



newsletter

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

SCANNING, CODING & AUTOMATION NEWSLETTER • P.O. BOX 702 • GREAT NECK, N.Y. 11022 • (516) 487-6370

Volume II Number 5

January 1979

A Happy, Healthy and Prosperous New Year to all.

We tried making some predictions in our January 1979 issue and when we checked back the other day, we found that we scored about 75%. That's about as good an average as we could ever expect on predicting the future. So we won't try again.

An interesting battle is shaping up....

...between the two market research giants, Nielson and SAMI (SCAN Sept 77; Jan 78; Mar 78; Jun 78). Both have been quietly testing various research techniques over the past 2 or 3 years to learn more about how UPC can be used to obtain more accurate, definitive and timely data about the consumer's marketing habits and the movement of merchandise through the retail distribution system.

Underlying the efforts of both companies is the potential threat to their current well-established services. They recognized very early that UPC and scanning could provide the means for identifying a product as it passed into the consumer's hand, eliminating the need for costly, less accurate and delayed information obtained through store audits (Nielson) or warehouse shipments (SAMI).

Nielson seems to be pulling out all the stops and announcing survey efforts using almost every known technique. Some of them are current, some in the testing state, and one or two are still on the drawing boards.

1. SCANTRACK is based on a straightforward gathering of scanning data from a group of stores. The raw data reflect total store transactions which are then rearranged by products and reported on a weekly basis. This is very similar to work already being done by NABSCAN (SCAN Sep 77; Dec 77) and Tele-Research (SCAN Sep 77; Jun 78). Nielson is currently operating SCANTRACK in two cities and expects to expand the service and offer it commercially within a short time.
2. SCANTEST is experimental and Nielson is conducting tests in two Wegman's stores in Rochester, NY. Consumer/shoppers are selected as a panel and given identification cards. These are presented at the scanning supermarket at the time of checkout. This part is very similar to the SAMI/Pathmark test of a year or two ago. In addition, Nielson plans to provide each panelist with a diary to be completed at home, and asks for all register tapes for all purchases in all stores (including non-scanning stores).

3. Auditing Scanners are being investigated by Nielson as automated auditing tools to replace manual audits.
4. In-Home Scanning could be a further refinement of the Auditing Scanner used in the stores.
5. Market Basket Scanning is a technique Nielson is exploring to be used to check random samples of shoppers as they leave the stores, and this is also only in the idea stages.

SAMI, a division of Time, Inc., seems to be much further along in actually offering their services for commercial use. SAMI, (which, by the way, stands for Selling Areas Marketing, Inc.) is concentrating on their two services.

First is the expansion of the test run with Pathmark and completed early in 1978. They have now selected a panel of 1300 families in the Topeka/Kansas City area who are shoppers in four scanning stores. Each family is issued an identification card to record their purchases at the time of checkout. Both IBM and Datachecker stores are involved, and both equipment manufacturers have programmed their systems to segregate, record and report the data. The stores selected represent both major chains and independents.

The second SAMI service is similar to the Nielson SCANTRAK and involves the gathering of scanning data from 19 stores. The service has been in operation since mid-1978. The data is translated into SAMI's 34-digit identification code, and subscribing manufacturers are provided the data by individual store and consolidated for all stores. Reporting stores also receive reports, but for their stores only.

Comment

One gets the distinct impression that both companies are still in the early stages of developing their services and are jockeying for position in the industry. They certainly aren't going to allow the smaller TRIM (Tele-Research) and NABSCAN operations to make too deep an inroad into an industry they dominated without making some very strenuous efforts. The major leap forward of the number of scanning stores to almost 600 by the end of 1978 has made these services much more viable and market-ready.

NCR has announced a new....

....food store stand-alone electronic cash register system which can be upgraded to scanning.

"The 2140 system may be installed as a basic stand-alone system and can migrate to an on-line system linked to an in-store computer" according to D.J. McCarthy, vice president of Retail Systems. This sounds like the first direct answer to the Data Terminal Systems Scan-Along which was recently installed in a test store (SCAN Dec 78).

The company lists many key features of the 2140 system. Significant among them are:

- Ability to accommodate to hand-held and slot scanning equipment.
- Twin panel display unit showing both the current and previous items entered.

