



newsletter

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

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There are signs of definite movement....

....in the liquor industry toward front-end retail automation and scanning. Prodded by some of the Control States, the major companies -- distillers, wine producers and importers -- are allocating space on their labels for the UPC symbols, and bar codes will be appearing more and more on the shelf by year-end (SCAN Jul 80).

The original operational target date, as laid down by two or three of the Control States, was February 1981. This has been revised on a state by state basis and it is more of a timetable guide than a target. One of the major efforts of DISCUS, the trade organization of the alcoholic beverage industry, was to publish a set of specifications and standards to be followed by the industry. This provided the guidelines for symbol location and number assignments both of which were sorely needed.

DISCUS is further keeping its members current on the progress in each state, initiating the dialogue in many instances in order to clarify issues. The potential opportunities for scanning hardware producers could be significant and particular attention should be paid to the following partial list of states and their activities:

California, Florida, Nevada -- Sell wine in the supermarkets and the larger chains are requesting the UPC symbol on the bottles as soon as possible.

Idaho -- Expected to install scanning state-owned stores in 1983-84.

Maine -- Expected to install front-end scanning in state-owned stores in 1981-82.

New Hampshire -- This Control State has been very aggressive in pushing for the UPC symbol and will have ECR's in 1981-82 with scanning right behind.

Ohio -- Expected to test UPC scanning in some state stores by the end of 1980.

Oregon -- Moving toward scanning in state stores, warehouses and private stores starting 1982.

Utah -- Control State and very active with test scanning stores by the end of 1980.

Vermont, Virginia, Wyoming -- Aggressive Control States which expect to have scanning in their state-run stores in 1981-82.

Washington -- One of the most active of all of the Control States, pushing for immediate adoption of the UPC code. Only awaiting budgetary approval by the state legislature to move ahead with scanning hardware.

Comment

This represents quite a mixed bag of schedules and plans. There is every indication that this will develop into a large and successful application for front-end and back-room scanning. This industry represents a large potential for scanning hardware -- and probably not the slot scanners now used by supermarkets.

As some of the more aggressive Control States install systems, there is every likelihood they will share their information and experiences through their organization. If you have anything to offer to this industry, you should be out there making your pitch right now.

Progress in the development....

....of retail scanning in the various countries that have adopted European Article Numbering has been steady, if not spectacular, during the past six months.

Germany: There are presently 15 stores that are scanning in Germany with not too many more expected for the balance of this year. Projections for 1981 are for a modest 100 additional stores. A market breakout is anticipated in 1982, at which time expansion is expected to be on a much broader scale. At present, it is estimated that there are 50,000 source-marked items on the shelves representing about 30-50% of all items. We tend to discount the rumors attributing the slowdown to confusion over the possible introduction of OCR-A scanning (SCAN Jun 80; Oct 79).

France: With about 20,000 source-marked items, France is proceeding on its planned program to obtain a high percentage of symbol-marked products before commitment is made to front-end scanning. No significant scanning installations are expected for the near future.

Italy: Second only to Germany in the number of scanning stores (about 5), Italy has approached the problem on an entirely different basis. At the present time the struggling Italian EAN organization has been disbanded because it was ineffectual (and because of internal politics). A new group is being formed and is expected to start up in early 1981. This has not prevented the scanning stores from operating on a successful basis by labelling all of their products with in-store generated bar code labels. Not so incidentally, this has created a very sizeable market for Vidac which reportedly has sold over 200 of their hand-held imprinters to the Italian supermarkets for use in the store-marking program of 90% of their products.

England: There seems to be some visible reaction, for the first time in any of the EAN countries, to the removal of item-pricing. This has always been thought to be of little consequence in Europe, but there are signs that consumer groups may be negative to this idea. Key Markets, one of the leading experimenters with scanning, is removing prices and it seems to have caused some stir. Based on the US experience we recommend the three C's: Care, Con-

ciliation and Communications. Care to be sure that shelf marking and data files are accurate; conciliation by moving gradually and by category into the removal of pricing; and most important of all, communications with the consumers, consumer groups and labor. In spite of all this, there seems to be more positive activity in the UK than any of the other EAN countries. A number of chains are installing systems, and there is a great deal of attention to scanning in the trade press.

The other EAN countries are moving into various stages of installation and testing and we will report progress as we hear of it.

