

INTERCOM

Newsmagazine for Memorex Employees Worldwide
Volume No. 12/June-July 1975



Quality:

An

Important

Memorex

Asset

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Memorex to Market CCI Communications Processor; Agreement in Principle Also Calls for Company to Purchase 30,000 CCI Shares of Common Stock

Computer Communications, Inc., and Memorex have reached an agreement in principle for CCI to supply telecommunications equipment on an OEM basis to Memorex which will market and service it under the Company's name.

Terms of the three-year agreement were announced by **Robert C. Wilson**, Memorex Chairman and President, and Raymond E. High CCI President. The final agreement must be approved by Memorex's Board of Directors and its senior lenders by July 25.

In addition to the OEM arrangement, the agreement calls for Memorex to acquire 300,000 shares of CCI common stock at a price of \$1.50 per share, making Memorex the largest shareholder of CCI common stock with an ownership of approximately 11 per cent.

The agreement provides for Memorex to purchase during the first year a minimum of approximately \$2.5 million of CC-80 equipment, CCI's highly advanced programmable communications processor, related existing software and future enhancements to the product.

The proposed agreement also contemplates joint product and software development between the two companies with Memorex's worldwide service organization supplementing CCI's maintenance organization with its existing and future customer base.

CCI is a Torrance, California, based communications equipment and programming firm which was founded in 1966. It manufactures a wide range of computer communications equipment, including visual display terminals.

Robert Malcolm Named VP For Industrial Relations

Robert L. Malcolm has been appointed Vice President, Industrial Relations, announced Memorex President **Robert C. Wilson**.

Malcolm, who has more than 14 years experience in industrial relations, will have primary responsibility for the effective application and development of human resources for Memorex operations worldwide. He reports directly to Wilson.

Malcolm most recently served as Staff Vice President-Personnel for the Western Region Operations and Divisions of Rockwell International, a position he held since June, 1974. Prior to that, he was Vice President of Industrial Relations for Collins Radio, joining the company in June of 1972.

Following the merger of Collins Radio into the Electronics Operations of

Rockwell, he was reassigned to the Staff Vice President responsibility.

Malcolm was Manager of Employee and Community Relations for the Construction Machinery Division of Allis-Chalmers prior to joining Collins Radio. He also was Manager of Employee

Relations for the International Division and, prior to that assignment, held the position of Director for Corporate Benefits and Compensation, all for Allis-Chalmers, which he joined in 1965.

Between 1953 and 1965, Malcolm was with the Glidden Company where, during his last four years with the company, he was a member of the corporate industrial relations staff.

He received his Bachelor of Science Degree in Business Administration from Miami University in Oxford, Ohio, in 1953, with a major in Industrial Management.

John G. Pew, who has headed Industrial Relations since September, 1973, will report to Malcolm on assigned Industrial Relations projects and retains his present title of Director of Industrial Relations.



Robert Malcolm

INTERCOM

Editor: William D. Bellou

Published by the Corporate
Public Relations Department
San Tomas at Central Expressway
Santa Clara, California 95052
Telephone: 987-2203



On The Cover:

Quality is one of Memorex's most important assets. Since its inception, the Company has been closely identified with product value. Stressing quality has led to the Company's rapid growth and has helped keep its products competitive in a complex and changeable market. So, to help maintain Memorex's competitive leadership, the Equipment Products Group is emphasizing quality by consolidating and reorganizing its QA programs into a total quality system. (See story beginning on page 4.)

Allows Faster Shipments to Customers

Distribution Centers to Open in Three States; Facilities to Incorporate Warehouse, Spare Parts and Sales Operations Saving \$500,000 Annually



The new Memorex Distribution Center located near Philadelphia, Pennsylvania.

Three Memorex warehouses, which will allow faster shipment of products to customers, will soon be opening in the U.S. The facilities are expected to save a half-million dollars annually.

Called Distribution Centers, the facilities will incorporate warehouse, spare parts and branch office operations under one roof, according to **Art Fonda**, Director for Materials, Energy and Distribution.

He said the consolidation will improve customer service and inventory control, and reduce the amount of goods damaged in shipment. Products will normally reach customer sites within 48 hours, and in some cases in 24 hours.

The Centers will be located near Philadelphia, Chicago and Atlanta, and they will be in addition to the warehouses in Santa Clara.

A task force, consisting of nine employees representing such departments as Traffic, Inventory Control, Field Administration and Real Estate, has worked on the Distribution Center project for more than six months.

Fonda said that although there are still a few details to be worked out, the first Center should be operating by Sept. 1st. The 30,000 square foot building will be located in the King of Prussia Industrial Park, approximately 30 miles from Philadelphia.

Leasing warehouses isn't new to Memorex, because the Company has used independent warehouses for storing finished goods and spare parts for a number of years. The inventory stored in these facilities will soon be shipped to the Centers, providing better inventory control over independent operations.

"One of the greatest advantages of operating our own warehouses is that they'll be geared to meet the environmental conditions required to keep media products in good condition," explained Fonda. "Unfortunately, thousands of dollars of products have been damaged or destroyed in storage and transportation due to improperly controlled temperatures."

Six Memorex truck drivers will keep the Centers supplied with goods, and they'll

operate the trucks on an almost constant pay-load condition. This is possible because after the drivers deliver products to the Centers, they'll drive to suppliers, pick up raw materials needed in manufacturing, and return to Santa Clara.

