

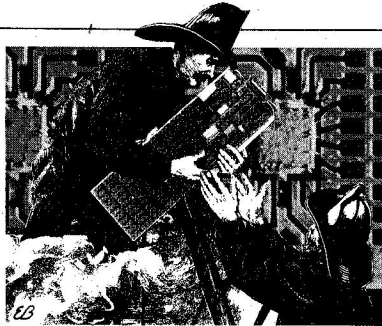
IBM IMAGES

Lower prices, new XT configurations, new buying strategies, and PCjr withdrawal/Will Fastie

To say the least, I am stunned. I thought that IBM would go to the ends of the earth rather than risk the embarrassment of having a product fail, especially one for the high visibility home or educational market. But that, indeed, is what IBM has done. The PCjr is no more; frankly, I am saddened. I seem to be alone among my editorial peers when I say this: PCjr was not a bad computer. It is clear in retrospect that IBM made a few early mistakes that cost it dearly. The keyboard was one (IBM fixed it, but initial sales were slowed by the error) and the price was another. Had IBM offered a more competitive price to begin with, there might have been more interest. Of course, the biggest problem may have been that IBM missed Christmas '83 because of late delivery and thus missed a good, early market opportunity.

In making the announcement, IBM said that the machine would continue to be supported. I think you can be sure that IBM will provide service, at least for some number of years; that is simply sound business practice. Software additions are likely, but that is not a problem considering that PCjr is a full-fledged member of the PC family and thus will run much of the software for its bigger siblings. Hardware additions are unlikely, in my opinion, because an installed base of 250,000 machines is not large enough to interest IBM, whose attention will be focused on the four million PCs sold to date. I might also suggest that IBM will continue to make PCjr available through OEM channels. I know of one such deal in the works: the buyer will use the basic components of the machine as the controlling computer in their product. They are looking at a quantity in excess of 10,000 units. Given that the machine would be sold direct in such cases, IBM can lower the price and still collect a tidy profit.

There is always a silver lining, the old saying goes. In this case, it may be that the price of the remaining PCjrs in the retail channels will hit rock bottom and thus present an attractive buying opportunity. For those looking for a



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cheap, IBM-compatible computer, now just might be the right time to think jr. A word of warning to owners: consider buying add-on equipment soon. Because the market is suddenly so limited, and because not all PCjr owners will expand the machine, add-ons will become less attractive as a business, and that means some of the companies who have products today will discontinue them tomorrow. A few smaller companies will be able to make some money building expansion hardware for a while, however, so all is not lost if you own the little guy.

Caveat Emptor!

The second big piece of news from IBM is that prices for the PC and XT have been reduced, and the XT has become available in two new models. The two new XTs are not really new: in a fairly standard marketing adjustment, IBM is offering two new configurations of the same computer. The first model is an XT with one floppy but without the hard disk, and the second model has two floppies and no hard disk. You might ask how that makes the machines XTs; after all, XTs are supposed to have hard disks, aren't they? Actually, the answer to that question is no. What makes an XT is its system board (8 slots, XT BIOS chips) and its power supply (130 watts). Each of these new machines is so equipped. The hard disk controller and the disk drive it-

self have been lowered in price and are available as products, not just as spare parts. The prices for all of these are shown in Table 1, along with new prices for the PC Portable and the PC. Some price adjustments are not shown: other IBM products based on the PC or XT (like the 3270-PC) were also reduced.

These price reductions are interesting. I suggest that IBM is phasing out the PC and will soon sell only the XT. This allows them to build only one 8088 system board instead of the two they now build (the PC Portable already uses the XT system board). The hard-diskless-XT is also preferable to the PC because with more slots and a bigger power supply, just about any kind of expansion is possible. I'd much rather have an XT-based system at home than the PC. I could still use my Kameran disk and I'd have empty slots again for adding other boards, including my game port (which had to come out when I bought the Kameran). Many businesses are also feeling the slot crunch by now, and IBM needs to be sure that additional enhancement products, such as internal backup tapes, network boards, or other IBM communications products, can be added.

IBM may also be responding to having painted themselves into a corner. Some recent add-in board products (such as the Professional Graphics Controller) have required two adjacent slots for a rigidly connected two-board combo. Slot spacing in the basic PC remains at 1 inch, but in every other machine, as well as expansion boxes, the spacing is .8 inches. Something that might require two boards (given IBM's tendency to be conservative and have wide appeal) might be an IBM-supplied accelerator card, a device that replaces the 8088 processor with a faster chip and thus delivers AT-like performance in a PC.

Fire Sale or Market Strategy?

What may really be happening, however, is a fire sale on all 8088-based products. This theory is widely held because most analysts believe that IBM's