

# Multimedia Has Become a Star This Christmas

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In this, the world's first multimedia Christmas season, executive Ed Esber has apparently been a very good boy.

Sales of multimedia upgrade kits at Mr. Esber's Creative Labs Inc. this Christmas are up as much as 65% from last year, and orders continue to flood in. "We're seeing tremendous, unbelievable demand," says Mr. Esber, president of the Milpitas, Calif., company, which dominates the market for the high-tech kits.

After years of promising much and delivering little, multimedia computing has emerged as this Christmas's upscale gift of choice. Despite a continuing short-age of blockbuster software and apathy from a big chunk of the country, there's little doubt that the machines, which harness text, sound and video, are finally making inroads with consumers.

The graphics are slick, the sound is stereo-quality, and the software leans heavily toward games and education pro-grams. To top it off, prices are tumbling, sending the cost of a new multimedia system below \$2,000 and into the range of a new, untapped group of gift-givers.

As a result, multimedia computers are backlogged, software sales are booming, and upgrade kits like Mr. Esber's — which equip everyday personal computers with the compact-disk systems and plug-in sound boards that make old machines sing — have become retail stars. Sales at Media Vision Technology Inc., a Creative Labs competitor, are expected to hit \$231.4 million this year, more than triple last year's.

The multimedia business is so good that it is saving the PC industry from what might well have been a ho-hum holiday. Now, despite a lull between

## Hot CD-ROM Titles

As sold through Computer City, the nation's second-largest computer superstore operator, in recent weeks

1. **Rebel Assault**, LucasArts
2. **Encarta 2.0 for Windows**, Microsoft
3. **Cinemanía 94 for Windows**, Microsoft
4. **OS/2 for Windows**, IBM
5. **Living Books Sample Disk**, Broderbund
6. **CD Premiere**, Time Warner
7. **7th Guest**, Virgin Games
8. **Just Grandma and Me**, Broderbund
9. **Dinosaurs**, Microsoft
10. **Return to Zork**, Activision

Source: Computer City, a unit of Tandy Corp.

product cycles and a ceasefire in the price wars, PC sales are expected to beat even last year's record showing.

Analysts at Dataquest Inc., a San Jose, Calif., market research concern, recently raised their projections for multimedia shipments in light of the holiday rush. The company now expects sales of CD-ROM players, an essential component of every multimedia system shipped, to reach 4.8 million this year, more than triple 1992 shipments.

Indeed, manufacturers are having trouble keeping up with the booming demand. CompUSA Inc., a Dallas-based operator of computer superstores, reports weak supplies of top machines from International Business Machines Corp. and Compaq Computer Corp., and Mr. Esber says he could sell \$25 million more this quarter if he could fill all the orders.

"These things are as hot as a fire-cracker," says Jim Keenan, a marketing director at IBM Personal Computer Co., which built three times as many multimedia machines in the fourth quarter as it had initially planned and still can't meet demand. "We've been running behind the curve," he says.

In addition to IBM's PS/1 multimedia machine, retailers report that Compaq's Presario model and AST Research Inc.'s Advantage line are selling particularly well. All three companies are chasing the multimedia business of Apple Computer Inc., a pioneer in the multimedia and consumer computing markets. Analysts expect Apple to sell about one million CD-ROM drives this year, despite an operating system that still isn't compatible with the rest of the PC world.

On the software side, multimedia has resurrected a market for computer games that had been pummeled by competitors like Sega and Nintendo. The holiday success of games like Rebel Assault, 7th Guest, and Day of the Tentacle has sparked a gold rush among computer programmers. According to the Multimedia PC Marketing Council, a trade group that assigns a multimedia trademark to products, 450 new titles are now registered for the designation, up from 150 that applied during all of 1991 and 1992. Multimedia software is appealing because it combines the traditional text editing and processing of PCs with the sound and video of television. In multimedia encyclopedias, for instance, users can look up, say, Italy, and read a traditional entry on the country. But they can also call up a color map that shows Italy's location within Europe and can see a film clip of gondolas gliding down the canals of Venice while arias play in the background.

## Multimedia Is Becoming a Star This Christmas, Delighting Many

For retailers, the multimedia boom brings especially good cheer. Unlike most computing advances of the last decade, multimedia is consumer-driven. Today's entry-level multimedia PCs, for example, cost no more than a traditional computer cost a year ago. Now, though, for less than \$2,000, consumers can get a machine with a CD-ROM drive — which looks and operates like an audio compact-disk player — and a color

monitor, speakers and an internal sound card to make the speakers work. Most multimedia PCs also include at least an Intel Corp. 386 microprocessor or equivalent—the CD-ROMs consume lots of processing power—and at least four megabytes of memory.

Despite its recent success, multimedia doesn't rule the technology world quite yet. Even if the Christmas boom pushes 1993 CD-ROM sales to nearly five million units, as analysts expect, that's still a long way from the 25 million traditional PCs expected to be sold this year. And, despite all the entire hubbub, of the 30% of U.S. homes with PCs, less than 3% have multimedia machines.

Dataquest analysts say multimedia computers will most likely track the growth curves of VCRs and audio CD players. Those technologies languished in relative obscurity for years, then gathered enormous momentum very quickly. As early as next year, says Dataquest analyst Bruce Ryon, the growth rates for upgrade kits will peak as more people buy machines already equipped with the technology. Growth rates in multimedia systems will peak shortly afterwards.

While Mr. Esber says he's convinced multimedia has finally become a mainstream technology, he's wary of predicting a revolution. "There's a danger we could create expectations that can't be met for years," he says.

For example, many people still find multimedia software disappointing. Many of the programs now available are CD-ROM versions of software that began on disks. And the programs that are available have relatively limited appeal.

A survey of retailers by PC Data, a Reston, Va., consulting firm, shows that the top multimedia titles are entirely children's games and learning programs. While that's fine for baby boomers with kids, it leaves out a huge group of people who want to expand what they can do with their computer.

"There's no software out there that does what I want to do," says Richard Cole, a police officer in the Dallas suburb of Plano. Mr. Cole has a home computer, which he uses for budgeting and word processing, but he has put off buying a multimedia machine. "The progress in this stuff is so rapid, you're better off waiting," he says.

But Willie Williams, a Dallas engineer who spent Monday in a computer store buying multimedia software for his kids, bought his first multimedia computer a month ago. He boasts that it now works double-duty, functioning as a work computer for him and an entertainment center for his two girls. "I wouldn't buy anything else," Mr. Williams says. "It's the best educational tool ever."

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