SCAN newsletter

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

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There has been a very serious falling out....

....between Photographic Sciences and the manufacturer of their Autoscan and Veriscan verification equipment. This equipment has been supplied exclusively to Photographic Sciences by RJS Enterprises (Monrovia, CA). Photographic Sciences has sold the equipment directly through their marketing staff in the United States and through a network of dealers in Europe. Verification equipment has constituted a significant portion of the Photographic Sciences total sales.

Harry Palmer, president of RJS, has notified Photographic Sciences that he will not supply them with equipment any longer. The net result at the moment is that the two companies are suing each other in New York and California and the implications are obviously serious for both. Rumors are flying very thick and fast, and considering the fact that the dispute is in the courts, we hesitate to report any of them. Photographic Sciences has notified its customers of the situation and is taking steps to try to hold its dealer network together.

Photographic Sciences recently completed arrangements for new equity capital. If RJS/Palmer prevails in this current dispute, it may require Photographic Sciences to reevaluate their marketing organization and strategies which were heavily dependent on the verification equipment. RJS won their court battle with J. H. Matthews a few years ago when Palmer cut them off as distributors, although the basis for that disagreement was quite different from this one.

One interesting sidebar: Palmer and John Blackert, chairman of Photographic Sciences, go back many years together and were business associates in early days with Xerox in Rochester. Palmer later designed the equipment which Photographic Sciences has used to manufacture film masters. Now Palmer, not only plans to market the verification equipment directly, but may also enter the film master business in direct competition with Photographic Sciences.

Successful equity financing....

....usually indicates a company and a marketplace with good growth potential, and a receptive financial community. Computer Identics (Westwood, MA) has just completed a private placement of equity stock with an impressive group of venture capitalists, which is good news for the company and the industry.

The group is headed by American Research and Development of Boston. ARD was the lead investor in Digital Equipment Corporation, and we hope they have as much success with this one. Joining them were Patricoff Associates (New York), Industrial Capital (Providence), M & T Capital (Buffalo) and Eagle Ventures (Minneapolis). The last time C/I brought in investment capital was in 1973.

David Collins, President of C/I, will not reveal the exact amount of the investment (a privilege of a private company,) but he indicates that the new funds will be used to retire some short-term debt and to expand the company's manufacturing capabilities. Collins was quite pleased with the fact that his bid for the funds was oversubscribed, and he feels this is partly due to a positive attitude toward the industry.

According to Collins, this is the first time any of these substantial investors has entered the bar code scanning industry. It's a good sign!

1980 is not proving to be a banner year....

....for the progress of European Article Numbering. Reports in 1979 indicated that a number of countries were positioning themselves for rapid growth in 1980, but this does not seem to have borne fruit.

Germany now has 13 installations with about four more scheduled for 1980. There have been 22 letters of intent from other chains to the hardware suppliers, and they plan to install scanners "soon".

France reports that two scanning stores were opened in June 1980 and that they are operating successfully. One is a 12-lane supermarket and the other a 1-lane superette. Source-marking is increasing rapidly in France with the important 70% benchmark targeted for late 1981. The current level of source-marking is about 15%. GENCOD, the administrators of the EAN code in France, have been actively pursuing an aggressive educational and informational program with the hardware suppliers, manufacturers and retailers. There are currently about 670 member companies (manufacturers and distributors) and this figure is expected to reach 750 by the end of this year. The current estimates are that about 200 of these companies have source-marked 25-30,000 items.

England has a few scanning stores with indications of increased commitments for the future. Those few stores in the UK that rushed into scanning seem to have done so for promotional/competitive reasons as well as to test the new system. Most of these stores are primarily scanning house brands at the present time and no significant scanning additions are expected until 60-70% of all items are source-marked. This has been variously estimated to occur by the end of 1980 (unlikely!) or sometime in 1982.

There are about 150 members of the Swiss EAN Council. Switzerland has one store using wands for front-end scanning with the same chain indicating they expect to install more in the near future. The COOP chain, the largest in the country, has announced that it will go scanning in 1982 with the expectation that 60-70% (that magic number again) of the products in the stores will be source-marked.

Comment

It was assumed by many -- including ourselves -- that the apparent success of UPC, after an admittedly slow start, would have created a more rapid development pattern in Europe. There have been many visiting groups over *here checking out the systems and the economic advantages, and generally they have taken back favorable reports. This has not stimulated the sharp growth that was expected. Each country has had to cope with special interest groups, economic factors, and more than a little apathy. Few doubt that this will be the system of the future for retailers, but the system complexities and the special problems of the Hypermarkets, with their wide variety of merchandise, have caused delay and further study.*

Worthy of special attention....

