

Company Profile: Rank Xerox

THE MIDAS TOUCH

LAST month Rank Xerox opened a new £4m. plant at Venray in Holland to supply the countries of the E.E.C. with the consumable items—toner powder and selenium drums—used in producing Xerox copies. More than the burgeoning profits and the rocketing installation figures, this event symbolizes the Midas-like success of xerography, the electro-static process which has revolutionized office copying and, by doing so, struck a seemingly inexhaustible vein of wealth.

In itself there is nothing unusual about a new factory—in Holland or elsewhere. But this factory will be producing materials which are used in infinitesimal quantities. Each copy made on a Xerox machine requires consumables to the approximate value of 0.75d. For Rank Xerox to secure an adequate return on its £4m. investment, thousands of millions of copies will have to be made within the Common Market.

That thousands of millions of copies will be made—and will continue to be made—no one at Rank Xerox has any doubt. “I don’t think we’ve started yet”, says John Davis, chairman of the Rank Organisation and of Rank Xerox, the division owned jointly with the American Xerox Corporation. “The art of xerography and the demand for it are still in their infancy.”

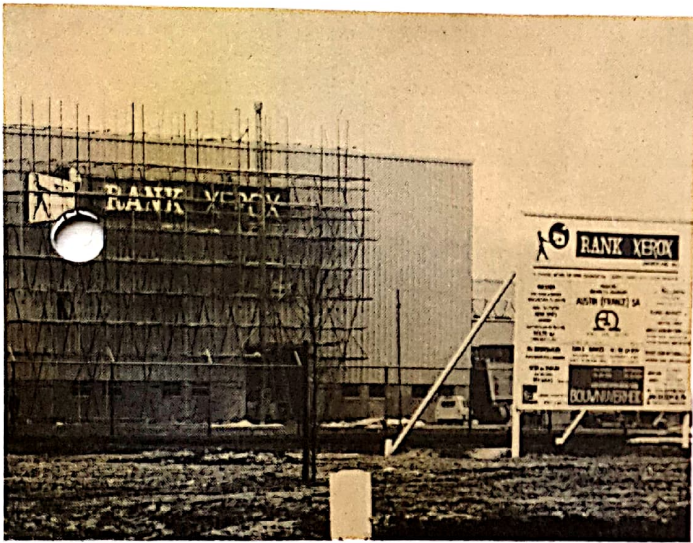
Even five years ago the claim would not have seemed contentious. Then Rank Xerox’s income from sales

and rental of machines was a mere £1,130,000 and profits (after interest but before tax) were £30,000. This year income was £26,933,000 and profits £6,965,000—more than double the 1964 figure. These figures are fodder to the sceptics who maintain that it is one thing to double profits when they are relatively modest and quite another to go on doubling them when they reach this year’s level. Even Joseph C. Wilson, president of the Xerox Corporation, conceded this year that if Xerox’s present rate of growth was maintained it would eventually exceed the United States’ current gross national product.

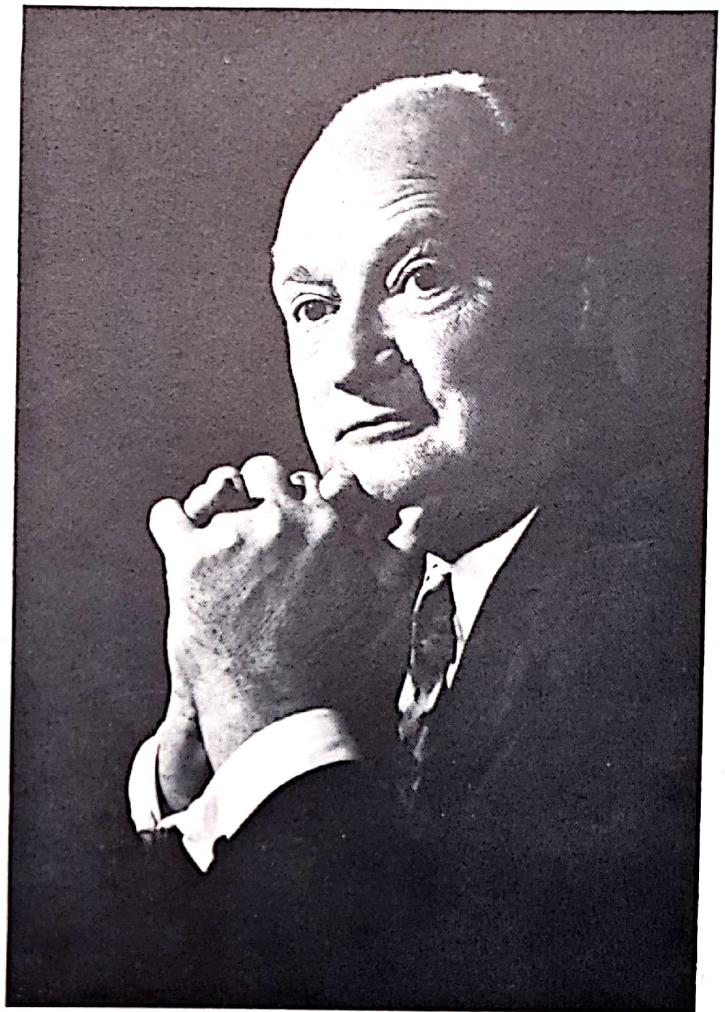
Therefore, say the sceptics, Xerox must be reaching a plateau from which it can only decline. Market saturation plus a mushrooming of eager competitors will together cut it down to size. In Rank Xerox itself this view is acknowledged—and rejected with crisp self-satisfaction.

