

From the Jan. 23, 1984 issue of Electronic News - "Coleco Plans Peripherals After Adam Shipments Lag"

WEST HARTFORD, Conn. -- To help stem losses triggered by missing its 1983 Adam shipment goal by over 400,000 pieces, Coleco is focusing attention on a set of high-margin, dedicated peripherals, in a departure from its all-in-one-box strategy of 6 months ago.

Observers note that the expansion into peripherals, including a 360KB disk drive and an additional 256KB tape drive, is a necessary attempt to stimulate profits. Coleco has conceded that it is losing money in its ongoing quarter, and that it fell well below its 1983 shipment projection of 500,000 units, shipping only 95,000 pieces (EN, Jan. 6).

They also point out that, by marketing a set of storage, memory and printer peripherals, Coleco is conceding that a system it once billed as self-sufficient could benefit from upgrades, and that the net result for the customer is a price increase.

The company's budding interest in dedicated peripherals comes as it wrestles with implementing a wholesale price rise on the Adam system, from \$525 to \$650, an increase that was said to have been made to offset unexpected production cost increases.

Analysts say that the jury is still out on Coleco's ability to pull off the price increases, though Coleco president Arnold Greenburg says purchase orders have been received at the new levels.

Its recently secured \$250 million line of credit from a bank group headed by Chase Manhattan was said to ride largely on the prospects of Coleco's generating revenue from sales of the main system at the new prices, and attaining relatively high percentage margins on sales of new peripherals.

Some analysts indicated the introduction by Coleco of a 360KB disk drive, at a wholesale price of \$295, is a sign that the company is losing confidence in the tape system it promoted last summer as being key to its all-in-one approach.

Some observers expect Coleco to concede that consumers want a storage device more sophisticated than that which low-speed tape technology delivers, and say that the company may build in a disk drive as a standard feature. Such a move would effectively raise Adam's wholesale price by some \$175, a move that would erode Coleco's dwindling competitive-pricing edge.

As a further indication that Coleco may be moving away from its commitment to tape, the disk drive it will begin shipping in the second quarter offers more storage than its tape drive -- 360KB compared with 256KB.

Mr. Greenburg said "It is simply not true" that Coleco is deserting tape technology, pointing out that it plans to begin shipping in March a second tape drive, at a wholesale price of \$120. While all Adam systems that have been built to date have had space for two tape drives, Coleco has been making only one available per machine, by building it into the system.

The company's tape and cartridge supplier, Loranger Manufacturing, Inc., Warren, Pa., says production lines are running at full speed despite the prophecies of the disk drive proponents.

Another recent add-on product introduced by Coleco, a 64KB RAM expander with a wholesale price of \$130, was seen by analysts as a concession by Coleco that,

in its raw form, Adam is not on an even keel with higher-priced systems as Coleco once claimed. Some 40KB of Adam's 80KB of internal RAM are unavailable to the user when Basic is tapped, and the \$130 expander is considered necessary to give the system a sophisticated level of operating memory.

Along the same lines, an add-on tractor feed unveiled by Coleco for its 12-cps daisy wheel printer was said to be an effort to upgrade the printer's performance to where it can accept continuous feed paper, as printers on higher-end word processing systems can. The tractor feed's wholesale tag is \$85.

Another new product CP/M, will add \$50 in wholesale cost when it becomes available on tape in March. Its introduction is considered another acknowledgement that the Adam system, for all its heralded built-in capabilities, could use a programming enhancement even though it means higher purchase prices.