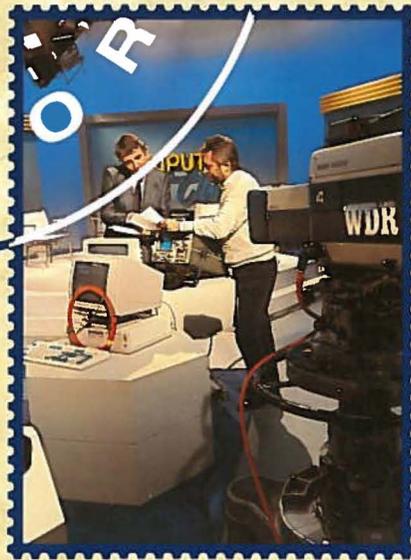


**Air Mail**

INTERNATIONAL  
1989~90  
REPORT



**R**ank Xerox provides a range of copiers and office systems to meet customers' needs in the creation, printing, copying, distribution, filing and publishing of paper and electronic documents. The company – a joint venture between Xerox Corporation and The Rank Organisation – has extensive research and development and manufacturing facilities in the European Community, and a distribution network in over 80 countries in the EC and throughout the world.

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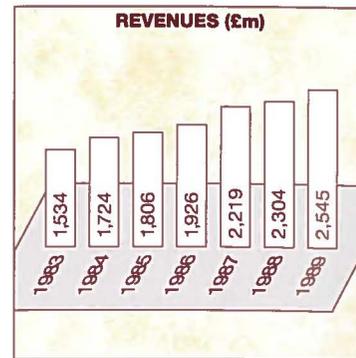
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**F**ront cover: In the studios of WDR (West Deutscher Rundfunk), Cologne, Germany's largest broadcasting company, the long running programme 'Computer Club' is concluding its rehearsals. Wolfgang Back, the programme's presenter, and Wasko-Karsten Krekow, the director, study the script which has been produced on a Xerox 5090 printing and finishing system. The Xerox 5090 was installed in the company's central printing facility to replace conventional offset machines and now produces scripts, press releases and a host of other material.

Revenues increased by 10 percent in 1989.



Profits before tax and before our contribution to Xerox research and development and central overhead costs. Underlying performance profits grew by close to 20 percent in 1989, excluding non-recurring costs of restructuring the systems business and an adjustment in the transfer price of products from Xerox.

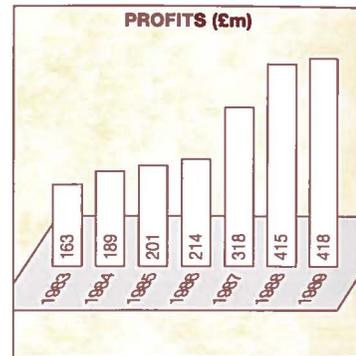


Chart shows geographic split of 1989 revenue. Region A is rest of Europe. Region B is Africa, USSR and Eastern Europe. Additional segmentation is shown on inside back cover.

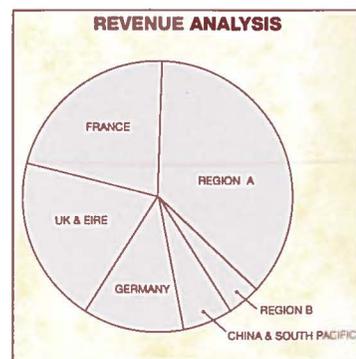
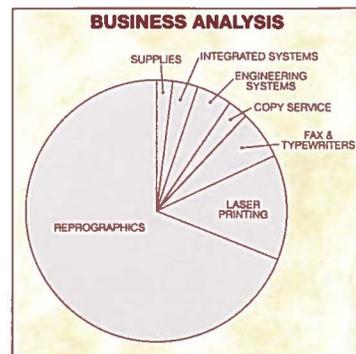


Chart shows revenue split between different sectors of our business.



## REVIEW OF THE YEAR

In the year to October 31, 1989 Rank Xerox made good progress towards achieving its three corporate priorities, produced a pleasing financial performance, and laid the base to meet more exciting and challenging opportunities we face in the 1990's.

Customer satisfaction remains our first priority and our target is to be the benchmark supplier in reprographics and electronic printing by the end of 1990. Surveys in 1989 showed that Rank Xerox was the best across the range in a number of our operating companies and the others are planning to achieve leadership this year. Across Europe, more than eight out of ten customers are satisfied or very satisfied with our products and services. That is better than our competition but it indicates that if we are on the right track we still have more work to do.

Keeping customers satisfied will be the first priority for as long as we try to improve our performance. When we have achieved our 1990 goal in reprographics and printing we intend to make sure that all of our customers are fully satisfied by the end of 1993.

The second objective is return on assets. We regularly improve in this area but we have to go faster. Our efforts to reduce costs which have no bearing on customer satisfaction, while improving the effectiveness of our major assets – such as inventories of equipment and supplies – will ensure that Rank Xerox makes its contribution towards the Xerox goal of 15 percent return on assets worldwide by the end of 1990. It has to be noted that tremendous efforts are continuing in several areas to support this priority. I would like to underline the investment we are making in our logistics organisation which will position us as the benchmark for this type of operation in 1991/1992.

Improving market share is our third objective. Nearly half of all machine installations in 1989 were 50 Series products and this proportion will rise to about 80 percent in 1990. During this transition process our market share was consolidated after increasing for six years. With the introduction of 24 new products in 1989, including six 50 Series copiers, and more to come in 1990, market share will improve again.

For the 1990's I am introducing a fourth objective – employee satisfaction. There is no doubt that the restructuring exercises we have had to face have been disruptive to our employees and have prevented top management from paying special attention to employee satisfaction. That is why I have made this a new priority. I think it is vital that each of our employees finds happiness in his or her job and is able to make a full contribution to the development of our business. This potential can be realised by nourishing individual creativity and innovation. To create a culture to help this, we are changing responsibilities, introducing a Capacity to Act programme which will release individual energies, and continuing to invest in training to develop all our people.

Our financial performance in 1989 showed a 10 percent rise in revenues to £2.5 billion and profits before tax and Xerox recharges of £418 million, against £415 million in 1988. But our underlying performance profits grew by close to 20 percent, excluding the non-recurring costs of restructuring the systems business and an adjustment in the transfer price of products from our parent company, Xerox Corporation.

During the year, our office systems business was reorganised into Integrated Systems Operations. Rank Xerox will be using its

strength and heritage in document management to deliver integrated systems to vertical markets such as pharmaceuticals, aerospace and defence which require specific solutions to processing huge numbers of documents. Documents either paper or electronic, support ideas, thoughts, opinions and most managers spend 70 percent of their time in front of documents which they receive or prepare. It is a vital basis for communication and understanding and therefore also essential for company efficiency. That is where we can help our customers, bringing them solutions with the support of our product range and so help them improve their competitiveness.

Integration of the European Community by the end of 1992 presents opportunities for Rank Xerox, too, as trading barriers between member states are progressively abolished.

Finally, I would like to pay tribute to my predecessor, Roland Magnin, who was appointed executive vice-president of Xerox Corporation in June 1989. His leadership over the past six years laid a solid foundation for the future and I am confident that his contribution will be extremely beneficial for Xerox.

As you know, the future is very challenging, with the economic environment changing more and more rapidly. My objective is to prepare Rank Xerox – and to help our customers – to face the new era.

Bernard Fournier  
Managing Director  
February, 1990.



Bernard Fournier (left), managing director of Rank Xerox, with Philip Rees, chairman and managing director of the technology division of John Laing plc, whilst paying one of his regular visits to customers.



## CUSTOMER SATISFACTION



*Listening to the customer at the ASLK-CGER Bank in Brussels, Belgium. Here Rudi De Becker (left), general manager Rank Xerox Belgium and Eddy Overmeire, manager office automation at ASLK-CGER, are discussing customer satisfaction in the in-house printing department. The ASLK-CGER Bank was founded in 1865 and is now the second largest savings bank in the world. One year ago ASLK-CGER decided to replace its in-house offset printing equipment with Xerox 5090 printing and finishing systems. Productivity has increased spectacularly and major banks and insurance companies in Belgium are now following the ASLK-CGER example.*

**S**ubstantial progress was made in 1989 towards reaching the company's goal of providing the highest level of customer satisfaction amongst all suppliers in reprographics and printing by the end of 1990.

Rank Xerox sponsored external surveys are regularly used to check our progress against the plans we have in place to achieve our objective. Surveys in 1989 show that across Europe, more than eight out of ten customers are satisfied or very satisfied with our products and services. "This is better than the competition, but is still not satisfactory," says Bernard Fournier.

Measuring customer satisfaction is as important as measuring activity. Many surveys are carried out during the year by external agencies and by Rank Xerox to track our performance. For example, market

researchers conduct surveys among users in each product group in each operating company, annually, to measure satisfaction ratings against other vendors. In addition each Rank Xerox company conducts regular sample surveys to track progress against improvement targets through the year and identify new areas for improvement. Questions include whether customers are satisfied with our products and services, whether they would buy another machine from us and whether they would recommend Rank Xerox as a vendor. Questions are also asked on a series of diagnostic issues relating to points where Rank Xerox touches the customer.

Finally, post-installation surveys are carried out after each sale to measure customer satisfaction on equipment performance, all services that support it, and any new issues,

to ensure smooth customer relationships in the critical first 90 days.

At the same time, customer loyalty is measured by tracking movements in our total machine population. This tells us whether customers are updating their machines with new Rank Xerox products or competitive products, and whether they renew rental and service contracts from year to year.

Taken together, these results give a comprehensive picture of customer satisfaction. "With sound measurement criteria in place, we have solid customer satisfaction data rather than slogans. You can ignore slogans but you cannot ignore hard numbers," says Bernard Fournier.

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*“With sound measurement criteria in place, we have solid customer satisfaction data rather than slogans.”*

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Moreover, hard data makes it possible to integrate progress towards achieving our number one business priority into internal pay schemes and annual job appraisals.

