

Reprinted from

A McGraw-Hill Publication

BusinessWeek

A powerful mini goes big time

Three Rivers Computer Corp. is a seven-year-old company making personal computers—one of the fastest growing computer markets. Yet the Pittsburgh company's name has been known only to computer aficionados. But the picture may change abruptly.

The tiny computer maker not only received a big boost toward widespread recognition but also got vital help in the areas of marketing and software in September when it signed a deal with ICL Ltd. The big British computer manufacturer will produce and sell Three Rivers' only product, a personal computer called Perq, which packs the power of a mainframe computer. The pact gives the U. S. company "instant access to ICL's established marketing capabilities," says James D. Gay, president of Three Rivers. For ICL, the agreement is part of its strategy to expand its product line through joint ventures (page 130B).

The British connection is vital to Three Rivers. ICL will buy 200 units immediately and take out a license to manufacture the machine in Britain, paying a royalty for each computer that it sells. ICL plans to begin initial production in March at an annual rate of 1,000 machines. In contrast, Three Rivers has delivered only 130 Perqs—short for Perquisite—since it began producing the machine last year.

Marketing thrust. The arrangement with ICL is just one part of Three Rivers' new plan to market its computer more aggressively. The company is also beefing up its fledgling sales staff from 9 to 16 people—until last April it did not even have a sales force of its own. And Three Rivers is opening sales offices in Chicago, Los Angeles, and Atlanta.

Business is already picking up steam: Revenues hit \$3.3 million for the year ended Sept. 30, up from just \$400,000 in the previous year. According to Gay, who was recruited last December by Chairman Edward Fredkin to put together the new sales effort, Three Rivers' sales will reach \$125 million in five years.

Thanks to its novel computer, Three Rivers has a shot at reaching this goal. The Perq has the computing power of a medium-sized mainframe machine costing \$250,000 or more. But the unit sells for just \$27,500, and is much smaller.

So far, the Three Rivers machine has

sold best to scientists and engineers who require raw power and little in the way of software programs. Carnegie-Mellon University, for example, has purchased 33 Perqs for use in its advanced computer-research laboratory for work in such fields as artificial intelligence.

But the Perq's combination of high speed and small size could help it gain more popularity in the office. "There's going to be more and more people who will want computer graphics, and they'll not only want to do data processing but also word processing and communications," declares Aaron C. Goldberg, an analyst with International Data Corp. The Perq, he notes, "does them all."

More software. The key to getting commercial customers, however, is in providing applications software, an item now in short supply at Three Rivers. To get over this hurdle, the company is counting on ICL and other marketing partners to assume the expense of developing these programs. For instance, Art Benjamin Associates Ltd., a Toronto systems house, is programming the Perq to be the heart of a system that will link various computers into an integrated data-processing network. And Rikei Corp., a Tokyo computer distributor with exclusive rights to market the Perq in Japan, is developing applications software for researchers and computer engineers. Rikei expects to sell \$4 million worth of Perqs alone in 1981.

A lower price tag would boost sales even faster. Gay admits \$27,500 "is a high price to put a machine on a secretary's desk." But as technology evolves, he expects the price to drop to less than \$10,000 during the next three years. At this point, says Gay, "the market is going to explode." E. David Crockett, senior vice-president at Dataquest Inc.,



Gay and a Perq unit: Three Rivers' new pact with Britain's ICL will boost sales.

agrees. "As prices come down, and as [user] expectations rise, [computers] like this will be very much in demand."

Three Rivers will have to move quickly, though, if it wants to cash in on the opportunities in this market. Other competitors already are beginning to show up. Apollo Computer Corp., a Boston startup, has introduced its Apollo Domain. "Many companies are saying this is the way to go," says Crockett of Dataquest. He adds: "There will be a lot of stiff competition." ■

Reprinted from October 26, 1981
issue of **Business Week** by special permission,

© 1981 by McGraw-Hill, Inc.,
New York, NY 10020. All rights reserved.