digital INTEROFFICE MEMORANDUM

TO: Operations Committee

CC: Paul Bresnahan
        Fred Gould

DATE: 2/14/72

FROM: Bill Thompson

DEPT: Planning and Information

SUBJ: The future of the PDP-16

History: The PDP-16 (originally called a Register Transfer Module) was introduced at the IEEE show last spring. The decision was made hurriedly and at the time of introduction no material was available either for the customer or our salesmen. Later a broad appeal was made to the Sales Force to come learn about the PDP-16 -- it fell on deaf ears (4 salesmen responded). The product therefore has received very little knowledgeable sales time. The sale of a PDP-16, however, requires technically oriented salesmen who appreciate what a "hard-wired" system can do for a particular customer application. We do not now have many salesmen so trained.

Present: To date we have sold PDP-16's to 17 customers. Although we view the 16 as a computer the vast majority of these sales and potential future sales are as controllers, interfaces, and pre-processors. The selling effort has been limited (not from choice) to two U.S. regions plus in-house marketing capability. This level of attention dictates that the product will not break-even until late FY'73 at the earliest. It also raises the question of technological obsolescence before volume production is attained.

Problems: There are two Key problems which require resolution:

1. Market
To date we have not selected any vertical markets to exploit. Instead we have aimed our efforts at the total OEM - end user market. Since the product requires a degree of user sophistication we have not been able to develop a customer base.

The product line should develop a clear plan of who they wish to sell and what their product is. The distinction between whether the product is the lower end of the computer OEM market or the top of the components market is important.

2. Method of Selling
How to effectively reach the customers has not been answered. The present approach will not work, nor will the PDP-16m , in getting proper sales attention. The PDP-16 has the same problem that the PDP-14, K-Series, and Logic Products has in getting knowledgeable sales attention.

Logic Products is attempting to solve the problem with Field Marketing Representatives. This may be a solution but it is not viable for each Product Line. I propose that these Product Lines develop a co ordinated approach to the Field Sales Force to identify salesmen who desire and are qualified to sell components. These men would both develop their own leads and follow-up on leads fed from "computer" salesmen.

The future of the PDP-16 (cont)

Conclusion: After discussions with many people I have concluded there is a market for a hard-wired controller and that we have a good product which can be profitable in volume. We do not have a viable plan to market and sell our product. If the Product Line cannot convince the Operations Committee that it can find one, it should be stopped.

Attached for your information is a revised FY'72 plan developed by Finance. It predicts that in the last six months of this year we will have a Product Line Loss of $ 83K rather than a Product Line Contribution of $166K. Also included for your information is the status and potential of all customers now identified. This report was prepared with the complete co operation of both the PDP-16 Product Line and Stan.

lk

PDP-16 Projected FY'72   Current Budget and Projected Results

	First Half Actual	Second Half Budget	Second Half Projected	FY'72 Projected
Gross Equipment Sales	125	820	334	459
Discounts	14	80	34	48
Net Sales/NOR	111	740	300	411
Manufacturing Costs	65	286	100	165
Other Costs of Sales	8	7	2	10
Cost of NOR	73	293	102	175
Gross Margin	38	447	198	236
Marketing	89	92	92	181
Selling	108	69	69	177
Advertising	33	40	40	73
Engineering	68	80	80	148
Product Line Expenses	298	281	281	579
Product Line Contribution	[260]	166	[83]	[343]
Increase in FY'72 Loss				[249]

P. Bresnahan
2/14/72

Gross Equipment Sales for Second Half Fiscal '72 (Projected)

(A) Expected Sales* to Customers Already having some PDP-16 Bookings

(000 omitted)

Customer	Application	Projected GES for 2nd Half FY'72	Projected FY'73	Yearly Potential	Comments:
Applied Data	– Disk Controller	–	–	80	
Autoelectron	– OEM – ?	6	–	50	
Datatype	– OCR Code Converter (Preprocessor)	51	100	250	Shaky
Dupont	– Blood Analyzer Interface				
	– Blood Analyzer Controller	35	150	500	
Education	– Various	–	30	150	Mail Sales
ICON/USM	– Insertion Machine Controller				
	– PDP-8 Interface				
	– Robot Controller	35	180	250	
N.B.S.	– Tire Tester	2	–	–	
Simplex	– Controller for Alarm & Security Systems	32	85	100	
Spacerays	– Lazer Controller	5	50	50	
		166	595	1430	

(B) Solid Prospects with No PDP-16 Bookings to Date

Customer	Application	Projected GES for 2nd Half FY'72	Projected FY'73	Yearly Potential	Comments:
Amp Inc.	– Insertion Machine Controller	12	–	–	
Boynton	– File System Controller	8	80	80	
Data Royal	– PDP-11 Preprocessor	19	–	–	
Fort Huachuca	– PDP-11 Peripheral Controller	20	–	–	Potential of 400 Systems
GE	– Guage Controller	22	70	70	
Kayray	– Furnace Controller	10	100	100	
Rohr Corp.	– Crane Controller	14	–	250	
Systemation	– TV Circuit Test Controller	18	130	130	
Teleci	– Motel Switchboard Controller	–	10	420	
		123	390	1050	
(C) Other Prospects – Not Solid		25	100	?	
(D) January Sales		20	–	–	
TOTAL Gross Sales Estimate		334	1085	2480	

DEC People Involved in Discussions on PDP-16

Gordon Bell

Paul Bresnahan

Jack Courtemanche

Al Devault

Fred Gould

Bill Hogan

John Jorgensen

Stan Olsen

Paul Pouchak

Bill Thompson

Geoff Shingles

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