

but he says that's only because there was such an extraordinary demand during Christmas of 1978.

Manufacturers emphasize that supply will not catch up to demand this year—leaving late-ordering retailers short. But there's a new equation in the undersupply this year. Escalating prices and a possible plastics shortage may result in a seven per cent price increase on handhelds, and possible production limitations.

#### Plastics

"It's not an unreasonable expectation that price increases may occur," Rochlis states. He envisions problems for new, small companies in purchasing plastics, which could limit their production. Parker Brother's Dick Dalessio also sees higher prices on the horizon. "The technology—the electronics—of the game is not a significant factor in pricing at this point. What is significant is plastics and labor. I don't think prices are going to come down. But manufacturers' efficiencies are going to allow suppliers to put more into toys—multiple games, scorekeeping, improved displays with better arrays and higher resolution."

It isn't clear yet what effect the birth of new companies—mostly from the Orient—will have on product shortages. "I think there will be a lot of new companies introducing at CES, but it won't flood the market," says Tiger's Shiffman. "There won't be a glut of product. They want to reap the benefits of the strong market for handhelds today. We probably should look for half a dozen new companies." Established manufacturers also note the proliferation of offshore companies that supply handhelds on an OEM basis only.

#### Lead Times

The crucial question remains—will new companies be able to deliver? Some manufacturers double that much introduced at CES will actually find its way on to retail shelves. "We have already seen several companies enter the field at the Toy Fair," Rochlis says. But he indicates many of these are lacking in terms of game play, product reliability, on-time deliveries and a commitment to the market backed by advertising. □

## Programmables: Show Business Is In Cartridges

In a year when the industry is expecting limited growth in programmable video games, major firms in the field will strive to maintain momentum by focusing on new cartridges at Summer CES.

Retailers shopping CES game booths will see a few new computer language cartridges, but primary emphasis will be on new game and skill software, most of which are even more sophisticated than those currently available.



*Magnavox VP Michaelson: "You will see a lot of people out of business."*

Atari will expand its line at CES with four additional cartridges, some of which were introduced earlier but never delivered. The company also has tentative plans for a series of self-help programs designed to aid in the preparation of income taxes, improved reading skills and related non-game subjects. Atari will deliver its 8K ROM memory BASIC language and chess game cartridges both retailing for \$39.95. Marketing and sales VP Don Kingsborough forecasts that more sophisticated cartridges will attract a wider market. "We are attempting to expand the market for these games, by expanding our demographics," he says. "These games appeal to a more adult audience."

Bally will also be at CES with new cartridges for its programmable,

recently upgraded to perform computer functions. The company will introduce two or three new cartridges, including a pinball program, says Jack Nieman, national sales manager.

Magnavox VP Gerald Michaelson is optimistic about sales for the coming year. "I think the consumer is really becoming aware of these games," he says. Sales will remain strong in spite of competition from new game/computers. "They are two separate markets," he says. "They will both continue to be viable categories. If the two products were the same price, then we would have problems."

Atari sees a strong year ahead, with the market dominated by fewer companies. "You will see a lot of people going out of the business," Kingsborough says. "But 1980 will be a big year—about a 31 per cent sales increase over 1979." Kingsborough forecasts a healthy market through 1985, although there will be some price erosion.

#### Limited Life

Some manufacturers, however, assign a limited life span to programmables that lack computer add-ons. Jeff Rochlis, Mattel VP, labels these games outdated. However, programmables that can be upgraded to computers—such as Mattel's Intellivision—will experience strong sales, and serve as a primary hook into the personal computer market, he says.

In the face of a tightening market, some industry observers expect a shakeout. According to reports, Fairchild—the pioneer in programmable video games—may already have left the field. A Fairchild spokesman denies the report. "We're still in the video games business," he says. The spokesman was unable to say if the company will be at CES or if it will rehire any of its laid-off video games sales force. "If it's going to happen, that decision will be made in the future," he says. □