

9.0 RETAIL COMPUTER MARKET

Twenty-eight of the top two hundred retailers in the electronics and major appliance field are located in the seven Western States. Retail sales of computer equipment in the area totalled \$2.01 billion in 1982. California alone generated \$1.25 billion of retail sales and is responsible for 15.6 percent of the entire U.S. retail computer market. Sales and Marketing Management magazine estimates that sales to households in the western region are \$681 higher than in the rest of the nation. Los Angeles dominates the retail sector in the West with 4.1 percent of total retail sales. The percent of Los Angeles households owning home computer systems in 1982 increased from the 1981 level of 1.6 percent, or 54,305 households, to 2.5 percent, or 86,438 households.

According to Computer Retail News, 38 percent of sales of computer equipment are made through computer retail stores; 15 percent of sales are as a result of direct selling; 13 percent are sold through mass merchandisers; 13 percent through general merchandisers; 8 percent through consumer electronic stores; 7 percent direct by mail; and, 6 percent are sold through office product dealers.

Multilocation chains are expected to increase by 4 percent from 27 percent to 31 percent of the overall market. While there is an increasing trend toward chain and franchise computer stores, this does not mean that the independent store will be entirely wiped out. According to Future Computing magazine's survey, a typical computer store, after five years of operation, will generate sales of \$1.7-\$1.9 million per annum and will stock three to five personal computer brands. In 1982, the best selling personal computer was the IBM personal computer; Apple II was the second highest seller followed by the Kaypro II computer. Future Computing's survey indicated that the best selling brands are now facing some healthy competition as U.S. and foreign companies continue to develop lower priced personal computer systems for the business and retail markets. The increasing importance and spread of retail computer stores can be measured by the projected increase in the national total of stores from 1,800 in 1982 to an estimated 2,300 at the end of the first quarter alone in 1983.

We take the current view that the nature of computer retailing has already changed substantially and that personal home computers and game packages have become secondary. The future store-front retail operation will form the primary sales channel to the small businessman. This is possibly the largest untapped market segment available to the computer maker today.

9.1 RETAIL INTERVIEW RESULTS

The information presented in this section is based on interviews with retailers conducted during the course of the study:

- Sixteen of the buyers we talked to had not considered buying Canadian computer products and

are not familiar with them. There is an obvious lack of Canadian brand name awareness in the Western U.S.

- Four of the stores we interviewed do purchase a Canadian product. All four of these stores are satisfied with the product, but not entirely satisfied with the service.
- Most buyers we talked to are interested in looking at Canadian computer products. We also talked to a number of the new separate software stores which are making their appearance in the market area in increasing numbers and found that opinions were divided amongst buyers. Some expressed an interest in looking at available foreign software, while others felt that imported software packages could only cause them delays and inconvenience. None of the buyers seemed concerned that foreign software might not perform effectively for U.S. consumers.
- Ten of the stores interviewed sell primarily microcomputers in the \$1,500-\$5,000 price range, peripherals and software for small business applications; three stores catered to both business and home markets; while six concentrated mainly on the home market, selling lower priced hardware and software. IBM, Apple, Kaypro, Commodore and TI are brand names many buyers termed popular. Most of the computer retail stores we interviewed sell about 10 microcomputers, 7 low priced printers and 75 software packages per month. A smaller number of large retail stores sell up to 90 microcomputers, 80 low priced printers and 500 software packages per month.
- Several of the stores interviewed construct systems from different manufacturers' hardware for their customers.
- The majority of stores interviewed buy their hardware and software requirements from distributors located in the market area. Only two retailers reported buying hardware directly from manufacturers.
- Apple was mentioned as virtually the only company which runs its own distribution organization in the market area.
- Computer retailers surveyed by Computer Merchandising magazine report that the average mark-up on computer products at retail is about 25 percent on hardware and 35 percent on software.
- In terms of service support, most stores expect immediate replacement of defective products and 90 days parts and labour warranty from the date of consumer purchase. Other stores surveyed expect full service coverage for at least 6 months in the store but parts and technical advice should be available almost indefinitely. IMS International was credited for having an unusually good warranty which included full instore coverage for 2 years plus 90 days to the consumer. Service from Atari was said to be particularly convenient because Atari has its own repair shops to which retailers may send customers to have their computers repaired free of charge.