Council feels they don't fit atmosphere and 19th century architecture in protected federal historic district. There's only one dish in town, and owner says he'll appeal any order to remove it.

Sanyo has started construction of \$25 million R&D center in Tsukuba, Japan. Facility, expected to employ 70 in Sept., will concentrate on semiconductor processing, robotic software and new materials.