Agreement has been reached....

....between the UPC Council and the Distribution Codes Institute that may have far-reaching effects on material handling automation and scanning. Initially, the net result will be that the UPC Council will undertake full responsibility for the assignment and maintenance of manufacturer/vendor numbers for all trades, industries and companies. The ultimate implications may be much broader: the UPC-structured code will now go beyond retailing and into the industrial sector.

The history of the separation of coding for retail and industrial applications goes back to the days when Distribution Codes Inc. (DCI) was administering the codes and symbols for both sectors. When the UPC Council established its own offices in Dayton, OH, only the retail portion was taken along; the industrial portion stayed with the original organization which ultimately became known as Distribution Codes Institute. The UPC Council has issued over 20,000 numbers to companies throughout the world who sell through US retailers.

Since the codes and symbols have not been widely used in the industrial area, other than in controlled internal company systems, administration and maintenance have not been as rigid as with UPC. Now that bar codes have proliferated throughout the retail sector, and beyond, it became sensible to integrate the two once more.

There are still important questions to be worked out to make sure that the numbering systems remain separate and distinct, although the overall system architecture will be consistent. A complete review is under way covering the 15,000 numbers that DCI has issued to commercial and industrial manufacturers. The general scheme will be to assign the number system character 6 (with some exceptions) to the non-retail related manufacturers. A fee of $100 will be required of each manufacturer to bring the maintenance of the numbers under the UPC umbrella.

An important note: although the UPCC will administer the industrial codes, any company selling to the retail trade must still apply for and obtain a regular UPC number, using the number system character 0 and the standard retail format. The complete set of UPCC documents and manuals will be sent to all of the companies when they join the new organization.

Integrating the numbering systems, codes and symbols is a significant step, which anticipates compatibility on an international basis. According to the joint release by the UPCC and DCI "A manufacturer participating in the expanded

UPC operation has assurance that his number will be technically suitable and recognizable throughout the world".

The long saga....

....of the patent, held by Walter Kaslow, restricting the use of the UPC bar code symbol on cents-off coupons, has finally come to an end (SCAN Feb 83, and many prior articles). Our fascination with bar-coded cents-off coupons, however, continues unabated.

Kaslow had claimed that the patent issued to him covered the use of the UPC symbol on coupons; the UPC Council maintained that the specific use of coupons was "obvious", and contemplated in the original design of the system. Based on a recent decision of the US Court of Appeals for the Federal Circuit, the UPC Council has emerged the clear winner.

The Court decision effectively closes any additional recourse by Kaslow, other than an unlikely appeal to the US Supreme Court. When the case was placed in suspension about 3 years ago, by the Judge in the New York District Court, it was agreed by all parties that the final decision by the Patent Office and its appeal procedures would dictate its final disposition.

Comment

And the decision is "Go". The timing turns out to be just about right for the supermarket suppliers. With the number of scanning stores at almost 8,000, and the percentage of all items scanned at the checkout approaching 50%, the use of coupon scanning is almost feasible. The Grocery Manufacturers Association (GMA) has been advising member companies to feel free to start testing and implementing coupon codes.

The major incentive, of course, is to find a way to reduce the annual $250 million in coupon redemption fraud. One of the missing links is the software required at the checkouts to read the coupons, and process the refunds and redemptions for the customer, retailer and manufacturer. Ideally the check-out scenario might look like this:

- *The coupon would be presented by the consumer after all purchases were scanned and recorded.*

- *The coupon would be scanned -- and would be accepted if the coupon was valid and if the appropriate item was purchased. This would require the checkout system to hold all purchases in memory until the final purchase transaction is completed.*

- *The system would create a documented audit trail that would provide the retailer with his refund (plus his usual service charge) directly from the manufacturer.*

- *Theoretically the coupon itself could be instantly destroyed because it would no longer be required for refunding purposes.*

The implications of all this could be enormous to the substantial redemption centers established to receive, count, and process paper coupons. A.C. Nielsen is the largest operator in this field. There are many independents,

both in the US and offshore, counting these coupons by hand. Some attri-
bute much of the fraud problems to collusion between some smaller redemp-
tion centers and some not-so-honest supermarket operators.

Coupon scanning has been waiting in the wings for 10 years. Companies like
General Mills, General Foods and Quaker have their test programs well under
way, and others are sure to follow soon. It is one of the few real benefits
that can accrue to manufacturers from the UPC program.

The merger of....

....National Semiconductor with Data Terminal Systems was approved by the NSC
stockholders on May 31, 1983. The new subsidiary, which will be known as
National Semiconductor Datachecker/DTS, will have two divisions: Datachecker
and DTS, to market electronic cash registers (ECR), point-of-sale systems
(POS) and software applications for the supermarket, general merchandise and
hospitality industries.