Salary increases for the top 135 senior executives at Rank Xerox around the world have been influenced by customer satisfaction measurements in each of the past two years and will continue to be a contributory factor. The linkage of pay to our number one priority is being extended – headquarter staff at Marlow have benefitted from a special bonus last Christmas. Employees in France, the UK, Germany and Denmark had pay linked to customer satisfaction measurement results in 1989. An increasing number of operating companies are devising schemes for implementation in 1990.

Becoming the benchmark company in customer satisfaction involves

building solid relationships with customers, understanding their needs and trying to satisfy them. Key drivers include product, sales, administrative, service and distribution performances. Within these functional areas service response time, invoice quality, and machine performance are three of many critical areas surveyed.

In seeking to become the leader, Rank Xerox has trained and is continuing to train all 29,000 employees in getting closer to customer needs, whatever their role in the organisation. This is no less than a total culture change and is being achieved through Leadership Through Quality processes.

At the same time, the way we do business – in every aspect of our activities – is changing to meet customer needs. Hence design, manufacture, delivery, service, billing, supplies – are being upgraded to satisfy customers as documented in different sections of this report.

Achievements so far are impressive. Product costs have been lowered substantially, delivery times reduced by 46 percent, response times improved and the approach to service revolutionised – all supported by substantial investments.

Some of these programmes are being conceived and implemented at Marlow, others are being initiated in the operating companies or business functions. Through internal benchmarking, the benefits will be shared throughout the organisation.

In 1989 Rank Xerox Belgium was one of the operating companies which overtook its competitors in each reprographic sector in customer satisfaction. Over the past two years general manager Rudi De Becker has met all of his 500 staff in small

groups to communicate the customer satisfaction programme, implemented Leadership Through Quality training in customer satisfaction for all of them, installed a system of regular customer visits by all members of his management committee, and instituted a customer complaint management system.

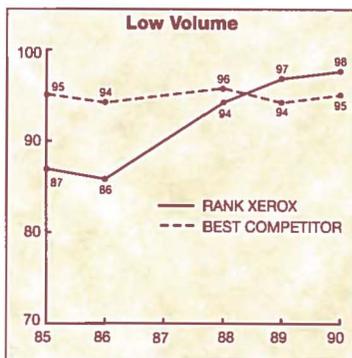
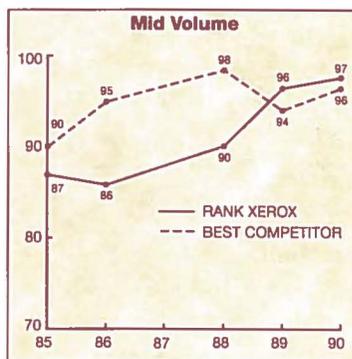
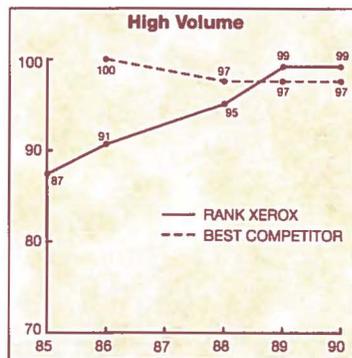
*“Hard data makes it possible to integrate our number one business priority into internal pay schemes.”*

The new sales approach involved foregoing a sale if there was not total clarity of customer benefits, recruiting and training recent graduates, and diverting the salesforce to major accounts and nominated accounts while concentrating coverage of smaller accounts through indirect channels.

In 1990, Rudi De Becker is planning an increase in the overall satisfaction rating of 91 percent, and will be targeting the 9 percent dissatisfied customers by writing to all 14,000 users with an SOS RSVP card addressed to him, inviting the statistical 1,260 dissatisfied customers to record their disaffection so that problems can be dealt with.

The UK marketing company has invested more than £10 million over 5 years to equip service managers with mobile telephones. The control centres can now alert engineers to customer problems more efficiently and promptly. If a problem cannot be resolved over the telephone, the engineer gives the customer an expected time of arrival and orders any needed spare parts he may not have in his kit. The company is also experimenting with laptop computers to enhance the ability to do remote diagnostics.

## CUSTOMER SATISFACTION IN RANK XEROX BELGIUM



Charts show how Rank Xerox Belgium overtook its best competitor in customer satisfaction in each sector in 1989 based on surveys totally controlled by external agencies but sponsored by Rank Xerox. (Figures for 1990 are projections). Major competitors in Belgium include the following companies:

- AGFA-GEVAERT
- CANON
- KODAK
- MITA
- MINOLTA
- NASHUA
- OCE
- SHARP
- UBIX



## CUSTOMER SATISFACTION CONTINUED

An advertisement as used in the UK to promote service and RIC in particular. Interrupting the flow of work is annoying and inefficient. Rank Xerox has developed Remote Interactive Communication (RIC) to deal with copier problems before they occur. RIC monitors the performance of the customer's copiers by reading electronic signals from the machine which are then transmitted over the telephone line to a Rank Xerox control centre for interpretation and diagnosis by computer. If any irregularities occur, the computer alerts the service engineer who can tend to the machine before the problem becomes a breakdown.



**You don't have to stop to keep going.**



David Chambers, manager, customer loyalty.

Towards the end of 1989 Rank Xerox (UK) became the largest commercial service organisation in the UK to gain the British Standards Institute's BS5750 mark of quality. BS5750 is the leading Quality Assurance certification in the UK and is in line with equivalent European and international standards. It was awarded for a consistent commitment to quality by the company's Customer Service Division. With more than 1500 customer service engineers and 350 logistics specialists required to maintain specified performance standards nationwide, the division underwent a rigorous BSI audit

into the company's practices for customer maintenance services and equipment repair before gaining BSI registration.

Rank Xerox Germany handles 600,000 customer calls a year with a response time averaging less than 4 hours per call. The company operates a customer helpline.

When a customer calls, engineers or product specialists are contacted and they can provide remote diagnostics and fault simulation over the telephone – with links to the international database in El Segundo, California, for special problems. This is supported by a computerised call out and planning system to get engineers quickly to customers' premises when needed.

*“It costs up to five times as much to gain a new customer as it does to keep an existing customer.”*

In France, Rank Xerox has installed a Customer Information Service – some 20,000 phone calls a month are each answered within 3 seconds, basic questions answered and non-routine enquiries directed to specialists. This system won recognition in a survey on how companies answer the telephone carried out by Expansion, one of the leading business magazines, and Phone Marketing. The section on the best transmission of calls within the company was won by Rank Xerox France. Another system handles delivery of product to customers – orders are logged on portable computers carried by the 30 independent carrier contractors linked to a centralised system to ensure timely and accurate arrival.

Rank Xerox in Norway responded to persistent complaints about service by sending a service questionnaire to one thousand customers and then

tackled the top 50 problems in Leadership Through Quality sessions. The result was a 12-point action programme which involved reorganising the service force by customer groups rather than product groups; reorganising logistics to reduce the number of broken service visits; and setting up a database of maintenance solutions accessible on a Xerox 6085. The company promoted round-the-clock service, a mobile copy shop for use during downtime, and a welcome pack to explain how customers can benefit from the new technical service organisation. The programme to improve service has been so successful that the mobile copy shop has been made redundant.

Rank Xerox Australia has invested in devising and installing a national order fulfillment operation which processes orders, deliveries, invoices and statements by computer. As a result, delivery times and billing procedures have been transformed from irritation factors to major customer satisfaction drivers. The process is now being adapted in New Zealand and Hong Kong.

#### ACTIONS FOR THE 1990'S

"As our number one priority we are not prepared to trade off customer satisfaction to meet our other corporate priorities. Nor do we need to do this – if we satisfy our

*"We shall ensure that all of our customers are fully satisfied by the end of 1993."*

customers we shall improve return on assets and market share. After all, it costs up to five times as much to gain a new customer as it does to keep an existing customer," says Bernard Fournier.

"Keeping customers satisfied will be a corporate priority for as long as we aspire to improve our performance. When we have achieved our 1990 goal in reprographics and printing, our next objective will be to become the benchmark competitor in all our other business areas. We shall ensure that all of our customers are fully satisfied by the end of 1993," he adds.

Substantial programmes are being implemented in 1990 throughout Rank Xerox to reach these targets.

A key part of these new programmes is to further improve the factors which drive customer satisfaction: factors such as standard deviations around engineers' response times and billing error rates, which are good predictors of customer satisfaction. This involves listing customer needs at each stage of the process alongside measurement criteria for improvement. It also involves setting goals for better performance in key areas, actions and strategies to achieve those goals and barriers to achievement. Customer complaint management is the subject of a clear set of guidelines and requirements and several new systems are being implemented to ensure complaints are dealt with and rectified promptly.

To effect rapid improvement in these factors, each operating unit has chosen four or more measures for which they have targetted a tenfold improvement in 1990. Areas selected are those that offer the largest improvement in customer satisfaction by improving the effectiveness of processes.

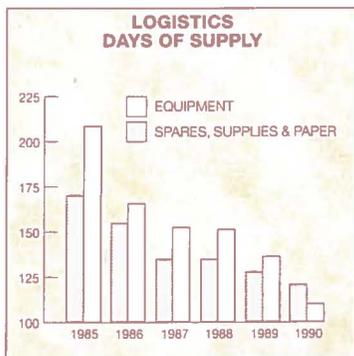
The actions described here are but a few of the hundreds of initiatives being taken throughout the world. Rank Xerox is totally committed to the crucial business priority of continuously improving customer satisfaction.



*Brian Cuddy, customer engineer field supervisor at Rank Xerox (UK), with his mobile telephone in front of Parliament buildings, London.*



## RETURN ON ASSETS



The bar charts show how inventory levels of equipment, spares, supplies and paper are falling – to improve R.O.A.



This is a graph of Selling, Administration and General costs (SAG) as a percentage of revenues. It shows a quarter-by-quarter decline to below 30 percent by the end of 1990.



Allan Vickery, director of logistics operations.

The second corporate objective is to improve return on assets (ROA) to 15 percent by the end of 1990.

This is a worldwide target set by Xerox Corporation and Rank Xerox is making its contribution by implementing a range of strategies and actions that will produce the biggest ever surge in ROA in 1990, as measured by internal performance criteria.

