



# newsletter

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

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## The problem with cents-off coupon fraud....

....is finally getting official attention (SCAN Jun 78). There are stories every week of new investigations. The U.S. Postal Service has come into these investigations and the Grocery Manufacturers Association (GMA) has been cooperating. Arrests have been made in the Los Angeles and New York areas, and the impression is that the authorities mean business.

But our guess is that they will hardly put a dent in what has been estimated at a \$200 million per year rip-off. The use of coupons, and the devious and innovative ways to redeem them fraudulently, have been growing at too fast a rate for the handful of Postal inspectors to have any real impact.

Which brings us to UPC and scanning. The manufacturers and retailers are totally committed to coupons as a merchandising tool.

The only workable solution to the fraud problem we have ever seen involves a scannable bar code (UPC) printed on the coupon and directly tied to the purchase of the couponed product.

An industry committee, which was appointed in March 1974 to work on a coupon numbering control system, issued a preliminary report in December 1975 and the Uniform Product Code Council (UPCC) published their official Guidelines 22 on April 5, 1976 (later amended on October 8, 1976.) Keep these dates in mind.

Because during this same period, a very enterprising entrepreneur, Mr. Walter Kaslow of New York City, was filing (December 13, 1974) and receiving (May 25, 1976) a patent entitled "Coded Merchandising Coupon." This patent seems to describe in detail the very system the industry plans to use for coupon coding and redemption. Now Kaslow and his patent have brought the industry to a complete halt in its projected use of bar coded coupons.

To resolve the situation, the industry, through the UPCC, has brought suit against Kaslow to invalidate the patent. We were able to obtain a copy of the "Summons and Complaint" filed with the U.S. District Court of the Southern District of New York, dated May 22, 1978. The document describes Guidelines 22 (without mentioning the date) and cites "the threat of enforcement" by Kaslow. UPCC then denies that implementation of Guidelines 22 infringes on the patent and "contends that...(the) patent was not duly and legally issued and...that it is not a patent for invention...for the following reasons:

- It is not a patentable invention.
- Kaslow was not the first inventor.
- The subject matter was obvious and within the skill of the art.
- The patent does not comply with requirements for sufficiency of disclosure and distinctness of claims.
- The subject matter was in public use more than a year before the filing date of the patent.

And so the legal proceedings were begun. Kaslow filed his reply to the complaint asking for a dismissal of the claims. UPCC has replied with many affidavits from manufacturers, equipment suppliers (IBM and NCR) and even Tom Wilson of McKinsey & Co., supporting the UPCC position.

We spoke with Kaslow, and he's not fooling around. He knows the stakes are high and is prepared to go all the way, with attorney's fees already mounting into the thousands of dollars. And he suggests all of this could have been avoided, if he had been approached with serious negotiations a year or two ago. Kaslow claims to have contacted a number of people in the industry during the past two years and noone has ever bothered to reply. He says he told them of his pending patent, and even sent out copies, but he was not taken seriously.

One major point of contention seems to revolve around the UPCC's statement of June 19, 1978 (SCAN Jul 78) that "Attempts to purchase the (Kaslow) patent have been unsuccessful." Kaslow, on the other hand, maintains that he has never been approached by anyone from the industry. He claims he was contacted once by an attorney who refused to identify his client and made what Kaslow considered "a ridiculous offer" for the patent. Since the attorney refused to name the client, Kaslow says he refused to have any further dealings with the lawyer.

According to Kaslow, when the Newspaper Advertising Bureau (NAB) became involved in testing the printing of UPC symbols on newsprint, Kaslow wrote a letter to NAB's V.P. Dick Neale in June 1976 enclosing a copy of the patent. There was no response, and so, Kaslow states, he confronted Neale in May 1977 at an NAB Seminar at a New York hotel. Neale was one of the speakers and had described a UPC/coupon system that Kaslow claims was derived from his patent. But, although Kaslow claims he tried to pursue this further, he says there was never a reply.

The statements from both sides -- UPCC and Kaslow -- suggest that they are going to let the courts decide. Meanwhile, as the number of scanner-equipped stores increases, trials should be underway to test the viability of this very important technique. But noone will touch it until the issue is resolved.

And the fraud continues!

