

Criterion to Spearhead New Competitive Thrust in EDP

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The introduction of the Criterion Series, described elsewhere in this issue of NCR WORLD, is another milestone in the Company's continuing evolution.

Although NCR installed its first computers over 15 years ago, the greatest growth of our EDP business has occurred since 1972. In the past four years our computer equipment revenues have more than doubled, for an average annual growth rate of over 25%. Last year those revenues exceeded \$462 million.

That figure, however, represents only about half of our total EDP business. It does not include any Field Engineering revenues or the sale of data terminals used in our computer installations; it does not take into account the business produced by our worldwide network of data centers or the sale of computer forms and other EDP supplies. When these other elements of our computer systems business are included, NCR's total EDP volume is now approximately \$1 billion annually - in other words, almost half of our total revenues.

During the past four years the growth of our computer business has been exceeded only by the growth of our data terminals business. Last year, for example, sales of data terminals totaled \$460 million. This was an increase of 55% over 1974 and six times the volume of our data terminals business in 1972.

Taken together, computers and data terminals contributed 75% of our total equipment revenues last year. This year they will provide 85 to 90% of those revenues. This is in sharp contrast to a few years ago when free-standing business machines comprised the bulk of our equipment sales. It illustrates rather dramatically how much our product mix has changed in a relatively short period of time.

The advent of the Criterion Series marks the beginning of a new competitive thrust for the Company now that the difficult transition of recent years is largely behind us. These exciting new-generation systems offer an attractive growth path for our thousands of present computer users around the world. Equally important, they offer the Company an opportunity to broaden its share of a market which is not only one of the world's largest but also one of the fastest-growing.

We are fortunate in that current trends in that market require the kinds of system capabilities which we have been building within the Company in recent years.

The Core Memory Project

One of these is the growing interest in distributed data processing systems; that is, systems which decentralize data processing so that it more closely matches the organizational structure and local requirements of a business firm or other computer user. NCR's traditional strength at the point of data entry and broad range of mainframe, minicomputer and communications equipment have placed the Company in a highly favorable position as distributed processing networks continue to evolve. A second industry trend is toward more widespread use of on-line computer systems. Such systems frequently involve an integrated data base linked to a sizable number of data terminals, as in the complex Electronic Funds Transfer networks which are envisioned for the future. NCR pioneered business-oriented on-line systems more than a decade ago in financial institutions and today is the leading supplier of Central Information File systems to the banking industry.

A third industry trend is toward smaller "in-house" interactive systems tailored to the special requirements of different lines of business. Most of these systems are transaction-oriented; for example, the computerized checkout systems which we have now installed in over 1600 supermarkets and the order-processing and inventory-control systems we have developed for manufacturing companies and wholesaling firms. In many respects, the Criterion Series represents the culmination of the extensive internal changes which NCR has carried out in the past four years. They offer new and innovative architecture. They reflect our emphasis on modular systems design and adaptability to future requirements. Above all, they underscore our commitment to achieve greater penetration of the EDP market.

It is interesting to note that when these new systems were under development, they were known internally as the NCR Century II Series. The original plan was to retain that name because the "Century" label was known and respected worldwide. However, it was decided that the designation Century II might suggest that these advanced new systems were simply improved models of the Century Series, when in reality they are dramatically different, embodying new concepts of data processing and tremendous power and versatility. Thus, we felt an entirely new name was called for. It was suggested that "Criterion" would be an excellent choice, since that word means "a standard of measurement". We felt it was an appropriate name because we believe these computers will set a new standard of productivity in the EDP industry.

Initial reaction to the Criterion, both from current customers and prospective customers, indicates that this conviction was well-founded.