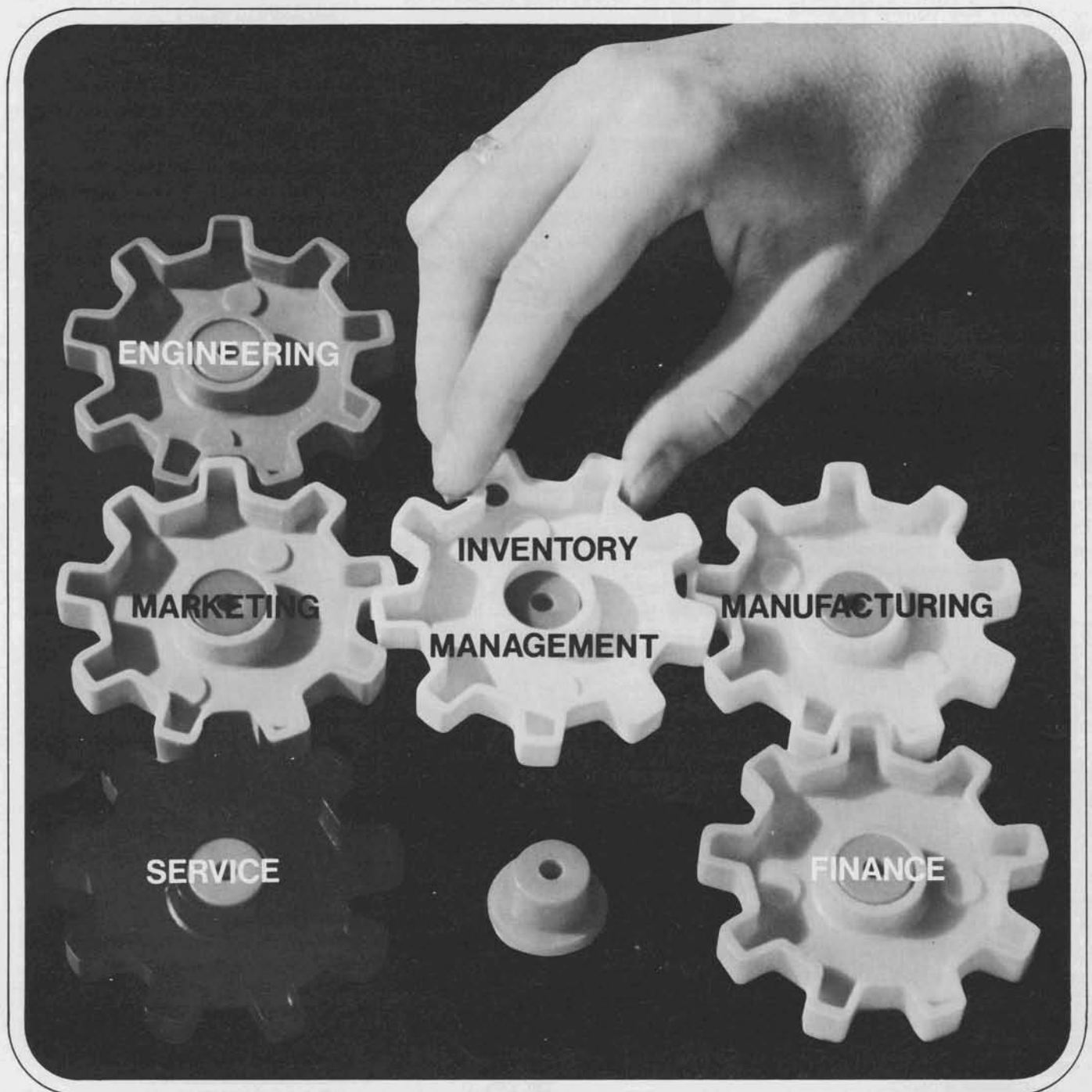


INTERCOM

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Revenues Climb 19% in 3rd Quarter

Income Hits \$4.36 Million on Revenues of \$66.9 Million; Employee Actions Contribute to Favorable Performance

Robert C. Wilson, Memorex President and Chief Executive Officer, announced that net income for the third quarter of 1975 was \$4,364,000, including \$1,690,000 extraordinary credit attributable to income tax benefits from utilizing tax loss carryforwards. This compares to net income of \$513,000 in the same quarter of 1974 on a comparable reporting basis. There were no extraordinary items in the same 1974 period, although approximately \$900,000 was credited to 1974 results because of a reversal of interest expense that had been charged to second quarter operations.

Total revenues for the third quarter of this year were \$66,991,000, which represents a 19 per cent increase over 1974 third quarter revenues of \$56,174,000. Revenues for the nine months totaled \$194,236,000 compared to \$158,058,000 for the first nine months of last year, an improvement of 23 per cent.

Net income for the first nine months of 1975 was \$12,163,000 including extraordinary credits of \$7,146,000. The extraordinary credits consist of a \$2,031,000 net of tax gain on purchase of \$6,955,000 of the Company's 5¼ per cent Convertible Subordinated Debentures, and \$5,115,000 of income tax benefits from utilizing tax loss carryforwards, including \$1,875,000 related to the gain on purchase of the Debentures. The net loss for the same period of 1974 was \$6,439,000 on a comparable reporting basis.

