We have written....

....numerous articles over the past six and one-half years about the potential importance of UPC symbols printed on cents-off coupons. We have closely fol- lowed all of the investigations into coupon-redemption fraud; we have watched the estimates grow of how many coupons are printed, redeemed and fraudulently handled each year; we have been witness to the special "sting" operations man- aged by the US Postal Service; we commented on the suits and counter-suits over the patent held by Walter Kaslow covering bar code scanning of coupons.

Through it all we pointed out the lack of awareness and emphasis on one solu- tion that could obviate a major source of the problem: if the UPC symbol were printed on all coupons; if the coupons were scanned at the checkout; if the scanned coupon had to be matched -- electronically -- to the item purchased; if the retailer could redeem only those coupons scanned; if the redemption cen- ters were equipped with scanners to process redeemed coupons; if; if; if. As a matter of fact it does not take too much imagination to visualize the elimina- tion of the costly and grossly inefficient redemption centers altogether.

The numbers are absolutely mind-boggling:

- The latest figures from A. C. Nielsen show that 143 billion coupons were issued in 1983. This is 19.6% more than in 1982.

- The average coupon value is 27 cents, which means that there is over $25 billion in new "funny money" floating around in the hands of the American consumer each year.

- Consumers redeem about $1.7 billion worth of these coupons annually. Al- though there is much dispute over the marketing value of cents-off coupons, the manufacturers obviously love them -- it costs them an additional $400 million per year in handling costs alone.

- All this in spite of the fact that every study ever done indicates that coupon fraud, i.e., a coupon redeemed without the purchase of the product, ranges from $250 to $500 million each year. The figure cited most often is $350 million, or at least one in every five coupons redeemed.

- The loss -- and make no mistake, this is a dead loss, cash-out-of-pocket -- of $350 million per year, is enough to cover the cost to equip 3500 super- markets with a full complement of scanners each year.

- Current estimates are that about 40% of the All Commodity Volume (ACV) is now scanned at the checkout. This figure must surely be higher for the national branded merchandise, which carry most of the couponed items.

Comment

There is finally some pressure being brought to bear on scanning equipment manufacturers to retrofit existing installations with the software necessary to scan and record redemptions. This should have been done years ago. Only NCR has responded; and they will be ready by mid-1984. The rest have no comments.

The law enforcement and criminal investigation attempts are absolutely ludicrous and a waste of time and money. This kind of white collar thievery will never get the amount of law enforcement attention it needs. And even if it did, the amount of money involved is so attractive, and the scam so easily engineered, that there will be 10 people lined up to take the place of every one thrown in jail. That is aside from the fact that a major part of the fraud problem is with the retailers themselves -- and the manufacturers will never seriously prosecute their customers.

Coupon scanning is a phenomenon whose time has come, and is actually long overdue. The industry should get moving on this immediately with a concentrated and well-funded effort.

There are new challenges ahead....

....for the Uniform Product Code Council (UPCC) and they will be confronted by a new face to this industry. Richard Mindlin, who has been the Executive Vice President of the UPCC since it set up independent offices in Dayton, OH in 1978, is planning to retire at the end of this year. His replacement has been designated as Howard Juckett. Juckett started with the council on January 1 and is currently the VP/Administration. He comes from Xerox where he spent 22 years in marketing in reprographics. He received his MBA from Syracuse and completed his undergraduate work at St. Lawrence. He will assume the Executive/VP position on Mindlin's retirement, and expects to relocate his home and family from Rochester, NY to Dayton soon.

In a recent interview, Juckett discussed the expanding role of the UPCC. The merger of the 15,000 company names and numbers assigned to the industrial sector by the Distribution Codes Institute, with the almost 25,000 UPC list, is almost completed (SCAN Jul 83); an educational program designed to familiarize manufacturers with the Shipping Container Symbol (UPC Case Code) is under review; administrative procedures to handle the Uniform Communication System (UCS) are being developed.

We welcome Juckett to this industry and wish him well. As the date of his retirement draws near, we will, of course, have more to say about the significant role played by Dick Mindlin in his seven year ministry with the UPC Council.

There is some progress....

....being made, but a great deal of confusion still exists, regarding the integration of the databases of the Distribution Codes Institute (DCI) and the

<u>Uniform Product Code Council</u> (UPCC) (SCAN July 83). UPCC issues and maintains
the total file of company numbers to firms setting up their numbering system for
retail distribution; DCI issued and maintained similar numbers for companies
in the non-retail, industrial area.

