



Oral History of Richard W. Thatcher, Jr.

Interviewed by:
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Richard W. Thatcher, Jr.

Conducted by Luanne Johnson

Abstract: Richard W. (Dick) Thatcher, Jr. describes how he and Walter Brown founded Atlantic Software in 1968 to broker software products. Their intent was to approach companies that had significant investments in software developed for in-house use and offer to help them recoup that investment by packaging and reselling the software. The concept didn't pan out so they negotiated an agreement to sell Score, a report generator product developed by Programming Methods, Inc. (PMI) but then had to abandon that idea because their agreement provided for royalty payments to PMI that were too high. They then purchased project management software from a company that had developed it but wasn't interested in marketing it and were very successful with that product. He describes the challenges facing a software products company in the late 1960s and early 1970s and how they learned through experience to increase their prices and their level of support. He discusses early efforts to organize the software industry and the roles that ADAPSO and Larry Welke's ICP publications played in developing the industry. Atlantic Software was sold to AGS Computers in 1982.

[Editor's Note: This interview was conducted during lunch at an ADAPSO meeting in Houston, Texas.]

Founding Atlantic Software

Luanne Johnson: I'd like to hear the story of the founding of Atlantic Software.

Richard Thatcher: We formed the company to do two things. One was to do routine professional services work. And the second we figured would be a solid revenue base.

Johnson: What was the date?

Thatcher: We started January 1, 1968. The second business was to broker software products. Not create our own. To broker products.

Johnson: You formed Atlantic Software specifically to broker products?

Thatcher: To broker products. We were going to be a grocery store of software products. And our angle, which was a phenomenally creative thing, was that we would go to major companies who had spent millions of dollars investing in and creating software applications and appeal to them to get a significant return on those products as applications by letting us package them and market them for them. Wonderful idea, brand new idea.

At the time we were putting that idea together we thought it was so unique and so clever because nobody had ever done it before. And about two months, maybe three months, before we officially opened, Bob Head, who was fairly well known in the business, formerly with CSC, opened his own company in California called Software Resources to do exactly the same thing. And we really were pissed. Because he beat us to it. Turns out that we were both dead wrong. But he beat us to it.

Johnson: You were dead wrong in the sense that it wasn't feasible to package software?

Thatcher: Exactly. The fact of the matter was that the software systems that were created by users were not packageable and resellable at that time. We looked at a lot of them and promoted a few of them. We then decided as an alternative strategy to go to a software company who had built a package, had sold it a few times, had a reference base, but really weren't that excited about selling software.

Johnson: By a software company, you mean like what I would call a professional services company.

Thatcher: Exactly. And that's how we got our first successful package which was Score. We got that package from Programming Methods, Inc. (PMI) in New York. And if you want to hear an interesting story, the President of Programming Methods was a guy named George Langnas. At that time Programming Methods had sold the company to another firm. But Programming Methods grew and was very successful. And ultimately they were sold to GTE. Then GTE, when they screwed up the business, sold Programming Methods to Informatics. So George was in several hands by that time. He decided to leave the whole operation and start another business. This is an aside now.

Johnson: That's all right.

Thatcher: And he started Lambda Technology which he built up and sold to GE for a bundle. Once he sold that, he left that and started another business which he has now going in professional services. I forget the name of it.

Johnson: What's his name?

Thatcher: George Langnas, L-A-N-G-N-A-S. Very few people know George but he's got to be one of the top two or three most successful people ever in professional services. I just saw on the roster that George is here at this conference.

Johnson: Oh, yes?

Thatcher: The first time, ever representing somebody called Video Systems Technology or something like that. Anyway, I've got to look George up. He is a very unique guy. He and Frank Casagrande have been partners for years. They sold Lambda and then they started another company and built that up. Anyway, they ran PMI at the time. They owned Score and we packaged that up and sold it 300+ times.

Johnson: Is "we" you and Walter?

Thatcher: Yes. Walter Brown and I started the company January 1, 1968. We worked together in a prior company. Prior to that, we worked for IBM.