In a note "to set the record straight...."

...John Membrino of Scott Paper did not agree with our characterization of the original Distribution Symbol proposed by DCI (SCAN Jul 80). We stated, among other things, that the proposed symbology was not flexible enough to accommodate the requirements of industry, would cause difficulties in printing and scanning, and that it never took hold and was abandoned.

Membrino maintains that we were not quite fair, and that the original "Users Committee" only changed direction (and became the Distribution Symbology Study Group) after evaluating the negative test results. The decision "was based upon thorough testing" and the DCI Symbol was not summarily dropped.

Comment

He is certainly correct in his chronology, and specific decisions were made as he describes. At the risk of belaboring the issue, however, there was much more to the rejection of DCI's symbol, and the experience can serve us well in future activities.

The point is that the handling of the proposed Distribution Symbol was inept. The attempt to establish proprietary rights to the symbol, to charge Film Master producers a royalty, to impose printing specifications without adequate testing, to treat participating industries in a cavalier manner -- all these doomed the project from the beginning and, in fact, it never did take hold.

We raise the issue again, with good friends like John Membrino (who contributed so much time, effort and intelligence to the DSSG) because of the lesson learned. A "voluntary" system, such as UPC, is not really voluntary at all, given the realities of the marketplace. Those involved in the development of similar systems must be careful to complete their homework and proceed to "sell" the results. The implications of the decisions, once made, are far-reaching and unbelievably expensive to change or undo.

We think the DSSG has done their job well so far! We do not believe it was true with the DCI symbol.

Some corporate and financial news....

....from MSI, the leading manufacturer of portable hand-held data entry terminals (over 100,000 in use, according to the company).

For the first quarter (ended 6/28/80) of fiscal year 1981, sales were \$12.1 million, an increase of 21% over last year's \$10.0 million. Net income increased 60% in the same period and per share earnings were \$.36 vs. \$.22. The backlog was \$15.3 million compared to \$14.3 million. These figures are based on continuing operations only, omitting the sales and losses of Chase Computer Corporation, the division that MSI dropped this past year.

Following up on this report, on July 23, MSI declared its regular quarterly cash dividend of \$.10/sh and also announced that it will reincorporate the company in the State of Delaware.

June 1981 was an outstanding month....

....for UPC installations in the US and Canada.

- There were 161 new scanning stores bringing the total to 2,207 at mid-year 1980.
- NCR, with 65, and Datachecker, with 49, set company records for the highest number of installations each has had since the beginning of the program.
- The top five scanning retailers have been automating at a tremendous rate and now have 725 stores or almost one-third of the total. These include Winn-Dixie (210); Publix (146); Kroger (146); Giant (121) and Alpha-Beta (102).
- Safeway, from a cautious start, is moving more rapidly and now has 71 scanning stores. (Everyone watches the giant.)

The equipment picture looks like this:

<u>Company</u>	<u>Total</u>		<u>June 1980</u>		<u>Total</u>	
	<u>5/31/80</u>				<u>6/30/80</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
NCR	730	35.7	64	40.0	794	36.0
IBM	711	34.7	28	17.5	739	33.5
Datachecker	406	19.8	49	30.6	455	20.6
Sweda	126	6.2	6	3.8	132	6.0
DTS	68	3.3	13	8.1	81	3.7
DataCash	6	.3	-	-	6	.3
	<u>2,047</u>	<u>100.0</u>	<u>160</u>	<u>100.0</u>	<u>2,207</u>	<u>100.0</u>

In related information, the FMI has just published its report for 1979 "Facts About New Supermarkets Opened In 1979." A few facts from the report were interesting re: scanning. The average number of checkouts per new store in 1979 was 8, down from 9 in 1978; 30% of all new stores opened were equipped with scanners; 90% of all ECR's installed are upgradeable to scanning.

Typical of the expanded use....

.... of retail scanning data as a market research tool, NABSCAN has announced

the beginning of a new service. Starting in August 1980, this service of the Newspaper Advertising Bureau (N.Y. City) plans to issue national projections of product movement on a weekly basis. The service will include data from 320 scanning stores and will be available to manufacturing clients ten days after the reporting period, according to Richard Neale, NABSCAN President.