....is the unique approach being taken by the UK Article Numbering Association for the handling of scanner-generated data in the supermarkets. The basic EAN agreement in England guarantees the manufacturer access to that sales data.

In order to implement this program, a working party was formed which recommended that there be a central pool of information to which retailers would provide their data. The plan is for one market research agency to be authorized to act as the ANA clearing house. The ANA clearing house would not have exclusive rights to the data, and any other agency or company would be free to negotiate directly with retailers to buy sales data from them. The importance of the clearing house is that it allows at least one agency to be in possession of all the agreed data which would be made available. Under consideration to act as the clearing house are AGB, Ltd., A.C. Nielsen, and Stats M.R. Ltd. Each of them are submitting proposals.

Comment

The details have not been worked out but the concept is intriguing and, we believe, a positive approach. One of the early incentives offered to manufacturers when faced with the cost of entering the UPC/EAN program, was the prospect of better sales data generated by the scanners. And there were many who did not think they would have to stand in line and pay for this data as it became available. Although there are still many parts of the program that have to be worked out by the ANA working party, they certainly seem to be moving in the right direction.

After a few months of operations....

....The Uniform Product Code Council Information Interchange has issued its first report on non-scanning symbols in the supermarkets. According to the figures released by the UPCC, over 30 supermarket chains reported 600 problem symbols during a two to three month period. Some of the reasons for non-scans included color contrast, duplicate UPC numbers, UPC numbers not in the file, incorrect assignment of numbers, and failure to meet various UPC specifications.

The number of reported items is not very large considering 2,500 scanning stores and hundreds of thousands of symbol-marked products. Indications are that more than half of the non-scanning symbols relate to administrative problems rather than printed symbol problems. Particularly encouraging to the UPCC, however, was the positive response by those manufacturers who were notified of the problem and who took action to correct the situation. This first report seems to be too limited in scope, and in the responses to date, to draw any general conclusions about the quality of printed symbols.

From all indications....

....the number of scanning stores in the U.S. and Canada will pass the 3,000 mark by the end of 1980. This indicates that the end of '80 figures will be double those of the previous year. The scanning scoreboard of hardware companies looks like this:

	July 1980 #	July 1980 %	Total 7/31/80 #	Total 7/31/80 %
NCR	64	47.4	858	36.6
IBM	27	20.0	766	32.7
Datachecker	20	14.8	475	20.3
Data Terminal Systems	14	10.4	95	4.1
Sweda	10	8.1	142	6.1
DataCash	-	-	6	.3
Total	135	100.0	~~2,243~~ 2342	100.0

Complete figures for August have been delayed, but preliminary reports show a record month for NCR with 84 installations. The company's total number of scanner-equipped stores should be over 1,000 as of the end of September. The very substantial number of sales by NCR is a reflection of the large number of "upgrades" of existing EPOS installations. At their present rate, NCR is rapidly increasing their share of the market.

Responding to one of our Canadian subscribers: as of the end of June, 1980, there were 98 scanning stores in Canada, representing something under 5% of the total for the two countries.

Two seemingly unrelated events....

....separated by 3,000 miles, may be significant to the future of UPC.

- In California the 12-month item price removal test began in Los Angeles. There will be 15 UPC scanning supermarkets in the test, one in each council district of Los Angeles. They will represent four chains: Ralphs Grocery with 7; Alpha Beta with 5; Market Basket with 2 and Von's with 1. During this 12-month period the item prices will be removed and the consumers will be surveyed to determine their response and reaction.

- In Rochester, NY, Wegman's, one of the earliest pioneers in UPC, is reducing the prices of 1200 items to reflect "UPC-related cost savings" in their supermarkets.

The connection? If item price removal is to be accepted, there may have to be demonstrable savings to the consumer. Wegman's is doing it without price removal -- and it is probably a good promotional gimmick. Ralphs, Alpha Beta, Market Basket and Von's will have to associate price removal with some visible consumer benefit and, at the same time, convince the unions that there will be no loss of jobs.

The relationships between supermarkets....

....and their suppliers, have been undergoing some subtle (and some not-so-subtle) changes due to the growth of UPC. The use of product movement data, and resultant market research, is an example of one key area we have been tracking.

