industry which continues to offer excellent prospects for new suppliers. Companies entering in supplying this dynamic industry must be technically inventive, price conscious, and service oriented.

2.3 TRENDS AND FORECASTS

The increasing dominance of microcomputers will be a major factor for growth in the computer industry during the next five years. Mainframe computer sales have declined due, in part, to market saturation, while the demand for microcomputers continues to increase. Business and industry have been the traditional markets for computers and the trend towards office and factory automation will continue. Mini and microcomputers which offer expanded capabilities and networking solutions will be in demand.

Computer manufacturers have traditionally regarded the "Fortune" companies as their major customers but during the recent recession the small business sector was the only portion of the economy which showed any measurable growth. Computer hardware and software manufacturers are just beginning to realize the huge potential market which the small business sector offers. Almost all innovative breakthroughs in business have come from this sector. In order to be successful in this market, producers must develop software which offers small businessmen advantages outside standardized packages which have been developed in the main specifically for large corporate DP and MIS use. At the same time, hardware manufacturers must continue to develop the ultimate in "user-friendly" equipment. This market, largely ignored by the larger computer manufacturers, could prove very rewarding for innovative hardware and software producers.

It has already been noted that there is a severe slump in the sales of computer games. Despite the fact that more and more school-age children are becoming exposed to computers, forecasters predict that the computer generation's interest in computer games will be replaced by an increasing awareness of the educational advantages which computers offer. There are substantial market opportunities in this area for innovative and forward-thinking computer hardware and software producers, but this market will not become a major factor until high quality, easy to use hardware with increased graphic capabilities and the ability to interface with telecommunications is developed. The lead in this area has often come in the past from the smaller innovative company.

Competition from imports will continue to play a major role in decreasing the cost of U.S. computer products. Several major U.S. producers have moved their production out of the U.S. to new low cost production centers such as, Mexico, Brazil, Korea, Taiwan, and the Phillipines. This trend will continue.

Many independent producers have begun to develop hardware and software specifically designed to modify, link and expand existing OEM capabilities. This trend will continue since it is unlikely that major U.S. producers will move to adopt effective industry standards, fearing that they will lose their product identification and be unable to compete with low cost production.

Most major U.S. computer companies and industry experts see the lack of adequately trained service and technical staff to be a major growth inhibitor in the immediate future. To combat this problem, many companies are attempting to provide their distributors with full support and education programs while, at the same time, trying to recruit technical personnel for their own staff.