

TO: Nick Mazzaresse
Win Hindle

DATE: August 9, 1971

cc: Operations Committee
Bob McInnis

FROM: Al Devault

DEPT:

Sent 8/30/71

SUBJ: RSX INDUSTRIAL PRODUCT LINE

During the reorganization early in July, Nick asked me to study RSX-15 as an industrial product in depth. I promised to have an answer to him by August 15. I have arrived at my conclusions earlier than that, after a concerted effort to remain open minded on this subject.

I believe that the investment required to make RSX-15 an industrial product far exceeds the benefit to the corporation in the short term and definitely, is a bad investment in the long term. (Ref. P & L statement, table 1). An attempt to define the product was made at our Industrial Council Meeting of July 28 with the following result.

1. RSX - 15 Industrial is a PDP-15 system with control processor and peripherals and at least one of the following peripherals.
 - a. UDC
 - b. AFC
 - c. AD-15 (ADF-15)
 - d. Special Industrial Front End
2. Sales of these systems for use in production development (pilot plant) as opposed to product research (Laboratory) and system installed in production applications in plants.

The facts are as follows.

1. Only 2 of the 22 RSX sales in FY71 could possibly be construed as industrial in nature based on our definition.
2. Although the hardware (AFC, UDC, AD-15) is complete and documented, the general RSX software is not. Phase II of RSX was planned (by me) to be cut back, but customer commitments by the PDP-15 product line do not allow this. (Background/foreground, task protection, background batch (Goodyear, AFC/UDC handlers, Power Fail, improved FORTRAN, and many others). The programming department estimates that over \$100 K is necessary to honor these commitments.
3. No trained industrial sales force. The majority of the Q1 and Q2 sales expense money must be spent in training. For a product with 1 1/2 to 2 years to live this is a bad investment.
4. The original budget as submitted did not include the shared PDP-15 engineering (96 project) money. This significantly changes the contribution picture. (Reduction from 20.8% to 14.9 %)

5. Examination of the shipments and backlog based on ground rules established with Nick result in \$358 K Table 2 (not all shippable in Q1) rather than > \$900 K as contained in the accounting backlog.
6. Bookings projections (see table 3 sales activity) and backlog do not indicate anywhere near the bookings level in the original budget. Even in conducting surveys with individual salesmen have failed to produce any optimism. Attached are two budgets. One revised by me as of 7/26/71, the other my best guess of 8/2/71.

A conflict is apparent in bookings since a product called LAB RSX exists. (I believe the budget for that product is included in the PDP-15 budget.) Bookings will end up being an armed camp conflict with this product.

PROPOSAL

1. RSX-15 Industrial ceases to exist as a product to be handled by the Industrial Group. All RSX sales be handled by the PDP-15 product line.
2. All engineering expenses and people be allocated to the PDP-11 Industrial efforts (RSX-11 B, C, and D). This should help speed up those products to the marketplace.
3. The marketing expenses be allocated to the Industrial group to insure that RSX-11 products meet the market needs.
4. All advertising be curtailed and the expense defrayed.
5. Any other fixed expenses solely for RSX-15 industrial be dropped, and the product sold only in the Lab area.
6. No support for RSX comes from the Industrial group with the exception of passing on leads and opportunities. Some engineering assistance will be necessary to support the AFC-UDC equipment but must be charged to the PDP-15 product line.

In summary, I believe that this is not a good investment because of its almost non-existent short and long term return. If the decision is made to retain this product in the industrial area, I will not manage the product because of my strong feelings that the resources should be applied in other industrial areas.

TABLE 1

FY 72

REVISED RSX-15 INDUSTRIAL BUDGET

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>TOTAL</u>	
(1) BOOKINGS (NET)	512	1060	750	1300	3622	
(2) NOR	509	545	1091	781	2927	
(3) GROSS MARGIN	209	250	543	386	1388	47.5%
(4) PRODUCT LINE MKTG	23	23	23	23	92	3.2 %
(5) SELLING	70	99	94	114	376	12.9 %
(6) A & SP	7	10	10	10	37	1.3 %
(7) P/L ENGR.	113	120 ^①	110*	100*	443	15.2 %
(8) CONTRIBUTION	(4)	(2)	306	139	439	14.9 %