Score was very successful product, a tremendously successful product. There was only one problem. I think we were one of the first companies to learn that you cannot be successful selling software for somebody else and giving up 50% royalties to the owner. Because it's a sure way of death. So we were selling a fortune and they were up there in New York having a wonderful time just collecting those checks for \$30,000, \$40,000, \$50,000 a month.

Johnson: Opening the mail and depositing the checks.

Thatcher: Yes, it was just wonderful. All they did was collect checks. And we were breaking our ass and barely making a profit. So we went to them and tried to renegotiate the deal. And they made a very big mistake in our view. They said, "No, we like the deal the way it is." And we said, "Well, we're disappointed but that means that ultimately we have to get out of

this. So either we're going to have to phase this thing out or you're going to have to buy us.” They declined to buy us.

So we decided at that point that we had to become owners and specialists in a particular area which is how we got in the project management business. Now, the culmination of all these activities took place in 1971 when the world was coming to an end economically. And we were almost coming to an end economically. We were on our way out of the business.

Early Software Industry Organizing Efforts

And that was the time I went to the meeting in Denver with [Larry] Welke [of ICP] and [John] Imlay [of MSA] and [Tom] Nies [of Cincom] and that crew. That was a wonderful meeting. A list of the people who were at that meeting would be just an absolute gold mine. Marty [Goetz of ADR] was there. I don't think Informatics was there.

Johnson: [Referring to notes] There was an ad hoc meeting of software companies on October 22, 1971. Was that the one? These are from with Jerry Dreyer [President of ADAPSO]'s minutes.

Thatcher: Sounds like it. Where was it?

Johnson: I don't have that on here. Larry Welke, Richard Somebody from National CSS. I can't see this in this light.

Thatcher: Oh, I'll tell you who it was. The guy who was the founder of NCSS, Dick Orenstein.

Johnson: Okay. Paul Carlson from American Information Development Corp, Dick Thatcher, Dave Willis.

Thatcher: Dave Willis from DataComm who sold his package to ADR. They're here in Houston.

Johnson: John Nelson of GTE, Joe Piscopo [of Pansophic Systems] , Jim Porter, Paul Rosenthal. Jim Porter was with United Systems International

Thatcher: No, he was with the company that was eventually bought by Informatics in the insurance business.

Johnson: John Imlay attended that meeting but MSA was in Chapter 11 at the time.

Thatcher: That was a wonderful group, wonderful group.

Johnson: [*Still referring to notes*] And then there was an organization of software companies called AISC [Association of Independent Software Companies]. In June of 1972, AISC was acquired by ADAPSO.

Thatcher: Correct.

Johnson: That group was Marty Goetz, Herb Wright of Computation Planning, Ken Brooks of Dynamic Data Services, Fred Ire, Compress. Compress is one that's been around a long time.

Thatcher: That's right.

Johnson: Tom Merrill of Computer Corporation of America, Pleasant McBride, Wayne Shelton, Planning Research, Bill Wolfe of Computer Business Management. Anyway, that's just from a telephone conversation with Jerry. I haven't actually had seen those minutes yet.

Thatcher: Exactly, exactly. Anyway, from there we grew a little project management, products and consulting business and eventually sold it to AGS, about ten years later. I think my real knowledge of the business, however, came not only from my own experiences. We were always a small company. But the real knowledge of the business and what went on in the business came from being in ADAPSO where you get to meet people from companies of all sizes and all shapes and you saw what was going on.

Focus on Software Products

Johnson: Did you continue to have a professional services function?

Thatcher: No.

Johnson: At what point did you become just a software products company?

Thatcher: When things got very tough, we gave all of our professional services people four weeks notice and placed them. Actually we were able to place them all with our clients.

Johnson: Was that in 1971?

Thatcher: Yes, and we decided we were going to be in the products business. Also in the latter part of 1971, when things were pretty grim Walter said, "I've had enough. I'm leaving." So he left. And we started in 1972 with three people and then just kind of built from there. Bit by bit we made our way back and we grew to a respectable size and sold.

Competitors

Johnson: Who was your competition back in those early days when you were first selling products?

