

Coleco Exhibits New Home Computer, Seeks to License Machine's Technology

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Coleco Industries Inc., which last week abandoned its Adam home computer, this week quietly exhibited a new computer at the Consumer Electronics Show in Las Vegas.

The West Hartford, Conn.-based company confirmed that it had shown the unnamed home computer to a dozen large retailers, but said it hadn't any plans to reenter the home-computer market this year. Instead, Coleco, which also makes the hot-selling Cabbage Patch Kids dolls, said it is negotiating to license the computer's technology to a large consumer electronics manufacturer that it wouldn't name.

Samson Marmorstein, computer buyer at Forty-Seventh St. Photo Inc., a New York electronics retailer, said Coleco showed him a prototype of a new computer in a back room at the company's booth at the trade show.

Coleco wouldn't describe the machine, but Mr. Marmorstein said the \$500 computer comes with a built-in telephone and can run software programs designed for Apple Computer Inc.'s Apple IIe and IIc computers. Mr. Marmorstein said the Coleco computer wasn't operational. Coleco said it was "close" to completing engineering work on the new computer.

Coleco said that if the licensing negotiations are successful, the manufacturer would have rights to sell the computer under its own label in Europe and Asia. In the U.S., Coleco said, the licensed manufacturer would act as a supplier for a second, better-known consumer electronics company, which would sell the machines.

"We need a major U.S. consumer electronics name to give the computer greater market credibility," a Coleco spokesman said.

Coleco said it has spent less than \$5 million on the project and had accounted for the expenditures in its research and development budget. The company said that last year it had been considering marketing the machine, but decided against it when it sold its inventory of Adams last week to a large retailer identified by trade sources as the Odd Lot unit of Revco D.S. Inc., Twinsburg, Ohio.

Coleco said it hoped to be reimbursed for its development work if the licensing negotiations are successful. The company said it showed a prototype machine to retailers to test the "market receptivity." Good reports from retailers, the company spokesman said, would be a "negotiating chip" for Coleco.

Previously, Coleco said it sold its Adam inventory to concentrate on the toy business. Next month, it is expected to introduce the Sectaurs, a line of science fiction toys. But the company said it didn't rule out reentering the home computer business sometime after this year.

As reported, analysts estimate that Coleco will post a loss of between \$65 million and \$80 million for the fourth quarter and a large loss for the year as a result of its departure from the home-computer business. For the nine months, Coleco earned \$13.4 million, or 82 cents a share, on sales of \$534 million. In composite trading yesterday on the New York Stock Exchange, Coleco closed at \$12.50 a share, up 12.5 cents.

In the 1983 fourth quarter, Coleco had a loss of \$35 million on sales of \$175.5 million. In 1983, it had a loss of \$7.4 million on sales of \$596.5 million. Coleco attributed its 1983 loss to "extremely high costs" associated with the Adam, which it began shipping in October 1983.

Mr. Marmorstein was enthusiastic about the machine's potential, but said it would sell better to small businesses, which use telecommunications frequently, than it would to consumers. He said the machine's telephone features automatic dialing and a device that records the length of calls.

Egil Juliussen, chairman of McGraw-Hill Inc.'s Future Computing Inc. market research unit, also was positive. "There's definite room for an Apple II compatible," he said. None of Apple's major competitors currently offers a machine that runs Apple software. Franklin Computer Corp., Pennsauken, N.J., which unsuccessfully tried that strategy, in June 1984 sought court protection from creditors under Chapter 11 of the federal Bankruptcy Code.

But other analysts were skeptical. Jan Lewis, a senior analyst at InfoCorp, a market research company, praised the machine's "concept." But she added: "I have very little faith in Coleco's ability to pull it off."

Coleco wasn't able to produce large quantities of reliable Adam computers, which had been planned as a low-cost word processor that also played video games. The Adam was saddled with a reputation for poor quality, which proved to be its undoing.

Mr. Marmorstein also was wary about Coleco's track record with computers. He said he told Charles Winterble, Coleco's group vice president of computer products: "Make sure this one works right."

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