



newsletter

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

SCANNING, CODING & AUTOMATION NEWSLETTER • 11 Middle Neck Road • Great Neck, N.Y. 11021 • (516) 487-6370

Volume II Number 9

May 1979

One very bullish company,....

....when it comes to UPC scanning systems, is Sweda International (Pinebrook, NJ). And the marketing group at Sweda has very positive ideas as to market growth figures for the next few years. During a recent interview with Emilio Fontana, Vice President/Sales for Sweda, he developed the following quite rosy picture for the future of retail scanning:

- He predicts that in its current configuration of scanning, by the end of 1979 there will be 1500 scanning stores; 2700 by the end of 1980; 4200 by the end of 1981 and continue thereafter at a steady rate of 1,000 to 1200 per year.
- The above figures relate to the primary market of stores with annual sales of \$4 million or more. New, remodeled and upgraded stores in this category will increase that market size. In addition, the advantages of scanning will ultimately attract the smaller \$2-4 million stores as well.
- Fontana believes that the savings from front-end operations have distorted the true value of scanning. Merchandising, customer service and back room operations could prove to be much more important as the supermarkets learn more about the more indirect uses and advantages.
- The individual stand-alone units will certainly be a major factor in the future as solid state memory technology improves. Current capabilities do not allow for a full data file of 10 to 12 thousand items with printout capacity of item descriptions. Future break-throughs however are expected to expand this capacity significantly and stand-alone units will probably pick up volume by the end of 1980.
- Hand-held front-end scanning is a completely separate and new market. Specialty retailers of liquor and records and some of the smaller stores will be installing hand-held scanners with a primary use for inventory, record keeping, and automatic checkouts.
- Sweda has traditionally maintained a 15% share of market of the cash register business and will be striving to obtain that share of market for scanners as well. The company is expecting good results for the next few months and has a current backlog of about \$10 million.

Sweda's activities extend to Europe as well and the company recently completed a study with Boots, a large chain of pharmaceutical retailers in Great Britain. The

company's plans call for a continued aggressive marketing program in the U.S. and Europe.

As a further demonstration of their success....

....and commitment to retail scanning, NCR Corporation has announced plans to manufacture their own UPC scanning devices. Under technology agreements between NCR and their scanning system supplier, Spectra Physics of Mountain View, CA, the two companies will continue to cooperate in the development of scanning units which both firms will manufacture.

According to D. E. Eckdahl, Senior V.P. of NCR's Engineering and Manufacturing Group, "Exceptionally strong acceptance of the scanning devices by super-markets has resulted in very heavy demand for them. NCR's decision to begin manufacturing scanning units will help the company meet the growing demand for these systems."

Under the plan, Spectra Physics will continue to supply NCR with complete scanning units, with increased deliveries anticipated in the last half of 1979. In addition Spectra Physics will furnish NCR with optical assemblies, which NCR will use to assemble the complete units. Ultimately NCR plans to assume the complete manufacturing of scanning units with royalty payments to Spectra Physics under the exchange of technology agreement.

With a record 68 stores installed in March,....

....and 182 for the first three months of 1979, the total number of scanner equipped stores at the end of the first quarter was 744 in the U.S. and Canada. Some items of interest:

- Data Terminal Systems appears on the list for the first time with 2 installations, one each in East Hartford, CT and Boston, MA. (We've heard of 3 additional, not yet released for public information).
- The five leading chains seem to be pulling out all the stops and installing new scanners at a tremendous rate. Giant started up 14 scanning stores during the first quarter for a total of 86; Winn-Dixie put in 33 to total 84; Ralph's 11 for 48; Schnuck's 6 for 38; and Publix 25 for 37.
- NCR now has 315 installations with 42.3% of the total market and continues to lead the equipment companies.
- Over 41% of the scanners went into stores that were upgrading from electronic POS systems.
- We haven't yet seen it, but we have been told that the largest U.S. installation is 24 checkout lanes at Stu Leonards in Westport, CT. (Can you top this?)

Continuing their program....

....for keeping industry abreast of the latest developments in UPC, the Packaging Institute has scheduled a seminar for June 12th, 1979, at the Sheraton Inn at LaGuardia just across from the airport in New York. The title and theme will

be "UPC: Unlimited Potential for Change."

