

# Timeline 99 Newsbyte

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Personal computers: TI'S JAZZED-UP PITCH Pg. 28

Texas Instruments Inc. launched its entry into the fledgling home computer market 18 months ago, only to have most of the machines end up gathering dust on dealers' shelves. So this summer TI threw out its original strategy and started over. Now, in the biggest move so far to bolster sales of its home computers, the Dallas electronics giant on Nov. 28 formalized a \$300 price cut, trimming the cost of its Model 99/4 to \$650. The company is also tossing in a few plums for dealers, boosting margins four points to 35% and, for a while, shipping \$130 worth of software free with each computer.

TI adopted the price cut after a three-month trial of various rebate programs. As a result of the rebates, sales of TI's home computers have already picked up. In fact, some industry experts figure that the company has sold as many computers just since mid-October as it did in the preceding year. "We are selling more TI computers than Apple [Computer Inc.] computers, and we are a substantial Apple dealer," says Warren Winger, chairman of CompuShop Inc., a specialty computer chain with outlets in Texas and Chicago. Adds David Weissman, general merchandise manager for Goldblatt Bros. Inc., a Chicago department store: "We ran our first ad two weeks ago and were startled by the enthusiastic response." The dramatic price move is simply one aspect of the new strategy TI has quietly started putting in place. In advertising and point-of-purchase displays, for example, the company is repositioning its computer toward "home enrichment" -- education, personal development, and home finances--and away from the entertainment image of competitors Mattel Inc. and Atari Inc. "It's more an evolution than a change," explains William N. Sick Jr., the TI vice-president who was installed this spring as general manager of the U. S. Consumer Products Group in Lubbock, Tex. "We are developing a new and potentially large market here, and we're having to discover the keys to it."

LIMITED PROGRAMS. As part of this effort, the company is overhauling its approach to the software side of the personal computer business. Originally, TI went to extraordinary lengths to protect its software sales, locking the programs to run the computer into semiconductor memory, for example, and building the computer so that outside software authors needed a \$50,000 TI minicomputer to write programs for it.

But a year later, TI had turned out scarcely 30 programs. This contributed to slow computer sales because users could do little with the machines without writing their own programs. Now the company is throwing open the door to independent software suppliers. This summer,

for example, TI hired a group of college students to convert 150 popular programs to the specific computer language of the TI machine, and it turned the TI versions back to the suppliers for marketing. It then staged a widely advertised contest to find programs, luring their authors with cash prizes and the promise of continuing royalties.

In late November, moreover, the company started shipping prototypes of a new software development system that will allow independent software companies to write and distribute programs for TI users. Unlike the earlier \$50,000 system, this one will sell for less than \$5,000. "They made a strategic mistake in not encouraging third-party software," says Edward E. Faber, president of the ComputerLand chain of 140 computer stores. "They're admitting that mistake, and this should correct it." Not yet. The system includes attachments that triple the computer's main memory, allowing it to run more sophisticated programs. Another accessory lets the machine run programs originally written for other small computers.

It will take a while for any programs developed on the new equipment to come to market. And TI will not have the consumer counterpart of the development tools out until next year; they are necessary before users can run much of the software TI expects. But the company is confident that it is now solidly on the track to the long-awaited mass market. "Every time we make a change, our sales go up," explains William J. Turner, the executive TI brought in from minicomputer maker Digital Equipment Corp. to head its marketing. "We think we've found a reasonable combination of elements to make it work."