As part of this reorganization, Johnny Humphrey, president of Datachecker/DTS,
announced a large number of personnel appointments to various positions in
marketing, sales, operations and administration. The 10 appointments repre-
sent an interesting amalgam of men previously with NSC and DTS.

Although the Datachecker and DTS operations have been merged into one subsidi-
ary, they will continue to operate as separate divisions for the time being.
New arrangements are being completed for international distribution of their
products. These will be reported in next month's SCAN/INTERNATIONAL EDITION.

Be on the lookout....

....for a large central procurement of bar code scanning equipment by the
Army, due out soon. Don't hold us to the details, but this is the best prelim-
inary information we've heard about the Invitation For Bid:

• The IFB will be handled by the Computer System Selection and Requisition
Agency in Alexandria, VA. • The bid includes wand scanners, laser scan-
ners, multiplexers and printers. • The closing date will be December
1983. • The Marine Corps requirements may be piggy-backed onto this
IFB. • The IFB may be written as an "all or nothing" bid. In other
words, you have to bid on all of the equipment to be purchased, or your bid
will be non-responsive. Since hardly anyone in the industry is a prime pro-
ducer of all these devices, there will either be some interesting maneuvers
or very few bids.

We'll watch and keep you posted!

In a related development, the LOGMARS Coordinating Group is testing laser etch-
ing of bar codes on a variety of materials. The purpose of the tests is to
determine the feasibility and use of etching of the bar codes and OCR-A char-
acters on weapons and other materials suitable for etching. The program test
director and etching equipment is located at Warner Robins Air Logistics Center,
Warner Robins AFB, GA. Industry participation is invited, and for further in-
formation contact: HQ USAF/LEXY, the Pentagon, Room 4B330, Washington, DC
20330; Attn: Lt. Colonel Gould; 202/695-6806.

It was thought....

....that the proposed ANSI standard for the use of bar codes on shipping containers (transport package and unit loads) would have been implemented by now. Unfortunately things don't move that quickly with the American National Standards Institute. As a matter of fact, one of the minor reasons for the delay was the feeling by some that it was wrong to move so quickly in the first place.

Under the original stewardship of Mike Noll -- formerly with the LOGMARS group at Tobyhanna Army Depot -- the project had a certain amount of urgency, and was moving along fairly quickly, as standards go. About a year and a half ago the committee members signed off on the document everyone thought would go out for comment and be implemented by mid-1982. Both before and after circulation for comment, there were some strong feelings and comments registered by non-committee members about the structure of the standard and its scope. Every comment had to be dealt with, and a reply prepared, in accordance with a prescribed set of rules.

Under the new chairmanship of Alan Gilligan (Bell Labs) the committee met on May 24, 1983 and carefully reviewed the comments. All of the objections -- none of which was deemed substantive -- were considered and resolved. The next step will be the presentation of the draft standard to the ANSI Board of Standards Review.

Although all of the issues seem to be settled, and although the broad-based committee agreed on all points with an overwhelming consensus, predicting an effective date is a hazardous business. The industry will benefit from the publication of this and other related standards, and every pressure should be brought to bear to speed up finalization.

We are among those....

....who believe the hand-held laser scanner to be one of the most significant product developments in this industry in the past few years. It was therefore with a great deal of interest that we have been following some of the recent announcements of Symbol Technologies, and talking to company management:

- The company's patent, that has been an ill-kept secret for the past 6 months, issued on June 7. Patent No, 4,387,297 has 46 claims detailed over 4 pages of small type. The company claims this is "a critical patent because it is for any practical, hand-held laser scanner with a trigger that reads bar codes at a distance. We now have broad protection for the technology underlying our new Laserscan LS-7000 which promises to be a breakthrough product for Symbol and the industry".

- S/T is currently holding active discussions related to the patent, with other companies in the industry who have also announced hand-held laser scanning products. These include Spectra Physics, Intermec and Metrologic. S/T management would not be pinned down as to the exact terms they are seeking from these other companies other than to make it clear that a licensing arrangement involving royalties is their immediate goal. If negotiations are not successful, Walter Gardner, Chief Financial Officer and General Counsel, wants it understood that the company has set aside close to one-half million dollars to pursue legal remedies under the patent.

- With a current backlog approaching $5 million, the company is predicting that F/Y 84 sales will be "a multiple" of last year. F/Y 83 sales are expected to be about $3.5 million with a loss of $1.5 million.

- The financial impact of the LS-7000 hand-held laser scanner, upon which the company is pinning its future, has begun to surface. Gardner stated the company would be profitable during the month of June 1983 and there-after for F/Y 84 (starting July 1). This may be the first profitable period in the company's history.

