

# I. B. M. READJUSTS PRICING FORMULA

To Make Separate Charges  
for Hardware, Software  
and Customer Education

MOVE IS TIED TO SUITS

Revision Is Seen as Forcing  
Change in Other Areas  
of Computer Industry

By WILLIAM D. SMITH

The International Business Machines Corporation announced yesterday a new pricing formula for its computer equipment and services in a move that is expected to cause a major restructuring of the rapidly growing, multi-billion-dollar electronic data processing industry.

The giant computer manufacturer said it would now charge separately for computer hardware, software and customer education. In the past, the company had charged one inconclusive price that covered both equipment and services.

Since I.B.M. controls more than 70 per cent of the computer market, the move is expected to force changes in pricing practices of most other major segments of the industry and, in the long term, possibly alter the basic ground rules of the data processing business.

The changes will result in a 3 per cent reduction in computer lease and purchase prices. This is considerably less than many industry observers had anticipated.

Last December, I.B.M. said it was studying its pricing schedule and would announce changes during the summer. At that time, some informed data processing sources had predicted a price reduction of between 10 and 15 per cent.

## Pricing Formula

I.B.M.'s pricing formula is closely tied to its five-front antitrust court battle. Although I.B.M.'s announcement in December preceeded any of the antitrust suits, all five complaints charged, among other things, that I.B.M.'s single-package pricing had harmed the development of competing suppliers in the various segments of the computer market.

These charges were vigorously denied by I.B.M.

Two of the complainants, the Justice Department and the Control Data Corporation, declined to comment on I.B.M.'s price move. The three others, the Data Processing and Financial General Corporation, Applied Data Research and Programatics, said the pricing change would not alter the status of their suits.

I.B.M.'s announcement yesterday stated that certain systems engineering activities, most future computer programs, or machine instructions, and most customer education courses previously furnished without charge will now be offered at a price.

The changes will be effective immediately for new orders and will become effective Jan. 1 for customers who have ma-

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chines installed or on order.

I.B.M. said that the 3 per cent reduction to computer hardware prices reflected the company's approximation of "those marketing expenses which will no longer be provided for in prices of currently announced equipment."

Martin Goetz, vice president of Applied Data Research, one of the trust complainants challenged this figure. He commented, "3 per cent is nowhere near true software costs when marketing expenses are included."

The I.B.M. announcement said "This new method of doing business by the company's data processing division does not represent a general price increase or decrease. The effect upon individual customers will vary. Many of I.B.M.'s customers will be able to take advantage of the full amount of the equipment-price decrease, while others will find their costs of data have increased, although their payments to I.B.M. will not necessarily increase.

"I.B.M. does not anticipate an increase in its revenues over the short term as a result of these actions."

Most of I.B.M.'s major competitors, the other computer manufacturers, declined comment pending a full study of the announcement. The Burroughs Corporation, however, which had already instituted separate pricing in a limited fashion, said it would, at some time in the near future, extend the new pricing concept to its full computer line.