Return on assets is one of the key measures of success of any business. It expresses the profits generated as a percentage of the assets employed by the business and can therefore be improved both by increasing profits and by increasing the efficiency of asset utilisation.

One way of improving profits is to increase net margins. This is achieved by reducing the overheads of the business as a proportion of revenue. Put another way, a key factor in increasing our profitability is to manage the level of overhead required to support the revenue earned from the supply of products and services to our customers. Selling, administration and general expenses (SAG) make up this overhead and represent the cost we incur apart from cost of sales such as machines, parts, service and interest expense.

Rank Xerox has made steady improvement in recent years and we expect to continue this. Our SAG costs as a proportion of revenue has been falling consistently as shown in the chart. In 1989 the ratio fell from 33.7 percent to 31.4 percent. In 1990 the ratio is targeted to drop below 30 percent.

The biggest part of the overhead structure is employment costs. The number of people Rank Xerox employs in indirect operations – activities not involved in sales, service or customer administration –

has fallen. This is consistent with our strategy of reducing the costs of those functions which have no direct interface with our customers, so that we can maintain investments in programmes and activities which have a high impact on customer satisfaction.

Improving profits is one part of the strategy to improve return on assets. The other part of the strategy is to manage our assets more efficiently.

*“Our logistics strategy will complement European integration.”*

A large part of the money we have tied up in assets is represented by inventories of equipment, spare parts, paper and supplies, so a major part of our asset management programme is focused on our logistics operations.

Rank Xerox has consolidated its central logistics function over recent years so that there is now one organisation responsible for all day-to-day operations and for driving developments and improvements in the way that Rank Xerox trading assets are planned and delivered. This group is called Rank Xerox Logistics Operations. The changing organisation and changing practices of logistics are ideal candidates for Leadership Through Quality processes including competitive benchmarking and these have been used extensively.

A study in 1987 looked at all aspects of expense involved in the logistics of Rank Xerox' total business. In addition to the obvious costs of warehousing and transport it recognised, for instance, service engineers' time in preparing equipment for installation, repair and refurbishing costs, interest expense and write-off costs. In total these costs represented a third of the value

of the equipment, parts and supplies sold to operating companies. This logistics cost was viewed as unacceptably high and a five year programme has been instituted to reduce it by 30 percent. Cost is therefore important. Also, timely delivery of equipment to customers and of spares and consumables to 7,800 field staff are critical factors in satisfying customers, and in reducing inventories.

Until now, all equipment and spares have followed basically the same route, being shipped from manufacturing into international supply centres or the European Logistics Centre and from there through operating company national warehouses and on through local stores and van kits (for spares) or local carriers (for equipment) to the customer. The centralisation of planning and distribution activities involves shortening this supply chain, eliminating or downsizing some local stores and redefining the roles of international supply centres in the UK, Holland and France. As an example, from early 1990, Venray is the source of almost all equipment supply to operating companies, taking Welwyn, Mitcheldean and Lille out of the mainline equipment warehousing and supply process.

An important development in this strategy is just in time (JIT) delivery being practised by the newly extended Equipment Distribution Centre (EDC) in Oostrum near our plant at Venray in Holland. This distribution centre covers an area of 400,000 square feet and is being operated in conjunction with a Dutch distribution company, Frans Maas, and has been designed to be the main equipment distribution centre for Rank Xerox in Europe.

In 1989, following a comprehensive pilot to deliver equipment from Venray direct to the customers of Rank Xerox Germany, JIT delivery was additionally introduced for shipments of many copier products to our subsidiaries in the UK, Belgium, Holland, Switzerland and Austria. In 1990 this will be extended to more products and to most other operating units in Europe.

This practice allows us to operate on lower inventories while at the same time continuing improvements in customer satisfaction.

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*“By 1992, Rank Xerox logistics costs as a percentage of revenue will drop by 4 percentage points.”*

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Streamlining delivery techniques also involves moving goods faster between different countries. As we approach the single European market of 1992, the elimination of cross-border controls will help to reduce the time and cost of transport between member countries, so that the delivery speeds will begin to approach those achieved in the United States, which is a homogenous market.

Our logistics strategy will complement European integration so that by 1992, many of our finished goods will be shipped directly to customers from the EDC.

Our ultimate vision is to build many machine types to order. With just in time techniques, it is possible to make more bespoke products to order. The process is comparable to an airline ticket booking system: a sales administrator would be able to access a central information system, which could allocate to the customer a particular machine on the production line which would be

completed to the required configuration.

Actions already taken by Rank Xerox Logistics Operations have captured dramatic reductions in inventory and improvements in service.

Additional actions are now being taken to reduce further total logistics costs. By 1992, five years from the original study, Rank Xerox logistics costs as a percentage of revenue will drop by 4 percentage points.

Reducing logistics costs is only part of the plan. The logistics strategy will make it possible to deliver commodity products within 24 hours to customers and the remainder of products to dates specified by the customer. It will also ensure fault-free installation on all new machines and first time fix for virtually all service calls. These ambitious targets will be met at a time when our business is planned to show substantial growth in activity, rapid introduction of new products, greatly increased use of indirect channels, more complex products configured to customer solutions, and higher customer requirements of systems maintenance.

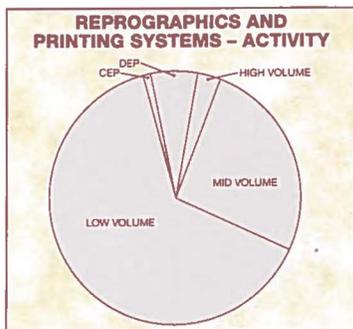
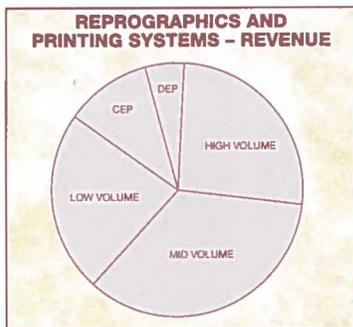
By 1992 logistics will achieve a real and sustainable competitive advantage for Rank Xerox which will not only help to reach and maintain our ROA objectives but also help to improve customer satisfaction and market share.



*The European Logistics Centre at Venray in the Netherlands.*



## MARKET SHARE



Charts show split of business by revenue and machine installations for regraphics and electronic printing. CEP is centralised electronic printing and DEP is decentralised electronic printing.



Rank Xerox increased market share substantially with the launch of the 10 Series copiers in 1983 by providing new levels of industry standards in product features, performance and value. In 1989 market share was consolidated during the first phase of the launch of a new series of copiers, the 50 Series. The 50 Series – named to mark the 50th anniversary of the invention of xerography by Chester Carlson – brings even higher standards of performance and value.

Nearly half of all machine installations in 1989 were 50 Series products and the proportion will be almost 80 percent in 1990.

In all, some 24 new products were introduced in 1989, across the entire spectrum of Rank Xerox markets.

Six of these were 50 Series copiers including the Xerox 5090 printing and finishing system. The 5090 was built at the Webster plant in the United States at an investment exceeding £200 million and represents a new generation of high volume duplicating and printing products, setting new industry standards for speed, for copy quality, productivity and easy use. It is the first clean sheet centralised regraphics product launched since the Xerox 9200 in 1974.

In addition to the main business mission of protecting Rank Xerox' share of the high volume reproduction market, the marketing thrust of the 5090 is to accelerate the transfer of copy volume from offset presses. For example, in the UK alone, in-house print departments produce a total of two billion black-and-white offset prints a month. About a third of these are runs of less than a thousand prints and can be done faster and more cost-effectively on the 5090.

With this new flagship product, Rank Xerox high volume revenues were

up by 25 percent in 1989, enabling us to maintain our prominent leadership in this sector.

Revenues in the mid volume sector rose by only 2 percent reflecting the constraints on the Xerox 5046. As a result there was a slight slippage in our market share in this sector. The availability of the 5046 and the introduction of the Xerox 5042 with its facility to copy bound documents will contribute towards market share gain in mid volume in 1990.

Four new desktop copiers were introduced by the end of the year in the low volume sector, all with replaceable cartridges including the Xerox 5018 and Xerox 5028, built in the UK. Revenues in the low volume sector increased by 5 percent and our market share was flat. The new products represent a good opportunity to improve market share in 1990.

*“Nearly half of all machine installations in 1989 were 50 Series products and the proportion will be almost 80 percent in 1990.”*

Our market share in the fast growing centralised electronic printing (CEP) market grew by 1 percent following the successful launches of the Xerox 4090 high volume laser printing system and the Xerox 4650 professional printing system – the first laser printer from Xerox that features a resolution of 600 spots per inch, equivalent to offset. There was a 26 percent increase in machine placements and a 16 percent rise in revenues in the CEP sector.

Rank Xerox maintained its market share in the fast growing decentralised electronic printing (DEP) sector with a 22 percent rise in revenue. The launch of our first low volume laser printer, the Xerox

4030, in October 1989 will help to produce a major breakthrough in 1990.

Market share in the declining electronic typewriter market was stable in spite of the 7 percent decline in revenues. The revolutionary quiet typewriter called Piano has a new typing mechanism which is the first innovation in the typewriter market since the introduction of the daisy wheel in 1974. Piano's favourable reaction in the market reflects the fact that noise is an identifiable nuisance in the office environment.

The launch of three new facsimile machines into our existing range of Telecopiers makes Rank Xerox the most comprehensive supplier in the fast growing European fax market in which we are the only supplier of plain cut-sheet paper machines. The rapid growth of the facsimile market throughout Western Europe is reflected by the fact that whilst our installations increased by 42 percent and revenues by 17 percent, our market share remained constant.

Another product introduced was the Xerox 5080 engineering drawing printer with variable reduction and enlargement which supported outstanding activity levels.

In February 1989 Xerox Engineering Systems Division (XES) was formed, bringing all Xerox engineering product lines into one group and including Versatec. XES is now the world's largest supplier of printers, plotters and copiers to the specialised engineering and large document market.

