



newsletter

The management
Newsletter for all
industries involved
with bar-code
scanning and
related
technologies.

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NCR just announced a price reduction....

....of 20% for its UPC supermarket scanners. This is not a 20% reduction in cost of the entire system. It only applies to the scanners themselves, which were \$5,000 and are now \$4,000.

We questioned NCR as to whether this price reduction was a reflection of lower costs for the slot scanners, which they purchase from Spectra Physics. The reply was that NCR's contract with Spectra Physics does provide for reduced prices as the quantities increase.

A typical 8-lane system, therefore, which may have been priced at about \$120,000, would now cost the supermarket \$112,000. The savings is much more significant, however, to the 3000-plus stores (U.S.) which have already installed over 30,000 lanes using the NCR 255 computerized system. This system is modular and upgradable to scanning. NCR has been building this broad-based potential market for scanners for years, and this price reduction is part of their major marketing thrust to gain a more significant share of the number of scanning checkout lanes.

NCR had originally projected first quarter 1978 sales of 30 scanner stores, which would approximate its total for all of 1977. Bad weather across the country has slowed down installations so that only 20 will probably be completed. The company is still bullish for the balance of 1978 and expects increasing sales for each succeeding quarter. Their latest estimates are that about 3 out of every 4 new scanning installations will be upgraded NCR 255 systems that are already in and operating.

COMMENT

If we can take the liberty of projecting the original estimate of 30 first quarter installations, to a 1978 total of 150, NCR will certainly stand a good chance of improving their share of market. At the end of 1977 NCR's total share to date was about 25%, to 50% for IBM. With their estimate of over 80% of the supermarket products symbol-marked, this seems like a good, strong, timely marketing move. If any additional incentive were needed, it was probably provided by the recently announced \$9,000 Data Terminal Systems unit.

There has been no response as yet from the other manufacturers of front-end scanning systems.

Additional announcements by NCR....

....were for expanded capabilities for the 255 system. A hand-held wand scanner is now available at a cost of \$2,045. Also, there are new software packages intended to link the store computers to host computers on a regional or corporate basis, and to analyze in-store data and produce more detailed management reports.

If there was any question....

....as to the major "copy platform" to be used by Data Terminal Systems in announcing the Model 540 SCAN-ALONE UPC system, their current full page ads cleared that up.

"We just chopped the price of scanning by 40%" screams the headline, and goes on to describe full capabilities at \$9,000 a lane. Although NCR denies the DTS lower price caused them to cut their prices 20%, it must have had some input. It remains to be seen whether -- and how soon -- DTS can make any significant market impact.

An excellent nuts-and-bolts analysis of UPC....

....was described in a Supermarket News article of February 27. Titled "Scanning Cuts Cashier Error Dramatically at IGA Unit" the reporter interviewed the Coopersburg, Pa. IGA store manager and discussed many of the day to day operating advantages since automation in October 1976. These included the reduction of front end ring-up error by two-thirds (those that still occur are mostly on non-symbol-marked products); and a sales increase of almost 50% due to a higher advertising budget, paid for out of increased productivity and reduced shrinkage.

Other facts discussed, including productivity studies, desirability of dropping item marking, frustrations with poorly printed UPC symbols ("a waste of the manufacturer's money and my time") and future plans make this article one of the best of its kind that we've read.

In a Packaging Digest editorial....

....editor Bob Heitzman asks "UPC hiatus over?" and goes on to make some significant comments:

- Packagers and package printers have performed exceptionally well in helping the program get started.
- Now the packaging industry must gear up a quality control program to assure accurate, scannable printed symbols.
- The supermarket industry must recognize the need for consumer education, and do something about it.

The sharp upturn in the number....

....of scanning supermarket installations brings the effective use of UPC-based market research data closer to reality. In previous issues we reviewed the activities of Tele-Research (SCAN Sep '77) and NABSCAN (SCAN Dec '77). Another organization actively working in this area is Selling Areas-Marketing, Inc. (SAMI).

