

SPEECH BY ANTHONY N LAPINE
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AT GENERAL SYSTEMS NORTH, WE HAVE A VERY SPECIAL STORY TO TELL. IT'S A STORY ABOUT OUR MEMOREX FAMILY HISTORY. IT'S THE STORY OF OEM. OUR SUCCESSES, OUR ADVANTAGES AND OUR COMMITMENT TO MAINTAINING MEMOREX'S MARKET POSITION.

FROM THE VERY BEGINNING - SINCE 1967 - MEMOREX HAS BEEN ACTIVE IN THE OEM MARKETPLACE. THE FIRST MEMOREX EQUIPMENT PRODUCT WAS OEM THAT'S WHERE OUR EQUIPMENT PRODUCT ROOTS ARE. THAT'S WHERE IT ALL BEGAN. GENERAL SYSTEMS NORTH WAS CREATED TO TAKE FULL ADVANTAGE OF THAT MARKET.

WHAT, EXACTLY IS OEM? IT IS A HIGHLY EFFECTIVE STRATEGY WHICH COMPLIMENTS THE END-USER BUSINESS. THE LETTERS OEM STANDS FOR ORIGINAL EQUIPMENT MANUFACTURERS. THE CONCEPT IS THIS:

WE MANUFACTURE DISC DRIVES THAT ARE INTEGRATED INTO A CUSTOMER'S COMPLETE COMPUTER SYSTEM. A COMPANY SUCH AS DIGITAL, HEATH, OR BASIC 4 BUYS OUR DISC DRIVES IN QUANTITY TO USE IN THEIR EQUIPMENT PACKAGE. THEY, IN TURN MARKET THAT PACKAGE TO END-USERS.

THERE ARE MANY ADVANTAGES TO SUPPLYING THE OEM MARKETS.

ONE ADVANTAGE IS MARKETING LEVERAGE. OUR SALES FORCE SELLS IN VOLUME TO A RELATIVELY SMALL NUMBER OF CUSTOMERS. THAT MEANS WE CAN MAINTAIN A SMALL SALES FORCE AND BE TOTALLY EFFECTIVE. THAT ALSO MEANS THAT EACH SALESMAN MULTIPLIES HIS OUTPUT BY THE NUMBER OF SALES REPRESENTATIVES OF OUR CUSTOMERS.

FOR EXAMPLE ONE GENERAL SYSTEMS SALES REP SOLD OVER 24 MILLION DOLLARS OF PRODUCT TO A SINGLE OEM

CUSTOMER LAST YEAR. THAT CUSTOMER WAS DIGITAL EQUIPMENT CORPORATION. DIGITAL THEN USED THEIR SALES FORCE OF OVER ONE THOUSAND REPRESENTATIVES TO MARKET THEIR COMPUTER SYSTEM TO THE END-USERS THROUGHOUT THE WORLD.

ANOTHER ADVANTAGE TO BEING IN THE OEM BUSINESS IS THAT IT ALLOWS US TO CAPITALIZE ON HIGH VOLUME MANUFACTURING TECHNIQUES AND LONG RANGE PRODUCTION PLANNING. THE RESULTS? HIGHER VOLUME AND MANUFACTURING EFFICIENCY THAT GIVES US COST LEADERSHIP IN BOTH THE OEM AND END-USER MARKETS.

A THIRD AND STRATEGIC ASPECT OF OEM ACTIVITY IS THAT OF STABILITY. CUSTOMERS DESIGN OUR PRODUCTS INTO THEIR OWN. WE CAN THEN CAPTURE CUSTOMERS IN A WAY THAT "PLUG COMPATIBLE" PRODUCTS CANNOT.

THE RESULT: MEMOREX BECOMES LESS VULNERABLE TO THE COMPETITIVE AND OFTEN PREDATORY ACTIONS OF IBM. THE RECENT ANNOUNCEMENT ABOUT IBM'S 4300 DEMONSTRATES THE NEED FOR THIS REDUCED VULNERABILITY.

NOW YOU CAN SEE STRAIGHT OFF THE TOP THAT OEM OFFERS MEMOREX SOME "MARKET INSURANCE"

- THROUGH HIGHLY EFFECTIVE USE OF A SALES FORCE
- THROUGH UNPARALLELED MANUFACTURING EFFICIENCY
- THROUGH STABILIZING OUR SHARE IN THE MARKETPLACE,

AS A RESULT OF THESE THREE FACTORS, WE'RE ABLE TO MAKE SOME VERY ASTONISHING STATEMENTS THAT IN EFFECT LET OEM "OUT-OF-THE-CLOSET"

FIRST - MEMOREX'S LARGEST REVENUE PRODUCING ACCOUNT IS AN OEM CUSTOMER.

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THAT'S RIGHT THIS COMPANY'S SINGLE LARGEST ACCOUNT IN TERMS OF INCOME IS DIGITAL EQUIPMENT CORPORATION. WE PRODUCE THEIR RP06, - OTHERWISE KNOWN AS OUR 677.

SECOND - OUR PROJECTED REVENUE FOR 1983 IS MORE THAN MEMOREX'S ENTIRE REVENUE FOR 1973. YOU MAY WELL WONDER HOW THAT CAN BE.