With its new patent, new financing, new optimistic forecasts, new personnel, and new facilities (available in July), the company is presenting a new image. All of this published optimism didn't hurt the price of its common stock, which jumped sharply these past few weeks to as high as $17/share (it dropped back by the end of June to about $13). A feature article on the front page of the business section of the NY Times, and TV coverage on Public Broadcasting System's nightly business report, didn't hurt either.

The just-released speaker roster....

....for Scan-Tech 83 comprises over 30 leading names from the industry.

also conferences

Monday's program will include a broad spectrum of user presentations covering the blood program, industrial applications from the electronics and automotive industries, warehousing, retailing and health care.

On Tuesday morning there will be a uniquely structured program running on three tracks: Survey of Scanning Approaches; Systems; and Symbology. Each will consist of short 15 minute targeted presentations by experts. The unique part is that the schedule will permit the seminar attendees to pick and choose what they want to learn -- or to attend all 12 sessions and obtain the best primer on bar code scanning available today.

Wednesday morning will be devoted to broader ranging topics such as Economic Justification, System Implementation and the Effect of Automation.

The exhibits will be open every afternoon, with plenty of time to visit and chat with the representatives of the 100 companies expected as exhibitors. We assume you've marked the date (Sept. 25-28) and place (Sheraton Harbor Island Hotel East, San Diego) on your calendar. It's not too early to register to attend the seminars and exhibits; it may be getting a bit late to reserve your spot as an exhibitor. Scan-Tech 83, AIM/MHI, 1326 Freeport Road, Pittsburgh, PA 15238; 412/782-1624.

According to Intermec....

....fiscal 1983 was a "year of great progress", with sales and earnings at all-time highs, exceeding the previous F/Y 81 records by 33%. (Note that the company makes the more conservative growth comparison, using F/Y 81 when results were better than last year's decreased sales and earnings. See below.)

President David Allais points to the DOD LOGMARS program as having a major impact on the year's growth. During the two fiscal quarters immediately following LOGMARS' implementation, sales jumped 42% and 81% compared to previous years. He attributed this primarily to the S35 printer for printing the bar code labels with the government's 3/9 code.

He goes on to indicate that the company expects most of its future growth to come from diversified private industry accounts. The company has no debt and wound up its fiscal year with $10 million in working capital, including $3 million cash. For F/Y 1984, Allais predicts "continued growth in revenues and profits".

	INTERMEC		
	Fiscal Years Ended 3/31		
	1983	1982	1981
Net Sales ($000)	$20,727	$14,257	$15,636
Net Earnings ($000)	2,201	715	1,651
Net Earnings Per Share	.48	.16	.41

<u>There have been some</u>....

....recent personnel moves, promotions and other corporate activities of note.

<u>Computer Identics</u> has appointed Frank Goodfinger to VP/Sales, responsible for US and Canada. Goodfinger has been with CI since 1971, and most recently served as Director, OEM Market Development. The company also appointed Soren Jensen as National Systems Applications Manager. Jensen was formerly with Logan Conveyer, via his native Denmark.

<u>Control Module</u> has expanded its facilities and appointed personnel to new positions. C/M has purchased a new 33,000 square foot elementary school. The company has been very innovative in purchasing, and renovating for its corporate use, schools that have been declared surplus by the local community. Appointed to new positions were Douglas Kim as VP/Manufacturing; James Madsen, as Manager of New Products; Christopher Broders as Director of Product Design and Development; and Gary Lemay, as Sales Engineering Manager.

President Jim Bianco, and his staff of worthies, have been building a very substantial and credible company in this industry over the past 6-7 years. We first covered Control Module in November 1977 and, although not a highly visible company, they have become an important force in this industry. Recently, the company was awarded a contract by the National Library of Medicine (NIH Division) for Model 2053 Bar Code Reader Module, to facilitate data entry with their online indexing system.

* *
*   LATE BREAKING NEWS ITEM   *
* Hauppauge, NY - July 1.... Michael McHale has resigned as president and chief   *
* operating officer of Symbol Technologies. McHale was with the company for 6   *
* months (SCAN JAN 83).   *
*   *
* Jerome Swartz, chairman/CEO will resume these added responsibilities. Swartz   *
* states that the sudden departure was by mutual agreement because "the fit   *
* wasn't there". S/T views itself as a fast-growing company needing a strong   *
* entrepreneurial-type management team.   *
*   *
* Apropos our comments elsewhere in this issue about Symbol Technologies' new   *
* image, it's sometimes tough to keep that image in focus.   *
* *