

newsletter

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

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What do you do if you are a distiller....

....or distributor of alcohol beverages, and a few of your customers send you a notice that you are expected to have bar codes on your bottles in about 6 months? And these bar codes are to represent a totally new product numbering system which has not yet been established? And no one has decided where the bar code is to be on the various packages? And no one is sure that whatever system they do adopt will be uniform for the industry?

One of the things you do is make sure you attend one of the 5 seminars presented by your trade association, the Distilled Spirits Council of the U.S. (DISCUS). What you find is organized bedlam. The companies are asking how they can get numbers assigned, where to place the symbol, how to handle imported products, do vintage wines get different numbers each year, will outer cartons have to be marked, which Control States will do what to whom and when, etc. The answers to these questions were sometimes vague, sometimes confusing, often contradictory, and rarely directly responsive.

What these management and marketing people did hear was a tried and true presentation on Film Masters, Printability Gauges, Veritication equipment, and printing production do's and dont's.

These are some of the underlying facts:

- After a few years of trying to get the industry to listen, a few of the Control States have decided to force the issue, and have adopted front-end bar code scanning based on the UPC symbol. Some states have said they want source-marked inventory by mid-1979.
- Since the state-run liquor stores will not all have scanners for a few years, they want to make the system as simple as possible (for them) and insist on a 5-digit code, rather than the standard 10-digit code. This makes key-boarding the number more reliable.
- Based on this requirement, the industry has allocated blocs of numbers from 20,000 to 99,999 and will assign a 5-digit Uniform Code for Alcohol Beverages (UCAB) number to identify every specific product under a specific label. DISCUS will assign these numbers and maintain the control register. There are expected to be about 10,000 UCAB coded products which is the total number of identifiable products sold in the twenty Control States. The remaining 70,000 numbers will be held in reserve to cover new products in the years ahead.

- This leaves what is estimated to be over 200,000 other products sold throughout the country. They will be assigned a UPC number using the standard 10-digit format, and incorporating the current Bureau of Alcohol, Tobacco and Firearms (BATF) number. The product numbers will be limited to those between 0 and 20,000.

A liquor authority commissioner from New Hampshire was asked, privately, what would happen if the industry decided the demands were unreasonable and balked. He said that if all the companies decided to take that position, they would be in collusion and would be sued for "restraint of trade." So much for that approach!

But what do you do, for example, when at the third seminar, held in Louisville, KY, the commission representative from Ohio says, in effect, "Oh, didn't we tell you that we also want to have bar codes on the outer cartons by the end of 1979?" Everyone in the room, including the experts on the panel and the DISCUS administrators, were totally unaware of those plans.

Comment

What you probably do is go home and worry!

By the time the seminar programs are completed in mid-December, there will have been a total of about 400 attendees. It might be a wise idea to use the approximately \$50-75,000 in entrance fees that were already collected to find the answers to the open questions, and then invite the same group back and let them in on the secrets.

In the meantime, if representatives from the Control States, DISCUS and the Uniform Product Code Council could only find the time to sit down together in one room, and not leave until some answers are found and a reasonable timetable adopted, then a lot of the industry members may not find it so necessary to consume so much of their own products these lonely evenings.

There have been all sorts of trade rumors....

...about troubles at Ames Color File, Somerville, MA. The company, and its sister organization, Ames Safety Envelope, produce and market file folders, expansion envelopes, X-ray jackets and X-ray folders for hospitals. In the last 6 or 7 years Ames Color File has also marketed a bar code scanning system. They have been including bar code labels on the folders shipped to the hospitals, building up a potential base for automated systems based on scanning. (SCAN Oct 77)

The company is family-owned and goes back 3 generations. The stock is held by the 4 sons and daughters of the founder, and the company's management is chock-a-block with uncles, nephews, cousins, sons-in-law and other kin. And now what had been a quiet family feud, between the various family segments, has erupted into the open.

Ames Color File had invested a great deal of money in the development of scanners and related systems. They assembled the scanners using Welch Allen pens. A major sale was made to the Cleveland Clinic and reports are that it is operating successfully. Altogether, 6 hospital scanning systems were sold, which was not enough to keep the company in the black. And the Directors of Ames Safety Envelope, who held the purse strings, were not happy.

So they voted to remove Arthur Fitzgerald, President of Ames Color File, and a representative of one-fourth of the company's ownership. The crunch came when Fitzgerald decided to pursue scanning systems outside the hospital field in order to generate additional income. The company came up with about 20-25 government and industry sales, plus a whopping order for 1500 pen scanners, for \$2 million, with Certified Grocers. The system was designed for inventory control and reorder purposes, using a bar code printed "menu" book in smaller Mom and Pop grocery stores.