The merger became almost inevitable as the crossover of industrial/retail mer-
chandise was getting larger and larger. More and more companies in the elec-
trical, small tools and hardware, appliances and similar fields found themselves
facing UPC as more retailers of different types adopted scanning. The big push
occurred when the mass merchandisers (K-mart, Walmart, et al) adopted UPC and
pulled all of their suppliers into the program.

There are now almost 25,000 companies registered with the UPCC. There are
about 15,000 industrial companies, some of whom have embedded their DCI-assigned
numbers into their catalogues and on their packages. The confusion arises
because some of these industrial companies are assuming they can use those num-
bers when assigning codes to their products destined for the retail trade. We
know of one billion-dollar corporation which came close to placing symbols on
hundreds of products, insisting they were assigned a usable number by DCI, and
refusing to re-register with UPCC. It was finally resolved just two weeks prior
to having their packages printed. They now have a new UPC number.

The UPCC insists that you can't use a code number for retail unless the number
system character (NSC) is a 0 or a 3, and unless you apply with them and pay the
required fee (much larger than the one already paid to DCI). The practical and
immediate problem is that the retail scanners are only programmed to accept
NSC 0, 3, 2 (random-weight) and 5 (coupons).

So one of the issues boils down to which is easier to implement: changing the in-
stalled scanning systems (a relatively easy retrofit, but one involving over
8,000 stores); or re-registering all companies which do not have NSC 0 or 3. If
the DCI numbers were adopted by fiat, and the scanning systems were changed to
accept NSC 6 and 7, it would be very difficult for the UPC Council to control
the re-issuance of the numbers (and the collection of their fees).

The numbers are almost merged into an integrated database. The resolution of
the number system character problem may require some additional politicking and
arm twisting. Our guess is that the UPC Council will eventually prevail. If
you plan to sell to the retail trade through stores that are scanning, you will
have to register with the UPCC, as the previous 25,000 companies have done, and
utilize the established numbering system.

It is fairly obvious....

....that the <u>Food Marketing Institute</u> (FMI) is still struggling to bring their
records up-to-date on the number and location <u>of UPC scanning supermarkets</u>
(SCAN Sep 83).

The latest report covers installations through November 1983. Revised data had
been issued as of June 1983 (SCAN Oct/Nov 83) which adjusted the reported total
of scanning stores from 7,961 down to 6,513. But to complicate matters even
more, during the five month period July-November 1983, there were 659 new in-
stallations reported; and a very significant 956 stores which are now being
listed, but were not previously reported. That brings the 1983 year-end total
to well over 8,000 (again!). The FMI is being super-careful to cross check all

listings to avoid the embarrassment of the large number of duplications that had accumulated prior to last year's cleanout.

The actual number of new installations in 1983 was below some expectations. Although reports indicate continued enthusiasm, such as the recent announcement that Stop & Shop (Boston, MA) is now scanning (with Datachecker equipment) in all of their 119 stores, the rate of new installations was somewhat disappointing, averaging less than 150 per month.

In next month's issue, we will attempt a recap as of the end of 1983 with full details of the current share of market by each of the hardware manufacturers.

Although there has been....

....no final, or official, acceptance of the Automotive Industry Action Group (AIAG) recommendations for the bar code symbology or label format, the industry group is moving ahead aggressively to spread the word. On April 4, 1984, the AIAG is sponsoring a seminar and exhibition for the automotive industry on bar coding. It will take place at the Fairlane Manor in Dearborn, MI. The presentations will cover the proposed Shipping/Part Identification Label and will include label format, preparation and application. There will also be a session on basic principles of bar code scanning technology. The Shipping/Part label contains up to four code 39 bar codes.

The keynote speaker is Ed Shadd of Symscan. Shadd has worked closely as a consultant on bar coding to the AIAG almost from its inception. Other speakers will include Ed Coe, Chairman of the event, and Jack Loeffler and Don Dubuc, who have been on the bar code committee of AIAG.

Coe expects over 400 attendees from the auto manufacturer and supplier companies. Admission is $40 for AIAG members; $50 for non-members. There will be room for 60 exhibitors of bar code scanning-related products. Exhibit space is $300 and attendees will have viewing time before and after the sessions, and during lunch and coffee breaks.

Comment

It is interesting to note that although there has been no formal approval by corporate management, no timetable for implementation, and not even a formal adoption of the bar coding concept in code and label format, the AIAG is losing no time in spreading the gospel. The system concept is spreading from the bottom up, with the tacit and somewhat benevolent approval of the top management of the auto companies. There is every indication that bar coding will fly in the automotive industry; it would get off the ground much faster if there were strong and visible corporate approval and support. Think of the added impact, for example, if the chairman or president of one of the Big Three were to address this group.