Thatcher: Our biggest competition was a company called International Systems. They were eventually the company we combined with when we were acquired by AGS because AGS also acquired them. They were our biggest competition.

Johnson: Was that in the early days too?

Thatcher: That was for a long time. They were actually in the business before we were.

Johnson: Oh, they were?

Thatcher: Yes, I offered to buy them and they didn't want to sell.

Johnson: International Systems.

Thatcher: I offered to buy them and take them over. They didn't want to sell.

Johnson: Were they a professional services firm that was selling products also?

Thatcher: I'll tell you how ironic it is. All the guys who started International Systems, all of us worked together at a prior company. And the package they built was based on a design done by Walter Brown. There were several consultants that started that company. They

worked for Walter. They took his design and created a package out of it. And that was our major competition. So it was very interesting. Everybody knew each other.

Johnson: Where did your products come from? You didn't develop them, did you?

Thatcher: No, we didn't. We bought our first one. The best way to get into the business was to buy a proven product. So we bought a package from a couple of guys in Chicago.

Johnson: This was the project management system.

Thatcher: Right. They had 17 or 18 clients. We evaluated the package a little bit, struck a deal with them. They wanted to get out of the business.

Johnson: They were in essence a professional services company?

Thatcher: They were in products but they were tired. So we struck a deal with them. It was a rather interesting deal. We agreed to pay them royalties up to a maximum of \$40,000 for the package.

Pricing

Johnson: I want to talk about pricing. One of the things that was really fun about going back through the ICP directories was the fact that nobody had any prices listed. Two-thirds of the stuff that was listed said prices available on request. Why were you so reluctant to put the price in the directory? What was behind it?

Thatcher: I think because you thought you were being clever vis-a-vis competition. It wasn't that you didn't have a fixed price. We had set prices.

Johnson: You did have set prices?

Thatcher: Oh, yes. Absolutely had set prices. Consistent prices for all clients. I think it was just a question that we didn't want to let competition know what our price was. But, of course, they could find out.

Johnson: All they had to do is ask the customer that you sold it to, right?

Thatcher: Exactly. It was childish.

Johnson: Then the interesting question is: how did you arrive at your prices?

Thatcher: Very creatively. The guys we bought the product from were selling at a certain price. So we started at that. That price was \$4,500. And, basically, we raised the price a couple of thousand dollars every three to four months.

Johnson: Okay, so you picked up the price that they had established. You figured they knew what it was worth.

Thatcher: Well, eventually when the market got active we obviously priced it vis-a-vis competition. Eventually the product got to be \$35,000, \$40,000. Sometimes \$50,000.

Johnson: The guys that were selling the competing package that had been based on Walter's design, was that a comparable price?

Thatcher: Similar price.

Johnson: Do you have any idea how the guys that you bought the package from came up with that price?

Thatcher: \$4,500?

Johnson: Yes.

Thatcher: I have no idea. Of course, when they were selling that package IBM was still bundled. And my guess is they felt that was a pretty big price. I think what they really found out was it was too cheap.

Johnson: I remember once having a discussion with Larry Welke years ago about the whole pricing question. Because people were coming at it from two different points of view. There were the ones that were coming at it from the point of view of the more typical manufacturing approach as to what it cost to build it and support it. Then you figure out what your profit ought to be and double that and then you figure out what your price is.

But then there were the people who were pricing it based on what it would take the customer to create that product for themselves which was a totally different way of coming at it. Based on the perceived value of the product as opposed to the cost of producing it.

Thatcher: Well, of course, everybody pitched that way. I've got printed handouts going back to the old days, early promotional pieces which show the cost of in-house development and so many person days doing this. I think it was still man days in those days.

Johnson: It probably was.

Thatcher: So it would take you 1,800 man days to build an equivalent system or something like that. I've still got some of that stuff down in the archives which I meant to dig out before I came here. Because I had some stuff going back to 1968.

Johnson: I just thought of a story that Welke told me years ago about somebody – I don't remember who, but somebody in the industry priced his software product as the same price as a Lamborghini. Because when he sold the first one he was going to buy himself a Lamborghini. So that's how he did his pricing.

