



newsletter

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

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The oldest continuing....

....report on bar code scanning has been the Food Marketing Institute's (FMI) monthly Scanning Installation Update. We've used that report over the years as the raw data for analyzing the progress of UPC supermarket scanning in the US and Canada. After tracking the growth of this technology for over 10 years, FMI feels that maintaining accurate data has become impossible and they announced that they have discontinued publication with the December '85 Update.

We're sorry to see it go. As far as we know, the Scanning Installation Update was totally unique. The equipment vendors not only supplied monthly data as to the number of installations, but identified their complete customer lists by reporting each chain and store by name and location. Here are some facts and figures for your historical files:

- It is estimated that more than half of all the groceries sold in the US are scanned as they move through the checkout lanes.
- As of the end of 1985 there were 12,861 scanning supermarkets in the US (12,221) and Canada (640).
- The Top Ten UPC retailers had 4,123 scanning stores, led by Safeway (1,006), Winn-Dixie (940) and Kroger (664). These 10 chains have about one-third of the total scanning installations.
- All 50 states and the District of Columbia have scanning stores, from California (1,367) to Vermont (9).
- New installations seem to have peaked in 1983 and have been declining since (although no one is really sure of the accuracy of the yearly data: Datachecker, for example, has not reported any figures since March 85).
- The well-regarded annual report published by Progressive Grocer magazine shows 33% of the independents and 45% of the chain supers are scanning; the larger the store, the higher the percentage, with 90% of the giant stores (over \$12 million annual sales) now UPCing at the checkouts.

This is the way the 12-year figures stack up and how the vendors ranked at the end of last year:

UPC STORE INSTALLATIONS (US & Canada) - As of 12/31/85

Number of Stores

<u>Year</u>	<u>Annual</u>	<u>Cumulative</u>
1974	13	13
1975	44	57
1976	110	167
1977	137	304
1978	332	636
1979	822	1,438
1980	1,418	2,876
1981	1,675	4,551
1982	2,103	6,654
1983	2,476	9,130
1984	2,050	11,180
1985	1,681	12,861

<u>Vendor Scoreboard</u>	<u># Installed</u>	<u>% of Total</u>
NCR Corporation	5,175	41.0%
Datachecker/DTS	3,703	29.3%
IBM Corporation	2,701	21.4%
HUGIN SWEDA, Incorporated	787	6.2%
TEC America, Inc.	214	1.6%
Berkel Incorporated	34	.2%

The retail scanning scoreboard....

....in the EAN community now tops 10,000. Examining the major countries and regions, and their recent rate of growth over a 14 month period:

NUMBER OF SCANNING STORES

	<u>Oct 84</u>	<u>Dec 85</u>	<u>Percent Increase</u>
Japan	3200	6021	88.2
France	411	1023	148.9
Germany	281	718	155.5
United Kingdom	155	498	221.3
Sweden	131	385	193.9
Australia	115	275	139.1
The Netherlands	132	218	65.2
Belgium	113	216	91.2
Norway	33	133	303.0
Austria	56	116	107.1
Rest of Europe/Mediterranean	113	288	154.9
Rest of Southern Hemisphere	33	135	309.1
Total	4,773	10,026	110.0
Total Excluding Japan	1,573	4,005	154.6

The rate of growth over this past year has been astronomical and indicates a very strong breakout of the technology among retailers throughout the world. (As we have noted before, Japan's dominance of these figures is a reflection of the installation of scanning in thousands of Seven-Eleven single-lane convenience stores in that country.)

Of the countries not included in the table: Yugoslavia became the third Eastern bloc country to install scanning (after Hungary and Czechoslovakia); in South America, Argentina has 12 scanning stores and Brazil has its first; and Portugal is the latest country to join the EAN community (the official name is Codipor -- in Portuguese: Associacao Portuguesa de Identificacao e Codificacao de Produtos).

We are back again....

....to talk about cents-off coupons and how the use of UPC/EAN bar codes can save hundreds of millions of dollars each year (SCAN Mar 84):

ITEM: Coupon fraud in the US has been estimated to cost the manufacturers more than \$250 million annually. This includes scams such as the cashier who exchanges a handful of coupons for a fistful of cash; to the dummy corporations set up solely for the purpose of redeeming coupons taken in by cooperating dishonest retailers.

ITEM: In the latest of a series of "stings" the US Postal Service busted a \$1 million-a-week misredemption ring in Florida by offering 25 cents-off coupons for a non-existent insecticide with the name of BROACH. The details of the wide ranging operations of this ring are mind-boggling.

