MEETING OR CONTACT REPORT

Date of Report: November 18, 1958

Organization & Location:	
IBM DP Headquarters White Plains	**Date:** November 24, 1958
	Reported By: Dr. H. G. Kolsky
Project:	
(9) 7000-X Committee-- Discussion of marketing and pricing.	**Department:** 749
	Follow-up Date:

PERSONNEL PARTICIPATING:
(Place asterisk next to those on distribution list. Other distribution show at end of report)

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I. Subject:

This meeting was a series of informal discussions concerning some of the marketing problems in the commercial and scientific area of computers between our present 700 systems and STRETCH SIGMA.

II. Scientific Systems:

Although we usually think of the curve of market vs. machine capacity as being a smooth curve, in reality it has a series of humps in it, one for each of our machine systems. These humps may have been generated artificially in the past, but now that they exist there is a reluctance for customers to shift from one machine capacity range to another. Usually such a change must result in at least a factor of 2 improvement in capacity or it will not be undertaken.

The reasons for this are: (1) a customer can get a factor of 2 or 3 by running extra shifts or getting additional machines of the same kind, and (2) complete reprogramming is not undertaken lightly.

We were shown some of the results of the STRETCH market survey of August 1958. Market for the Los Alamos type STRETCH was strongly price-dependent. In the vicinity of $200,000 per month rental, there were only 30 government agencies or commercial companies with government contracts which would consider the system. At $100,000 per month, there were over a 100 possibilities including non-defense industries, and smaller government installations.

This would indicate that there is indeed a market for a scientific computer between the 7090 and STRETCH SIGMA in performance, renting for about $100,000 per month. However, an exact proposal would have to be studied in detail by market forecasting and pricing before this could be stated with assurance. In particular, one must be careful of the effect of such a machine on the 7090 and STRETCH market estimates.

As a rough rule-of-thumb, one can consider 4 times speed increase equivalent to a 25% increase in price.

III. Commercial Systems:

At present, our 705 customers represent about 120 of the biggest commercial applications in the country. They each have a large investment in codes and procedures which they are reluctant to change.

A new computer in this area will <u>not</u> find a market on speed alone. It would have to offer something different in features, applications, etc. to make commercial customers want to change to it.

It was noted that most commercial companies spend 90% of their budget "doing something" and only 10% record-keeping. The real pay-off will come when we can get into the 90% area instead of just the 10% record-keeping area.

Concerning the proposed 7050 program: It promises to be a very profitable program for the company, not only because of its own revenue but because it will hold our present 705 customers for 2 or 3 years longer.

IV. Combined Scientific - Commercial Applications

There are a number of installations which do share either a 704 or 705 between scientific and commercial departments. So far it has been the unusual rather than the usual practive. Often internal politics makes it impossible to achieve.
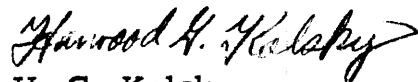
The first requirement is to show an economic advantage for such a combination. For the 7090 and 7050 successors, where one is considering both scientific and commercial applications larger than any practical now, it seems reasonable that a combination machine would make sense to spread its cost over a wider base.

V. Programming Considerations

It was repeatedly stressed during the meeting that the effort required by the customer to reprogram for a new machine was a very large economic factor. The example was mentioned of the 709 deferments caused by the fact the complete monitor package was not ready.

If a 705 successor which was not program-compatible to the 705 were to be proposed, then a "simulator code" which could run the old 705 programs intact at least as fast on the 705 would be an absolute necessity. The same would be desirable for the 7090, but not as seriously needed.

The magnitude of the Applied Programming effort required was discussed briefly. The order of a 100 man years has been estimated for STRETCH, not including commercial subroutines.

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