### STAC Subcommittee 3 is exploring....

....the standardization of a Version D Symbol to provide expanded capabilities beyond the present EAN and UPC symbols. STAC (Symbol Technical Advisory Committee of the Uniform Product Code Council) intends the Version D symbol to be used on non-food items sold in supermarkets and mass merchandising outlets. Proposals have been solicited from scanner manufacturers for symbol formats. This version will be used as a symbol that can be expanded beyond the 13 digit standard code for products requiring broader identification.

The initial requests were issued by STAC/SC3 at their November 10, 1977 meeting. IBM submitted its response which provides for a UPC format with a code length of up to 32 characters using building blocks of 4 and 6 characters. The UPC character coding and tolerances are retained and since the formats are composed of free-standing character groups, they may be arranged in any manner including multi-line formats. This IBM proposed configuration will permit the symbol to be constructed of pre-printed, gummed, label segments.

Francis Beck, Chairman of STAC/SC3 advises that the committee's "final recommendation will be submitted to STAC and the UPCC Board of Governors for approval." No target dates for approval have been indicated.

The initial UPC Specifications, published in May 1973, allowed for Versions B, C and D which were intended to be formats by which the UPC symbol could be expanded. Although Versions B and C have been abandoned, the need for increased code capacity still remains. This has been a particular problem with manufacturers of stationery, hardware and other non-grocery items. They have not been able to accommodate their more complex stock numbers into a 10-digit code (actually only a 5 digit product number is available in the standard UPC and EAN Versions).

This very sensitive area has been brought to the industry's attention a number of times. One of the major advocates of an expandable code has been Tom Sobczak of Waldes Kohinoor who has been writing and lecturing on this theme for years (SCAN Dec 77).

Version D may be the answer to Sobczak's fear of "Symbol Pollution."

### New supermarket scanning installations....

....still attract a great deal of attention. Scanners recently arrived in Tennessee for the first time when Bill Crook's Foodtown installed a Sweda system. Media coverage included 3 TV stations and 5 newspapers.

The chain contemplates scanners in all of its new stores and will be removing item pricing gradually. They have received excellent consumer response so far. And Woodson's Super Market, another Tennessee store, expects to be up and running shortly with its Sperry Univac scanners.

The July 1978 new installation count was only 19 -- the lowest in a few months. Food Marketing Institute, which issues these statistics, is now including the additional notation of whether the installations are totally new scanning systems or upgrades of already installed systems. In July there were 10 new installations and 9 upgrades.

Four of the equipment manufacturers spread the equipment around almost equally with 5 each for Sweda, NCR and IBM; and 4 for Datachecker.

### The pros and cons of European Article Numbering (EAN)....

....are being aired in the British trade press. There was a not-too-positive article in Supermarketing on July 7 about the progress of UPC in the U.S.

A disturbed Ralph Towsey of NCR Ltd., replied in the August 18 issue disputing many of the points which "need correcting." The "wrong statements" that he took particular issue with, and which he strongly refuted, were with regard to:

- The effect of price marking on the payback of equipment installation costs.
- The threats of the labor unions to strike if even one stock clerk lost his job.
- The contention that scanners actually slow things down at the checkout.
- The need for repeated scans with "the laser stylus."

#### COMMENT

*Towsey's points seemed to be well taken, although they would have had more impact, no doubt, if they were made by a more objective source than from a supplier of scanning systems.*

*Nevertheless, as our experience in this country demonstrated in 1973-75, there should be a total airing of all sides to take the mystery out of this retailing revolution which is still not fully understood by everyone in the industry. It would be helpful, as well, if the trade press were a little more discriminating as to the accuracy of the articles they print and the credentials of the authors.*

*Towsey quotes liberally from the March 27, 1978 Fortune article which was one of the fairest and most accurate appraisals we've seen (SCAN Apr 78).*

### The U.S. Postal Service is developing....

....a number of systems involving bar code scanning, most of which they refuse to talk about as yet. Ultimately it is expected that bar codes will be used extensively to automate many phases of mail handling.

One system that has surfaced is to be used with Business Reply Mail (BRM). Called the Facing Identification Mark (FIM), every Business Reply Card or Envelope will require a bar code printed in the upper right hand portion of the address side. FIM will function "as an orientation mark for postal processing equipment which can mechanically face and cancel BRM."