ITEM: A recent study by Arthur Andersen & Co. disclosed that the potential savings to retailers and manufacturers from checkout coupon scanning will be double any previous estimates.

ITEM: All of the scanning suppliers will offer the front-end hardware and software to scan coupons by mid-1986. It has been estimated (by the Food Marketing Institute) that only 40% of all existing scanning installations in the U.S. are capable of being upgraded. The cost will be about \$10,000 per store and FMI states that almost all stores which can be upgraded will be scanning coupons in a couple of years.

ITEM: The International EAN Association has published a draft EAN Coupon Specification which attempts to overcome the major hurdle of coupons crossing national borders. How to assure that the coupon is redeemed in the correct currency for the value intended has become a hairy problem. The EAN Association suggests different number sets for international coupons as distinct from national coupons. The issue has been further complicated by separate solutions being advanced by different national groups which have unique problems related to distribution, market research, on-packs, newspaper printing quality and retailer discipline on redemption.

If you will check the coupon inserts that keep falling out of your Sunday newspapers, you will find that many manufacturers are already printing the UPC symbol on their coupons. A few very large companies are scanning at their own

redemption centers -- although Nielsen, the largest provider of that service, is still using OCR-A scanners.

The stakes are enormous -- so large, in fact, that we believe the return-on-investment to install retail scanning of coupons will be measured in days and not years.

Admittedly, it's a bit early....

....to evaluate the success of SCAN-TWO, the just completed mid-year seminar/exposition sponsored by AIM (April 16-17 in Chicago).

The exhibitors were promised 1,000 visitors and the last count we heard was 1,039. Some exhibitors loved it: good quality user personnel with real interest. Others felt it was essentially a regional show which didn't justify the booth expense and high-powered personnel that was used. Possibly a table-top exhibit with local salesmen and reps could have handled it better, they thought.

In any case, AIM (Automatic Identification Manufacturers) will examine the results and decide whether two shows a year are necessary. They will factor in the impact of other shows such as the ID Expo (May 19-21 in San Francisco sponsored by Bar Code News) and other industry conferences which attract exhibitors from bar coding companies.

COMMENT

AIM and its supporting staff do an outstanding job at the annual SCAN-TECH extravaganza (this year in San Francisco in October). Why diffuse that image and impact with a second show with its economic and logistical burden, particularly on the smaller companies in the industry? An indication of the size of this burden is that there were about 500 exhibitor personnel at SCAN-TWO covering 1,000 visitors; a slight case of overkill.

As an alternative, we suggest an improved educational program packaged by AIM as a sort of permanent traveling show. Let the emphasis be on a well-organized, polished, 1-2 day seminar that is put on 4 to 6 times a year in various cities in the US and Canada. Let there be table-top exhibits, available literature displays and booth duty limited to two people per company. The seminars should attract 100-200 attendees, and if a few hundred more walked in to see the latest in equipment, supplies and services, it would be a successful undertaking.

By most estimates, bar code scanning is currently a mile wide, but only a few inches deep in terms of industrial penetration. Pure education in the basic technology and applications is still needed. With a current roster of 72 member companies (soon to go to 80), AIM has a much larger pool of talent to draw on than ever before. Get the best speakers, with the most knowledge (regardless of corporate affiliation), pay them enough to cover expenses, insist on non-commercial presentations, and AIM will be fulfilling one of its primary missions: to spread the word about bar code scanning. It could also be an excellent project to tie in with FACT (Federation of Automated Coding Technologies) to give that users' group a solid project to sink their teeth into.

You never know....

....where your competition might spring from -- or why. Since 1982, for example, Bar Code News has been publishing its informative and successful Automatic Identification Manufacturers and Services Directory. It used to be called the Bar Code Directory, but this past year it expanded into other related technologies: OCR, OMR, RF, mag stripe, etc. The publisher sells a few thousand copies at about \$40.00 each. Last year there were 305 listings -- this year they expect to have about 400 (1986-87 issue is due out in August).

Who, you might ask, needs more than one directory in an industry this size? The answer, it seems, is that we all do. Starting this year, ID News will publish a Reference Guide and Directory as one of its regular issues to be distributed to its 12,000 subscribers. Publisher Doug Edgell tells us that part of the emphasis will be to provide supplemental information on applications.

