

# StorageTek trims price of new drive in wake of IBM cut

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By SUSAN SMITH  
Camera Business Writer

Just how rough is it in the computer business these days?

One indication is that Storage Technology Corp. already has slashed the price of its newest memory device, which has yet to roll off the assembly line.

The 8380E disk drive, which stores twice as much data as its predecessor, listed for \$108,200 when it was announced earlier this year. A reduction of 11 percent, announced Tuesday, will bring the price to \$96,200. The drive is expected to be shipped to customers in June 1986.

The Louisville company also on Tuesday reduced the price of upgrading earlier model drives from \$45,050 to \$42,800.

The 8380E, a "double capacity" drive, can store 5 billion characters of information.

Storage Technology's price cut was in response to IBM's announcement last month that it would reduce the price of its double capacity drive, the 3380 E, by about 10 percent. It did not surprise analysts, who are used to price cuts by IBM's competitors after price reductions by the industry leader.

"IBM has cut prices and STC has to follow," said analyst Peter Lowber of The Yankee Group in Boston. "It's an indication of the kind of pressure STC is under in the market. They're behind the 8-ball."

Lowber was referring to the fact that IBM's market share of high-performance computer storage devices has grown from

20 percent four years ago to 80 percent today. This makes it tougher for IBM's competitors, known as "plug-compatible manufacturers," who must sell their equipment for less than IBM to survive.

"They're already against the wall in terms of profits," Lowber said, and price reductions by IBM "make things even tougher."

But Fred Moore, Storage Technology's manager of worldwide product marketing, said there's plenty of profit margin left in the 8380E, despite the price reduction.

"Any time we do market requirements we bake in several IBM price reductions," he said. "This doesn't change the business case."

IBM began delivering its double-capacity drive last fall, and chose to reduce its price to spur sales weeks later. Analysts had expected that price reduction to come four or five months later than it did.

"For IBM to cut its prices after 10 weeks is colossal," Moore said. "It's usually at least a year before it starts a price erosion."

But as far as Storage Technology is concerned, IBM's early price reduction has been offset by the fact that the 8380E is two quarters ahead of schedule, Moore said.

He said this is not the first time Storage Technology has been forced to reduce its price before a product's delivery, but described this situation as "uncommon."

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