NOW YOU SEE IT...

NOW YOU DON'T

Where did all those new products go?

You've heard about them. You've been saving money for them. Suddenly . . . they're gone. There are several reasons for this, and it all goes to prove that there's a lot more to bringing out a new product than just waving a magic wand. Between the time someone thinks up the idea and the time it's supposed to be in the store, it may not look like such a good idea after all.

By George Kopp and Michael Blanchet

If you're now kicking yourself because it's December already and you haven't started your Christmas shopping yet, just imagine that you're a toy buyer for Toys R Us. Back in February you would have been given a preview of all the new toys and games that manufacturers were planning for this Christmas season and your job would be to guess what the hot sellers would be by the end of the year. After seeing the new toys (virtually all of which existed only in one-of-a-kind form) you'd have to tell the toymakers that your store would be prepared to order a minimum of 100 of these, 75 of those and 50 of something else.

This is all like the commodities market, where investors gamble that the price of pork bellies will go up or down in a given period of time. Toy buyers are gambling that something they see in February will be a hot item come December, that the toymaker will be able to make enough of the toy to supply all the demand and that consumers will have enough money by Christmas to spend on toys. This last item is of particular importance to computers and video games—if the economy takes a tumble, expensive gifts like computers and games will surely suffer.

Illustration: Greg Couch

The place where the manufacturers give the toy buyers (and the press) a Cook's tour is the Toy Fair in New York City. The Toy Fair is held in the Toy Building, a venerable old office building in downtown Manhattan. Here toy companies remake their offices into showrooms for two weeks and entertain a relentless stream of visitors. They employ fairly elaborate security measures to keep out competitors, too—if you work for Atari there's no way you'll get in to see what Coleco is showing.

Hula Hoopla

The Toy Fair is accompanied by all the hoopla usually associated with a big convention. Last February, for example, Jamie Farr—Corporal Klinger of *M*A*S*H*—was on hand to introduce Fox's *M*A*S*H* game at a lavish party. Manufacturers assure everyone in sight that their new products are the greatest things the world has ever seen. Almost as a reminder that huge success can come in the most unlikely form, the first thing one saw on entering last year's Toy Fair were a couple of models happily Hula Hooping in a showroom window.

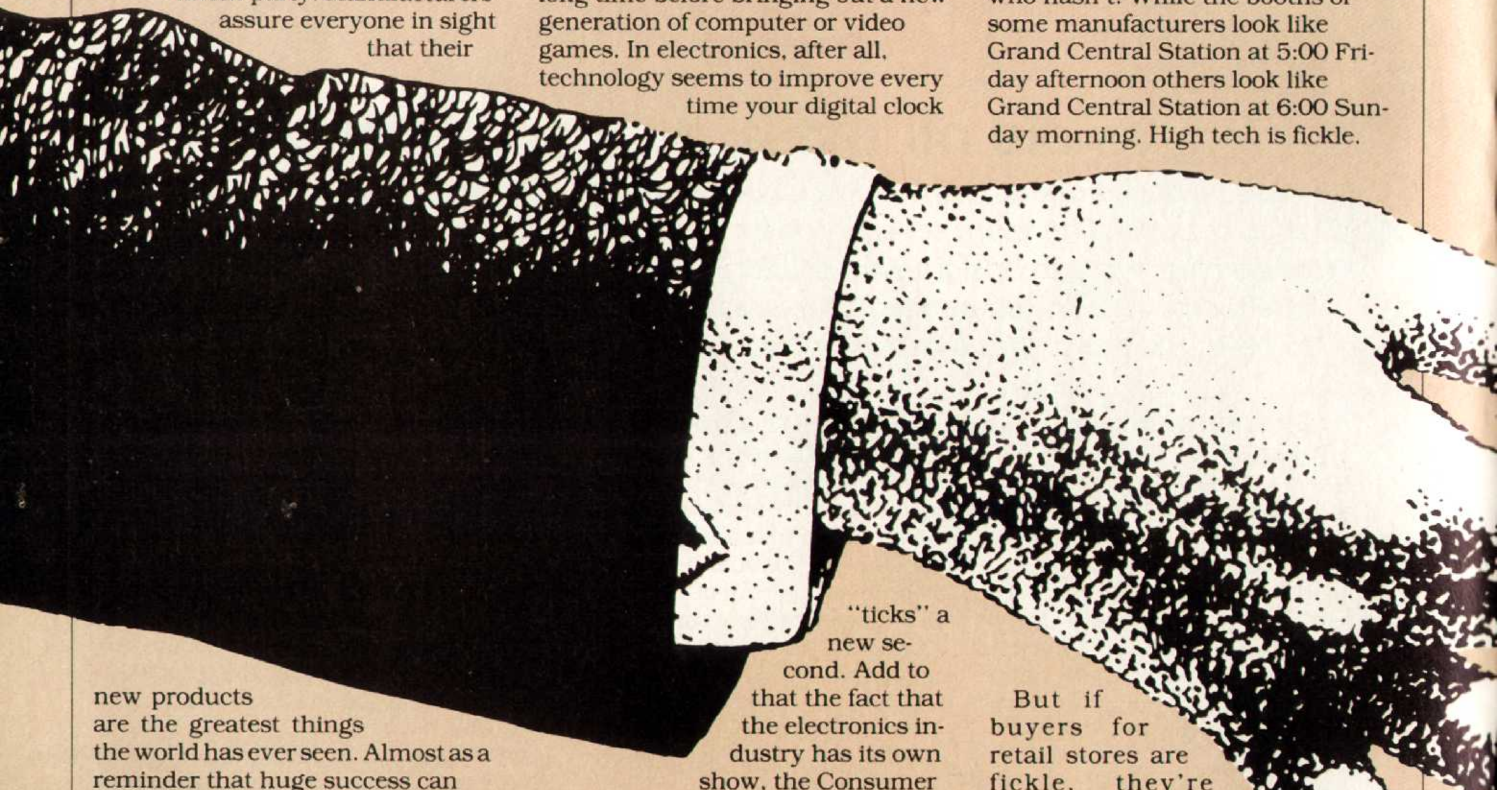
Soon after the excitement dies down, though, the hard work begins. Buyers who nodded appreciatively and made copious notes during the event start calling in to say, sorry, we think your game's a dud. Sometimes manufacturers are caught off guard by a runaway success—a product they didn't expect to catch on turns out to be the hit of the show and they have to figure out how to produce enough to satisfy all the orders.