\$174 K NET REDUCTION IN CONTRIBUTION

① Software increase, combined with shared PDP-15 Engineering reductions

* Estimated

REVISED 7/26/71

TABLE 2

RSX-15 INDUSTRIAL BACKLOG

(BY ACCOUNTING RECORDS)

<u>CUSTOMER</u>	<u>VALUE</u>	<u>IND. HARDWARE</u>	<u>MARKET</u>
✓ P. P. G (2)	\$226,004	CSS	IND.
F. O. A	\$84,628	NO	UNK
UTRUST	\$77,010	NO	UNK
✓ CHI. BRIDGE	\$38,700 *	CSS	IND.
UK GAS BOARD	\$75,040	NO	IND.
TRANSFILE (3)	\$275,900	NO	Commercial
DESY Hamburg	\$200,690	YES	Research/Physics

(BY PDP-15 RECORDS)

✓ SOLVAY	\$93,532	YES	IND.
SAAB (2)	\$145,685	NO	UNK.

TRUE BACKLOG (Not all shippable in Q1)

P. P. G \$226,004

CHI. BRIDGE \$38,700

SOLVAY \$93,532

 \$358,236

SHIPMENT BUDGET Q1 = \$509 K

TABLE 3

		FY 72	RSX INDUSTRIAL			Revised 8/4/71
		Q1	Q2	Q3	Q4	TOTAL
(1)	BOOKINGS (NET)	250	375	600	750	1975
(2)	NOR	200	250	375	600	1425
(3)	GROSS MARGIN	95	119	178	285	677
(4)	PRODUCT LINE MARKETING	23	23	23	23	92
(5)	SELLING	70	99	94	114	376
(6)	A & SP	7	10	10	10	37
(7)	PRODUCT LINE ENGINEERING	113	120	110	100	443
(8)	CONTRIBUTIONS	(118)	(133)	(59)	38	(272)

TABLE 4

RSX SALES ACTIVITY

<u>CUSTOMER</u>	<u>SALESMAN</u>	<u>COMMENTS</u>
DUPONT Savannah River	Ken Stevens Atlanta	RK15 disk cartridge Comp. SEL 810B Already bought PHA/RSX system (No- bid 7/30/71)
SANDIA	Cecil Kimberling Albuquerque	Ind. Application No DEC Front End (research?)
ARMSTRONG	Bob Heidel Philadelphia	System Responsibility Required for Hardware and Pattern Recognition Software (research)
LABORELEC	Michel Dawance Brussels	Power Network Distribution OEM: Landis & Gyr (Zurich) Comp. Westinghouse - ACEC Ferranti TWX to John Naples
GENERAL MOTORS (Cadillac)	Marty Peters Ann Arbor	1130 Replacement Spec Difficult
MONSANTO	Lee Saylor Chuck Smith Houston	UDC - AFC Equipment Special Discount 13.5% discount on \$132 K system, same for follow ons
CORNING	Bill Gabrielson Rochester	(Research)
Hamilton Standard	Dave Cotton Connecticut	
FORD MOTOR CO.	Maury Katzman	Conflict with RSX Lab? (Research)

TABLE 4 continued

<u>CUSTOMER</u>	<u>SALESMAN</u>	<u>COMMENTS</u>
ESSO RESEARCH New Jersey	Tom Duffy	Possibly handled by Alex Labatos now. (research)
CORNELL Aeronautic Lab Buffalo	Al Olheft Rochester	RSX Industrial ? Problem areas: - special interface to H-316 - RK15 cartridge - swappaing a la Rick Cook (research)
GENERAL ELECTRIC Lynn	Dan Riordan Waltham	Has been going on for more than a year.
SNAM PROGETTI AGIP Group Italy	Aldo Meneghelli Milan	Quote just came in July 14
CLEVELAND WATER DEPARTMENT	Bob Greenbaum Cleveland	
SUN OIL Dallas	Larry Alexander	P.O. by Dec 1971 ?
WESTERN ELECTRIC Denver	Dick Hill	No Information
WADCO	Dick Eppler Seattle	Reactor Automation Physics ? Lab RSX ? Q1 - Q2 possible (research)