The optimism is based on two inter-related factors. First there are the findings of market research which the company understandably keeps a close secret. Secondly, there is the knowledge of new products in the pipeline, new applications which are rapidly becoming feasible, new approaches to business procedures and to the whole concept of “shared communication” in industry.

Xerography, in short, is developing far beyond the original ideas of its persevering inventor, Chester Carlson; of the far-sighted Battelle Memorial Institute of Columbus,



Rank Xerox's new £4m. factory in Holland.



Mr. John Davis, chairman of the Rank Organisation.

Ohio, the non-profit-making industrial research organization which developed the process; and of Joseph C. Wilson and his fellow executives of the Haloid Company of Rochester, New York (later the Xerox Corporation), which brought xerography to the market.

It was a happy chance which brought the Rank Organisation and the Xerox Corporation together. Xerox wanted a partner with manufacturing facilities and an international marketing set-up to look after marketing outside the American continent. Rank for its part was looking for a new product in the high-precision, high-quality area with which it was already familiar. A condition which John Davis shrewdly imposed was that any new product had to require consumable items to ensure a steady flow of business after the initial installation was made.

Xerox and Rank thus seemed destined for each other, and in 1956 Rank Xerox was formed, on a 50-50 profit-sharing basis, and with a management independent of the Xerox Corporation. Beyond a certain level (which varies according to the capital injected by Rank) profits were to be split 66 $\frac{2}{3}$ -33 $\frac{1}{3}$ in favour of the American company which would undertake all the research and product development. Rank put up £600,000 and lent the whole strength of its established international organization to the venture. Today, just nine years later, Rank

Xerox has its own operations in 16 overseas countries and distributors in 47 others. In Japan it is the joint owner with the Fuji Photo Film Company of Fuji-Xerox of Tokyo, which showed a trading profit this year for the first time.

"We knew when we started that Xerox would be good", says Davis. "But we didn't think it would be as good as this." Ronald Walker, director of marketing of Rank Xerox, attributes the success to the facts that the machines are rented, not sold, and that they use ordinary, not sensitized, paper. ("It is surprising how many senior people in business dislike handling sensitized paper.") The rental concept, a barrier in the early days, is now widely accepted and welcomed. A customer takes a machine on a month's contract and the limit of his original financial commitment is £30. Success, too, has bred success, and the very size and reputation of the company is a spur to faster growth.

The achievement, however, has by no means been as effortless as the figures in successive annual reports might lead one to suppose. "We had to take some very material risks and for five years we made no money at all", says Davis. Perhaps the biggest risk he took was the decision to expand fast internationally rather than to consolidate the position in London first, which a less ebullient man would undoubtedly have been tempted to do.

...brought the office copier up from the little room in the basement" to a central position in the office. The bulky 914 model (which weighs 685lb. and is recommended for offices which make more than 2,000 copies a month) has been supplemented by the desk-top model, the 813, for those with a copying requirement of less than 2,000 a month. In the near future Rank Xerox, still dependent on the Xerox Corporation for new products, will introduce the 2400 model which runs off copies at the rate of 2,400 an hour and which is expected to take a substantial bite of the duplicating market.

"The 2400 will open up a completely new area for us", says Walker who, like Davis, believes that xerography has hardly begun to be exploited. Far more copies are still made on typewriters than are made on Xerox machines, and the company believes that by exploiting the possibilities of its machines to the full a great deal of unnecessary typing can be eliminated.

In an insurance brokers' office, for example, the 914 can be incorporated into a new system for preparing renewal notices and renewal policies which cuts out four wasteful typing and checking operations. Templates are used on the machine to mask out-of-date information on the old broker's slip and substitute new data.

Payroll preparation still involves drudgery for pay clerks and headaches for management, particularly in a small or medium-sized company without the benefit of a computer. The problem, accentuated by frequent changes of staff, is to maintain an accurate record of personnel and of the non-variable deductions from their pay. This is usually done either by retyping and correcting the complete list each pay day or by using an embossing plate system which is expensive and subject to delays, and which gives poor quality carbon reproductions.

With the 914, a master list of employees and their static deductions is kept, with typed strips being pasted across it as staff changes occur. On pay days four copies of the master are xeroxed—one copy each to be mounted on the payroll and paystrip sheets, and two copies for pasting to the pay envelopes and clock cards.

Such systems now play a key part in Rank Xerox's thinking, and a section of the company is kept constantly employed devising new applications and designing templates for specialized jobs. It is now possible to run off several copies of a document on a Xerox each one of which incorporates fresh information and none of which bears more than a passing resemblance to the original.

Thus, from being a copier pure and simple—a sophisticated substitute for the pen or the carbon paper in a typewriter—the Xerox is being transformed into a creative tool of management which can be fitted snugly into almost any information system. Police forces, hospitals, libraries, commerce and industry are now using the machines in ways that were unthinkable when they first came on to the market.

If the copying market sometimes seems to be nearing saturation point (which Rank Xerox in any case denies) the demand for Xerox systems has hardly begun to be exploited. "We know a great deal about all this that we're not prepared to disclose", says Davis cryptically. "And frankly the sceptics don't bother me."



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