Rapid expansion is taking place in the use of computer-assisted design: the CAD market is growing at a rate of 30-40 percent a year. Engineers now use individual workstations, where they used to need a mainframe computer. As a result, the creation of

documents has become much easier, with strong positive implications for Rank Xerox. In the 1990's, reprographics devices are increasingly likely to be connected directly to the CAD workstation.

Despite being messy and environmentally unattractive, diazo, or blue-printing, still accounts for a massive market and the XES challenge is to convert that copy volume to plain paper reproduction of engineering drawings.

#### GROWTH IN 1990

After consolidating our market share in 1989 we are planning a continuation of growth in 1990. There are four parts to our market share strategy for 1990: developing profitable revenue growth, expanding market coverage, becoming a market led company and improving delivery of products to customers.

The revenue strategy is to enrich the sales mix by focusing on high volume and mid volume reprographics and the printing sector where gross margins are highest, and to optimise price increases consistent with customer satisfaction.

At the same time we will be improving our direct coverage of the market by focusing salesforce activity on major accounts and nominated accounts. This includes involving salesforce specialists in high potential establishments and focusing on specific industry sectors to meet specific segment needs, for example in pharmaceuticals and banking. Whilst focusing the salesforce on high value accounts we will continue to expand standard commercial accounts through indirect channels. Indirect channels including dealers and concessionaires will account for just over 50 percent of total machine installations and around 10 percent of revenues in 1990.

The company's new market driven approach will help the company develop products based on customer needs in a changing market. While we will continue to concentrate on our prime revenue drivers – reprographics and electronic printing – we will create new opportunities for the 1990s based on emerging technologies. Documents can no longer be thought of in paper terms only; more and more documents exist in electronic form. Hence the distinction between printers and copiers is diminishing, and increasingly originals are electronic images.

Improving delivery of products to customers is the fourth part of our market share strategy. Changes that have already been made have led to a 46 percent improvement in the speed of product delivery. Further improvements will result from current developments that include centralising machine stocks at the Equipment Distribution Centre in Holland, just in time delivery techniques, post-installation surveys and the liberalising of border controls in the EC member countries.



*Lyndon Haddon, director of marketing support.*

*Piano, the silent typewriter, made in France for worldwide distribution.*



## A TURNAROUND IN GERMANY



*In the Control room of one of the studios at WDR (West Deutscher Rundfunk), in West Germany, the members of the technical crew read off copies of a script produced on a Xerox 5090 printing and finishing system. (See also front cover).*

Our subsidiary company in Germany, Rank Xerox GmbH, made a profit in 1989 for the first time in five years.

When the Japanese copier industry emerged in the mid-1970s, it chose to test-market its newly developed copiers in Germany, which it recognised as being quality conscious. As a result, Rank Xerox Germany felt the impact of competition earlier than other European countries, had less time to prepare for it and suffered severe loss of market share.

Although in the period a number of other product lines had been successfully developed, notably high volume electronic printing in which we are today the market leader, the total revenue of Rank Xerox Germany stagnated and its accounts showed losses, year after year.

However, in 1989 Rank Xerox Germany increased its share of the heavily contested copier market for the second consecutive year, and for the first time since the 1970s, its annual growth of revenue reached 10 per cent to make DM 850 million with pre-tax profits of DM 46 million. Although this profit improvement is partially due to one-time changes in accounting policy to take account of the tax situation, this represents an improvement in underlying profits of 33 percent. Profitability will continue in 1990.

This recovery took place within the environment of a far-reaching restructuring of Rank Xerox Germany's activities in the German market. The operating company's copier salesforce is now deployed in clearly defined market segments. The rural areas, forming almost 80 per cent of Germany, are now served by a network of entrepreneurially independent Rank Xerox concessionaires. In addition to the now traditionally strong business in

high-performance Xerox equipment for centralised electronic printing (CEP), Rank Xerox Germany has created a profitable market for Xerox decentralised printers (DEP) and other information systems equipment and solutions.

Simultaneously, headcount in Rank Xerox Germany has been trimmed by 15 percent, mainly by reducing overhead personnel and increasing productivity in customer service areas. The workforce reduction was achieved without compulsory redundancy.

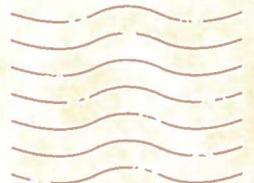
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*“Rank Xerox Germany has five priorities to improve customer satisfaction.”*

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The superior technology of Rank Xerox products, together with the application of Leadership Through Quality, on-time delivery and the continuing improvement in customer service will safeguard the recovery so that in the near future the contribution to corporate profits from Rank Xerox GmbH will reflect the prominence of the market it serves.

In terms of customer satisfaction rating, the company trailed its three major competitors in 1988, caught up in 1989 and will take the lead in 1990.



Customer satisfaction is an integral part of the job for every employee and is considered during performance assessment; providing customer satisfaction forms part of the formal training of all employees, and for some areas of the company's management, pay is now partly related to the index of customer satisfaction.

For 1990 Rank Xerox Germany has selected for special attention five priorities calculated to improve customer satisfaction.

The company has implemented a billing system that meets customers' requirements for understandability and simplicity. It has improved logistics for a better balance between demand and supply to give delivery at the customer's preferred time. Sales staff now make frequent and regular visits to customers so that they feel they are being looked after.

A query and complaint handling system has been established to ensure that customers get timely, professional answers and solutions to their problems. Service response time management has been implemented so that customers are able to rely on arrival of a technical representative at the promised time. The average response time is now below four hours for the 600,000 service calls received in a year.

A new equipment financing scheme together with improved interaction with the Rank Xerox leasing company has reduced the level of accounts receivable. JIT has also played a major part in reducing stock and warehousing costs. These two factors are the primary reasons for Rank Xerox Germany being able to accelerate total asset turnover to 2.5 in 1989.

The company has made substantial progress in return on assets and is on target to achieve its goal in the

highly competitive German market.

Restructuring of the sales activities and the use of independent Rank Xerox concessionaires resulted in growth in market share across the full product range. The productivity of individual sales people has grown considerably as a result of the increased professionalism of the salesforce as well as the introduction of computer-aided sales management.

In reprographics, market share improved across the product range. The company achieved a 25 percent rise in machine installations, reflecting good teamwork and management leadership.

#### 1989 PERFORMANCE

Revenues	DM 850 million
Profits, before tax	DM 46 million
Machine installations	+ 25%
<b>Customer satisfaction</b>	
High Volume	89 percent
Mid Volume	89 percent
Low Volume	83 percent



*Franz Scherer, general manager of Rank Xerox Germany, presenting a donation to Mrs Hannelore Kohl, wife of Helmut Kohl, Chancellor of the Federal Republic of Germany, for the Kuratorium ZNS für Unfallverletzte mit Schäden des Zentralen Nervensystems in Bonn, an institution for the cerebrally injured, of which she is patron.*



## PORTUGAL BECOMES A BENCHMARK

### 1989 PERFORMANCE

Revenue up 17%

Profit up 12%

Copier installations up 29%

Systems installations up 23%

Overall customer satisfaction

5% better than competition

Rank Xerox Portugal is headquartered in Lisbon and is one of the smaller operating companies, with some 370 people. The company is market leader in copiers and centralised electronic printing (CEP), and third in the highly competitive electronic typewriter market. It concentrates its direct salesforce on large and major accounts and central government within the metropolitan area; in the rural areas indirect sales channels are used.

The company supplies about one fifth of all low volume copiers and has a good share in mid volume copiers, in which market share is increasing. High volume copiers are a runaway success story for Rank Xerox Portugal: it supplies every machine purchased in the Portuguese market. In CEP Rank Xerox Portugal leads by supplying about three-quarters of all machines.

Revenue for Rank Xerox Portugal grew by 17 per cent in 1989 to 8 billion escudos and profit before tax was up 12 percent on 1988 to 2.8 billion escudos. Installation of copiers grew by 29 percent and systems products by 23 percent.

New products introduced included the 50 Series copiers, and in typewriters, Xerox 6025, Xerox 6045 and the full range of the near-silent Xerox Piano. Three printing-publishing systems were introduced: Xerox 8090, Xerox 4090 and Xerox 7650, as well as two new software packages: Elixir and Servicios 11.

Rank Xerox Portugal's customers were on average five percentage points more satisfied than competitors' customers.

Actions taken by the company to correct benchmark shortfalls and maximise customer satisfaction include employee training and improved organisation in the

administrative, commercial and technical areas.

All new Rank Xerox Portugal employees undergo quality training. The course includes modules covering Leadership Through Quality, quality concepts and costs, the quality improvement process, problem solving, measuring quality and techniques of communication.

On administration Rank Xerox Portugal has instituted a programme of continuous improvement of systems and billing routines to avoid errors and ensure that solutions offered are highly specific to each customer's requirements. In

*“Return on assets was 19 percent higher than the target.”*

addition, the existing query control system has been enhanced to allow speedier response and better tracking of queries.

The level of service is already ahead of the benchmark on customer satisfaction. To improve it still further Rank Xerox Portugal has taken a series of actions – redefined territories to provide a more balanced workload with consequent better response times, trained

*The Xerox 4090 laser printing system enables data centres to effectively produce high quality reports and complex documents incorporating graphics, forms, logos, signatures and a wide variety of fonts. It is a product which has helped Rank Xerox Portugal increase its market share in centralised electronic printing.*





engineers to allow each engineer to service a greater range of equipment, improved control of logistics, provided better customer hotline support and increased routine call frequency.

The return on assets achieved in 1989 was 19 percent higher than the company's target. This was achieved by postponing capital expenditure wherever this could be done without reducing customer satisfaction or market share, and by defining a strategy and action plan for inventory management.

Rank Xerox Portugal may be a small operating company in terms of size – but its consistent commitment, performance and contribution to the group have won it a place as an internal benchmark within Rank Xerox.