And what of the public? Usually they're completely unaware of all that goes on behind the scenes. The first they see of the new toys is in the Christmas catalogs or the Saturday morning TV commercials in the fall. By that time, everything is set to bring a new toy or game to market.

That's the way it was, at least, until the fastest-growing part of the toy business became electronic. Suddenly a year seemed like a very long time before bringing out a new generation of computer or video games. In electronics, after all, technology seems to improve every time your digital clock "ticks" a new second. Add to that the fact that the electronics industry has its own show, the Consumer Electronics Show, held not once but twice a year, and suddenly there's a lot of pressure on electronics companies to come out with new products with greater and greater frequency.

The Toy Fair attracts little attention outside the toy industry. The Consumer Electronics Show, on the other hand, is watched very closely. If high tech is going to be the future industrial base of the United States, CES (as the show is known in the trade) is one of the most reliable barometers of the industry's health. It was at CES last June that the world got its first look at Coleco's Adam, and the world responded by sending Coleco's stock on another rocket ride to the moon.

Despite its circus atmosphere (the show is attended by over 60,000 people and there is a non-stop round of press conferences, parties and general politicking) the main order of business at CES is the same as at the Toy Fair—writing orders for future delivery. Unlike Toy Fair, though, CES lasts only four days, and by Day Two it's obvious who's got the winners and who hasn't. While the booths of some manufacturers look like Grand Central Station at 5:00 Friday afternoon others look like Grand Central Station at 6:00 Sunday morning. High tech is fickle.



But if buyers for retail stores are fickle, they're nothing compared to Wall Street investors. The same investors who sent Atari's parent corporation, Warner Communications, into the stratosphere in 1982 sent it down the Mohole by

December, in spite of the fact that Atari had made huge profits. The trouble was, the profits were supposed to have been huger. This "volatility," as the business pages like to call it, makes life miserable for everyone who earns a living in the computer and game business. And when life gets miserable in the boardrooms, a common response is to take more chances, hoping for that miracle combination of the right product at the right price which will turn a turkey into an eagle.