The Chairman of the meeting will be George Goldberg, publisher of Scan Newsletter. The scheduled speakers are from a wide variety of companies and disciplines, all related to UPC scanning: Tom Wilson of McKinsey & Co., Jim Partner of SAMI, Fyed Naseem of NCR Corporation, William Daley of Supermarkets General (Pathmark), Shelley Harrison of Symbol Technologies, John Shephard of St. Regis Paper, and George Kenworthy of Scott Paper. A display of verification equipment is also planned.

For further information contact Ms. Carol Boyle, Packaging Institute, Inc., 342 Madison Avenue, New York, NY 10017, 212/MU7-8875.

European Article Numbering is gathering strength in France....

....and is expected to show real progress in 1979. As of now, about 350 manufacturers and 100 retailers have obtained their GENCOD manufacturer's numbers. GENCOD is the administering agency in France for EAN.

We were able to obtain some interesting statistics on the French supermarket/hypermarket industry from Gregoire Mercier, Technical Director of GENCOD, on his recent visit to the United States:

- 12,000 companies supply food and non-food merchandise to the hypermarkets in France.
- 400 hypermarkets average 15 checkouts each.
- Each hypermarket carries 10-14,000 food items and 20-25,000 non-food items.
- 4,000 supermarkets in France average 8 checkouts and 10,000 food items each.
- 30,000 superettes averaging 2 to 3 checkouts each.
- In 1979 it is expected that 4 to 6 stores will install scanning. None are installed at this time although there is one on order and in preparation.
- It is estimated that there are 6,000 checkout lanes with electronic point-of-sale equipment upgradeable to scanning already installed and operating. Approximately 100 to 150 hypermarkets have such EPOS equipment and many supermarkets have similar installations.
- To date 2,000 EAN Film Masters have been ordered, in test programs by product manufacturers, to print the symbol on their packages.

GENCOD seems to be exercising a great deal more paternalistic control over the implementation of the program than has been evidenced in other countries. For example, they have instituted a program for checking all Film Masters before plate making and plan to continue to offer that service to the industry.

One of the very significant challenges they face is to utilize the EAN symbol on non-food packaging such as clothing and other soft goods. GENCOD is exploring the use of the UPC "D version" which is expandable beyond the standard 10 digit code and symbol.

GENCOD is also taking an interesting position regarding the verification of printed symbols. At the moment they are holding back on any equipment recommendations to the printers because they do not want to increase their costs or unduly worry them this early in the program. They seem to be quite concerned about the trend in other countries, Germany in particular, where Mercier reports that many printers/converters are adding an up-charge for the printing of EAN symbols.

GENCOD is planning to explore the coding of records, periodicals, paperbacks and books. The vesting of all these responsibilities in one agency will be a significant test of the possible advantages of centralized coordination of the various industries involved. The French are being quite careful about the implementation of this major program and are carefully studying the experiences in other countries and moving ahead slowly to minimize any errors.

We received a copy of the....

....Transit Packaging Bar Symbol Specification (draft: 3/79) which is being circulated by FEFCO, the European Federation of Casemakers. It is under review by scanning equipment manufacturers as well as the EAN organization in Europe and the Fibre Box Association (U.S.).

The proposal is a working paper, and although it is being circulated, it does not have any official status as yet. The code proposed in the paper is compatible with UPC/EAN but presents a newly developed bar code symbol.

A copy of this proposed outer case bar coding will probably be discussed at the meeting of the Distribution Symbology Study Group scheduled for mid-May. Certainly this proposed paper deserves serious consideration.

Bar code label printers and light pens....

....are being used throughout the Northwick Park Hospital near London, thanks to a Plessey system recently installed.

Plessey Communications and Data Systems (Sopers Lane, Poole, Dorset, England) reports that the system includes bar codes for in-patient and out-patient records and laboratory controls, and has capacity for later expansion of other departments. Plessey, which handled the full installation, states that a great deal of emphasis was placed on the significantly improved accuracy gained through the use of entries via bar code scanning.

The officers of AIM,....

....the Automated Identification Manufacturers, did not take our critical comments about their recent Atlanta meeting lying down. And their rebuttals are worth noting. They point out that the Conference Steering Committee allowed only one day for the AIM group to present many papers on a fairly complex subject. Each speaker had from 30 to 45 minutes and was therefore forced to condense a great deal of material. In addition, circumstances required last minute changes of two speakers.

