



newsletter

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

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There was little new to report....

....about OCR equipment from the National Retail Merchants Association (NRMA) annual convention in New York on January 14-17.

This organization of small and large retailers (primarily department stores and specialty shops) has not decreased its dedication to the promotion of OCR for point-of-sale automation. This year's trade show, however, emphasized implementation rather than innovation.

There are about 42,000 OCR-A reading wands currently in use at the point of sale in more than 150 retail chains. Reports from the retailers indicate that it is a cost-saving system.

However, the industry's plan to involve the apparel manufacturers has not been successful so far. The Universal Vendor Marking (UVM) program would have the manufacturers mark the apparel tickets prior to shipment. Many have been reluctant to do this even though the NRMA has been trying to sell the manufacturers on the advantages of better inventory control and order processing through the use of the OCR tickets. Some other industry groups, notably the toy and luggage manufacturers have been cooperative and other merchandise categories such as jewelry are expected to come along.

We have heard a few remarks, admittedly biased, that the retailers are having their problems scanning multiple lines of OCR-A and that many clerks just go directly to keyboarding the information. It has been suggested that Codabar, Code 39 or some other bar code might have been a better answer.

There are many retail establishments -- other than supermarkets and UPC -- that have opted for bar codes. Although many more may go that route, there seems little question that OCR is very strongly established with good momentum, and that it will be the primary method of automation in this segment of the retail industry. This still leaves a large number of retailers somewhere between the two groups. There are already indications that the point-of-sale equipment manufacturers are gearing up for these smaller stores with hand-held wand scanners. Some are for bar codes and some for OCR-A. There are many products which are sold in more than one type of retail outlet, and the manufacturers will be faced with the problem of which symbol to print on which packages.

NCR used the occasion of the NRMA meeting to announce their plans to begin manufacturing their own OCR hand-held readers. NCR is currently selling readers made by Caere Corp. and indicated that "the decision to produce the reader can be seen as further evidence of NCR's commitment to OCR."

George Wright, one of the pioneers....

....in promoting the use of bar codes on periodicals and paperbacks has resigned from the Council for Periodical Distributors Associations (CPDA) after 10 years with that organization. However, he plans to remain very active in the industry.

For the past 5 years, Wright has been the driving force behind the adoption by the industry of the UPC symbol, plus supplemental code, that now appears on almost all magazines. In his position as Executive Vice President of CPDA he coordinated the efforts of the wholesalers, publishers and the Uniform Product Code Council to adopt a symbol compatible with the grocery industry and at the same time scannable by the wholesalers to record returns and redemptions. There are about 50 wholesalers now using the system which has proven to be an effective means for improving the speed and accuracy of maintaining the records of the enormous number of returns from the retail newstands.

Wright will continue to serve CPDA as a consultant, responsible for the administration of the Industry BIPAD Numeric Coding System and representing U.S. and Canadian wholesalers in UPC matters. In addition, as an independent consultant, he will offer a variety of services to all branches of the industry, including the further development of UPC and other related systems.

Wright had been active in Europe as a consultant to Distipress, the European counterpart of CPDA, and plans to continue that role as well.

The use of the UPC symbol on cents-off coupons....

....is still tied up in the legal wrangling between Walter Kaslow and the Uniform Produce Code Council (SCAN Sept 78). Kaslow had obtained a patent describing the use of the bar code on coupons to tie in directly with the consumer purchase of the couponed item. UPCC sued Kaslow in May 1978 to invalidate the patent.

The latest developments seem to favor Kaslow for the moment. The court threw out the UPCC suit stating that a decision would be meaningless since Kaslow was being placed in a "no win" position; that is, the questions would not be resolved whichever way the decision went. UPCC has now filed a claim with the U.S. Patent Office claiming "prior public use" based on the Kroger test scanning store in the early 1970's. From all indications, this case could drag on for many years, since both sides are committed to appealing any negative decisions in the courts. Until it is resolved there seemed little chance that bar codes could be used on coupons.

Now, however, we have just learned that Ralston Purina has decided that the potential of the UPC symbol on coupons is too important to be delayed any longer. They are planning a trial run with an in-pack coupon to be tested in a small Pennsylvania chain of supermarkets that has scanning stores. In-packs were selected (it's a dog chow item) because the rate of return is very high and the Checkerboard Square people want to see if the coupon will hold up and scan in spite of grease and oil stains from the product, and being carried around in a purse for a few weeks.