We went to our local Postmaster who provided us with a Film Master of the bar code. Everyone will use the same code, and it is intended to sort out the BRM from the rest of the mail for quicker processing. All such cards and envelopes must be printed with the FIM by May 1, 1979.

In this way, the Post Office hopes to insure that all BRM gets sorted into the right distribution channels and, not-so-incidentally, that postage due gets paid in all cases.

*Our major concern right now is that the threatened postal strike holds off long enough so that this issue of SCAN can be delivered -- so that you can read about what the U.S. Postal Service is planning for next year.*

#### Interface Mechanisms is an interesting company....

....to watch. Its 1978 Fiscal Year financial statements (3/31) showed an increase of 57% in sales to \$2.6 million and a doubling of net profit to just under \$500,000 (a very respectable 19% of sales -- after benefit of tax loss carry forwards).

The company, which went public in 1969, is cautiously predicting that its Fiscal Year 1979 sales increase may exceed that of 1978, and hopes for sales of \$3.9 million.

One of the more fascinating situations to watch during the next 10 months will be whether Markem moves in to take over Intermec. In 1974 Markem, the Keene, N.H. privately-held company, invested \$150,000 in Intermec at a time when Intermec was badly in need of cash. In return Markem received 150,000 shares plus an option to purchase the entire company (assets and liabilities). This option expires in July, 1979 at an effective price of \$9 million -- or approximately \$4.75 per share.

Intermec is one of the few companies that actually manufactures the hand held light pen scanners widely used in the industry. Its rugged Model 1232 Ruby Wand is sold to many other manufacturers of scanning systems.

In addition Intermec produces bar code readers, imprinters and a multiplexed reading system.

#### Computer Identics is going through....

....some organizational changes since the departure of V.P. John Hill. Dave Collins, C/I's President has taken over the responsibilities of marketing.

Ed Andersson's title has been changed to Director, Corporate Relations. Among his other duties, Andersson will represent C/I as delegate to the trade associations, a function that gave Hill high visibility in the industry.

We have not yet heard whether Hill plans to relinquish his position as Chairman of the Automatic Identification Manufacturers.

#### The record industry is unhappy with....

....the progress toward implementation of bar coding. Joe Cohen, executive vice president of the National Association of Recording Merchandisers (NARM) expressed this dissatisfaction with the industry's reluctance to adopt bar coding when he stated, "For two years we've been having meetings but we haven't done anything about it."

After assessing the situation, NARM concluded there was a lack of knowledge in the industry of the advantages of bar coding and that a fresh approach was needed. Boston Associates, a consulting group specializing in data processing systems, has been selected to do an industry study and prepare a manual to educate the merchandiser to the various applications available. The report will be submitted to the NARM bar coding committee which plans to issue the manual and present it to industry members by the end of 1978. They plan a full audio-visual presentation as part of the education program.

The system applications for the record industry are similar to those for the magazine wholesalers and distributors who have so successfully implemented bar coding. The leadership provided by the Council for Periodical Distributors Assn. (CPDA) has resulted in the widespread use of the UPC symbol (plus supplemental code) on magazines. About 40 CPDA wholesalers have already successfully installed scanning systems to increase the speed and accuracy of recording returns and redemptions.

The NARM seems to be on the right track emphasizing the educational problems, and bringing in outside, objective assistance.

#### For those who like to block out their calendars....

....well in advance, the Material Handling Institute (MHI) has announced two significant events for 1979:

- The Automated Handling and Storage Systems Conference will be held on March 14-16 at the Atlanta Marriott Hotel. This conference will include the Automatic Identification Manufacturers' Section of MHI.
- The National Material Handling Show is scheduled for September 10-13, 1979 in Chicago's McCormick Place.

For further information contact MHI, 1326 Freeport Road, Pittsburgh, PA 15238; 412/782-1624. (See SCAN Jul 78 for a rundown of the National Material Handling Show of 1978.)

#### NCR has introduced an OCR Wand Reader....

....which can be used with the NCR 255 and 2552 checkout terminals. This will provide supermarket systems with the dual capability of reading both UPC and OCR-A at the same terminal.

The OCR Wand Reader is priced at \$1500 and available for immediate delivery.

#### Dymo has appointed....

....Gilbert Barbash as Vice President, Direct Sales. He assumes responsibility for the company's direct sale of pricing and coding systems to the retail industry.