Kaypro confident it will ride out the storm

BY DANIEL JANAL
Contributor

What does a man do after selling windmills? If you're David Kay, you start designing a series of desktop business computers that compete head to head with such industry giants as Apple and IBM.

Kay, a former windmill salesman, is vice-president of marketing for Kaypro Computers. The company was started by his father, Andrew Kay, thirty-one years ago to manufacture electronics equipment, including the first digital voltmeter — an essential tool in testing electronics components and systems.

The younger Kay helped infuse new life into the firm two years ago when Kaypro began designing its first portable computer. The Kaycomp II (since enhanced and renamed the Kaypro II) was introduced in 1982 at the West Coast Computer Faire. Ironically, Adam Osborne debuted the first full-feature portable computer, the now defunct Osborne 1, at the same booth one year earlier.

Since the introduction of Kaycomp II Kaypro has grown from a $5 million company to a $75 million company. Sales increased from 2000 units in 1982 to more than 53,000 units near the end of 1983, which Kaypro says ranks it as the fourth largest seller of desktop computers in the $1000 to $3000 range (behind IBM, Apple and Tandy/Radio Shack). During that period Kaypro has grown from 50 to 606 employees.

Kaypro made a public offering last August that netted $29 million to help expand the company's facilities and in-crease its advertising budget. As of December 5, 1983 the stock was trading at about $8.50 a share, a drop from the original $10 a share mark, which Kay claims doesn't worry him.

"The price is not down because of the company performance, it's the market. Apple is down, Digital is down. All of our smaller competitors are off. This is just a market fluctuation," he says. "There is not a whole lot of logic in the process."

These days Kay cannot escape an interview without being asked about how he reacted when Osborne folded. Kay claims he wasn't surprised.

"Osborne took one-and-a-half years to come out with an 80-column screen and double-density disk drives. The strong following they'd developed began weakening. Then, it was all over when the company announced IBM-compatibility and didn't deliver — that was the final straw."

So how did Kaypro succeed in a market

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David Kay talking with associates at the Fall '83 COMDEX.

where others have failed, and that seems to be consolidating around much bigger firms such as IBM, Apple and Tandy?

Kaypro has grown quickly by sticking to one basic policy, says Kay. "We stand for a low-cost computer in a world that has been dominated by the high-priced computers made by IBM and Apple. Our motto is completeness — we stand for a complete unit. How do we do it? We are just efficient. My father has been in this business for thirty years. He knows what to look for. Most other manufacturers don't include the screen, drives or software and [their products] cost more than Kaypro."

Kaypro can offer lower prices because it manufactures all its components in Solana Beach, California, and as Kay points out, "Most larger companies buy parts from suppliers. We don't pass on the profits to [the suppliers], who don't work for free." Kaypro can also offer lower costs than some computer manufacturers because it deals directly with its dealers. "We have a lot of loyalty from our dealers," he says.

M. Craig Dolphin, sales manager of Practical Data of Pomona, California, agrees. His firm decided to add Kaypro to its main inventory of Digital Equipment Corporation computers.

"Kaypro is one of the few quality portables out there," says Dolphin. "They have a background and they're profitable. They have a strong operating system and quality software. I have no bad experiences working with Kaypro. The company is not going to disappear."

Ironically, Kay finds many stores use Kaypro advertising as a loss leader to attract customers to higher-priced computers — IBM's, for example. Kay admits

IBM has a natural advantage because of its size and reputation.

"Purchasing agents who know little about computers buy IBM for reputation alone," says Kay. "No one every got fired for buying an IBM."

Yet he believes Kaypro's low-price and full-feature system can carve out a healthy

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niche in the marketplace.

"We are really able to stand up to IBM for many years to come," he says. "We have a tremendous backlog in the Kaypro 10 [a hard-disk portable computer]."

Kaypro refuses to sit still in the battle against Big Blue and others. In November the firm introduced a new computer system and several enhancements to its existing line.

The newest Kaypro computer, the Robie (see Vol. 5, No. 49), has many of the features of previous Kaypros, such as bundled software packages, a 9-inch display and a detachable keyboard. Unlike the others however, Robie will include two double-sided, high-density disk drives capable of storing a whopping 2.6 megabytes each. The machine also comes with a built-
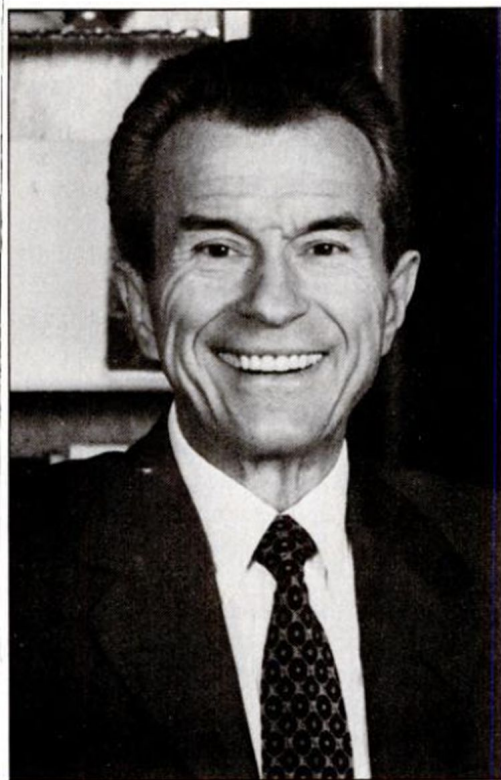
Andrew Kay

in 300-baud modem and has one of the smallest "footprints" of any business computer — $10 \times 10 \times 14$ inches (footprint refers to the amount of deskspace a computer takes up). Kaypro plans to market the Robie as a low-cost business computer, rather than stress its portability. Robie will be in stores by the first quarter of 1984 at a retail price of $2295.

The firm has also announced 16-bit upgrades of both the Kaypro II and Kaypro 4 models. The Kaypro II Plus 88 and Kaypro 4 Plus 88 allow users to run their choice of 8-bit CP/M or 16-bit MS-DOS software. Existing Kaypro II and 4 machines can also be upgraded by adding a Plus 88 board ($1999 and $2195 respectively) to their systems.

Kaypro also recently introduced KayLink, a software product that with minor hardware modifications allows Kaypro computers to communicate with larger mainframes and minicomputers; and a networking product called KayNet.

On the distribution side, American Express plans to add Kaypro computers to its direct-mail list of products sent to chief executive officers of 235,000 client companies. As an inducement, buyers will be given a one-year service warranty.

In a crowded industry where the term *shakeout* is mentioned as a question of not if, but when, Kay is confident Kaypro will ride the storm.

"To sell windmills," he says, "you have to be a pretty good salesman." ●

Kathy Chin, InfoWorld reporter, contributed to this article.

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