The Board of Directors did not believe Ames Color File was equipped or prepared to handle such an order, and turned it down! Honest! (The order was then picked up by Informer, Los Angeles, CA.) The Board also took that opportunity to dismiss Fitzgerald, who left the company, along with other key sales personnel. Fitzgerald is now suing everyone in sight, and would probably settle for a reasonable severance arrangement and reinstatement of his branch of the family to the Board of Directors.

Spokesmen for the company say business is good, and the company is in no danger. They will realign their marketing policies to emphasize the company's strengths. Bob Arnold (from another family branch) is now president of both companies and sales projections for Ames Color File in 1979 are "modest."

Data Terminal Systems has quietly....

....installed their first UPC scanning installation. Because it's in test, and the store's management does not want to be besieged with inquiries and industry visitors, we've agreed not to publish the name of the store. (It's in New England -- but that's no surprise since DTS is located in Maynard, MA.)

We can tell you that the store has a total of 13 lanes, but only 2 are "live" with scanners. The rest are being held up by delayed shipments of the checkstands, which are not expected until year-end.

DTS system is the first with stand-alone units that can be operated without a host or central computer (SCAN Jan 78). Called SCAN-ALONE, DTS quotes significantly lower prices than the other four equipment manufacturers and is the only company that offers the possibility for smaller stores with fewer checkout lanes to install full scanning capability.

The 2 operational units are working fine so far, according to DTS, and the company has additional orders in-house scheduled for Spring '79 delivery.

Safeway Stores is continuing a steady,...

....if not spectacular, conversion of their stores to UPC scanning. The leading supermarket chain in the world has 12 stores up and scanning, and has announced plans for an additional 40 stores in 1979.

But typical of the hard-nosed, efficient management of the company, Safeway wasted no time dumping their Sperry Univac equipment immediately after that hardware manufacturer left the field. The two Univac-equipped stores in Redwood, WA, have now been converted to IBM. Safeway felt they could not depend on the proper servicing of the equipment, and certainly could not expect any new developments or system updating from Sperry Univac.

We made two references to the Fibre Box Association....

....in our report of the Oct 12 meeting of the Distribution Symbology Study Group (SCAN Nov 78). And the FBA has registered objections to both of them.

They object to our comment that the FBA was originally in "strident opposition to printed bar codes on shipping containers." Not so, they say. They were opposed to adoption of any symbol before it was established that it could be reliably printed on corrugated. Distribution Codes, Inc. had announced its symbol in 1976, without any test runs on corrugated (SCAN Sep 77). An FBA release dated March 1977 made their objection clear, and extended an offer to "work with any group to validate the basis for any symbol...." Carrying out this offer, they say, FBA has been an active participant in the DSSG since July 1977.

The second point relates to our reference to FBA plans to study the incremental costs of printing bar codes. They have no plans, and have not considered such a study, they say.

A roundup of pertinent articles....

....appearing in the various trade and consumer publications produced a pretty fair crop this month.

Advertising Age - 10/30/78:

In an article devoted to the apparent movement by grocery retailers to set up independent market research operations, the significance of the UPC codes was described. Because of this powerful tool, some chains, like Super Valu in Minneapolis, are looking to expand research activities and to offer services in controlled store testing of packaging, price promotion alternatives and other marketing factors. It was predicted that scanner data will replace item movement and share-of-market data now developed by auditors visiting a stores.

Ad Age analyzed the advertising budgets of the top 25 supermarket chains in their 11/13/78 issue.

Super Marketing - 11/10/78:

This British publication presented an interesting "Suppliers Viewpoint" on European Article Numbering. Birds Eye was used as an example of how suppliers are preparing for source marking their products, and incorporating the EAN numbers into their administrative routines. The special problems of a frozen food supplier and the various difficult packaging materials and formats were also reviewed. Birds Eye will have the symbol on all packages by the end of 1979, except for some particularly difficult items. The article then went on to discuss the potential hazards of price removal, and how the UK retailers can benefit from the US/UPC experience and work harder at gaining consumer acceptance. This was a well-written, factual presentation.

