

Quantum Discontinues Winchester

MILPITAS, Calif. — Quantum Corp. last week discontinued production of its 5.25-inch, 160-MB Winchester drive, less than 6 months after initial shipments of the unit were scheduled to begin.

The company last week said it will no longer make its Q160 drive, the high end of its offerings, and instead will concentrate its revenues on its 50- and 80-MB units while it pushes development of its 3.5-inch Winchesters. Quantum will take a \$3.5 million write-off on its first-quarter earnings due to the cancellation.

The move comes 6 months after Quantum said it would cease production of its older 8-inch Q2000 and 5.25-inch Q500 Winchester lines (EN, Dec. 1, 1986). At the time, the firm said it intended to make up revenues by migrating customers to its Q200 line, which included the Q160.

Although the Q160 was set to be the workhorse of Quantum's Q200 line, the company reportedly ran into problems securing OEM contracts for the model. While it was said to have shipped evaluation units to several system suppliers, none had shown interest in placing volume orders.

Analysts noted Quantum missed the window of opportunity for shipping high-capacity 5.25-inch drives. When the firm was just ramping up shipments of the 160MB offering late last year, competitors such as Maxtor and Micropolis had announced 5.25-inch models capable of storing more than four times as much data, a situation that left a slim field of OEMs for Quantum.

"I talked to them 4 or 5 days ago and they didn't have any significant OEM deals" for the 160-MB drive, noted analyst James Stone of Shearson Lehman Bros.

Calls to Quantum chairman Stephen Berkley were referred to a spokeswoman, who denied the firm was having trouble selling the drive but would not provide details on its sales performance.

Meanwhile, in a prepared statement, Mr. Berkley said the decision to discontinue the drive "is part of a review of our strategy for Quantum's OEM business." He added that Quantum will concentrate on production of its 50- and 80-MB 5.25-inch offerings, and on development of 3.5-inch products.

Quantum said the move will result in a one-time charge to operations of approximately \$3.5 million, which will cause a loss for the first fiscal quarter ended June 28. The spokeswoman would not specify how large Quantum expects the loss to be, however.

The \$3.5 million charge includes a write-off for inventory and capital equipment for the discontinued drive, and severance pay for 29 employees laid off as a result of the move. The layoffs affected every department except sales, and no department heads were eliminated, the spokeswoman said.

Remaining products in Quantum's Q200 line are the 50-MB Model Q250 and the 80 MB Model Q280. The firm expects to introduce a 3.5-inch product later this year, which the spokeswoman said will be an 80-MB offering.

Meanwhile, Quantum continues to make the Q500 and Q2000 drives at its Ponce, Puerto Rico, facility. That operation will remain until the end of this year, the spokeswoman said.

— JIM DETAR