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SIGH OF RELIEF ON VIDEO GAMES

BYLINE: By ALJEAN HARMETZ

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The feeling this week at the Consumer Electronics Show here appears to be relief that the **video game** and home computer industry - in which some companies lost hundreds of millions of dollars during 1983 - still exists.

Said William Grubb, chairman of Imagic: "For this industry, 1983 was the year of humility."

"The phenomenon is over," said Roger Sharpe, the editor of **Video Games** magazine. "The industry dug its own grave by thinking that all you had to do was put something in a box and the public would buy it. The question is where the industry will stabilize."

Many other experts said most companies left in the industry would survive but would be taking a much more conservative approach.

'Now a Replacement Business'

According to Egil Juliussen of Future Computing, a company that does market analyses of the computer industry: "The **video games** industry is now a replacement business like the automobile industry. The market won't die overnight just because everybody has one." Industry experts said sales will be down moderately next year. There were 6.6 million game machines sold in 1983, down from 8 million in 1982, according to the Electronic Industry Association, a trade association. Analysts and manufacturers put the 1983 figure closer to 5 million.

There were 75 million game cartridges purchased from retailers last year, up 15 million from the previous year, according to both the association and analysts and manufacturers. But 40 percent of those cartridges were deeply discounted leftovers. Many 1982 games, such as Atari's E.T., were sold as closeouts ranging in price from \$4 to \$9.99. They originally sold for \$25 to \$35.

'30 Million Cartridges' Unsold

"In 1982, 60 million cartridges were sold, but 30 million cartridges were left on retailers' shelves," said Jerry Thompson, vice president of electronic sales at Parker Brothers. Thomas Lopez, vice president of editorial development at

Activision, said the discounting would continue, but he noted that a few new cartridges did sell well.

In Q-Bert, priced between \$30 and \$35, Parker Brothers had a best seller. The game requires the player's gnome to hop on colored squares to change their colors while pursued by comical monsters. Parker Brothers handling of Q-Bert reflects the industry's new caution. "We bit the bullet and cut our planned games during the second half of the year from eight to three, concentrating on the three we thought could do best," Mr. Thompson said. "We had spent \$5 million advertising Frogger a year ago to be played on Atari's VCS system. But we knew the VCS couldn't sustain a \$5 million promotion in 1983. However, we shipped Q-Bert for five different systems, and so we were able to spend the same amount of money, \$5 million."

'The Bloodbath'

"The **video game** is a special purpose device, and that's the way to go early in an industry's growth," said Mr. Juliussen of Future Computing. "What we didn't anticipate was the bloodbath of Texas Instruments and Commodore slugging it out and bringing home computer prices lower than prices of **video game** hardware."

The price of the Atari VCS was marked down to as low as \$49. At one time, the machine sold for slightly less than \$200. At an analysts' meeting yesterday, James Morgan, Atari's new chairman, said that the average sales price of the VCS now was \$61 and that Atari was "making money" at that price.

What does 1984 have in store for **video games**?

The entrance of such mass market retailers as Sears, J.C. Penney, and K Mart has meant the death of many of the specialty stores that first fostered the industry. Chess and Games, a seven-store southern California chain that started 11 years ago, is in bankruptcy. A six-store chain, G.A.M.E.S., has shrunk to one store. "The margins are so low," said Joel Gilgoff, the owner of G.A.M.E.S., that it doesn't appear there's any safe harbor in consumer electronics."

Fewer Cartridge Companies

Companies that make cartridges have shrunk from nearly two dozen to half a dozen. As for game hardware, many experts said that Atari's 2600 system would dominate the low end of the market, while its 5200 or Coleco's Colecovision would corner the high end.

Although Mattel Inc. insists that it will continue to make its Intellivision game module, almost every other manufacturer said privately that Intellivision is no longer viable. "Intellivision is dead," said Mr. Sharpe of **Video Games** magazine. Both Imagic and Parker Brothers have stopped making games for the machine.

On the other hand, many analysts and software manufacturers spoke in surprisingly flattering terms about Adam, the new Coleco Industries computer that includes a word processor, a printer and a Colecovision **video game**.

At the show today, however, Coleco said that because of production problems with the Adam, the company would report a loss for the fourth quarter of 1983 but would return to profitability in this year's first quarter. It also said it was raising the wholesale price of the Adam to \$700, from \$650.

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CORRECTION:

Because of an editing error, an article in Business Day on Tuesday about **video games** misstated the wholesale price of Coleco's Adam home computer system. It is \$650.

GRAPHIC: photo of consumer electronic show; Graph of sales growth of **video game** equipment

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