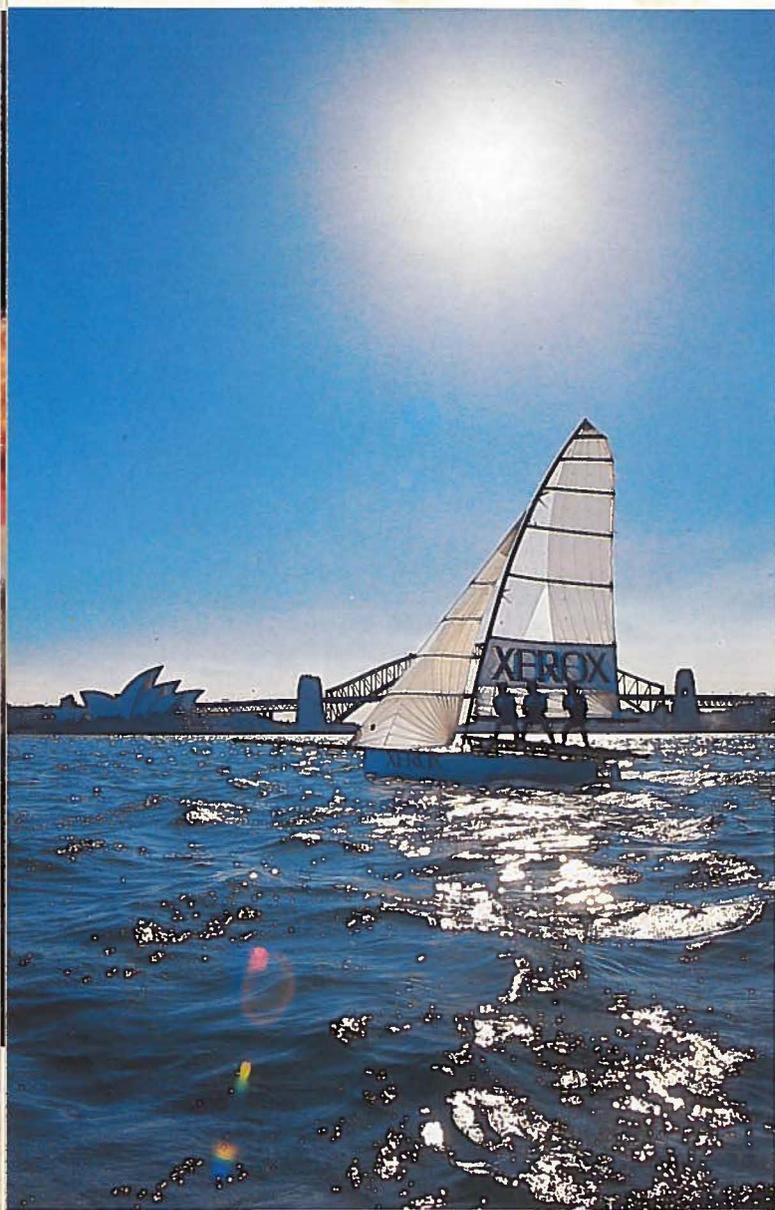
*Nuno Correia, general manager, Rank Xerox Portugal (seated left) with some of his customers from Portugal, from within the insurance industry.*



*Edward VII park in Lisbon.*



## THE KANGAROO JUMPS SKY-HIGH



For Rank Xerox Australia 1989 has been a year of success. Revenue was up 14 percent to A\$195 million with a substantial improvement in return on assets reflecting both a profit improvement of 216 percent and a vigorous asset management programme.

During the year, five major systems products and five 50 Series copiers were introduced.

Printer installations led the growth with a doubling in the three year average for CEP placements, and 60 percent increase in DEP installations.

Copiers also showed growth, with high volume machines taking the three year placements average up by 26 percent and mid volume by 20 percent. Low volume copiers maintained their previous year's activity levels.

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*“Quality is a route to customer satisfaction.”*

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Placements of drawing office equipment grew by 26 percent due mainly to the continued success of Xerox 2510. As a result of good market acceptance of the Xerox 5080, a 200 percent increase in placements is forecast for 1990.

As with all Rank Xerox operating companies, customer satisfaction is priority number one at Rank Xerox Australia.

Surveys of customer satisfaction have shown that the company achieved its target figure every year. In 1989 the index of customer satisfaction improved and is now 9 percent above the average for competitors.

In terms of individual employee attitudes, a survey carried out late in 1988 showed that 95 percent of Rank Xerox Australia employees

recognised customer satisfaction as their top priority. The company is confident that this figure will reach 100 percent by 1990.

Most significantly, surveys of customer loyalty show that more than 90 percent of present Rank Xerox Australia customers will continue to deal with the company and will recommend the company to other potential customers.

Factors contributing to this continuing increase include regular meetings of the customer satisfaction committee, an effective local ‘Capacity to Act’ programme and a fully operational computerised system for tracking, escalating and resolving customer complaints.

What Rank Xerox Australia has designated a senior management ‘Godfather team’ of key communicators participates in monthly branch meetings and cascade training, and in the presentation of State and National customer satisfaction awards.

The Capacity to Act programme means that local managers have the required autonomy to take actions to ensure a customer is entirely satisfied with products and service. Because the customer complaint system is computerised, complaints can be identified at any stage in the process of resolution and referred to a higher management level if the customer is dissatisfied with progress.

Quality is a route to customer satisfaction and quality objectives form part of all senior management appraisals. They are cascaded through all levels to form an integral part of the company-wide appraisal process.

The word is spreading in the Australian marketplace that Rank Xerox Australia has a new philosophy of business. More than

20 key customers, including ICI, Shell and Westpac Bank have requested and received presentations on the theory and practice of Leadership Through Quality from Rank Xerox Australia's senior management. These companies are now doing more business with us, having witnessed our quality approach first-hand.

The company estimates that quality activities, and particularly those allied to customer satisfaction, will lead to improved customer loyalty, resulting in a 15 percent increase in sales revenues for 1990, with no appreciable increase in selling, administrative or general costs.

*“The word is spreading that Rank Xerox Australia has a new philosophy of business.”*

Rank Xerox Australia achieved a very significant increase in return on assets, reflecting the profit improvement and vigorous asset management programmes.

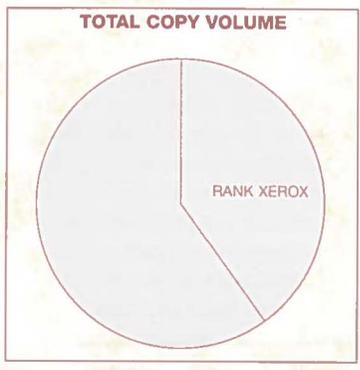
In the early 1980's, Rank Xerox Australia decided that because of the geographic distribution of the Australian market, only a strategy of carefully targetting the public sector and the top 200 companies could achieve the targetted profitability.

The company therefore concentrated its efforts on gaining market share in these areas for CEP products, high and mid volume copiers, and systems products.

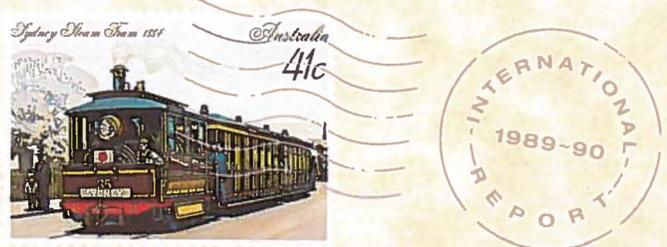
Rank Xerox Australia's market share in high volume copiers continues at a high level. In mid volume, the company's share is approximately one-fifth of the total in a sector growing at a compound rate of 10 percent a year. In CEP, it is estimated that the company provides about half all placements, and rising.

Rank Xerox Australia wins about one out of five placements for all engineering systems. However, in terms of plain paper machines in this category, almost 100 percent are supplied by the company.

Overall, Rank Xerox in Australia accounted for about 40 percent of all xerographic copies made during 1989, a leadership position.



David Stringfellow (seated centre), general manager of Rank Xerox Australia with his first line 'Godfather Team'. Front row left to right Dennis Cangiamila, office supplies and copy services manager; Chris Mason, field operations manager; David Stringfellow; Alan Gordon, financial controller; Graham Cavanagh-Downs, customer services manager; Back row left to right Doug Miller, personnel and training manager; Derek Balmer, marketing manager; Doug Andrew, operations systems division.



## BUILDING A BUSINESS IN WAR CONDITIONS

**R**ank Xerox Mozambique was founded in 1970 and must surely be unique in that it has never operated in peace time. Following a 10 year liberation struggle, Mozambique gained independence in 1975. The communist regime has been supported by a strong Soviet and Cuban presence and civil war and disruption continue with the Government under constant challenge from the Mozambique National Resistance (MNR).



*President Joaquim Chissano of Mozambique (third from left) with Rogerio Fonseca the Rank Xerox country manager at the FACIM Trade Fair, held in Maputo. Other visitors included Prime Minister Manchungo and the Ministers of Commerce and Transport.*

Rank Xerox set up a branch operation in the once beautiful and bustling port of Lorenzo Marques, now renamed Maputo. As a part of Region B, our team of 16 people run a successful business in a devastated hinterland with major health hazards and almost no communication by road between towns in a country 3000 kms long, as far as from Stockholm to Rome.

Over the past four years and particularly since 1987 the policies of the country's leadership have changed; and there has been significant financial aid from the West.

The Mozambique government agreed to World Bank and IMF plans including massive devaluation and the aid started. The medium term objectives were to rebuild the commercial and government infrastructure, rehabilitate displaced

individuals, open the ports of Beira and Maputo and re-start agricultural production. Expatriate representatives from the aid organisations moved into Maputo and began to set up their offices and administrative bases. Additionally, short term essentials associated with improving health care and overcoming malnutrition are being developed. Such is the state of the country that observers believe it will be decades before normality returns.

Against this backdrop Rank Xerox operates in two distinct modes – firstly as a small local currency (meticals) business, but much more importantly as a sales operation in hard currency. No direct benefits accrue to Rank Xerox from the local currency business since all local currency income has to be retained in Mozambique. However, local revenue from copy shops and sold service, covers the cost of employees, premises and marketing – enabling the organisation to generate hard currency business. Rank Xerox operates principally from Maputo but the small operation in Beira will expand as the port is restructured and de-silted.