- Flexible arrangements for hook-ups to electronic scales, consolidation of data, Common Carrier communications between stores and headquarters, cassette recorders for data collection beyond memory capacity.
- Each unit will have a capacity for up to 19,000 item look-ups depending on item identifiers.

The basic model group will be available for delivery in the first quarter of 1979, with additional model groups coming on later in the year. The basic model is priced at \$2,385, and models can be upgraded, at the option of the user, "at a minimal cost."

McCarthy further states that "in its role as a mid-range system, we expect the new 2140...to become the most widely used free-standing electronic cash registers in the food-store industry."

Direct comparison of price and performance data between the NCR and DTS systems should make interesting reading over the next few months.

It's very unofficial, but by the tally....

....we have been keeping here at SCAN, November 1979 was the month that NCR passed IBM in the number of UPC scanning installations in the U.S.

Based on the tabulations issued monthly by FMI it looked like this:

	<u>IBM</u>	<u>NCR</u>
End of Sept. Total	182	142
Oct. installations	11	29
Nov. installations	<u>9</u>	<u>34</u>
Total	202	205

The results reflect the fast pace of NCR's program of upgrading their Electronic Cash Register installations, particularly with major chains such as Winn-Dixie and Publix. NCR has reported a reservoir of over 5,000 such ECR-equipped stores, so we can anticipate a probable widening of their current lead.

The Food Marketing Institute has strongly disputed....

....the findings of the Office of Technology Assessment with regard to retailing technology and UPC scanning in particular. OTA is an advisory arm of the U.S. Congress charged with helping "legislators anticipate and plan for the positive and negative impacts of technological changes."

In a November 30, 1978 letter to Russell Peterson, OTA's Director, Bob Dobkin of FMI took sharp exception to statements in a recently released OTA report titled: Emerging Food Marketing Technologies: A Preliminary Analysis.

Dobkin's concern was that the OTA report "may deepen distrust of technology rather than dispel it." He accused the OTA of having collected its data prior to early summer of 1977, and not reflecting any of the major changes in the customer acceptance, later attitudes, consumer group reactions and retailer recognition of the system's benefits.

Dobkin went on to describe the actual current attitudes of each of these groups and to provide an accurate, detailed list of the benefits of scanning. He also contrasted the OTA's findings with those of the General Accounting Office which urged food retailers to act more quickly to adopt available technology such as computerized checkout systems.

A copy of the OTA report can be obtained from the U.S. Government Printing Office, GPO Stock No. 052-003-00612-0 for \$2.75. If you want to register your comments with Mr. Peterson of OTA, his address is U.S. Congress, Washington, DC 20510.

Comment

Although the OTA report does not read as negatively as the FMI response might suggest, we are pleased to see an active, strongly positioned response by FMI. As we have said in these pages before, counter-punching is just not enough. FMI must launch an active, accurate, informative campaign through all media channels to keep the public -- and the U.S. Congress and State Legislatures -- fully aware of the facts as they are known. If the Associated Press and United Press services can issue such widely disparate reports and interpretations within a week of each other (see Media Roundup below) then someone is not doing their job.

Our media roundup this month....

....again reflects some interesting contrasts in reporting.

Philadelphia Evening Bulletin - 11/28/78

A UPI story, by-lined Michael J. Conlon, was headlined "Trouble in air for electronic checkout units." The story was based entirely on the OTA study (see above) and carefully excerpted only those items from the report which were negative, or could be made to sound negative about UPC.

Jackson (Tennessee) Sun - 12/3/78

Our Mid-South reporter from Tennessee turned up an Associated Press story, by-lined Louise Cork, which presented an entirely different story. It was a well-researched and balanced article which tried to educate the consumer and not raise false alarms.

Supermarket News - 12/11/78

Supermarket News has been closely tracking the UPC scanning activities of Ralph's in California. A few months ago Pat Collins, president of Ralph's, announced that with their 13 scanning stores the chain was able to make very accurate projections of item movement which helped with merchandising decisions for all stores. Now Collins has announced that Ralph's will convert all of its 83 Southern California stores to scanning within two years. The change in plans was "to make the most of the hard savings of productivity and shrink."

There has been an interesting footrace....