[Laughter]

Thatcher: I like that. Well, of course, the guy who blew the whole world about price was [John] Maguire [of Software AG]. He took all the concept about prices and said to hell with it. I'm going to charge an outrageous sum of money and it's worth it. And he made it stick.

Johnson: Informatics went through a process where they hired [Dick] Brandon to do market research for them. And they had this range of prices starting from how much is it costing us to do this at one end and how much is the perceived value at the other. Then they kind of split it down the middle.

Thatcher: Was it for Mark IV that he did the research?

Johnson: Yes.

Thatcher: That was the first theoretical market research pricing job I think that was done. And Mark IV was the first really major software success. Some of us were selling quantities of stuff. But it was the first really big success.

Johnson: Mark IV was. They've got it nicely documented too. They've got a history of Informatics that they hired an historian to write and they got a lot of good information.

Thatcher: It would really be great if you could get John Postley to sit down and talk to you.

Johnson: I did. I had a great time with John.

Thatcher: So you know John. It was really a remarkable story. They had a unique situation and the only thing they weren't able to do was continue to extend it. But they extended it a pretty long time.

First Company Formed to Market Software Products

Johnson: I'm trying to figure out which was the first company that was formed with the idea of marketing software products. Do you know of anybody that was out there before you that was started with the idea of marketing software products? The other guys started in other businesses.

Thatcher: Head's company, Software Research, was before us by a few months. How did ADR start?

Johnson: Well, ADR was professional services with a lot of government contracts and so on. They were also doing a lot of compilers like RCA compilers, and so on.

Thatcher: Well, what about Cincom? How did they start?

Johnson: I think they may be the one. You weren't pure product though because you had professional services.

Thatcher: We started the business as products and professional services. So it was really pure both.

Johnson: Well, you certainly were one of the first ones.

Thatcher: Cincom did some consulting work, too.

Johnson: They did?

Thatcher: They were into products damn early, pretty damn early.

Johnson: I don't know enough about the origins of Cincom.

Thatcher: Something that very few people know and even less can truly believe is that at one point in the late 1960s, Tom Nies and Milt Brice, who has an ego at least as great as Nies' if not greater, were the two partners in the Cincinnati Computer Company which was the forerunner of Cincom. Hence the name. Those are two egos who could have not coexisted in California let alone Cincinnati.

[*Laughter*]

Johnson: Okay, so Cincom was originally Cincinnati Computer Company.

Thatcher: Right. And actually Tom has mellowed over the years and I like Tom now. But in those early days he wasn't a very likeable guy. Tom would be a wonderful guy to talk with. He really would.

Johnson: I've got him on my list.

Thatcher: I'm sure he'd be happy to talk with you. Just call him up and tell him what you're going to do. Just tell him Larry Welke, Dick Thatcher, a few other guys think he would be wonderful to be interviewed because he has unique insights and unique experiences that nobody else has. He'll be there. He's a pretty good guy now.

Challenges Faced by Early Software Companies

Johnson: Since I got into research from the perspective of the impact of the unbundling, what I want to talk about is what you perceive were some of the problems that software companies were facing in the early days. Whether you perceive that the competition from IBM was a major problem or whether there wasn't a bigger problem from the resistance of customers to the whole concept of buying software products.

Thatcher: Well, I think it depends on what kind of products you have. I think for anybody selling application products, IBM was not a problem. Because they were not selling application

products in any major way. And what they were selling as application products were not great competition. The systems products people had a different view. And I think that if you talked to Marty or talked to Dave Willis or you talked to John Cullinane you'll get a different view.

Johnson: They had a much stronger perception that IBM was really a competitor.

Thatcher: Exactly. Although frankly, we had kind of a systems products in Score. And the issue wasn't IBM for us. The issue was a user buying software packages as opposed to building his own thing. That was the big issue. In the early days, one of the reasons the tools like Score and like Librarian and those kinds of things sold better, I think, is because clients never conceived of building those things for themselves.

Johnson: What was Score by the way?