Another one that will affect day-to-day operations, is the possible changing role of the "Service Merchandisers" (who used to be called rack-jobbers until they got together and formed a trade association).

At a recent meeting of the National Association of Service Merchandisers, Ward Jenssen of Tele-Research Item Movement (TRIM) delivered some blunt comments. "Where supermarket executives used to rely on people like you to give them the answers, now they are turning to their do-it-yourself kits of scanner data, from which they learn a lot more, faster than you were ever able to tell them. Scanners have changed all the ground rules, and the days of the retailer's reliance on outside expertise in buying, layout, shelf allocation and merchandising are rapidly disappearing."

We wondered how this information was received and how the Service Merchandisers may have responded. What we found is that scanning data is demonstrating to the supermarkets the profit center value of the HBA and general merchandise categories and that, in fact, the S/M is also benefiting from this information. He is now becoming more important to the supermarket because he can do a better job of keeping the merchandise racks full, thus increasing sales.

So in effect Jensson's point of better information being available is correct, but the inference that this may endanger the role of the Service Merchandiser will probably not be a result. One of the major supermarket chains has just switched from warehouse delivery to direct delivery by a S/M. Gromer Supermarkets in Dallas has already installed back room store scanners to check all direct delivery items to be sure the UPC codes are in the item file -- and more importantly that the price <u>marked</u> agrees with the price <u>filed</u>. If the answer is "no" to either question, the products are not accepted in the store.

The fact is that UPC and the resultant scanner data <u>will</u> affect operations, but that those industries ready and able to adapt will profit from it.

<u>Symbol Technologies has announced</u>....

...a new hand-held laser gun for supermarket price file verification, inventory control and direct store delivery applications. The Laserscan 100 is designed for UPC symbols and features a helium-neon laser. It can also serve as an economical front-end scanner for convenience, drug, liquor and specialty stores. The unit is priced from $5,500 each scaled down to $3,300 in quantities of 30. OEM pricing is also available.

The first installation of the Laserscan 100 was made at CBS Records in their Pitman, NJ plant for checking record album jackets as they are packed in cartons. S/T claims the versatile unit has many applications for retailers, distributors, and manufacturers.

<u>A new hand-held light pen</u>....

....for reading low-density bar code labels has been announced by Interface Mechanisms (Lynwood, WA). Intermec states that the new Model 1241 Ruby Wand light pen is simple and reliable and successfully reads labels with bars and spaces of 0.014" or wider. Scan velocity can be up to 30" per second. The company further claims that the unit's synthetic sapphire (ruby) ball pen tip is virtually waterproof, glides easily over any surface, and is highly resistant to impact damage.

The Model 1241 Ruby Wand is available in OEM quantities with domestic prices ranging from $160.00 to $286.00 depending on quantity.

There are two major areas....

....related to bar code scanning that are awaiting decisions which have been dragging on for many months.

- The final report of the Distribution Symbology Study Group, promised for August 1980, is still in preparation. The draft of the report was circulated for comments, which have been returned, and the DSSG seems to be getting close to the final document.

- Code and symbol proposals for variable-weight items -- meat, poultry and cheese -- have been circulating around the industry for over a year without an agreement being reached. Each of the product areas seems to have their own special problems, combined with the difficulty of reaching common ground between the suppliers and the retailers. The latest proposal involves an 18-digit Interleaved 2 of 5 symbol which incorporates the UPC number, date and weight. This one is being sponsored by Farmer Cullom of Rich Food who has done extensive work on this project.

Remember the MSI sweepstakes....

....and the attractive prizes offered to the winners (SCAN Jun 80)? Well, the company has announced the winners. They are sending one young management system analyst half way around the world (Tokyo) to make a series of measurements for passenger loading and on-time performance of rapid transit systems. The other winner will stay home and test on-site communication for nurses at the University of Florida, College of Medicine.

Not very exciting stuff, we must admit, and MSI selected these two from the 500 entries they received. As a matter of fact, MSI conceded that sex and sports were the favorite themes among the entrants -- and why not!

Our review of Teknekron....

....and their scanning products (SCAN Sep 80) failed to note that the company distributes through OEM's, and directly by their own marketing staff, in addition to W & H Conveyor. TCI (Berkeley, CA) is involved in inventory control and support software for warehousing and distribution centers. Their main hardware components are label readers, sortation controllers and conveyor system controls.

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