For exhibitors: contact the AIAG; 313/871-3701. For attendees: contact Debra Schneider, Economic Development Corp., Wayne County, MI; 313/336-3306.

VISA is not messing around....

....in its efforts to implement its new Electron VISA card (SCAN Jun 83). The new card incorporates the bar code, OCR and magnetic stripe machine-readable

also conferences,

also, auto,

also standards

codes. It offers the retailer a wide choice of automatically recording each transaction.

These are the latest developments: • there are now three banks issuing electron VISA cards: CB&T Bancshares, Inc., Columbus, GA; Banc One, Columbus, OH; US National Bank of Oregon, Portland, OR. • Over 120 banks worldwide have committed to issuing the electron VISA card. • Five million cards are expected to be in circulation by the end of 1984.

It will be instructive to track the actual implementation and recording of transactions to see which automation method will be used most widely and effectively.

With each new financial....

....reporting period, Intermec (Lynnwood, WA) continues to set new performance records. For the third quarter of FY/84 (ended 12/31/83) sales were 20% ahead of last year and net income increased 27%. President David Allais announced the expansion of the company's facilities with the proposed addition of 35,000 sq. ft. to the existing 75,000 sq. ft. of office and manufacturing space. He looks for increasing markets in government/LOGMARS related sales with the company now pursuing some of the sizeable government procurements available. He indicates preliminary bookings of the hand-held laser scanner are strong, although supplier (Spectra Physics) shipments are running late -- he expects this situation to be remedied.

	Period Ended Dec. 31			
	Third Quarter		Nine Months	
	1983	1982	1983	1982
Net Sales	7,200	6,024	18,466	15,159
Operating Income	1,104	972	2,582	2,122
Net Income	796	628	1,945	1,466
Net Income/share	.17	.14	.42	.32

(All figures in $000 except per share)

Symbol Technologies has issued....

....its financial report for the second quarter (FY/84):

	Period Ended Dec. 31			
	Second Quarter		Six Months	
	1983	1982	1983	1982
Net Sales	2,061	665	3,586	1,321
Operating (Loss)	(279)	(465)	(373)	(1,085)
Net (Loss)	(440)	(457)	(658)	(1,342)
Net (Loss) per share	(.15)	(.17)	(.22)	(.49)

(All figures in $000 except per share)

According to Jerome Swartz, Chairman and CEO, "While the company is experiencing a substantial increase in revenues, it is continuing to expend substantial sums to build the sales, manufacturing and administrative organizations necessary to handle and support its growing sales.... While there can be no assurance that

it will occur, we hope to achieve profitability during the fourth quarter of the 1984 fiscal year."

Probably the most prolific writer....

....of articles, treatises and tracts in this industry is Harry Burke of NCR/ Data Pathing System Division. Burke's latest is a 26-page essay "A Universal Corporate Bar Code Program" dated January 23, 1984, with 15 attached exhibits.

also literature

Since Burke is so eminently quoteable, herewith are direct excerpts from the preface:

"Bar codes are pervasive. They have the potential of interaction in the vast majority of all business transactions.... Every productive organization which expects to stay competitive must, sooner or later, support a bar code program. There is no economic alternative. In order to avoid interdepartmental confusion, the broad outlines of a bar code program should be directed from each organization's executive office...not only should all divisions of an organization use the same basic principles, but all participants in one market segment should opt (or at least adapt) the same bar code system. In fact it would be nice if everyone used the same system.

"This document outlines the shape of a bar code program which has universal application and the rationale supporting these conclusions. Using these suggestions each application can be implemented as a part of a coherent whole."

The body of the essay and its attachments provide a complete guide to the application of bar codes in a total corporate environment. Burke comes down squarely for code 39 as the only general-purpose code that should be adopted universally. He laments the use of UPC and interleaved 2 of 5 as print-restrictive with poor read-reliability.

Whether from his writings, or in direct conversation, Harry Burke does not fool around; he does not speak with forked tongue; one can never question his total commitment to bar coding as the only way to go for data entry.

A new laser scanning system....

....has been introduced by Metrologic Instruments, Inc. The MS 173 Laser Bar Code Scanner combines a rugged, industrial microprocessor with a portable laser scanning head. The system integrates the company's MC 170 controller with its MS 131 head, and is intended for industrial environments. It features a 24-character LED display with software which allows standalone operation, or host control through 20mA loop or RS-232 communications.

The standard MS 173 system is equipped with the hand-held scanner head with outport window (also available with a downport window) and is available as a tabletop model with photosensor in the scanner base, or as a fixed, bracket-mounted unit. The MS 173 system is priced at $4,595 list.

Metrologic Instruments, Inc., Box 307, Bellmawr, NJ 08031; 609/933-0100.