Meanwhile Kaslow claims he has still not been able to find anyone in the industry willing to sit down with him and enter into a serious discussion as to

some method for settling the issues out of court. He is ready, he says, to listen to any reasonable offers. The only suggestion he has heard is that he place his patent in the public domain -- which he is not about to do.

As the number of scanning stores grows, the reduction of coupon fraud through the use of coupon scanning becomes more feasible. No one is budging as yet, but Ralton Purina's plans may tend to bring things to a head.

UPC scanning installations....

....are moving along according to plan, reports Data Terminal Systems. The newest entry into POS scanners placed their first units (SCAN Dec 78) in the Hartford, CT area. That store is fully operational with 12 lanes and functioning well. (We visited the store in December soon after installation was completed and all of the scanners were down that day, but we've been assured this was a temporary problem and all is well.) Now DTS has quietly started up a second scanning location in the Boston area and anticipates more to come during the next few months.

Although SCAN-ALONE units were designed to operate with each lane having its own scanning and look-up file, in actual practice one unit usually controls 4 lanes. This method of operation permits them to hold the price at about \$9,000 per lane whether the store has a few or a dozen or more units.

DTS is still functioning in a "field test" mode, and is reluctant to officially announce the locations of their scanning stores. They have been sufficiently pleased with the results so far, however, to bring in potential customers to evaluate performance.

The Hartford store, by the way, uses a unique split-checkstand. The customers bag their own purchases, and while a previous customer is bagging, the next one is being checked out.

Our usually reliable source....

....of EAN progress in Germany reports the following activity for the coming year:

- Germany will have 30 scanning supermarkets by the end of 1979.
- There are already 1500 manufacturers and 800 retailers with EAN manufacturer's numbers, and the numbers are expected to grow dramatically as more stores introduce scanning.
- There are 1500 products source marked and on the retailers' shelves.
- An additional 5-6,000 items are in various stages of production and expected to be out in 3 months. (Still a very small number, of course, with many more to come as the program gears up.)
- Wines and liquors are being EAN source-marked at a significant rate. This represents a potential conflict with the UCAB program just getting started in the U.S. and we wonder if anyone is paying attention (SCAN Dec 78).

The semi-annual progress report....

....by LOGMARS, the Department of Defense group studying automatic scanning implementation, contained few significant developments beyond those already reported on these pages.

The important Working Party 4, chaired by the Navy, is writing their detailed plan which will include revision of the milestone tasks, a prototype test plan, evaluation criteria for assessing test results and test site selection criteria. This plan was scheduled to be submitted to the Joint Steering Group by 1/31/79 at which time there was to be a review of the December 1979 target date for submission of the full report. If approved, the program plan will include the prototype test of Code 39 on materiel, and both Code 39 and OCR-A on documentation.

Of possible future significance is the recent admission to full LOGMARS membership of the General Services Administration. This could add the enormous purchasing and warehousing potential of this government organization to the LOGMARS project. More than ever, a close watch must be maintained on the progress of the LOGMARS group whose decisions will have enormous impact on industry.

The Newspaper Advertising Bureau has expanded....

....its National Advertised Brand Scanning Reports (NABSCAN) service (SCAN Dec 77). NABSCAN was one of the first organizations to utilize UPC-generated store data for market research. The service was started about 4 years ago with only a few stores reporting.

Data is now collected from 63 scanning stores and there are over a dozen clients including Coca Cola Foods, Nestle, General Foods, American Can, Bristol-Myers and CPC International. Clients receive up-to-date information broken down by item, reflecting sales by individual store, all stores reporting and share of market.

The Bureau thinks enough of NABSCAN's value to have organized it into a separate operation headed up by V.P. Richard L. Neale. The primary incentive has been to demonstrate and enhance the impact of newspaper advertising on immediate supermarket sales. NAB has always promoted this idea, and NABSCAN provides them with a powerful tool to prove it.

Since NABSCAN's importance is as a service to its members (NAB is a non-profit organization) it is expected to be priced very competitively compared to those now being offered by the commercial research organizations such as Nielsen, SAMI and Tele-Research (SCAN Jan 79). It becomes even more attractive as more scanning stores are activated and the data base is expanded.

MediaScan,....

....a roundup of articles in the trade and consumer press on scanning.