All in all, the benefits of the Distribution Centers project will make it one of the most important programs this year to improve the efficiency of operations and improve profitability.



Real Estate Administrator Joe Zingale (upper left corner) points out the proposed layout for the Chicago Distribution Center. Other task force members (clockwise from Zingale) are: **Wendell Balc**, Director for Field Administration; **Art Fonda**, Director for Materials, Energy and Distribution; **John Gilleland**, Manager for Distribution; **Nikki Hershey**, Administrator for Media Field Inventory; **Phil Ruiz**, Manager for Inventory Control; **Steve Dunn**, Manager for Facilities; **Robert Berry**, Manager for Spare Parts Logistics; **George Korienek**, Information Systems Analyst; and **John West**, Manager for Distribution and Traffic Services.

Equipment Products Group Emphasizing Quality by Reorganizing and Consolidating Its QA Programs To Maintain Company's Competitive Leadership

Quality is one of Memorex's most important assets. Since its inception, Memorex has been closely identified with quality; even its name, derived from the words "memory" and "excellence," reflects the value built into all of its products.

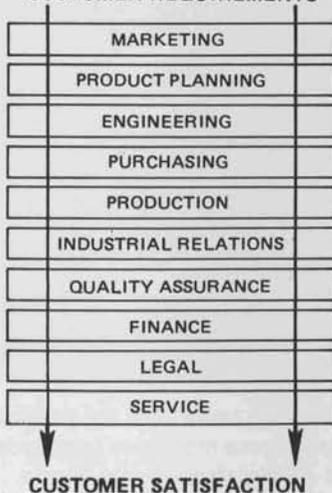
Stressing quality has been good for Memorex. It has led to the Company's rapid growth over a short period of time and has helped keep its products competitive in a very complex and changeable market.

Now, more than ever, as Memorex's market increases in complexity, the need for planning and implementing total quality programs is needed.

Accordingly, the Equipment Products Group (EPG) is consolidating and reorganizing its programs to reinforce quality as a way of life.

According to **Roger Johnson**, Vice President and General Manager for EPG, the reorganization and consolidation will place greater emphasis on quality throughout the Equipment Products Group, from product concept to field service, and help maintain the Company's competitive leadership.

THE TOTAL QUALITY SYSTEM INVOLVES ALL FUNCTIONS



All departments affect the production of quality products—from the sensing of customer requirements, to the servicing of products in the field.

All quality related functions now report directly or indirectly to Quality Assurance Director **Robert Shervem**. However, In-process Inspection remains in Manufacturing, thereby keeping the responsibility for quality of the workmanship where the work is done. Shervem, in turn, reports to Johnson.

Major organizational changes include splitting Test Engineering (formerly within Manufacturing) into two new groups: Product Assurance Engineering and Quality Equipment Engineering. Two other manufacturing functions, the Materials and Processes Lab and the Calibration Lab, are now a part of QA.

Johnson says that although Memorex has a reputation for excellent products, the QA Program is being expanded because, "It's impossible to value too highly the good effect of upgrading quality.

"Our new program will strengthen quality as an attitude, a habit of thought, for everyone," explained Johnson. "Thinking and acting quality will give Memorex a competitive advantage that will be reflected in excellent performance." He said quality gives the Company a competitive advantage because the computer industry has matured and its customers have grown more sophisticated, resulting in an increasing demand for product reliability and value.

"The Equipment Products Group is in a position to capitalize on this trend, as one of our most important assets is the high quality of our products as perceived by our customers. But, like most assets, our quality system requires new investments."

Johnson stated he's enlisting the support and dedication of all EPG people and others from all organizations and departments that play a role in the production of quality products.

"All EPG departments play an important part in the Company's quality performance from the sensing of customer requirements, through Product Planning, Engineering, Purchasing, Manu-

facturing, etc., to our salesmen and engineering people; each group's performance affects customer satisfaction."

Johnson said that General System Company Inc. is assisting EPG to build the best QA system in the industry. The firm, and its president, Dr. Armand Fiegenbaum, have earned worldwide reputations as experts in this area. GSC is assisting some of the most successful companies in the world in developing quality programs.

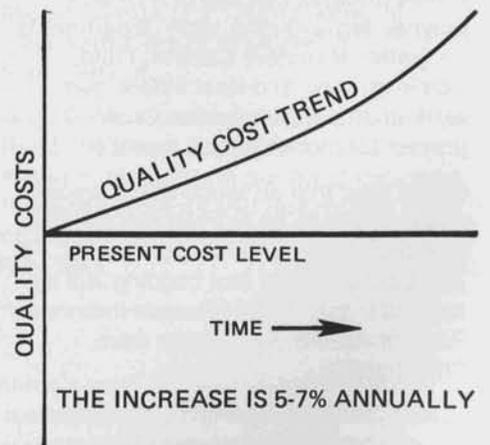
The engineers of General Systems pioneered the development of the total quality system, which provides a systems approach to QA.

The emphasis on a total systems approach to quality management will enable Memorex to continue to be customer oriented—more responsive to real-world needs, declares Johnson.

"It will also, in the long run, reduce the total cost of quality to the Company and directly improve cash and profitability, and strengthen our ability to compete in the marketplace on a continuing basis."

(Continued on page 14.)

HISTORICAL QUALITY COST VARIATION PATTERN



Worldwide industrial quality costs are increasing at an annual rate of five to seven per cent. Consequently, cost avoidance and improvement programs are becoming increasingly important.