Non Foods Merchandising - Nov 1978:

NFM ran a double front-page article on scanners in supermarkets and how they affect the merchandising of non-foods items. First, the detailed sales data

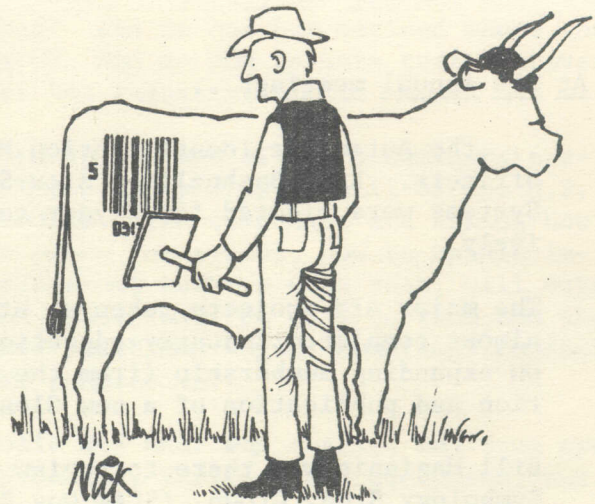
generated by the scanners have enabled a more accurate appraisal of non foods sales and their contribution to profits. Based on this data, shelf space, store position and item selections can be determined with much greater accuracy to maximize turnover. The second article reviewed the impact of scanners on checkstand layout and the possibilities that general merchandise and health and beauty aids will benefit from the more sophisticated approach to front-end merchandising. Pilferage is reduced and a tidier image created among consumers.

CPDA News - Nov 1978:

This monthly publication for magazine distributors is published by the industry's trade association. In a spectacular endorsement of the use of bar code scanners by wholesalers, Ivan Ludington, Jr., outgoing president of the trade association, stated, after describing the enormous economic benefits of scanning: "There is a cost to a scanner. But they don't get sick, take vacations or personal days. They work two shifts; they don't draw overtime." The introduction of scanners to the industry was the highlight of his 3 years in office, he wrote.

Wall Street Journal:

This cartoon ran a couple of weeks ago and is a slightly distorted version of UPC source-marking of products for supermarket shelves.



Two new films have been produced....

....by the Food Marketing Institute to help educate industry and the public to UPC scanning.

One film, designed for supermarket management, is also of interest to manufacturers and others related to the industry. It runs for 22 minutes and includes in-store footage and interviews with the presidents of Giant, Ralph's and Brodbeck's. The film demonstrates the system operation, potential savings, and significant advantages. The costs of production were underwritten by TV Guide, as a gift to the industry that handles a major part of that publications's distribution.

Part of that film, and out-takes that were not used, were put together to make a 14-minute consumer movie destined for Women's Clubs, schools, civic and other groups.

Costs are \$50-85 to rent for 5 days and \$250-350 to buy. Contact Robert Dobkin, FMI, 1750 K St. N.W., Washington, DC 20006; 202/452-8444. Tell him SCAN sent you.

The U.S. Railroad Retirement Board....

....is now in the process of installing a file folder trace system using bar codes and scanners. This organization administers the retirement benefits for railroad employees, and was begun well before Social Security was started.

The system design and hardware are being supplied by Control Module, Enfield, CT, and involve over 50 scanner terminals, connected to a multiplexer, plus bar codes imprinters. The entire contract is valued at \$250,000.

The Board will place bar coded labels on their active file of 1.1 million folders (the total file is 2.5 million). Since the codes are alpha-numeric, Code 39 was selected. Each time a folder is removed from its file it is scanned and a record is maintained of its location, until it is returned. Jim Bianco, President of Control Module, believes this is one of the largest government commitments to a bar-code system to date.

The company also announced that it is in the early stages of installing a new bar code scanning Quality Control inspection station of one of the General Motors plants.

At its annual meeting....

....the Automatic Identification Manufacturers Section of MHI elected new officers. Rick Bushnell of Accu-Sort and Jim Crassweller of Weber Marking Systems were elected for 2 year terms as Chairman and Vice Chairman, respectively.

The major AIM projects taken up at this business meeting were a review of the almost completed industry-education slide presentation, a renewed emphasis on expanding membership (from the current 10 member companies) and the preparation and publication of a new Glossary/Definition of Terms.

Bill Maginnis was there to review the latest happenings of the Distribution Symbology Study Group, (SCAN Nov 78), and AIM is certainly an active and interested member of that organization.

The next AIM meetings are scheduled for Denver on Feb 16-22 and at the Automated Material Handling & Storage System Conference in Atlanta on March 14-15.

Comment

One of the signs of a vital and growing industry is the size and vitality of its trade organizations. There are many subscribers to our Newsletter who should probably be members of AIM. Why not check it out?

We don't usually report....

....on the UPC scanning scoreboard every month, but another new record was reported in October. There were 49 new supermarket scanning installations bringing the total to 461. The equipment count for the month was NCR-29, IBM-11, Datachecker-5, Sweda-3, Univac-plus 1, minus 2, for a net of (-1).