And now we hear of a brand new one from a group called ICC Market Research Associates, a mailing list house based in Minneapolis. They plan to send out 225,000 free copies of their directory to companies in every industry they believe are the most active users of automatic identification equipment (automotive, defense, food, health and warehouse). It will cost \$6,700 per page for advertising. It is called the Bar Code/Automatic Identification Reference Directory and the first issue is due out in Fall 1986.

All of this is based on fairly obvious economics. In an industry that has few publications narrowly dedicated to this specific technology, there are a significant number of potential advertisers and not too many places for them to spend their advertising and promotion budgets.

ICC Market Research Associates, Box 13269, Minneapolis, MN 55414; 612/593-5203.

We followed up....

....to find out the status of the large government request for proposal which opened January, 1986. This is the procurement we described (SCAN Dec 85/Jan 86) as having a potential for \$100 million worth of scanners, printers, peripherals and software for the US Army Tactical Field Operations. Although there has been a great deal of pressure within the government to move this project along, the Army Contracting Officer does not expect to complete the evaluation and make the award until mid-summer. "The bids are valid for 180 days, and that gives us until July 21," we were told.

According to David Collins, President of Computer Identics (the first bar coding company to bid as prime contractors on a large government procurement of this kind), the actual paperwork required to respond to the proposal was measured in cases, not pages. Computer Identics cited the cost of preparation (over \$55,000) as a major factor in their reduced profitability during their last two fiscal quarters.

In a significant expansion....

....and reshuffling of its sales organization, Computer Identics has appointed new personnel and added regional offices. In general, the company's management,

from President David Collins on down, is optimistic about the immediate future for bar coding. Based on this optimism, the sales organization is being largely converted to a company-employed direct selling group rather than rep organizations.

A new district sales office was opened in Columbia, MD to cover the Washington, D.C. area. It will be headed by Kenneth Varteresian, who came over from MDS Qantel Business Computers. In Phoenix, AZ the new office will be manned by John Brown, who transferred from BFA Scott Corp. Marc Rosenberg, who was with Intermec Mid-Atlantic, joins C/I in their new Philadelphia office. In the western part of the country, William Miranda has been appointed Western Regional Sales Manager to oversee the company's distributors and direct sales operations in 13 states. Miranda was with MA/Com Information Systems.

Back at the home office the company has brought in Gerald Willnecker, in the newly created position of National Sales Manager, to watch over the company's 4 regional sales directors, 10 direct salesmen and 10 distributors in the U.S. and Canada. Willnecker has been in this industry for 10 years, most recently as Director of Sales-OEM/VAR Business Development for Telxon. Prior to that he was Government Sales/Marketing Manager at Intermec. He will report directly to Senior VP, Bob Shallow, who had been covering this responsibility up until now.

Add two more....

....industry groups which have completed preliminary work for the implementation of bar code scanning:

- The Aluminum Association has published standards and guidelines for that industry: Bar Code Symbology Standard for Code 39, a compilation of material gathered from previously published documents by the DOD, automotive industry, health industry and ANSI; Bar-Coded Package Identification Standard, for guidance on the lay-out, printing and application of bar coded documents that would accompany aluminum shipments; and the Implementation Guidelines, to assist users of the package identification standard and directed to the application of bar codes to shipping documents. Publications Department, Aluminum Association, 818 Connecticut Ave., NW, Washington, D.C. 20006.
- The Motor and Equipment Manufacturers Association (MEMA) has published Automotive Aftermarket Individual Part Bar Coding Guidelines for suppliers whose applications cover retail and, more commonly, receiving, inventory control and shipping. The organization is addressing the multiple problems of an industry with dual numbering systems and a variety of markets to service. MEMA is coordinating its work with the manufacturers (AIAG) and other groups within the automotive industry. MEMA, 222 Cedar Lane, Teaneck, NJ 07666; 201/836-9500.

Although the recent....

....financial results of Intermec and Computer Identics showed them stumbling with poor sales and earnings results, the other leading public company devoted to bar code scanning continues to post very strong gains. For the third quarter of its fiscal year Symbol Technologies reports sales up 70% and

earnings soared 400%. Chairman Jerome Swartz is particularly proud that "income as a percentage of sales has now moved into double digits" (12.2%).

<u>SYMBOL TECHNOLOGIES</u>	<u>3 Months Ended 3/31</u>		<u>9 Months Ended 3/31</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
Revenues (\$000)	\$6,278	\$3,702	\$15,865	\$9,869
Net Income (\$000)	764	154	1,350	267
Net Income/Share	.14	.03	.27	.07

The company had called for redemption of all of its outstanding 12 1/4% Convertible Subordinated Debentures due 1993, and over 98% of the holders converted to common stock at \$9.40/share (Symbol Tech stock sat at about \$15 at the end of April).