Wilson said that the outright sale of equipment and the conversion of leased equipment to sale continued to contribute significantly to revenue growth and to the improved profit and cash performance. He also cited cost improvement actions throughout the Company and declining interest costs as significant factors.

The president said that the Company's cash and short-term investments were \$29.1 million as of September 30, 1975, an improvement of \$8.6 million during the quarter. Memorex's indebtedness to senior lenders was reduced by \$16.9 million during the quarter and now aggregates \$127.0 million. The indebtedness was decreased principally by cash payments of \$10,800,000, exchange of \$3,373,000 of senior debt for preferred stock as a result of the Company purchasing \$6,955,000 of its debentures in the second quarter of 1975, and \$2,700,000 from foreign exchange adjustments related to indebtedness.

The president attributes the continued favorable operating performance to the excellent worldwide acceptance of Memorex's products, to the ongoing benefits of the 1974 restructuring of loan agreements and to the actions taken by employees throughout the organization in selling, servicing and making quality products, reducing costs, and managing assets.

Rumph Appointed Vice President for Equipment Products Marketing

Harold H. Rumph has been appointed Vice President-Marketing, Equipment Products Group, announced **Roger W. Johnson**, Vice President and General Manager of the Equipment Products Group.

Rumph will be responsible for market planning, product and business planning, market research, advertising, sales promotion, product sales support and customer service. He reports to Johnson.

At the same time, **George E. Dashiell** was named Vice President-Sales and Service, Equipment Products Group, responsible for directing the Group's sales and field service activities.

Dashiell, who joined Memorex in January of 1974, reports to Johnson.

Rumph previously was Director of Office Information Systems, Product and Business Planning, Xerox Corporation. He also has held various senior marketing and sales management positions with Cincinnati Malacron, Amdahl, RCA and IBM.

He spent three years studying engineering at the University of Texas and then attended the U.S. Naval Academy at Annapolis where, upon graduation in 1953, he entered the Air Force as a pilot. In 1962, Rumph left the service and joined IBM.



Harold H. Rumph

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On The Cover:

The cover attempts to illustrate that inventory management is a synchronizing function with each of the Company's key operations to insure that Memorex has enough of what it needs, and not too much of what it doesn't need in order to provide good customer service. (See story on page 4.)

Marketing Organizations Enhance Sales, Service Training Programs

New additions to the product line, the entry into third party maintenance business and increasing sales have brought about the need for enhanced training programs and the addition of people to the Company's marketing organizations.

To serve this growth and to maintain high levels of customer service, the Equipment Sales Group has recently developed a new training course for recently hired college graduates and the Field Engineering Group and the Computer Media Marketing Group are upgrading their training courses.

Equipment Sales Education Revitalized

According to **Richard J. Penny**, new Manager for Equipment Sales Education, a new training course has been developed for recently hired college graduates.

The program is divided into three sessions, says Penny. The first session, a six-week classroom course, is devoted to the development and enhancement of personal skills. The second session involves actual field work utilizing the skills acquired during the first session.

"The third session, a product sales training course, is devoted mainly to sales workshops," explained Penny. "The workshops will give the sales reps some

valuable experience dealing with the sales environment, as each student will participate in simulated customer sales situations prepared from actual case histories."

Field Sales Training Enhanced

The Field Engineering's Group training program has been enhanced with the addition of new audio-visual educational materials, such as self study manuals, programmed workbooks and video tapes. According to **Bill Emond**, Field Engineering Education Manager, the most important of these training tools is a new audio cassette/filmstrip sound viewer.

Emond says the production costs of programs developed for the new viewer are significantly lower than the production costs of other types of audio visuals, and the system is a very effective training device.

"Providing the most up-to-date and efficient training methods is important, as more than 300 newly hired and experienced Field Engineers are trained each year at our Education Center in Santa Clara and in the field," explained Emond. "In Santa Clara, students receive classroom instruction plus extensive 'hands-on' training in our laboratories. The laboratory experience

exposes the Field Engineers to the same types of service activities they encounter in the field. New hires also receive training in customer relations, wire wrap and soldering."

Emond added that the students are evaluated on performance rather than a pass or fail basis. "Each student's strengths and weaknesses are noted and discussed with them individually," he said. "This type of evaluation has proven to be both successful and popular with our students.

Media Sales Training Reemphasized

The significant growth of computer media sales over the last two years has necessitated a revision and expansion of the group's sales training program, says **Gary Fisher**, Computer Media National Sales Manager.



Trouble shooting a 3672 Controller at the Field Engineering Education Center in Santa Clara is John Crescenzo of the New York Island Branch Office.

This month, Fisher named **Jay Benedict** to head the program, which will include a comprehensive sales school for new hires, and on-going training for existing sales personnel on a regional and branch office level.

Although in the early planning stages, Benedict says the training program for new hires will include an introductory course on data processing, a description of the Company's product line, and talks given by various members of Memorex's management.