All this is by way of explaining what happens when a product appears in the pages of *Electronic Fun* or any other publication one month, compleat with date of availability, and then returns to the pages the very next month as a product-you'll-never-see. There have been more of those this year than we would care to remember. The Coleco Super Game Module (which Coleco now insists you *will* see, but not until next year), Atari's The Graduate computer and Mattel's Intellivision III are three of the most outstanding examples of no-shows, and there are others. Remember all those movie games, like *9 to 5*, *Airplane* and *Butch Cassidy and the Sundance Kid*? Remember Odyssey³? Remember Amiga's The Power VCS add-on? Then what about products like Atari's 1200XL computer, which was in stores and on TV all summer, but was in fact, ready to be discontinued almost as soon as it was out the factory door? As we said before, this business is a gamble, but it's not just the turn of a card or the spin of a wheel that's going to make the difference of win or lose. In this casino, what somebody does at the next table could affect the way you play your hand. Consider Amiga's The Power. One of the big plusses that system had going for it was that, as with the Supercharger from Starpath, games could be sold on cassette rather than cartridge. This could save companies a lot of money and allow them to sell games for $10 instead of $30. Sometime this year, though, just as they were gearing up to bring The Power to market, Amiga noticed an alarming thing happening in the stores. Suddenly cartridges were selling for $10—not the most popular games, of course, but enough games to make Amiga think twice about the competitive edge it thought it would have. Every time you bring a product out you take a risk; if the risk becomes too great, you don't bring out the product. That's what Amiga decided.

With Coleco the decision to hold off the Super Game Module was a little different. After announcing the new

Continued on page 100

Disappearing acts include Atari's 1200XL, the Odyssey³ (shown with PICK AX PETE), Amiga's Power and Atari Graduate.

NOW YOU SEE IT

Continued from 41

module at the Toy Fair in February—with all the fanfare that's helped make ColecoVision the fastest selling game system of 1983—Coleco's Big Brains and soothsayers began having second thoughts. All along, it seems the real pride and joy of the Coleco nursery was Adam—a product no one outside Coleco even suspected. It wouldn't make sense, they decided, to divide their efforts by inaugurating two major products. They decided to go with Adam.

Of course, that's not the end of the story. It wasn't until after CES in June—a CES, we might add, that was stolen by the Adam announcement—that Coleco quietly let it be known that the Super Game would be put on hold. And having staked the company's reputation on the Adam system, an all-out effort was required to actually produce it. The ColecoVision assembly line was given over entirely to Adam for awhile. This was a very daring move, especially considering that ColecoVision's main problem a year ago was simply that Coleco couldn't produce enough of them to satisfy consumer demand.

It was yet another set of circumstances that caused Atari to pull The Graduate—the computer keyboard for the VCS that was originally called My First Computer. As is evident from the name change alone, Atari never had a clear idea what the keyboard was all about. Was it, in fact, a "first computer" for grade schoolers or was it a "graduate" for people who were video game players who wanted more computing power without the expense of a whole new machine? These are questions that go right to the heart of marketing.

Everything that goes on between manufacturing and selling falls under the heading of marketing. Marketers decide which people to aim the product at in their advertising; marketers decide what price range the product should be sold in. Marketers also decide what the product should be called and what the packaging should look like. No matter how good your product is, if the marketers don't do their job, no one will buy it.

It's also important for a company like Atari, which makes many computers, not to compete against itself. One reason The Graduate was scrapped may be because Atari marketers felt it was not different enough from the 600 computer. But that's not the main reason. The main reason has to do with psychology.

Like everyone else, business executives find their decisions easier to make if they can formulate some broad guiding principles and follow them. These principles are arrived at after studying reams of statistics—sales figures, growth figures and the like. The big guiding principle for the last year was: The video game will be replaced by the computer. Why? Because computer sales were growing faster than video game sales. Not that people were actually buying more computers than they were game systems this year, just that the computer sales were *growing faster*.

So the people at Atari decided that if video games were giving way to computers, the way to make their number one selling video game more attractive was to make it expandable into a computer. It seemed, as they say, like a good idea at the time. But there were other statistics—mainly the fact that 1983 has been the best year for plain old video games in history—that made The Graduate look like a very risky proposition indeed. Why spend all that money manufacturing and advertising a new product when there were millions of people out there perfectly happy with the old one—and who, if they wanted to buy an inexpensive computer, might easily be persuaded to buy an Atari 600?

If there's a moral in this story it's this: To paraphrase Yogi Berra, "It isn't for sale until it's for sale." Trumpets, fireworks, and yes, even a picture in *Electronic Fun* is no guarantee that a product will actually reach your store.□