SAMI is a wholly owned subsidiary of Time, Inc. For the past 11 years SAMI has provided a service to manufacturers on the movement of goods based on the warehouse withdrawals to food stores in defined market areas. SAMI now has 300-400 clients and covers 75 product groups with 400 categories in 36 major markets adding up to 75% of national food sales. SAMI compete head-to-head with the AC Nielsen Company who provides product movement data based on in-store audits.

SAMI recognized early the value of UPC and its potential impact on market research services of this kind. They became involved in pilot studies and projects and are maintaining a close watch on the system's development. At the present time, their UPC-related activities are in 3 areas:

1. The UPC Cross Reference Service makes available, at no charge to the supermarket, a complete listing of UPC product codes assigned to all items. This is a by-product of the basic SAMI service which maintains a file on a very broad range of products and which incorporates the UPC number within the 43 digit SAMI identification number. Monthly updates of changes and additions are also made available. To a retailer starting up a data file for scanning, this can be of enormous benefit. This service is handled by Valerie DeMuro out of the Chicago office.
2. Project Payout is a joint effort of the Advertising Research Foundation (ARF) and SAMI. Part 1 of this study, which ARF funded for \$60,000, was completed in October 1977, and was a 4 week project in a Kansas City supermarket. Its purpose was to match product sales against 11 categories of marketing influences such as advertising, shelf position, special promotions, coupons, pricing, etc. Information gathered by SAMI from UPC scanners was gathered daily. The actual correlation and analysis of the data is being done by Dr. Robert Blattberg of the University of Chicago and this final report has not yet been issued. Part 2, which will cover 6 stores in 2 markets and cost \$1.5 million has not yet begun and is awaiting the initial study results.
3. The SAMI Consumer Shopping Panel, started in January 1977, combines the use of the personal diary and in-store data collection. This study is being done with the cooperation of Supermarkets General Corporation in one of their Pathmark stores, and with Datachecker, who created a software package to record the additional data required in their installed front-end system. A panel of about 300 Pathmark customers was selected and their significant market-related "demographics" were recorded. Each was then given a numbered identification card which is presented just before checking out at the store. The accumulated data is then analyzed in terms of who buys what and when. The possibilities for the assembly and manipulation of this type of data are endless. This study continues open-ended as a learning experience and no plans for expansion have been made.

In an attempt to establish some conclusions or projected plans for the company we discussed these projects with Jim Partner, SAMI VP, at a recent meeting. Partner explained that SAMI's position is quite simple: they have built a strong position for their service in this marketplace, but recognize that a new technology as radical as UPC could wipe them out in 5-10 years. UPC is a powerful tool that noone knows exactly what to do with as yet. As it matures, SAMI plans to be there with experience and knowledge gained during these formative years.

COMMENT

It has been said before, on these pages and elsewhere, that UPC offers the potential to totally alter the marketing and sales promotion efforts of the supermarkets, manufacturers and their advertising agencies. The ability to accurately track retail sales on a real-time basis has never existed before. Those who recognize this and are able to use it most effectively will reap substantial rewards.

We like the slight whimsy....

....which the current trade ads for the Ames Guiding Light Data Entry System displayed. In a 4-color spread, complete with frog, a yellow brick-code and Prince Charming's castle, the headline reads "And then, with a magic wand, the wicked evils of keypunching disappeared forever".

The ad goes on to describe the advantages of bar-code scanning as a better data entry system than key punching. It's more efficient, accurate, ten times faster, plug compatible with most computers, reads most popular code formats and performs many other functions.

Let's hope the readers don't find it all a fable.

And talking about whimsy....

....it was far from slight on the front cover of the April 1978 issue of Mad Magazine. Using a symbol that measures 6" x 7½", across and down the entire cover, the headline reads "Mad hopes this issue jams every computer in the country.... for forcing us to deface our covers with this yecchy UPC Symbol from now on".

It could become a collectors item for bar-code lovers. The inside illustrations show UPC symbols as Rolls Royce grills, Abe Lincoln's stovepipe hat, the N.Y. skyline with garbage cans, post office cancellation stamps, venetian blinds, TV tubes, and more. Alfred E. Newman had a ball!

The latest count from Germany....

....is that CCG has issued 1015 EAN manufacturers numbers and that there are 245 source marked articles on the store shelves.

That sounds like very impressive progress.

Great Britain's Article Numbering Association....

