



CONNELLY
SALES COMPANY

AUG 24 '61

August 22, 1961

Central Electronics, Inc.
1247 West Belmont Avenue
Chicago 13, Illinois

Atten: Mr. Wesley R. Schum

Dear Wes:

During my visit to the plant in June I promised to offer some views relative to marketing for whatever benefit they might afford you and/or John. I have had to defer fulfillment of this promise until now because of appallingly heavy commitments. Even now I will not be able to venture into this as deeply as the subject deserves because I'd have to write a book: this letter will be slightly shorter than Gone With the Wind.

Actually, it is clear that product and marketing are inseparable, so there will necessarily be some cross-talk. Also, I may wind up dragging a couple of dead cats up momentarily for purposes of demonstrating areas of activity to be avoided in the future. Let it be noted now that all toes gratuitously trod upon are trod upon in a spirit of constructive critique. Fair enough?

On product, we're dealing at present with a one item line. The withdrawal of the 600L and the slicers leave us situated as follows:

20A and 10B -- Obsolete, plainly destined for withdrawal themselves at some early date. I'm certain there's little market left for them.

GC-1 -- A technically excellent and useful product which has not met with great success at market for reasons which elude me. Nevertheless, it doesn't sell the way it should.

MM-2 -- Again, technically good and useful, but with a limited sale. Now suffering from new competition and over pricing for the market. NOTE: By overpriced, I do not mean to imply that Central's profit is inordinately high; I simply mean that it is overpriced in the ham's eyes for the utility it offers.

box 485 / 14529 manecita drive / la mirada, california / los angeles phone: raymond 3-8611

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This leaves us with the 200V as our only saleable product. The fact that it is not tearing up the racecourse is due to a number of problems which can be overcome, mainly through the re-generation of consumer confidence in Central's ability to produce a product which works.

Strictly from a view of our own marketing practices, our most severe shortcoming has been slowness: slowness in getting out a product after announcement, slowness in effecting repairs on faulty goods, slowness in providing technical data on a broad basis which would permit consumers to make elementary repairs themselves. We have also suffered at market (in the past) because of rotten quality control....I have reported the details of this problem previously. We have also been guilty, however unintentionally, of lying to our customers (about delivery). So much for the past.

There are several points which have to be considered in formulating an effective modus operandi for the future. Paramount of these points are those relative to jobbers and their attitudes, product line, and consumer response, all within the framework of satisfactory profit performance. Let's take them in order.

The ham jobber today is a very different breed of cat than was the pre-war (any war, pick a war) jobber. Where ham manufacturers relied on very few jobbers, policed these jobbers, protected prices and generally maintained an atmosphere of paternal cordiality toward the chosen few in the past, the influx of new manufacturers not schooled in the marketing techniques which were 'cricket'; greed which force-fed the market at a rate higher than the market could support; and the astounding rate of technical progress in the electronics field has wrought a considerable change in jobber attitudes. Jobbers once stuck with manufacturers through thick and thin, but loyalty today is now to profit alone. In retrospect, manufacturers like National and Hammarlund (and Central, too, for we were pioneers) must feel rather like the British feel about India. Such is the toll of progress (this is progress?). The result is that today we deal with people who do what little selling they do attempt on the basis of price; who know not the maxim of selling up; who could care less about any product they have to waste money servicing; and who provide for their manufacturers but one vital service, that of show-casing.

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Many jobbers have found the field of amateur selling, with its new discount-house aura, so unappealing or so unprofitable that they have pulled out for greener pastures (i.e., industrial components, especially) or they have fallen by the wayside. It's a buyer's market and jobbers respond by stocking in quantity only those lines for which there is a heavy consumer demand. Thus, Axiom #1: Central goods will move if Central creates a demand at the consumer level so irresistible that jobbers must stock and sell our line to profit. To this end I most emphatically recommend that Central secure the services of an honest-to God advertising agency which will engage to create this demand. Other than to say that our present agency is incompetent and non-contributory, I will not dwell on past performance in this area. Among the things I would expect to see a good agency accomplish would be: (1) preparation of effective literature, including envelope stuffers that can be supplied to jobbers for end-of-the-month statement mailings; (2) generation of contests which would stir the consumer to see and operate our equipment at the jobbers' (we come off terrifically well in competitive demonstration, as you know); (3) installation of an easy-to-operate co-op ad program which would stimulate our distributors to undertake advertising in our behalf; and (4) to provide guidance in the styling of new products.