The hard currency business is supported from Europe. Order entry, credit control and accounting operations are based in Marlow, goods are packed and dispatched from the European Logistics Centre in Venray. The sales team is based in Mozambique under the regional direction of the southern regional office situated in Harare, Zimbabwe.

The customers are aid or donor organisations, diplomatic or trade missions, and Mozambique companies and government departments which receive an allocation of foreign currency from incoming aid.

The success of Rank Xerox in Mozambique comes from

organising a team of company people in multiple locations both in Europe and Africa to exploit the potential created by an explosion in aid business.

The hard currency business was worth £400,000 in 1986. By the end of 1989 this had more than trebled to £1.3 million, still a drop in the ocean compared to the billions of dollars of aid entering the country.

With just one quota-bearing sales person, Rank Xerox Mozambique probably achieves the highest revenue productivity in Rank Xerox.

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*“Observers believe it will be decades before normality returns.”*

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The operation consists entirely of Mozambique nationals, led by the country manager Rogerio Fonseca who has been there for ten years and doubles as the only sales person. There are 15 other people employed – two in sales administration, seven in service and four in the copy shops.

In such a poor environment, their success in producing such a high revenue and profit contribution per employee is due to team spirit. Sixty percent of the employees have been with Rank Xerox for over six years, 30 percent over ten years. Distant but not isolated, they receive training, administrative and other practical support from the wider Rank Xerox family in Zimbabwe and England.

The principles of customer satisfaction have been used in the company from the start. Throughout all the difficulties caused by war, attention has always been focused on the customer. Many competitive companies gave up and left. Rank Xerox and its employees stayed and today's growth and success derived

from high customer loyalty, is a tribute to the local employees.

Eighty-five percent of customers existing in 1986 have re-ordered equipment in 1989. With a machine population of over 1,500, customer complaints are fewer than five a year, and these are mainly due to power problems.

Equipment is mostly sold cash in advance or by Letter of Credit and consequently there is negligible debt. Market share reflects Rank Xerox success: not only as market leader in copiers but also in the top three or four in electronic typewriters and facsimile even though these were only launched in the last two years.

With Mozambique so short of natural resources (it exports only prawns and cashews), Western aid is likely to continue for decades so Rank Xerox has an opportunity to continue to support the development programmes and to create further growth by expanding operations from Maputo and Beira into the Northern provinces – priorities for the Government's restructuring programme. Plans are advanced to set up a distributor network which has the twin advantages of involving Mozambique businessmen (a government priority) and limiting Rank Xerox management costs.

The success of Rank Xerox Mozambique also reflects leadership given by Peter Marsden, southern region manager in Africa, based in Zimbabwe, who last year won the Xerox President's Award for establishing a highly viable and respected business products operation in the countries of southern Africa under difficult trading conditions. The team spirit he has helped to create by bringing together departments in Marlow and Venray with African based operations is testimony to his

achievement. He sees the recent expansion in Mozambique as a vindication of Rank Xerox policy of supporting the country and existing customers through a period of

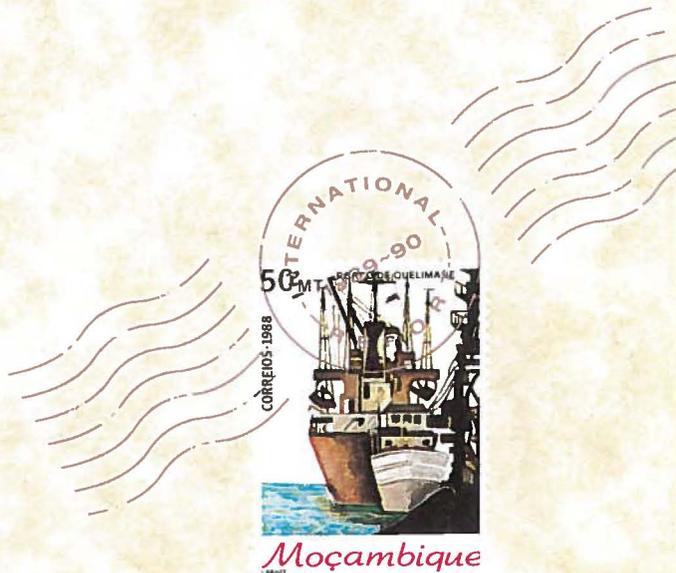
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*“Mozambique achieves the highest revenue productivity in Rank Xerox.”*

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uncertainty, setting an example which may be followed in other parts of Africa.

“Business in Africa is always challenging but sometimes it can be particularly rewarding,” says Peter Marsden. “If we can satisfy customers during a civil war, business under normal conditions ought to be easy.”



*Troops examining damage to a railway bridge, blown up by rebels.*



## ACHIEVING EXCELLENCE IN MANUFACTURING



Dick Holmes (centre) with Pierre Van Coppemolle (left) director of the plant at Lille and Gerry Lane, director of manufacturing at Welwyn Garden City. Dick Holmes was director of European Manufacturing Operations from 1975 to his retirement in early 1990.

At the beginning of the 1980's, our European Manufacturing Operations (EMO) began a decade-long programme to improve its performance. The process involved benchmarking, Leadership Through Quality processes, manpower reductions, streamlining purchases, investments in automation, and much more besides.

Rank Xerox set about redesigning its copiers from scratch, so that they had fewer parts, less weight, lower costs and more electronics – making assembly easier, too.

At the same time, EMO set about reorganising procurement. The number of worldwide suppliers was reduced from 3,000 to some 300 – and each supplier tutored by Rank Xerox in overall quality control and Just-In-Time delivery techniques.

Manufacturing factors targetted in pursuit of excellence also included manning ratios, product quality, overhead costs, space utilisation, and inventories.

The ratio of indirect to direct manpower was reduced from 1.4:1

*“The number of suppliers was reduced from 3,000 to some 300.”*

in 1980 to 0.4:1 in 1989. This was achieved without industrial relations problems and by avoiding compulsory redundancy. In addition to voluntary redundancy and early retirement programmes, retraining was instituted, advantage was taken of natural wastage wherever possible and the company supported absorption of surplus staff by sponsoring self-employment schemes, such as the Rank Xerox Enterprise Workshops at its Mitcheldean plant. Over the ten years of the programme, employment at the company's five

plants in Europe fell by more than half to 5,200 people. Most of the job losses comprised indirect labour.

Product quality was targetted through the company's Leadership Through Quality campaign. Everyone involved, suppliers, production workers, shippers and support staff, was trained to identify his or her 'customers', internal or external to the company, and work with them to ensure that the item supplied was provided on time and free of defects.

This performance resulted in a 92 percent improvement in quality, from 91 total defects per hundred machines in 1980 to seven in 1989. Line fall out, ie, individual components that passed goods inward inspection but subsequently failed, shrank from 30,000 in 1980 to 250 in 1989.

Overhead rates were reduced from 360 percent in 1980 to 132 percent in 1989, surpassing the benchmark.

Excessive inventory increases costs in terms of tying up capital and absorbing space. By making use of just-in-time and related logistics management techniques, Rank Xerox reduced inventory from 99 days of supply (DOS) in 1980 to 34 DOS in 1989.

Since 1980 manufacturing output has doubled, resulting in substantial productivity gains.

“In addition to cutting costs we needed highly motivated staff in order to meet our long term objectives. To motivate them we instituted regular communication at all levels, we instituted the Leadership Through Quality and Cost of Quality approach at all levels, we encouraged and gave recognition to quality improvement actions and we gave our people the rewards and recognition they merited,” concludes Dick Holmes, Director of EMO.

EMO's contribution towards the revitalisation of Rank Xerox has won external recognition – our plants at Mitcheldean and Welwyn Garden City in the UK, Venray in Holland, and Lille in France have each received coveted national quality awards in their respective countries over the past five years. And in 1989 Mitcheldean was selected as one of the UK's five best factories in a national survey.

*“Our plants have each received coveted national quality awards.”*

The factory at Lille in France has also received external accolades. In 1987 it won the French Quality Award and in 1988 it sent a team to the United States to accept the Xerox Award for Excellence. It was also honoured by the French Minister of Industry who presented the 'Industry and Quality' prize. This was the first time that this distinction had been awarded to a non-French-owned company. Since then Lille's reputation has spread and the site often serves as a benchmark for the whole of France.

Lille makes high volume copiers like the Xerox 1090, input/output devices (automatic document feeders/stitchers, stackers, sorters) for the mid volume copiers produced elsewhere within EMO, electronic typewriters including the latest state of the art, near silent Piano range, and facsimile machines.

Mid and high volume copiers are refurbished at Lille and it is a Rank Xerox centre for software duplication (diskette copying).

Lille also assembles products for external customers, notably personal computers.

The value of shipments from Lille in 1989 was 19 percent up on 1988.

## MANUFACTURING PERFORMANCE

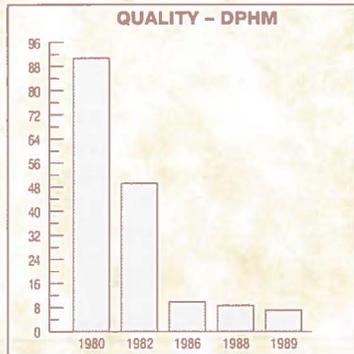
Actual numbers of total items produced have increased by 22 percent and several new products have been introduced.

Customer satisfaction with Lille has increased due to further improvement in quality, cost, delivery and service.

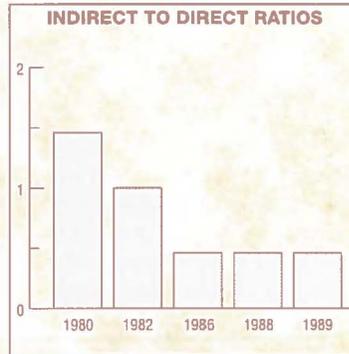
Return on assets at Lille is also steadily increasing. Manufacturing inventory is down to 22 days of supply and the number of externally supplied components subject to JIT techniques has been doubled to 200.