Thatcher: Score was a report generator, Cobol generator, file generating system. It was a tremendous product. Basically you fed it a stream of data. You could manipulate that stream of data and create reports. It would also at the same time generate a permanent Cobol program for permanent cataloging and reuse. So it was not only an executable system but it generated a Cobol program for you. It was a terrific tool, a good product.

And, amazingly, I believe there are still people today using the damn thing. That product has gone through – let's see, it went from PMI to us to Informatics, and ultimately Jay Goldberg bought it. He was the fourth hand to take that product and sell it. I mean, it has to be some kind of a record. Four different companies selling the same product. When Jay bought that whole package of stuff from Informatics he bought Intercom and Score and some other garbage. I don't know who markets it, if anybody anymore. Probably it's a dead issue by now.

The tools people, I think, had more of a jump because users would not conceive of building their own. In contrast, the people who sold applications systems had a little bit rougher time of it. Because clients would say, "Well, wait a second. I don't want to buy your payroll system. I'll build my own."

Johnson: I can remember very specifically that it was late in 1973 when I suddenly realized that I was selling against other products as against people's perception that they could do it themselves. And I was delighted. Now it's was really a matter of selling on the basis of features, the price per feature, and so on. I remember very clearly when that happened.

Thatcher: The applications business was a much tougher ballgame. Which is one of the reasons we were in the tools business.

Johnson: Was that a conscious decision?

Thatcher: Yes, it was a conscious decision. Interestingly, if you look at what happened in Europe years later when products were taken into Europe, the same cycle was repeated. The most successful products in Europe were the tools, especially the systems software tools. And eventually applications came on. The same cycle was repeated in Europe and other international markets. The data base guys and the systems software guys were far more successful early on in international markets than the application guys. Eventually the application guys caught up.

Johnson: So the impact of IBM unbundling may have been much greater in the sense of legitimizing software as a product more than in competition in the price area.

Thatcher: That's my feeling.

Johnson: What do you think is the most interesting thing about the industry and the way it developed?

Thatcher: Well, I think in those days you didn't realize what a unique and embryonic experience it was. Because everybody was struggling to survive. Ask the wives. See the look. When you're traveling five days a week trying to make a sale. You know. You went through it. But looking back we were – the guys in the ballgame in those days were the guys who started the industry.

Johnson: One thing that struck me is how many things that were done, decisions that were made on the fly that kind of ended up being industry standards. That's the way we've always done it kind of thing. Talk about the decisions you made in terms of support and what the product was other than code itself. How did you decide what constituted a software product?

Thatcher: Early on I think our idea of support was as little as necessary. And eventually our philosophy changed dramatically to provide as much as possible that we could get economic value for. Mainly out of necessity because we just didn't have the staff. We'd sell products to TWA or somebody like that. We had three people. Now, how the hell are you going to give them any support?

You'd be out giving a training presentation and they were having problems loading the system. So you had to stop the training presentation and the guy would go down and help them load the system. It was that thin.

Johnson: One of the criteria I had for how Cobol should be written was that it was written to keep the phone from ringing.

Thatcher: That's good. That's good.

Johnson: The idea was that you'd have a programmer maintaining a system in-house. Something goes wrong. He'll open up the program and look at it. And the first time through if he thinks he can understand it by looking at it a little longer he'll do that before he calls you. So the whole idea was to write it so the first time through he thinks he understands what it's going to do.

Thatcher: That's an interesting philosophy.

Johnson: It worked well for us.

Thatcher: Everybody who is in this room who was here 15 years ago is a survivor.

Johnson: So how did you define what the heck a software product was in the first place. You said that initially what you tried to do is define it as small as possible so that you were just delivering code and a minimal amount of support.

Thatcher: Exactly. We were looking for maximum leverage, exactly. Partly, I think we thought that was the right way to run a business. And secondly, it was an economic necessity.

Johnson: That was very different from the Informatics experience where they modeled the definition of what Mark IV was as a product on the IBM model which involved a lot of support.

Thatcher: One of the great things about this association (ADAPSO) was that guys would come up and talk to each other. By guys I mean that generically. It was originally all guys but more and more women are showing up. You were one of the great pioneers.