The answer could be that, having drawn such a large group, AIM might be encouraged to run an independent seminar in the future allowing as much time as they

feel necessary to prepare papers and present them with full coverage. Our intent now and always, has been to encourage the activities of this excellent organization, to increase their membership, and to expand their influence.

The U.S. Patent Office has awarded....

....a most significant contract for bar code scanning equipment. The award went to Control Module (Enfield, CT).

Jim Bianco, president of Control Module, reports that the contract is worth approximately \$2 million and involves "hundreds of scanners." Delivery will be over a five year period. The system for the Patent Office will involve the bar coding of patents in process, and all documents relating to the same patents will carry the same bar code.

Bianco further reports that his privately held company will have estimated sales of approximately \$1.2 million in 1979 with an order backlog of \$3.5 million. Control Module has shown particular strength in systems and installations for the government and related agencies.

Intermec continues to show....

....most impressive gains in sales and earnings. The (Lynnwood WA) manufacturer of bar code imprinters and scanners reported sales of \$3.8 million and net income after taxes of \$534,000 for the 36 week period ended 12/8/78. This compared to \$1.4 million in sales and \$210,000 in income for the same period in the previous year.

The company has also announced a new multi-station bar code read system that allows up to 10 remote scanning wands to operate from a single reader. Designed for production control or item tracking applications, there are two models available which operate on a "party line" basis. When a wand is removed from its receptacle all other wand stations are disabled and their busy lights come on.

Both Intermec and Markem also want us to clarify one item in last month's Newsletter regarding Markem's decision not to exercise their option to purchase Intermec. They point out that Markem will continue to purchase for resale certain models of Intermec's label and tag printers, and not pen scanners.

MediaScan....

...a round-up of articles in the trade and consumer press on scanning. There has been a significant increase of coverage of scanning, and almost all of it is extremely favorable. We almost miss the opportunity to jump on many of the errors and misstatements that were so prevalent a few years ago, but it certainly is encouraging to find wider recognition of this new technology.

Business Week - 4/23/79

In a two-part write-up this important publication ran over four pages of pertinent material. The article titled, "Supermarket Scanners Take Hold"

was a factual, accurate account of what is happening in the supermarkets and among the equipment manufacturers. A separate article titled, "How Scan Data Spot Trends" described the activities of the market research companies and the services they offer now and plan to offer in the future. These two articles are well worth circulating amongst the skeptics.

The Washington Post - 3/4/79

This influential newspaper interviewed Israel Cohen, Chairman and President of Giant Food Inc., and discussed the progress of the company and in particular their leadership in the installation of scanners. One of the highlights of the article was a description of Giant's reconciliation with consumer groups who had raised an immediate outcry in 1975 when Giant had opened their first scanner store. Giant now plans to advance their schedule 1½ years and convert the remainder of their stores to scanning by the end of the summer 1979.

Supermarket News - 4/23/79

Every supermarket chain, large or small, should read this article about Olson's (Lynnwood, WA) and the results they obtained from their first installation of scanners. Vincent Ianniciello, V. P. and Operations Manager, states, for example, "There is no way to do the volume in our unit here without scanning. Checkout is at least 25% faster." He further reports that the store had to increase the number of check stands from 7 to 9 to deal with the additional business generated by the switch to scanning. Olson's has a Sweda system and plans to install an additional unit in 1979.

Consumer Reports - May 1979

In a letter to the editor a consumer reported what could be one of the more dangerous errors that can be committed in a UPC scanning store. Subsequent to an item price change, merchandise was left on the shelf with both the new higher price and the old lower price still intact. The scanner was programmed for the higher price and the customer checked out an item marked 79¢ and was charged 87¢. This may be an isolated case but it is instances of this type that will raise the level of consumer resistance to item price removal in the future.

New York Daily News - 4/5/79

In an article by-lined by William Brown titled "This Supermarket Chain Just Cut Prices", the author describes the experience of Brockington Public Markets (Shaw's) in Massachusetts which announced that it was reducing prices on 700 items as a result of their Sweda installations. That's the kind of information that will get consumers aware of scanning and its advantages.

Food and Drug Packaging - 3/22/79

A full description of the use of bar codes by the blood banks was described including interviews with Monarch Marking Systems and the blood bank executives. Presented was a very detailed rundown of the advantages of the machine readable codes in aiding blood bank efficiency, catching errors, permitting faster inventory and improving delivery service.