Quality activities in 1989 at Lille included a refresher course on Leadership Through Quality for all employees, total quality training for suppliers, quality certification for employees and suppliers, a special quality event was held in November.

The Lille workforce is close to the Rank Xerox ideal, almost every member can perform two or three different jobs with equal facility. This is one result of the Leadership Through Quality culture at Lille. For five years every trained employee, from management to operators, has concentrated on quality – not just quality of product or service to a customer but in every respect, including service to co-workers on a project with the common goal of excellence.



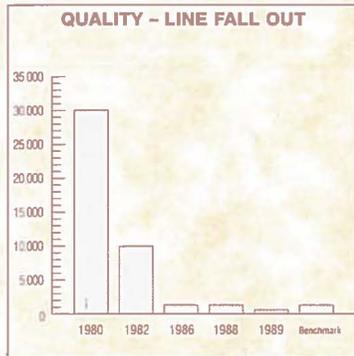
The number of defects per hundred machines has come down from 91 in 1980 to 7 in 1989 – the benchmark is 2, and the objective is zero.



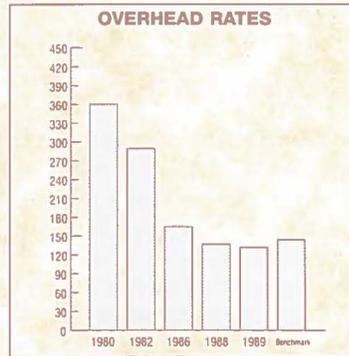
Ratio of indirect to direct manpower. In 1980 there was an average of 1.4 persons supporting a production worker – today this is 0.4.



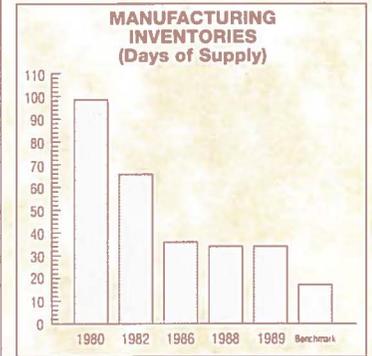
The time taken between order and delivery to operating companies has fallen from 26 weeks to 14 – the benchmark is 11 weeks.



The number of components rejected during production has dropped from 30,000 in 1980 to 250 in 1989, beating the benchmark.



Another measure of manufacturing efficiency is overhead ratio as a percentage of labour. This has fallen from 360 percent in 1980 to 132 percent in 1989.



The charts show how inventories of raw materials and work in progress are falling despite a doubling of output.



Production of Xerox Telecopier facsimile machines at Lille.

INTERNATIONAL  
1989-90  
REPO

## ENGINEERING CUSTOMER SATISFACTION



Joe Marino, director of the European Systems Centre.



Paul Chapman, director of customer support services.

Rank Xerox engineering activities were restructured during the year, to give a sharper focus to customer satisfaction.

Although engineers at Welwyn Garden City will continue to be involved in the original design of products, the mission to design mid volume copiers was transferred to the bigger Webster facility in the United States as part of a worldwide rationalisation to consolidate xerographic process development.

However, our engineers will continue to design designated copiers and duplicators, printers and input/output devices, and are an integral part of the newly-formed European Systems Centre (ESC) under Joe Marino.

Significant resources are being devoted to the ESC which will be responsible for devising new systems software applications to meet the special needs of our European markets and to add to the total software development programme of Xerox Corporation. Software engineers are being recruited from the Oxford – Cambridge – London triangle to build the highest competence of skills.

The formation of ESC reflects the intention to capture market share in the European systems and applications software market which is projected to experience a major surge within the next few years. Additionally this will strengthen the systems and software technical presence with European business operations.

### CUSTOMER SUPPORT

Consistent with the approach to get closer to changing customer needs was the merger during the year of three technical customer support units to form Customer Support Services (CSS) under Paul

Chapman, which also has strong links into the ESC.

The three units were Customer Service Organisation, Systems Businesses Engineering Group, and International Systems Support

*“Support for Xerox products during their complete life cycle.”*

Centre. The combined group has two missions – to ensure the highest level of technical support for Xerox products during their complete life cycle and to promote the growth of after-sales revenues for Rank Xerox.

Incremental revenue streams will be developed by charging customers for additional professional services such as dedicated analytical or educational support, in common with the computer industry. This potential stream of revenue is complementary to the annuity revenue Rank Xerox currently earns on maintenance contracts on installed machines.

The level of service being provided to customers under maintenance contracts is currently being substantially enhanced to meet customer satisfaction targets and to create an additional competitive edge for Rank Xerox.

CSS is investing in state-of-the-art technology to enable our service engineers to support customers in three distinct ways.

Firstly, by participating in the establishment of problem management databases on a global scale so that Xerox expertise and information can be shared worldwide. Rank Xerox service centres in each country will ultimately have their own databases and will operate on-line to the international databases.

Secondly, by providing mobile telephones and laptop computers to service engineers to enable better communication with the customer and Rank Xerox personnel and improve overall customer service efficiency.

Thirdly, by offering differential service contracts to meet specific needs of each customer – this flexibility will allow customers to choose what level of service to buy, when the service should be provided, and how the maintenance fee should be structured.

One of the most significant customer satisfaction programmes currently being installed is remote interactive communications, a feature designed for early warning diagnostics and automatic billing processing on selected products.

Affectionately known as RIC, this system of pre-emptive diagnostics will alert a Rank Xerox computer (initially at Marlow) to potential problems on a specific product on customers' premises anywhere in Europe before the customer becomes aware of any malfunction.

The service engineer can then arrange to visit the machine at the customer's convenience, thus reducing downtime and avoiding interruption of customer operations.

An additional benefit to the customer will be the ability for automatic computerised billing, avoiding the need for customers to complete meter cards, and ensuring more timely and accurate invoicing.

As an industry first, RIC will add a substantial competitive edge to our ability to service new high and mid volume copiers and selected upstream products.

Background: Welwyn Hall, the new facility for our systems engineers

## MOVING TOWARDS 1992

The economic objectives of integrating the twelve member states of the European Community into a homogenous market by the end of 1992 are already beginning to be realised.

One of the major motivations for 1992 is to create a single trading bloc that can compete effectively with the United States and Japan. There is a realisation that as the world becomes smaller, domestic markets are simply too small to absorb the high and increasing costs of developing new products – investments can only be recouped on a profitable basis by selling competitively in the world marketplace.

The single entity of 320 million people in the EC of 1992 will be the biggest domestic market in the world. It is forecast to overtake the United States in gross national product by the end of the century. Total European purchasing power has passed \$4 trillion, and growing.

Europe's competitive position is already improving as a direct result of moves towards integration and indirectly through the rush of international companies to secure a base in the EC before 1992. This is demonstrated by the faster rate of economic growth.

The economic objective of stimulating employment in the EC is also being achieved.

The business benefits of EC integration for companies operating in Europe will be substantial. It has been estimated that companies will save some \$250 billion through the economies of scale created by the removal of trade barriers in three years time. And that companies will save 2 percent of costs as a result of lower costs of raw materials and logistics.

The abolition of trade barriers will create fundamental changes in the

competitive environment, and those companies which are quick to identify and respond to these changes will thrive.

Some of these changes are already being anticipated by Rank Xerox. For example, international companies will no longer feel constrained by national boundaries and will require a homogenous selling and service capability to meet their needs in any office, anywhere in the EC, or the world.

*“The business benefits of EC integration for companies operating in Europe will be substantial.”*

There are a growing number of multinational companies like ICI, Thomson, Shell, Smith Kline Beecham and others, which now deal with one international account manager at Rank Xerox to plan, co-ordinate and orchestrate their reprographics and systems needs throughout the EC – and elsewhere in the world.

The elimination of national barriers has strategic implications for product delivery, too.

The Rank Xerox European Logistics Centre located at the heart of the EC provides a major competitive advantage in being able to deliver equipment direct to customers anywhere in Europe.

As the physical, technical and fiscal barriers crumble, Rank Xerox will be implementing a range of additional strategies to capitalise on the opportunities presented by 1992.

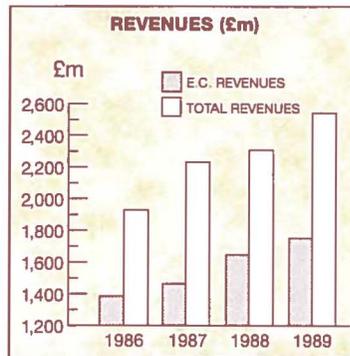


Chart shows Rank Xerox revenues of operating companies in the E.C. against total revenues.



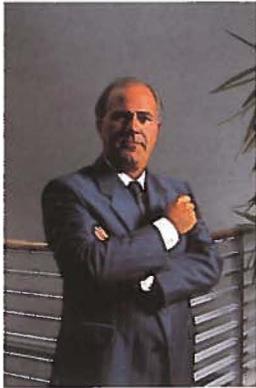
Chart shows direct employment by Rank Xerox in the E.C.



Michel Odelga, director, international trade relations – supervising strategies for 1992.



## A NEW APPROACH TO THE SYSTEMS MARKET



*Tony Holden, director of Rank Xerox Integrated Systems Operations.*

Integrated Systems Operations (ISO) was formed in February 1989 under general manager Tony Holden to develop the systems business. His brief was to focus the systems activity within Rank Xerox and capture a significant share of the growing marketplace in document management systems.

Whereas the reprographics market is growing at 3 per cent a year, the systems marketplace overall is growing at well over 10 per cent annually, and niche market sectors are expanding at many times this rate.

It is estimated that in Western Europe, businesses generate some 2.5 billion pages of information every day and that at least half a billion pages need to be structured into meaningful documents. Although 80 percent of business information is contained in documents, up to now only 20 percent of business systems expenditure has gone into this area. This represents a major opportunity for Rank Xerox – our ability to structure information into a document is a major strength that we can offer to the market.

As a result the sales strategy is now being refocused. "We will be concentrating our efforts on addressing the document needs of specific market sectors," says Tony Holden. "We will be offering systems applications to these specific clients to support their key business processes which will enable them to obtain a significant return on their investment. By taking this approach we will increase both opportunity and productivity, as well as achieve benchmark profitability", he says.