It is interesting to note that NABSCAN pays participating retailers 50% of the revenue generated by the service, and has paid out over \$500,000 so far. The NABSCAN customer list includes over 20 manufacturers and covers 250 different product categories.

In a review of the impact....

....of new technology on his industry, Robert Bartles, President of the Council for Periodical Distributors Association, stated some interesting concepts that apply to other industries as well. He pointed out that the 1970's were years of innovation with the introduction of data processing and new systems with periodical wholesalers. Scanning replaced key entry to the point where 60% of all magazine returns are scanned at the present time. He views the 1980's as a period for evaluating and taking advantage of the experiences of the 70's.

At the latest count there are 193 wholesaler agencies scanning periodical returns. Bartles commented, "rows of return clerks sorting and counting are going the way of traditional office clerks. We have mastered the basics and developed a simple understanding of data processing and its potential, but it is not enough. It is time to take the quantum leap forward and deal with information as if it were a new commodity."

The CPDA has been at the forefront of all industries taking advantage of the UPC system and applying it to an area other than the front-end checkout of the supermarket. The system has proven itself time and again and the CPDA members are reaping the reward for the farsighted and tenacious leadership of their organization.

Intermec's latest financial report....

....expresses cautious optimism for the future, while reporting substantial gains for the first quarter of their fiscal year 1981 (ended June 30, 1980). Sales were up 39% to \$3.0 million dollars from \$2.0 million the year before. Net income was up 49% to \$248,936 from \$154,196. (For those who find these percentages do not work out, Intermec is reporting for 13 weeks this fiscal year compared to 12 weeks last year, and has adjusted the percentages accordingly.) President David Allais claims the company's incoming order rate is not affected by the recession, with new order bookings running well ahead of last year, at \$7.4 million vs. \$4.5 million.

The company also announced a new interface unit that allows a bar code reader to work directly with an IBM System 34 or 38 through an IBM 5251 terminal. This Model 9230 Interface receives data from an Intermec bar code reader or other asynchronous serial ASCII device. The self-contained unit is packaged in a compact rugged case, includes its own power supply, and is priced at \$1,426.00 in single quantity.

Interface Mechanisms, PO Box N, Lynnwood, WA 98036; 206/743-7036.

There is a new entry....

....into portable data entry devices. Ventek is now marketing the Dataport 5, which is manufactured by APT Electronics. (Both firms are located in England.) Ventek also sells portable computer terminals and their line ranges from relatively unsophisticated units to one with programming capabilities, alpha-numeric input, two-way transmission and up to 48K memory.

The company states that "Their power can be further enhanced through the addition of peripheral units such as printers, bar code readers, portable acoustic couplers, fast changes and a TV adapter." Prices range from £390 to £1400. Ventek is located at Station House, Harrow Road, Wembley, Middlesex, HA9 6ER, England. Phone: 01-903-6261.

The Material Handling Institute....

....has scheduled its 1980 Forum, titled "Material Handling: The Tool For Improving Productivity" for September 8-10 at the Hyatt Regency O'Hare, Chicago.

Although the AIM (scanning hardware) Group does not participate in this Forum, those interested in material handling may want to attend. There will be a paper presented by Rick Bushnell of Accu-Sort, titled "Automatic Identification Systems". AIM had their major conference in April in Atlanta (SCAN May 80).

The primary theme of the Forum will be on how material handling can increase productivity during a time of economic downturn. Some of the other papers will include remote control systems, automatic guidance systems, robotics, unitizing systems, productivity, energy and safety, etc.

For further information, contact MHI, 1326 Freeport Road, Pittsburgh, PA, 15238; 412/782-1624.

Photographic Sciences announced....

....the expansion of their business forms pre-press photographic services to include optical scanning forms for OCR and Optical Mark Read (OMR). The company has long been known for their forms preparation services for Computer Output Microfilm (COM) applications. Expansion into OCR/OMR forms is a natural extension of their precision photographic capability, the company says.

According to Richard Banks, GM of the Graphics Division, "We have the type of automated precision equipment not usually found in pre-press preparation departments." The company states that the addition of their new forms preparation service completes their expansion into all three phases of precision photography for optical scanning applications.

Symbol Technologies has announced....

....the opening of a western regional sales office in Santa Ana, CA, to cover the 20 western states. Regional managers for this new office are Richard Mathews and Sandra Stroich.