....officially started business at its meeting in London on January 26 (SCAN Feb 78). Starting with 00101, and continuing consecutively, manufacturers are now being issued their ANA identification numbers. Each number costs £ 50 peryear and companies may be issued up to five numbers each, if they wish to separately identify different line of merchandise.

Since no provision has been made for a short-version symbol -- such as the 6 digit zero-suppress (UPC), or 8-digit code adopted by other EAN countries -- no special significance is attached to the manufacturer's numbers selected. In other EAN countries, increased fees are being charged for those special numbers which have trailing zeros and which can be used to form the 8-digit versions.

The ANA Manual has been printed and is available to members, and an ANA newsletter is being published. In the December issue, ANA News reports that an EEC (Common Market) Commission is proposing that individual item price marking is not essential so long as clear posting is available on shelves, posters, wall charts, etc. Some stores in England have already removed item prices and they report no adverse consumer reaction. The ANA has brought consumer representatives into their planning meetings, and they do not anticipate any resistance to scanning. The manufacturers of in-store label printers think otherwise, and are cautioning the retailers to be prepared to price mark all items.

It should be kept in mind that although the UPC and EAN codes are compatible -- i.e. based on the same set of basic specifications -- scanners programmed to read UPC will not read EAN. However, the scanners in Europe which read EAN will read UPC as well. That means that, for European products destined for North American markets, the symbols must be made up in the UPC format. Eventually it is hoped that all scanners will be able to read all of the code variations.

The overall impression is one of waiting for the other shoe to drop; and that will happen when the first few major manufacturers commit to source-marking all their products, and/or when the first scanners are installed. The ongoing British programs for relabelling packages to conform with the new metrication requirements and the changes in food and drug legislation seem to provide an excellent opportunity for including the ANA symbol on a gradual basis.

Tesco announced the purchase of an IBM POS system. It will first be used in a standard cash register mode, and will be converted to scanning during 1979. Tesco will be checking other automated features of the system, and will certainly be watching the extent of the commitment of manufacturers to source marking.

It seems clear that representatives from each segment of the industries affected have done their homework -- mostly by exploring the US/Canadian UPC effort. They do not want to get stampeded into moving too quickly and making avoidable errors. There is almost no serious objection to scanning as a retailing innovation whose time is surely coming.

LOGMARS, the joint Department of Defense....

....effort on automated marking and reading of symbols, is not to be confused with the continuing individual efforts of each of the services. Ray Luyet, Chairman of LOGMARS, points out that the tests at New Cumberland (Pa) Army Depot, and Fort Bragg (NC) are Army projects and that the Air Force, Navy and Defense Logistics Agency are also conducting separate tests.

The results of these will be helpful to LOGMARS which will be running separate and independent DOD tests.

If all of this seems confusing, it is to those of us in the outside looking in. The group is moving along, however, and we'll be better able to sort things out when some of the results are in, and specific programs start to take shape.

News from Intermec....

....is that the manufacturer of bar-code readers and printers has moved their facilities to a new and larger plant, tripling manufacturing capacity. They are now located in Lynnwood, Wa.

Intermec also announced the appointment of W. A. Brown Instruments, Inc. Orlando, Fl. as their Southeast sales representative covering 7 states.

A new, specialized bar-code imprinter....

....has been announced by HALM Industries (Glenhead, N. Y.). The new equipment is designed to imprint consecutive numbers and corresponding bar-codes (Codabar) on finished envelopes. The printing press can specifically handle photobags, an application which has been particularly suited to bar-code identification systems. Photobags usually require the numbers and codes to be printed in 2 or 3 locations.

The press costs \$20,000 and can also be used as a standard envelope and card imprinter. Speeds are up to 20,000 envelopes per hour.

Two executive appointments are announced....

....by Azurdata. Charles Haycraft is now the firm's new Vice President of Marketing. Haycraft has been with the company for a year as Western Regional Sales Manager and will continue to serve in both positions. Prior to coming with Azurdata, he was Director, North American Sales with MSI.

Appointed to the new position of Vice President of Operations is Rex O. Gregory, who is new with the company. Gregory has moved from Holosonics, Inc. where he was also V. P. Operations.