IT'S THIS WAY: RESEARCH SHOWS THAT THE OEM MARKET IS AS LARGE AS THE IBM MARKET AND GROWING AT AN EVEN FASTER RATE, AS A RESULT, OUR OEM VENTURES ARE EXPECTED TO EXPAND TO OVER 200 MILLION DOLLARS IN THE NEXT FIVE YEARS.

THIRD - MEMOREX WAS THE FIRST MANUFACTURER TO ENTER THE FLEXIBLE DISC OEM MARKET. WE BEAT CDC, SHUGART, KENNEDY, AND ALL THE REST.

FOURTH - WE HAVE PRODUCED MORE OEM WINCHESTER-TECHNOLOGY DRIVES THAN ALL OF OUR COMPETITORS COMBINED AND IN ADDITION TO MANUFACTURING MORE, OUR 601 DISC DRIVES ARE RECOGNIZED AS BEING THE STANDARD OF EXCELLENCE FOR THE INDUSTRY.

FACTS SUCH AS THESE ABOUT OUR OEM ACTIVITIES ARE ONLY ASTOUNDING IN VIEW OF THE "UGLY DUCKLING" ATTITUDE ABOUT OEM. IT IS AN ATTITUDE THAT PREVIOUSLY WE HAVE ASSUMED AND DONE NOTHING TO DISPELL.

BUT THE GAME IS OVER. WE'RE OUT OF THE CLOSET. WE'RE PROUD OF THE CONTRIBUTION WE MAKE TO MEMOREX AND TO THE OEM MARKETPLACE,

WE'RE NOT THE ONLY ONES TO REALIZE THE OPPORTUNITIES IN THE OEM MARKET. OUR COMPETITION IS AGGRESSIVELY SEEKING A LARGE MARKET SHARE. THEY ARE MOVING RAPIDLY THROUGH STRONG PRODUCT IDENTIFICATION AND AGGRESSIVE MARKETING PROGRAMS. THE COMPETITION IS STIFF AND WE OFTEN FIND OURSELVES SCRAMBLING - ASSES AND ELBOWS - TO ESTABLISH OUR IMAGE AS AN OEM LEADER.

WE ARE LEADERS IN AVAILABILITY: WHILE AMPEX AND CDC HAVE A SIX MONTH DELIVERY, OURS IS IN MANY CASES IMMEDIATE.

WE ARE LEADERS IN QUALITY: OUR REDUCED INFANT MORTALITY RATE AND OUTSTANDING MTBF SET THE STANDARD

FOR THE OEM MARKET.

WE ARE LEADERS IN COST EFFECTIVENESS: WHILE SOME OF THE PRICES OFFERED BY THE COMPETITION ARE INITIALLY LOWER, OUR SUPERIOR QUALITY MEANS FEWER PROBLEMS DURING AND AFTER INSTALLATION. THIS PROVIDES OUR CUSTOMERS WITH THE LOWEST "TOTAL COST OF OWNERSHIP" IN THE INDUSTRY.

WE ARE LEADERS IN SERVICE: OUR OEM SUPPORT SYSTEM TRAINS AND ASSISTS OUR CUSTOMERS IN SERVICING AND MAINTAINING OUR EQUIPMENT.

WE ARE LEADERS. WE HAVE DEVELOPED A HIGHLY COMPETITIVE ADVERTISING AND MARKETING PROGRAM. ONE THAT BRINGS MEMOREX OEM OUT OF THE CLOSET AND INTO THE MARKETPLACE IN THE HIGHLY ACCLAIMED POSITION IT WELL DESERVES.

WE HAVE ONLY ONE THING TO SAY TO THE COMPETITION:

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IN OUR EFFORTS TO BRING OEM TO ITS PEAK EFFECTIVENESS, WE REORGANIZED THE ENTIRE GROUP IN THE FOURTH QUARTER OF LAST YEAR. THIS PRODUCED IMMEDIATE AND DRAMATIC EFFECTS IN ALL AREAS.

IN DECEMBER, THE 660 REBIRTH PROJECT PRODUCED A RECORD AFTER TAX PROFIT OF 300 THOUSAND DOLLARS.

THE FLEXIBLE DISC DRIVE SECTION SHOWED MARKED IMPROVEMENT IN THE FOURTH QUARTER IN THE PRODUCTION OF 550'S, 552'S, AND 651'S.

THE DISC DRIVE DIVISION DOUBLED ITS PRODUCTION OF 601'S AND THE 677 BROUGHT MEMOREX THE HONOR OF BECOMING DIGITAL'S FIRST, AND ONLY CERTIFIED VENDOR.

IN ALL, WE'RE ATTACKING THE OEM MARKET FOR ALL ITS WORTH.

ONE OF THE KEY FACTORS IN THE REORGANIZATION HAS BEEN THE PLACE- MENT OF STRONG MANAGEMENT LEADERS AND

THE ALIGNMENT OF A VERY DEDICATED AND COMMITTED TEAM OF EMPLOYEES.

WE ARE DEDICATED TO CAPTURING OUR SHARE OF THE OEM MARKET. WE ARE COMMITTED TO LEADING THE OEM BUSINESS WITH PRODUCTS THAT ARE THE STANDARD FOR EXCELLENCE. WE ARE DEVOTED TO SUPPORTING MEMOREX IN THE OEM AND END-USER BUSINESS.

WE ARE PROUD. WE ARE COMING INTO OUR OWN. WATCH OUT WORLD -- WE ARE THE CHAMPIONS!

OCR'ed and corrected from original document provided by A.N. LaPine
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