

FUN & GAMES

Cartridge Sales Make Game Market A 12-Month Season

By Hope Heyman

There will be no shortage of programmable video cartridges at Summer CES that intercept, destroy, crash, smash or otherwise appeal to a growing universe of programmable game buyers.

The programmable industry—which just a few years ago was plagued by oversupply and dropping prices—has become a source of year-round profit and repeat cartridge business. As the industry pares down to a few manufacturers—with Bally's video games division still up for sale—CES should witness moderate price hikes and strong demand.

Atari will be at the show with four or five new cartridges, according to VP Bill Grubb. "We'll probably have one sports, one action game, a strategy-type game such as our chess cartridge and space-ship type of cartridge," he says.

Atari will also be at the show with moderate price increases, which the firm feels will do little to dampen retailer or consumer enthusiasm for the category. "Basically we have a strong position nationally," Grubb says. "We had a price increase in January of five per cent, and for April the hardware cost went up about 10 per cent, and we guarantee that price won't go up through 1980." Atari's game console will now sell for \$199, up from the previous list of \$179.

Stepped-up promotion outside the fourth quarter has kept demand constant, Grubb says. "We have had a very successful first quarter for both software and hardware," he says. "We scramble to keep shelves filled with especially popular games. Software sales have also been boosted by our \$1 million advertising campaign which has appeared in 19 major markets."

Demo Derby

Bally—which has been seeking a buyer for its video games division after negotiations with Fidelity collapsed shortly after Winter CES—will also



JIMBLE PENDLETON MEAT

offer new software. "We won't be at CES, but we will be introducing new cartridges before the show that will be available by summer," says general manager Bob Wiles. Bally will introduce Dog Patch at \$19.95 and Grand Prix Demo Derby for \$24.95. Both cassettes are spinoffs of Bally's commercial arcade games.

Bally wants to loose itself from the programmable games business because the market has not met industry expectations, Wiles says. "The programmable game industry has just not materialized," he says. "Yes, cassette sales are good, but the research and development required to keep it going is expensive. We believe in our games, but the market is just not there."

Magnavox VP Jerry Michaelson takes a different view. "Sales are

strong and it's due in part to the video revolution. People are becoming aware of other capacities and uses for their TV sets. Dealers have found that carrying the games is profitable."

More Than A Box

Mattel Electronics president Jeff Rochlis echoes this belief. "It's a synergistic process," he says. "The interest in video and video peripherals has helped consumers realize that the TV set can be more than just a box on the floor."

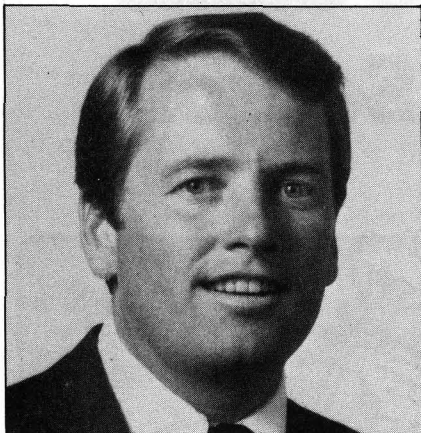
After several years of planning and some production delays, Mattel entered the programmable video games industry in spring with its Intellivision game. The game upgrades to a computer with the addition of a keyboard that will be available this summer.

"There has been a lot of consumer

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interest in the game," Rochlis says. "And retailers will move up from just selling a game to selling a computer."

As dealers at CES choose and select among a wide range of cartridges, manufacturers are experiencing an increasing cartridge-to-hardware



Atari VP Grubb: Scrambling to fill shelves.

sales ratio. "The software is selling about seven-to-one, eight-to-one," says Atari's Grubb. "And that will probably rise in the future." □

Handheld Suppliers Plot New CES Game Strategies

There's a new game in the electronic handheld games industry, and the rules will surface at Summer CES. On the eve of the show, manufacturers are reshuffling handheld lines in response to buyer conservatism and the resistance to high price points evident at last February's Toy Fair. Some suppliers will even discontinue, or market on a limited basis, games introduced in February.

Milton Bradley will make available its new Omni game (which costs about \$100) in limited supply and market it in only a few markets, according to sources within the industry. The company declined to comment on the reports.

Coleco marketing VP Michael Katz says his company will place less emphasis on the Astrology game introduced last year, which failed to garner strong sales. "We are not going to support it with advertising," he says. "But it will be available in our line, and we will still manufacture it."

The trend toward more careful, selective buying will be strong at CES, leading executives maintain. "Everyone is concerned about whether the economy is going to continue to influence buyers," Katz says. "I think problems will occur at the over-\$40 price point. That kind of money represents a very significant purchase for the consumer."

Few Products

"I think you're going to see a lot fewer products actually coming onto the market than had been introduced," says Parker Brothers president Randy Barton. "But at Christmas, as in previous years, the best of the lot will still be scarce—the Merlins, the Simons. Everything that we showed, we will produce. We'll show and produce two or three items rather than show eight or 10 and then actually manufacture two or three games."

Mattel Electronics president Jeff Rochlis also believes that the days when any electronic game offered would sell out before Christmas are over. "Nor should all electronic games sell out," he says. "The industry can't rely just on making electronic games—it has to make games that offer good price and value."

Manufacturers and retailers will both

have to commit themselves to more advertising in an increasingly competitive marketplace, Rochlis says. "We in the industry in the past have all enjoyed not having to spend that much on advertising. That will change. In a competitive framework, manufacturers have to support retailers. There's no shortcut."

If the electronic games industry seems in for some tougher pricing and sharper promotion, the good news is that at least there will be more in-demand product to promote. Most major game manufacturers report that chip supplies have loosened up, and shortages will not be as severe as last Christmas. "The industry is doing well in terms of chips," Rochlis says. "Because of the economic turndown, there's less demand on the chip suppliers, so they have some excess capacity."

"We haven't experienced any chip problems in the first three months of 1980," says Milton Bradley president John O'Donnell. "At the present time we are not being led to believe that there's a chip shortage."

Overall, electronic games manufacturers are looking forward to healthy CES orders and have not pushed 1980 sales projections downward. "We know that the trade will be more cautious this year," says Entex president Tony Clowes. "But I



Parker Brothers president Barton: Fewer products coming on market.

think it will be a good year. Our orders in electronic games are running about 200 per cent over last year." And Rochlis shares this sentiment. "Total business should go up," he says. "The industry is in pretty good shape." □

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