Johnson: I was one of the guys from the beginning.

Thatcher: That's right. But there was not a lot of bullshitting. In the ADAPSO forum, guys would come up and say, "How are you? What's going on? Tell me what you do, who you are." There wasn't a lot of folderol. There wasn't a lot of formality. There was a lot of very open, frank, give-and-take.

Johnson: It absolutely stunned me when I first came into ADAPSO how willing people were to share their experiences and say, whatever you do, don't do this. I made this terrible mistake. Don't do it.

Thatcher: And I think that spirit still exists today. It's not as great as it was then because everybody was kind of together against the world then. It's not nearly as prevalent now but, if you work a little bit, you can find plenty of people who are willing to help you and give you counsel and be very blunt and frank about how things are, tell you whether you're bullshit, tell you whether you're real or not. Most guys in the software products business today I wouldn't give a nickel for.

Seminars and User Groups

One way in which we were pioneers, in our own humble way was, I think we were the first products firm to ever charge for seminars.

Johnson: Ah.

Thatcher: We would charge prospects to come to a seminar. I think it was \$35 or \$50 for an all day seminar. The morning would be on pitching the product. Then we'd have lunch. In the afternoon we'd put them through an exercise using the product. And that was very successful. Very successful. Then I think John Cullinane picked up the idea and then it went on from there. And seminars exploded from that point.

Johnson: How about user groups?

Thatcher: That's kind of embarrassing. We ran our first user group in 1973. At that point we had grown to five employees. And we had a little bit of a problem because we could not figure out how to hold a user group and have sufficient coverage with our employees and still have somebody back at the home office. So what we did was we hired temporaries to work at the home office who impersonated corporate staff while we held a user group meeting.

[Laughter]

Our first one was held in Chicago. And, incidentally, one of our primary speakers was a female from one of the insurance companies here in Texas. And she was fabulous. She loved us and she gave a great presentation about our product.

We did hire one professional right before the user conference to give a little more depth to the organization. We hired temporaries to work back at the corporate office to act as if we were still a live organization. Because we were afraid somebody at the user conference was going to call back to Corporate and ask for some support while the user conference was going on. And there'd be nobody there. It was rather an interesting experience. It paid off like gang busters. It was wonderful, just terrific. That was 1973 in Chicago.

Johnson: [Referring to notes] This is the January 1973 ICP list of million dollar software products. I figured people on this list would have been there since the late 1960s.

Thatcher: Figure half the list was lies.

Johnson: Yes, we all knew that.

Thatcher: I don't know if we qualified then. In 1970 or 1971 we sold \$650,000 worth of Score. That I remember. The next year we sold not as much. But by 1973 we definitely were a million dollars. I'll never forget that 1970 or 1971 was \$650,000.

Thatcher: Larry Welke, by the way, in my view, at least for me personally and I think for a lot of other people, deserves some kind of special recognition. Because he was really the cheerleader for the business. And while he had his own business problems, he was the cheerleader that kept other people going. I don't think he really knows how much he really helped other companies, other people keep going because of his boosting and his spirit. I've said that to him numerous times. In the early days when the million dollar awards were really intimate affairs. But it's really true. It's so rare. He was the cheerleader for the business. He really helped a lot of us say, hey, it's worthwhile to keep going. He deserves a lot of credit for that.

Johnson: Yes, there were some times when I was going through some rough times that he really carried me. If he hadn't been willing to carry me on the books for a while with the Skinny (a smaller, paid advertising publication), I would have just been out of business.

Thatcher: Exactly.

Johnson: One time Burt Grad said, "The software industry needs a bank. Mechanics have a bank. The farmers have a bank. The software industry needs a bank." I said, "We have one. It's in Indianapolis. It's called ICP."

Thatcher: And at the same time he was having his problems.

Johnson: Yes, that's right. I said something to Larry about that. I said, "You know, how could the industry ever have developed the way it did without ICP?" And he said, "Oh, somebody else would have done it."

Thatcher: I don't know. Because you had to have the right personality running the store. He was the right guy.

Johnson: Thanks, Dick. It's been fascinating talking to you.