Some selected new product....

....announcements that have crossed our desk recently:

- Computer Identics has a new turnkey bar code data collection system. The Manufacturing Transaction Processor (MTP) is an intelligent controller which emulates a remote IBM 3274 and supports a variety of IBM mainframe manufacturing software systems with up to 31 terminals. The system sells for \$39,900 including all hardware and software. Computer Identics, 5 Shawmut Road, Canton, MA 02021; 617/821-0830.
- Weber Marking Systems will debut its Legitronic 2900 IBM AT-based labeling system at the AMS show in Chicago June 24-26. Using a hard disc for expanded label format and data storage capabilities, the 2900 offers menu-driven formatting, graphics, bar code printing and sequential numbering. The price is \$15-17,000 depending on the choice of printer. Weber, 711 W. Algonquin Road, Arlington Heights, IL 60005-4457; 312/364-8500.
- One of the key elements for implementing health industry bar code systems, as they directly relate to patient care in the hospitals, is the ability to accurately identify each patient automatically. Precision Dynamics has introduced its Secureline Bar Code Band, a patient ID bracelet with bar code label inserted. The code may be generated using local on-demand printers or pre-printed labels. Precision Dynamics, Box 9043, Van Nuys, CA 91409-9043; 818/897-1111.
- A thermal bar code labeling system with speeds of up to 30,000 high density codes per hour, using a "unique fixed position comb head with 200 dots per inch" was introduced by Computer Transceiver Systems. The Execuport printers include a 2 line x 40 character LCD control display and come in various models priced from \$5,000-5,800, depending on options. CTSI, Box 15, Paramus, NJ 07652; 201/268-6800.
- Intermec has a new 9570 Wedge Reader for IBM terminals and personal computers. The unit is readily adaptable to a wide range of IBM models. It will decode all major symbologies and can be connected to either wand or laser scanners without adaptor. List price \$495. Intermec, Box 360602, Lynwood, WA 98046-9702; 206/348-2600.

We always believed....

....that the marathon, all 26 miles 385 yards of it, was the epitome of good sportsmanship. At the London Mars Marathon on April 20, things didn't go exactly as planned.

All of the official runners were given their numbered bibs, printed with the code 39 symbols, that have become the standard in all such races. (We reported on this lovely application of bar code scanning as far back as October 1979.) Of the more than 18,000 that finished, however, some were sporting bar codes that were not cricket. There were those that were hand-drawn, others were simply EAN symbols cut off grocery products, a few were produced on dot matrix printers in the wrong symbology, and one was even reproduced photographically. The authorities believed they detected and rejected all of the frauds.

Next year's event could attract 27,000 entrants. Computype UK, which produced the bar codes, is already working on the idea of adding more security to the label.

One of the initial goals....

....laid out by Ed Andersson, when he became VP of Swedot's US operations, was to establish a network of distributors. Andersson has now concluded negotiations with eight companies covering the US and Canada to handle Swedot's line of thermal printers for bar codes:

• Ahearn & Soper - Canada • Concord Technologies - New England • Microcom - Mid-West • U.S. Data - Southwest, Central • Gentry Associates - Southeast • Marketing Tech & Sales - Mid-Atlantic • Kraft Technologies - Upper New York State • D.X. Corp. - New Jersey, NYC, Long Island • California will be handled directly by Andersson's office in Newport Beach and the Rocky Mountain and Northwest regions are still open.

The company recently sold 70 Model 2100 printers to a company in the automotive industry to print AIAG labels. Swedot, 4000 MacArthur Boulevard, Newport Beach, CA 92660; 714/752-1814.

Continuing its trends....

....toward better financial results this fiscal year (SCAN Mar 86), Graphic Technology Inc (GTI) has had improved sales and earnings for the third quarter:

<u>GRAPHIC TECHNOLOGY</u>	<u>3 Months Ended 3/31</u>		<u>9 Months Ended 3/31</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
Revenues (\$000)	\$4,974	\$3,691	\$14,169	\$10,389
Net Income (\$000)	338	258	995	967
Net Income/Share	.18	.14	.52	.51

President Terry Van Der Tuuk reports increases in sales in all product categories and expects the positive trend to continue through the end of the fiscal year.

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