

# WHY TI MAY WELL RETURN TO HOME COMPUTERS

**A**fter a year that Texas Instruments Inc. called "the most difficult period in TI history," the electronics giant withdrew from home computer business. Wall Street, long wishing that TI would abandon its costly, decade-long pursuit of the consumer, ignored the \$111 million third-quarter loss the company posted and in the first day after the Oct. 28 announcement boosted TI stock an astounding 22.75 points, to \$124.50.

But TI may not be abandoning this end of the computer market for good. Instead of trying to compete in the cut-throat, low end of the market for minimum performance machines selling at \$200 or less, TI may try to sell consumers a lower-cost version of its \$2,200 personal model, the Professional Computer.

That machine, which is selling well, is directed almost exclusively at executives. When asked by BUSINESS WEEK about a future move by his company back into the home computer market, TI President J. Fred Bucy replied, "No comment."

But insiders say that a stripped-down version of the TI Professional already is in development at the company's Austin (Tex.) Data Systems Group. To handle this product, many observers expect the company to merge its consumer and computer operations, which have both been under Bucy's direction since June. Such a merger, says one manager, "would facilitate moving Data Systems products through consumer channels."

**HOMEWARD BOUND?** A return to home computers may be necessary if TI wants to stay healthy in the personal computer business. Customers may now doubt TI's commitment to its Professional Computer, a product that competes with International Business Machines Corp.'s Personal Computer. One way to counteract this would be to add new offerings to its Professional product line—something TI never did in home computers.

More important, now that IBM is taking a junior version of its Personal Computer to the high end of the home computer market (page 49), TI may be forced to do the same. "Home and personal computers are converging in price and performance and applications, and broadened distribution is inevitable for

the personal computer products," says Clive G. Smith, a market researcher at Yankee Group. "TI has the broadest range of outlets in the home computer industry. It will have to use them if it wants to compete against IBM."

TI says that it has no intention of abandoning the retail network that it has spent more than 10 years developing, because the company sees more and more electronic products going into mass-merchandising channels. And TI is going to extraordinary lengths to protect those channels as it closes out the 99/4A home computer. "We've taken care of our retailers, so that if we ever decide to reenter the [home computer] market, we haven't slammed the door," Bucy points out.

**BETTER SERVICES.** Emphasizes TI Chairman Mark Shepherd Jr.: "We are going to continue to support and service the 99/4A." Part of the third-quarter \$330 million write-down went to set up reserves to protect retailers from losses resulting from TI's actions. The company will continue to build some peripheral products to fulfill commitments to its retailers, and it will manufacture software for an unspecified time. "We will continue to support the 99/4A with television advertising throughout the Christmas season," Shepherd says.

TI not only will continue to provide one-year warranties on its 99/4As but also plans to repair out-of-warranty machines, which will come as good news to the current 1.5 million 99/4A owners. In fact, the company still repairs TI-brand digital watches, a business it left in 1981.

Most observers had not expected to see TI, with 20% of the market, drop home computers. As late as September, TI said emphatically that it intended to stand behind its home computer operation. "My feeling is that they would have had a good Christmas season [if they had stayed in home computers]," says Egil Juliussen, chairman of market researcher Future Computing Inc.

"Our 99/4A business did pick up, but not at a sufficient rate," explains Bucy. "It was a very bitter pill to swallow. But how much blood can you lose?" TI operating losses already have exceeded a half-billion dollars this year for home computer operations alone. For the first nine months, the company posted an after-tax loss of \$223 million on sales of \$3.3 billion.

Industry analysts figure there are between 500,000 and 1 million TI units unsold. When the company effectively halved the retail price of the 99/4A to \$49.95, retailers handed the Dallas company new orders for at least 200,000 machines the Monday after its pullout announcement. TI decided to pull out now, Bucy says, because "this is the best time to move inventory—not after yearend."



PRESIDENT BUCY: WITH RETAILERS STILL IN PLACE, "WE HAVEN'T SLAMMED THE DOOR."