Progressive Grocer - 12/78

In its annual roundup of the grocery industry, this important supermarket

trade magazine devoted a great deal of space to the current status and the potential for UPC scanning. Their article titled "The Year of the Scanner" started out with: "Scanning fever has finally hit the industry" and went on to review the equipment manufacturers and the industry's scanning statistics. A follow-up article "Efficiencies Sprout Everywhere With Scanners at Work" detailed the benefits and costs of scanning in a \$150,000 a week store, while "A One-Store Operator Cashes in with Scanners" was ecstatic over a 25% increase in total profits attributable to scanning. These are must readings for any doubters who may be left.

Supermarket News - 1/15/79

A study made for the American Research Merchandising Institute (ARMI) by Willard Bishop Consulting Economists, showed that 80% of the supermarkets are not UPC-labelling general merchandise. Many said the cost was prohibitive and that they would be reexamining this process as time goes on. About 25% stated they will not buy items that are not source marked with the UPC symbol. A second article in the same issue reviewed Kroger's plans to expand scanning operations in 1979 to at least double the current number of scanning stores (now 11).

Supermarketing - 12/8/78

This British publication reported on bar coding by Carmel Flowers, an Israeli company. Each tray of flowers is bar coded to speed identification, invoicing and shipping control. Carmel palletizes the trays and ships them in large volume all over the world.

New York Magazine - 1/15/79

Advertising Age - 1/29/79

"The Great Coupon Ripoff" in the supermarkets was highlighted in New York Magazine with the Post Office/Breen hoax. This was the plan by the postal inspectors to expose the supermarkets and coupon redemption centers which were fraudulently redeeming cents-off coupons. Coupons, offering 30 cents off when purchasing Breen, were inserted in 3 major New York area newspapers. Thousands of coupons were redeemed in dozens of stores. Breen is, of course, a non-existent product and the authorities had the stores with their phony redemptions showing. Advertising Age calls it the "coupon sting" and reported that 64 people were arrested, 53 indicted, 13 pleaded guilty and the total theft was estimated by the District Attorney to be more than \$122,000. UPC symbols on coupons are still the only viable solution to this enormous fraud, estimated to be as much as \$200 million per year.

Newsday - 1/6/79

This Long Island newspaper ran a well written, accurate appraisal of UPC based on a study by the N.Y. State University at Stonybrook on how advanced technology is changing our way of life almost without notice. A week later a reader wrote a letter to the Editor expressing complete panic and deploring the fact that these technological advances are aggravating the shoppers' emotional problems and neuroses, and comparing scanning to dropping the atomic bomb on Hiroshima.

N.Y. Times - 1/10/79

Acceptance by the public is often signalled when new technology becomes the subject of humor and satire. We particularly like this one:

In a supermarket recently outfitted with the new electronic check-out system, the teen-aged girl at the register was doing fine, sliding each package over the glass panel with the camera (sic) underneath, until a quart of ice cream failed to register.

She slid it over again, but still no acknowledging "beep" sounded, and the screen on which a price normally appears refused to light up. Hardly pausing, the girl packed it in the bag with everything else.

"But wait, how much for the ice cream?"

"Nothing," she shrugged indifferently. "The machine didn't charge you."

As bar code scanning applications have....

....become more widespread, the need for labels and film masters for the various code configurations has expanded. Two companies have just announced the availability of additional code formats:

- Computype, St. Paul, MN, has just completed programming for Code 39, 2 of 5, Interleaved 2 of 5 and the Ames code. The company specializes in the production of large runs of labels, each with a different code or variable information (SCAN Oct 78).
- Gerber Symbol Services, Vernon, Ct, one of the largest producers of film masters, announced the availability of Code 39. This is in addition to the already programmed UPC, EAN, Interleaved 2 of 5, Distribution Symbol, Binary and other code formats. Precision film masters are used as master artwork when there is a requirement to print large quantities of the same code.

A "Survey of UPC Verification Equipment and Devices"....

....is in the early stages of preparation by SCAN Newsletter. We are currently gathering information on all available methods for verifying the accuracy and scannability of UPC symbols through the measurement of bar and space widths and color contrast. Any company with equipment, instruments or devices which should be included in such a survey should get in touch with us at once.

Watch for further information on how you will be able to purchase your copy of this important study. SCAN subscribers will be entitled to a substantial discount.