"Stress will be placed on product information and professional salesmanship," says Benedict. "Films and audio cassettes will be circulated to reinforce effective sales techniques throughout the field. In addition, product information seminars and a sales news bulletin are also planned."



Conducting a portion of the six-week Equipment Sales Training Class is guest instructor Bob Laser of Laser Associates, a management training firm.

Effective Management Provides a Proper Balance Between Too Little and Too Much Inventory

Inventory management is an integral part of a company's operation, working hand-in-hand with marketing, manufacturing, engineering, purchasing and finance. It's an essential planning function which optimizes the levels of inventories consistent with customer needs.

Inventory management can often make the difference between the success or failure of a business—and for good reason.

Surplus inventories are often termed the "graveyard" of American business and are thought to be one of the principal causes of business failure. The major reasons why inventories get out of control, and cause businesses to fail, is that they're often considered an unlimited resource, and too little attention is paid to the high costs associated with carrying them.

A primary objective of successful companies is to keep inventories at appropriate levels—and Memorex is no exception. Effective inventory management requires the support of all employees, because everyone has a role maintaining proper inventory levels.

For example, Marketing people identify customer needs, what share of the market will be captured, and how much can be sold at what price. Engineering and Manufacturing, working with Pur-

chasing, determine what types of parts and materials are needed, the volume required and lead times for each item. And Field Engineering determines how many spare parts are needed to maintain good customer service levels. And, of course, the Finance Department participates in this process by determining the impact of production schedules on revenue, cash, profit, and providing investment funds required for inventory acquisition.

The improvements made in controlling inventory by all groups has resulted in a continuous reduction in inventories since March of this year, according to **Jack Callahan**, Director of Inventory Management for the Equipment Group, and **Art Fonda**, Director of Materials, Facilities and Distribution for the Computer Media and Consumer and Business Media Groups.

Inventories are usually classified as raw materials, such as chemicals, steel and plastic; components, the parts or sub-assemblies ready for final production; work-in-process, the materials and components being worked on; and finished products, the finished goods carried in the warehouse. In the full expanded view of inventories at Memorex, off-rent products are also considered inventories as they represent a residual value to the Company.

The basic objective in controlling inventories is to maximize customer service, and at the same time, minimize inventory investment. The two directors explained that when inventories are high, cash is tied up which could be used elsewhere in the Company. On the other hand, when inventories run low, readiness to serve customers may suffer due to lack of available products and services.

Without proper controls, changes in inventory levels of one asset will influence the Company's ability to hold inventories of other assets. For example, capital tied up in finished goods cannot be used to purchase new equipment or raw materials.

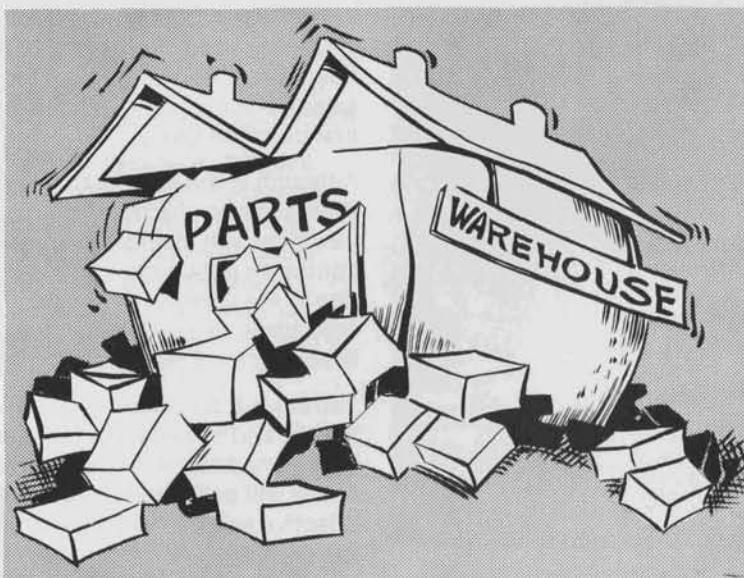
Callahan says it costs Memorex about 30 to 35 cents on the dollar to carry inventories annually. "Therefore, inventories should be considered in the same light as any other investment; a profitable return should be expected," he said. "Reducing inventory not only releases cash for investment in other areas, but also reduces costs as well."

The Inventory Pipeline

From the time materials are acquired to build a product until the time the product is sold is referred to as the inventory pipeline. Since it costs the Company money to carry inventories, a quick running pipeline means less cash is required to run the operation.

A recently developed program instituted by the Equipment Products Group is addressing the importance of inventory pipelines, and promoting improved management of inventory control in 22 separate areas of the plant. Through the efforts of each member of these projects, inventories have declined about 15 per cent over the last six months.

One project, called Controlled Items, under the leadership of Manufacturing Director **Jim Frenz**, identified 140 items which amount to about 80 per cent of the money spent on inventories in the plant. Frenz and his six member team, adjusted the levels of high cost items, accelerated the pipeline, and re-scheduled lead times. The result was



Surplus inventories are the 'graveyard' of American business.

