

Amstrad Plots a U.S. Invasion

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Alan Sugar, Europe's most successful entrepreneur of the 1980's, summed up what his company, Amstrad Consumer Electronics P.L.C., is all about in a rare speech a few months ago.

"Pan Am takes good care of you," he said, beginning a list of corporate credos by way of comparison. "Marks & Spencer loves you. Securicor cares. I.B.M. says the customer is king. At Amstrad, we want your money!"



Credit...The New York Times Archives

In recent years, Amstrad has gotten plenty of what it wants. Once a tiny British peddler of stereo systems and television sets, Amstrad has become Europe's top marketer of home computers and one of its fastest-growing companies. Yet to date, Amstrad has been little noticed in the world's largest and most sophisticated computer market, the United States. But Mr. Sugar hopes to change that. Sales and Profits Soar

Since 1980, when Amstrad went public, its sales have grown 35-fold, to \$502 million in the year that ended June 1986, while pretax profits jumped 55-fold, to \$124 million. For the year ended last June 30, the results of which are to be reported next week, analysts expect pretax earnings to surge again, to more than \$230 million on sales of about \$910 million.

"Amstrad has been the corporate phenonenon of the 1980's, not only in Britain but throughout Europe," said David Gibbons, an electronics analyst for James Capel & Company, a London brokerage house.

For the blunt, burly and bearded Mr. Sugar, Amstrad's swift ascent has meant extraordinary wealth and national fame. The 41-year-old chairman is worth more than \$700 million - thanks to his 45 percent stake in Amstrad and the robust performance of the company's stock, which has risen 23-fold since the company went public, closing today at \$3.20 on the London Stock Exchange. A native of London's working-class East End who began his career hawking car-radio antennas from a van, Mr. Sugar has been hailed as the embodiment of the "enterprise spirit" and upward mobility that shape the Thatcher administration's vision of Britain's future.

But uncharacteristically, the going has been slow for Amstrad in the American market, which it entered cautiously almost two years ago. Until last fall, its home computers were marketed by Sears World Trade Inc., a unit of the Chicago-based Sears, Roebuck & Company.

Sears World Trade, however, ended up purchasing only about 70,000 units, instead of the expected 100,000 units, of Amstrad's basic, inexpensive word processor, a best seller in Europe, and never aggressively marketed the product, Mr. Sugar said. "Sears didn't have a clue - they got it all wrong," he contended.

But American analysts say the lackluster sales were as much Amstrad's fault as Sears's. In the more competitive American market, they say, Amstrad's price and product simply did not stand out as they do in Europe. A Sears spokesman in Chicago declined to comment on the marketing arrangement, except to say that when the price of the Amstrad machine was cut from more than \$600 to \$399 it sold fairly well. Amstrad's marketing venture with Sears World Trade was terminated last fall. Sears dissolved the World Trade unit earlier this year.

In addition, the company has been selling about 9,000 units a month of its I.B.M.-compatible PC-1512 through 900 dealers in America. The PC-1512 line, introduced in the United States in January, sells for \$599 to \$1,599, depending on options.

Amstrad will introduce two new computer lines in America next month. The PCW-9512 word processor, priced at \$799, includes a computer and a letter-quality daisy-wheel printer. It will also move into the more expensive segment of the market with the PC-1640 line of I.B.M.-compatible computers, which offers more features than the PC-1512 and will sell for \$899 to \$1,999. Doing Its Own U.S. Marketing

Amstrad is now handling its own marketing in the United States. To help increase its American presence, Amstrad earlier this month acquired its Texas-based distributor, Vidco, for \$7.5 million. The Vidco purchase gives Amstrad greater control of its American marketing and eliminates payments to a middleman distributor, reducing costs.

By the middle of next year, Mr. Sugar hopes to increase American sales as a percentage

of Amstrad's revenues from the current 8 percent, or about \$73 million, to about 30 percent, or more than \$300 million. By the end of the decade, he added, the United States could become Amstrad's biggest market.

Even though Amstrad is starting to court the American market in earnest, analysts are uncertain about its prospects. In Europe, the company has succeeded by offering low-cost, dependable products in a market that was in its formative stage, and it attracted new customers who were buying their first computers.

Mr. Sugar explains Amstrad's marketing philosophy as "pile 'em high, and sell 'em cheap."

But in America, analysts say, Amstrad will be competing head to head with the masters of low-cost, high-volume production - the South Korean, Japanese and Taiwanese personal computer makers, which have taken aim at the United States market much more than at Europe.

To be sure, Amstrad's personal computers are made of mostly East Asian components and are assembled by a subcontractor near Pusan, South Korea. Amstrad, in fact, is not so much a computer maker as a trader, packager and marketer. Its planners, designers and quality-control staff decide what a computer should look like, how it should perform, who might buy it and at what price. But for the most part, others make it.

Mr. Sugar is the first to point out that Amstrad is a marketing entity, not a technology company. "Really and truthfully, we're not mechanical engineers," he said.

As a trader and marketer, Amstrad can be fast-moving and entrepreneurial. "Bureaucracy" is a term Mr. Sugar uses with withering contempt. With just 700 employees worldwide, fewer than 200 of them in Britain, there seems to be little imminent danger of Amstrad being stifled by bureaucrats. Added Costs of Contracting

However, skeptics say that every function farmed out to other companies means that at several stages, from production to sales, Amstrad is paying middlemen. In the more cutthroat American market, they predict, those additional costs will cause Amstrad problems as it competes against the aggressive and integrated East Asian producers, who are willing to cut profit margins to almost nothing to gain market share.

"Amstrad's whole philosophy is to give the customer a decent product at a price," said Seymour Merrin, a computer consultant based in Southport, Conn. "And I doubt Amstrad can match the price or the product here. For what they are selling, Amstrad's computers are just too pricey for this market."

Even in Amstrad's European stronghold, observers are skeptical about the company's prospects in the United States. "Amstrad has done fabulously in Europe," said Gordon Curran, a director of Intelligent Economics, a Paris-based market research firm. "But Sugar will face tremendously stiff competition in the United States, and Amstrad is going to have a very difficult time."

Still, most analysts remain optimistic about Amstrad's future over all, with European markets including France, Spain, Italy and West Germany offering potential growth for several years, even if the American personal computer market proves to be difficult to break into. From now on, analysts say, Amstrad's growth may not be as explosive as in the past, but it should average 20 percent annually for the next several years.

For his part, Mr. Sugar remains optimistic, but flexible as to where future opportunities will lie and even the degree to which Amstrad will remain a home computer company. Asked what Amstrad is likely to look like in five years, he replied, "We will clearly be a large international company with our core in the consumer electronics business."

Fields of future opportunity for Amstrad, analysts say, are office equipment, satellite dishes and cellular telephones. But beyond that, most agree it is hard to predict what consumer products will attract Mr. Sugar's aggressive marketing talents. After all, this entrepreneur once said, "If there was a market in mass-produced portable nuclear weapons, we'd market them, too."