ISO is now in profit, with revenues of more than £80 million. It has achieved this by streamlining the operation and concentrating on



*Photograph from Ciba-Geigy.*

*Ciba-Geigy is one of the top five chemical companies in the world with over 90,000 employees and turnover of \$11 billion.*

*The network of Rank Xerox systems has grown from a pilot of eight in 1984 to over 200 in 1989 all located in the headquarters in Basle, Switzerland. The network – including workstations, file servers, laser printers and a scanner – mainly supports the marketing department of the Agro Division.*

*Ciba-Geigy places great importance on communications and in a multi-vendor environment the ability of Rank Xerox to interact with the company's IBM mainframe, Hewlett-Packard and SUN networks, DEC systems, and personal computers is of major importance.*

*Rank Xerox's ability to handle multilingual documents, particularly Eastern Block languages, as well as compound documents – merging text, data and graphics – was a major contributing factor in the selection of Rank Xerox by Ciba-Geigy. The wide range of fonts, software and the technical support from Rank Xerox have all resulted in wide user acceptance.*

*Third party research which accompanied the network installation from start to finish attributes a 13 percent productivity gain to the installation of the Rank Xerox network.*



systems sales to large companies in sectors that are heavily dependent on document management. These include such sectors as pharmaceuticals, aerospace and defence.

In pharmaceuticals for example, testing and registration have to be completed before a new drug reaches the marketplace. This can take eight to ten years out of a patent protected period of 20 years, leaving only 12 years for profitable sales, before competitors can legitimately copy the product.

A great deal of paperwork is involved in drug testing and registration, and a significant proportion of the delay can be caused by old-fashioned or inefficient documentation methods. Any time saved by streamlining the documentation is therefore highly profitable.

Documentation relating to the testing and certification of a passenger aircraft refers to the individual aeroplane by serial number, not merely to the type of

*“Our ability to structure information into a document is a major strength.”*

aircraft. Roomsful of paperwork relating to specifications, testing and approval of the individual aircraft have to be delivered with each aircraft and delivery can be delayed by the time taken to compile this documentation.

In addition, following delivery, this great mass of documentation has to be maintained for the service life of the aircraft, typically 15 – 20 years.

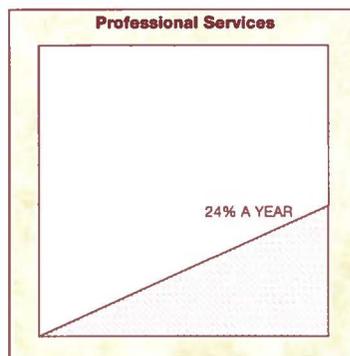
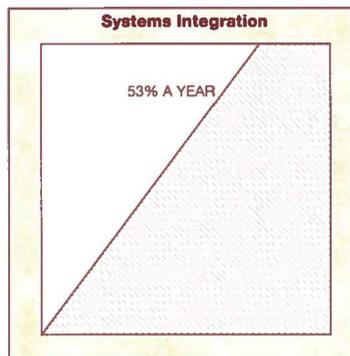
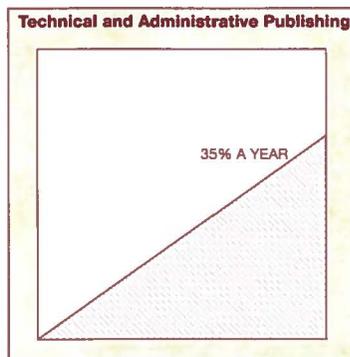
The speed at which information is being harnessed provides exceptional growth in these defined sectors. For example, the technical and administrative publishing

market revenue growth is estimated at 35 percent a year to reach £1 billion in 1992 and systems integration revenues are increasing by 53 percent annually. In addition, the provision of high quality professional soft services is also a vital part of assisting the customer to obtain his return on investment, and revenues in Western Europe for these services are growing at 24 percent a year, a further opportunity for ISO.

ISO sees itself as an agent of change within Rank Xerox. The growth of technology is forcing the pace towards the not too distant time when systems installations will be the norm. For example, even copiers will cease to be purely stand-alone items but will incorporate software and data links, making them systems devices. ISO's objective, therefore, is not only to sell systems profitably but to ensure that the necessary systems skills are present in Rank Xerox in anticipation of future market demands.

In addition to the sales of a wider range of Xerox hardware and software products to assist the end user ISO is also prepared to undertake systems integration contracts. To compete in a marketplace which aims to design specific customer solutions ISO will have access to the full range of Rank Xerox products and technology, but will also source products from outside the company whenever this would be required to satisfy a customer. ISO recognises that although Rank Xerox has the widest range of document management products of any supplier, there will sometimes be a need that would be best met by integrating equipment, software or services from another source.

ISO is a small but highly skilled organisation. It offers the benefits of



*Charts show annual growth rates in certain niche market sectors for our systems business.*

flexibility and speed of response to meet customer requirements but unlike most small operations it has the financial stability, extensive resources and quality of international support of Rank Xerox.



## IMPROVING THE ENVIRONMENT

**A**t all Rank Xerox sites throughout the world a programme is under way to ensure that by the early 1990's we will be in compliance with the environmental standards set by Xerox Corporation. These standards frequently exceed requirements of local, national and European Community environmental regulations.

The Rank Xerox programme is being managed by the environmental engineering consultants, Dames & Moore International. Rank Xerox was one of the first companies in the UK to team up with Dames & Moore in the field of soil and water pollution remediation.

The programme involves surveying sites to identify potential causes or sources that might have caused pollution and quantifying the extent to which soil and groundwater has been contaminated.

Corrective works are instigated, wherever a contaminated area is found.

The Rank Xerox site at Welwyn Garden City provides a typical example of the company's clean-up programme. Initially an environmental survey was carried out. This included site investigations and discussions with many past and present employees at all levels to help identify areas which, over the years, may have been subject to contamination.

Following this phase a series of boreholes were drilled, including 15 down to the groundwater level, to provide soil samples for analysis and allow monitoring of the groundwater contamination.

The monitoring of environmental programmes is a major undertaking for Rank Xerox. Quarterly in-depth reviews are held by the Director of Corporate Environmental Health & Safety when each site programme is

reviewed and any new direction is given.

Rank Xerox environmental protection activities have made significant improvements in the soil contamination at its UK sites and led to novel solutions to recycle waste materials. Over the past two years all selenium, arsenic soil contamination at Welwyn Garden City has been removed or contained and groundwater pollution from these sources has been eliminated.

At Mitcheldean, increased aeration of the site outfall stream has significantly reduced the solvent levels in the waters draining from the site and surrounding area.

As well as removing site contaminants, Rank Xerox is looking at its process and products to

eliminate waste, increase recyclability of materials and use more environmentally acceptable materials. For example, organic solvents used to clean machines in refurbishing processes have been replaced with water soluble detergent based cleaners; more copiers are now able to use recycled paper; use of CFC's (chlorofluorocarbons) is expected to be phased out by 1991.

Rank Xerox has spent in excess of £3.5 million on the European sites environmental programme to August 1989 and has budgeted to spend another £2 million to complete the work. According to Dames & Moore, the Rank Xerox programme is the most comprehensive and far-reaching of its kind in Europe.

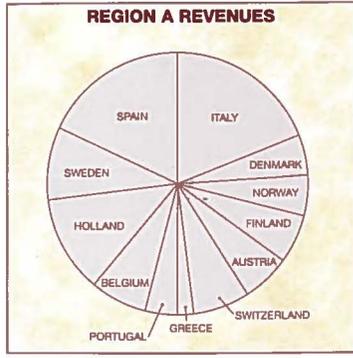


*The Mitcheldean Enterprise Workshops (MEWS) set up by Rank Xerox in 1984 has received a major commendation for environmental improvements in the village of Mitcheldean. Rank Xerox integrated MEWS into the village centre and in doing so has largely restored the appearance of the village centre to what it was early in the century. MEWS was initiated to create 91 small workshops and office units, supported by a range of external services, to assist small businesses to start up during a period of high unemployment in the area.*

# THE WORLD OF RANK XEROX



Rank Xerox located in:  
 Angola, Australia, Austria, Belgium, China, Denmark, East Africa, Eastern Export Operations (Soviet Union and Eastern Europe), Egypt, Finland, France, Germany, Greece, Holland, Hong Kong, India, Ireland, Italy, Ivory Coast, Malaysia, Morocco, Mozambique, New Zealand, Nigeria, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, Uganda, United Kingdom.

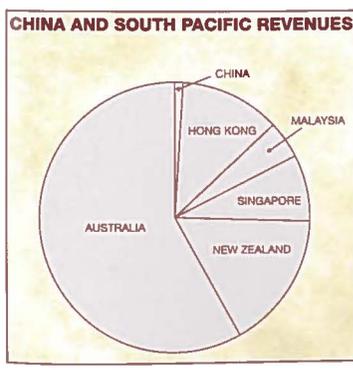
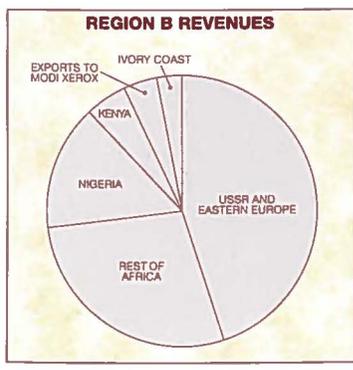


Distributors in fifty other countries.

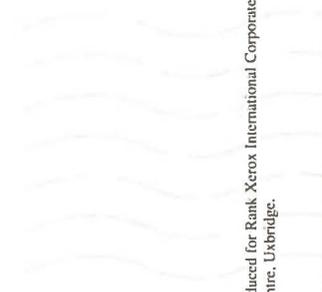
Fuji Xerox located in: Indonesia, Japan, Korea, Philippines, Taiwan and Thailand.

Modi Xerox located in India.

Xerox Corporation, Connecticut, U.S.A.



**B**ack cover: In the village of Leh, India, 3,600 metres above sea level, new office technology is transported in the traditional manner.



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