....developing in England to see which supermarket chain will be the first

on-line with scanning. Fine Fare is tuning up an NCR system, (30 lanes) and Tesco is with IBM equipment (19 lanes). Early 1979 is the target date for both to go operational.

It is anticipated there will be enormous publicity when it happens with a TV company already lined up to make a feature of it. Both stores will be using extensive in-store marking of products since the manufacturers are just getting their source-marking programs off the ground. There are only about 100 companies with their manufacturer's numbers, but we are betting the big rush will be on when some scanning stores are up and running.

Following up on their contract...

....to build reflectance instruments for the U.S. Postal Service (SCAN Nov 78), Photographic Sciences Corp. has now introduced their Envelope Reflectance Meter (ERM) for use by envelope converters to determine whether they are printing bar codes which are scannable by the Post Office equipment. The ERM measures the print contrast between bars and background only, and not the bar widths. It consists of 2 units, one of which, the photometer head, is placed on the envelope over the code to perform the reading function. The cost of the ERM is \$795.

The company has also announced its reorganization into 3 divisions. The Product Services Division will handle Film Masters and COM Slides for the micro-film industry. Ed Shadd has been appointed Vice President to head up this division. The Photographic Systems Division, headed up by V.P. Frank Cicha will be responsible for manufacturing verification equipment and electro-optical instrumentation. President Larry Albertson will handle the division covering international business.

Chase Computer, a manufacturer of OCR-A....

....point-of-sale equipment has announced two significant sales of equipment. One is to the Busy Beaver Building Centers of Clairton, PA. The system includes 145 POS terminals and readers to service the 31 lumber yards, building supply distribution centers and home centers in Pennsylvania, Ohio and New York. The commitment to OCR equipment includes new centers planned by Busy Beaver over the next 5 years.

The Shoe Town Division of Wiener Corp. has also purchased Chase equipment for their point-of-sale system. The installations will include 100 Chase Model 2200 POS terminals and 100 Chase Model 2300 OCR-A readers. The 58 Shoe Town stores are located in Texas, Louisiana, Mississippi and Alabama.

Although there is not too much representation....

....of bar code scanning at the National Retail Merchants Association (NRMA) Convention, it should not be ignored. The convention, which includes a Retailers Business and Equipment Exposition, will be held as usual at the New York Hilton. The dates are Jan 14-17, 1979.

There are some head-to-head confrontations between OCR-A and bar code scanning in the marketplace, and it will be worthwhile to see the many OCR-A systems

that will be displayed. There will be 40 General Sessions and 60 workshops in addition to the booth displays.

We will be reporting any significant information in our February issue.

The important Department of Defense plans....

....to implement bar code scanning for the automation of logistics data processing is falling a bit behind schedule (SCAN Aug 78). The LOGMARS test plan was originally scheduled for completion by October 1978, but has been pushed back to mid-February 1979. The major reason for the delay has been the turnover of key members of the study group.

A Test Director will be appointed soon. The revised plan will probably include a delay of 3 or 4 months beyond the target December 1979 date for submission of the full report and recommendations.

Espera-Werke GMBH, a German manufacturer....

....of industrial/retail automatic weight and price labelling equipment is seeking to enter the U.S. market. The company has developed an imprinter which prints both the human readable data and bar code on one label.

Espera-Werke is a well-established company just celebrating its 50th anniversary. Contact can be made with the Manfred Korthauer, Moltkestrasse 17-33, D4100, Duisberg, West Germany.

The Packaging Institute, USA....

....has scheduled a one-day seminar in Chicago titled "UPC -- The Period of Grace is Nearing an End." Scheduled for Jan. 30, 1978, at the Hyatt Regency O'Hare, the program will include presentations from retailers and manufacturers as well as coverage of the latest technology in quality control, symbol verification and other bar code applications.

For further information, contact Carol Boyle, PI/USA, 342 Madison Ave., New York, NY 10017, 212/687/8875.

It has been very quiet from UPS....

....and their ambitious promotional program to use a special version of a UPC bar code for direct coupon redemption for money (SCAN Sep 77; Jan 78).

We tried to follow up with the company after we received a very unhappy letter from a disgruntled consumer who has been trying to redeem \$38 in coupons for a number of months. But their phones are disconnected and mail is returned "No Forwarding Address."

As we said before, it was a good idea whose time had not yet come!