One further comment about jobbers: John was surprised when I suggested that jobbers do not follow up leads resulting from advertising and that few, if any, reps would engage to make mailings to prospective consumers with the names of local jobbers. This was too strong a statement. The fact is that if you make the process simple and painless through use of pre-printed letters, pre-addressed envelopes and the like, these things will probably be done. Otherwise, however, I stand on my original contention and submit that the greatest effectiveness lies in having all literature requested by leads from magazine ads and the like sent directly from the factory. This assures at least one useful contact.

For product, let me sub-catagorize into old and new. I feel we made a grave mistake in not having altered the appearance of the 200V; I made this the subject of a letter some months ago and I still feel that we would have gained much from a new paint job and, possibly, new knobs. I submit that the next run of front panels and cabinets for the 200V should introduce the improved 200V Mark II which will give us a whole new start and which will isolate us from the problems of the 100V by one additional model. Don't concern yourself with the 100V owners whose rigs won't match the new styling; look forward to selling them (eventually)

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a new receiver which will in turn compel the acquisition of the newer 200V Mark IV or Mark MCMXLVII or whatever Mark we happen to be up to when and if a receiver is available. Secondly, some quality control process may have been refined by then so that rigs will work on all bands when they come out of the crates.... like please, Dad, have the crystal slugs slipped out a little further before shipment.

For new product, the receiver is a logical and desirable adjunct. You will have to rely on my experience and knowledge of the market for some of the comments which follow, for detailed explanations will become inordinately lengthy, even for me. There are two categories in which a receiver could be expected to sell; a high-ticket, limited volume unit and a moderately high ticket unit of relatively high volume. The first version I'd call the 100R for reference, the second the 2D after the Drake upon which it would be an elaboration. The surest road to failure in the present receiver market will be to build another good all-band or ham-band-only receiver with a "tracked" local oscillator; I use the term "tracked" L.O to differentiate between the "heterodyned" VFO a la Drake and Collins. There are a dozen very satisfactory receivers in the Hallicrafter, Hammarlund and National lines which are selling like cold-cakes. The Drake and Collins receivers sell very well despite other shortcomings because they are (1) stable and (2) calibrated in KC's with sufficient precision to enable high frequency repeatability. From what I have been able to determine, approximately 25 Drakes per month are being sold in this territory (extrapolated factory production: about 125 - 150 per month) and about an equal number of Collins. The only new competition in the field of "heterodyned" receivers is apparently a new, unpriced (preliminary guess: \$695) Hallicrafters and forthcoming the Collins 75S3 at \$620 which will be like the 75S1 plus Q multiplier; selectable crystal or tuneable VFO; 200 Kc crystal filter in addition to the 2.1 Kc mechanical filter; controllable AGC characteristics; ganged concentric AF and RF gain controls; and a "spinner" knob. This receiver will probably wipe out the 75S1 although it is presently claimed that the S1 will continue in the line at \$520. I am confident that we could compete very successfully with anything as good or better than the Drake, plus moderate gingerbread, at a figure up to \$500. We'll probably suffer with a 100R trying to pull out the development costs of a \$800 receiver on limited volume and I solemnly guarantee that we'll stub our toes with a "tracked" L.O. receiver. In any event, if Central is going to recover a position of leadership, such a "2D" receiver should be developed and delivered within the next 6 - 8 months, i.e., before the rat pack is on us and we find ourselves swimming around in a highly competitive sea again. As with the 20A, we should be able to make some history rather than suffer the effects of it.

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For other new products, the 2500-L is a prospect which looked good until the advent of the new Collins. Now I'm not sure. A Central packaged Zenith Transoceanic or a cheap Central version of the Hallicrafters S-38 is always a guaranteed winner. A truly good hybrid phone patch (vacuum tubed bridge which nulls over a broader frequency range than transformer versions) is a likely candidate. But the receiver should be first and foremost.

Incidentally, on receivers, note that the discount on Collins and Drake is 25%; bear this in mind when comparing prices.

The last specific suggestion I have to offer at this point is one I have made repeatedly: establish service stations. We suffered tremendously from the absence of such facilities out here and, while the ideal arrangement is to build equipment so superior that it never requires service, even God didn't manage that when he created human beings. (Note: We, however, are much more nearly perfect than anybody else, aren't we, Wes!)

We'll chew it over further next month at Disneyland North.

Kindest regards,



Will A. Connelly

WAC/am