

Due to standardization, the customer could mix and match the system components and get the functionality and price that he wanted. As standardization increases, the need for a high service retail location will decline. Despite this trend, computer specialty stores still are a major force in the mass market software business.

Now that the PC has become a "shrink wrapped" commodity like other "toys," more vendors can sell PCs without the need to provide the high level of service initially requested in a computer specialty store. With the current increased margin pressure, the computer stores are less and less willing to take on new products that "clog" shelf space and produce little "churn." Like grocery vendors they have become cautious and stick with the market leaders who supply the in-store support and other value added services that assist sales. Like suppliers to the grocery business software vendors may have to "buy" shelf space with "co-op" advertising, in-store sales aids, training, etc. Do you have the resources to do in store training for 4,500 stores? If not, consider another channel or a partner/distributor that can provide these services.

Increasingly the computer retail stores are gaining revenue from value added activities like training and consulting, so that the line between them and VARs is declining. Eventually the VAR channel will further shrink in distribution importance.

There is a trend towards the development of company owned chains of computer stores (eg Businessland, 19%) and franchised chains of stores (eg Computerland, 29%). However independents and small independent chains remain the largest group (43%) in the distribution process. Their share of the revenue is however declining.

The size of retail computer stores is getting larger, and the average store is now selling \$2 million of product a year. The new "Super Stores" sell up to \$6.0 million per store. As Adam Osborne so succinctly put it, "Most computer stores have one manager and five clerks. The average clerk knows how to run three packages. Which product is this clerk going to forget to learn how to operate? Your product." Remember these statistics when choosing your channel.

In 1989, Businessland will sell \$1.2 billion, and Ingram/Micro D will sell approximately \$900 million worth of goods. Softsel will sell around \$500 million and has about 5,000 products in its catalog. Micro America will sell \$450 million. All these firms reported a 30% increase in sales in this year. To say these firms are into high volume is an understatement.

Getting shelf space in the major computer chains is increasingly difficult. The average buyer/product selector for these chains (eg. Businessland) receives anywhere up to 100 software packages a week to review and make a "retailing" decision on. If he has not heard of you or your package before it arrives on his desk he is unlikely to even unwrap it. Even if he finds the package attractive, he will want you to share in many of his costs to move the product.