SCAN newsletter

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

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The largest order ever received....

....by Photographic Sciences (P/S) for bar coding equipment was announced in June. The Optel Division of P/S signed an $870,000 agreement to supply their Model 2280 hand-held, moving beam, laser scanners to Welch Allyn. (The Optel Model 2280 incorporates the solid state laser diode as its light source.) Deliveries are scheduled to start this month and are expected to be completed in 12-24 months.

As part of the agreement, Welch Allyn has also obtained a license from P/S to manufacture these units themselves. According to Kevin Jost, VP Industrial Division of Welch Allyn, the solid state laser diode scanners have the potential to replace the helium neon lasers in almost all applications other than UPC/EAN retail grocery stores. Jost views this device as an enhancement to the Welch Allyn line of terminals, with worldwide sales possibilities.

Jost explained that his firm chose the Optel units because of "price, performance and strategic reasons." These "strategic reasons" are interesting. According to Jost, they relate to the competition which Welch Allyn expects to meet in the market place for this type of product; and also his conclusion that Photo Sciences would make the best technological partner for Welch Allyn.

Photographic Sciences describes itself as a diversified technology company operating through three separate corporate units. The Photographic Sciences unit (which includes the Webster Operations and Optel) designs, manufactures and markets film masters, code verifiers, laser diode bar code scanners, form slides and computer graphics equipment. The Techtran division concentrates on automatic test equipment and produces switching systems, digital data recorders and interface assemblies for bar code scanners and decoders. The Metrology subsidiary designs and manufactures surface profilers for measuring the defects of optical elements, computer hard discs and finely polished metallic materials.

In addition to the Optel/Welch Allyn agreement, John Blackert, Chairman of Photographic Sciences, has announced major contracts for the other two divisions amounting to approximately $1.5 million. Blackert will not predict sales and earnings for this year, but he does expect his firm to be profitable for the 12-month period ended 12/31/87.

Photographic Sciences, Box 338, Webster, NY 14580-0338; 716/265-1600.
Welch Allyn, Jordan Road, Skaneateles Falls, NY 13153; 315/685-8351.

We speculated last month....

....that if Ciba-Geigy were successful in its takeover bid for Spectra Physics, the Swiss-based pharmaceutical conglomerate "would probably have little interest in the Retail Division....and might sell off that subsidiary" (SCAN June 87). We also noted that both Symbol Technologies and Recognition Equipment had already indicated their interest in buying that Spectra Physics division, which makes point-of-sale laser slot scanners.

By June 15, two important pieces had fallen into place. First, Spectra Physics rejected the original tender offer by Ciba-Geigy ($32 per share). Then, investor Saul Steinberg, who had made a competitive offer through his Reliance Financial Corp., was also turned down. Takeover specialist Steinberg owns 13% of Spectra, as well as 26% of Symbol Tech, and there was speculation that he may have visualized an interesting marriage.

In the final resolution of the deal, Specta Physics opted for a sweetened $36.50 per share offer from Ciba. If Reliance/Steinberg tenders their stock, as expected, they will have to be content with selling their 965,000 shares -- for which they paid about $23 -- for a neat $13 million profit.

That's as far as the story has gone so far. We expect that the stage will be set for the second act after the Spectra/Ciba deal has been finalized and the attorneys have withdrawn from the arena. We are aware of other companies -- beyond Symbol Technologies and REI -- which have expressed interest in the Retail Division of Spectra Physics. Speculation continues that Ciba-Geigy has no intention of pursuing the retail equipment market when it completes its acquisition of Spectra Physics. If that assessment turns out to be true, then Ciba may have a valuable piece of property to sell off. We'll see!

In what has to be....

....one of the storybook recoveries of any business in any industry, Metrologic Instruments, Inc. recently filed a registration statement with the Securities and Exchange Commission for a public offering of its stock. This is the same company that filed for bankruptcy less than two years ago and that emerged from that trauma in a record six months (Scan Sept. 85, March 86).

Harry Knowles, founder and president of the company, is not really sure as to whether he wants -- or needs -- to go public at this time. "I don't really need the cash," he told us, "and we have not yet reached a final decision." He feels that public ownership may enhance his company's credibility and allow for improved future positioning in the market place.

Metrologic's preliminary prospectus, prepared for the SEC, reveals the following: For the first three months of 1987, the company posted sales of $2.7 million, with after-tax earnings of $265,000; for the same quarter last year, the corresponding figures were sales of $1.2 million and a loss of $18,000 (figures are before extraordinary items). Total annual sales were $6.9 million in 1986 and $4.8 million in 1985. The offering price of the stock has not yet been set. The plan is to sell 800,000 shares to the public out of what will be a total of 3.6 million outstanding shares. Knowles will retain 2.8 million shares, or 78% of the company. (Of the 800,000 shares offered to the public, the proceeds from 600,000 shares will go to the company and Knowles will sell 200,000 shares for himself.)

The key to Metrologic's recent improvement in sales and earnings has been the success of the model MS260 Mini-Slot counter-top retail scanners. Introduced in 1985, this product has grown to where it now represents 51% of the firm's total sales. The Mini-Slot has been successful, according to Knowles, because of its lower cost, smaller size, greater power efficiency and ease of installation, when compared to competitive slot scanners. Since the Mini-Slot does not have the full omnidirectional capabilities of the larger scanners, the marketing strategy has been to focus sales efforts on those smaller stores with fewer items per purchasing transaction.

For Harry Knowles, the temptation to go public is great, since it affords his company increased visibility and new sources for corporate and personal cash. There are offsetting factors, however, including a public company's required accountability to stockholders and constant scrutiny by the government. Knowles will be weighing these pluses and minuses during the next few weeks.

Metrologic Instruments, 143 Harding Ave, Bellmawr, NJ 08031; 609/933-0100.

The signals coming out....

....of RJS Enterprises were a little confusing this past month. We reported (SCAN June 87) that 4 members of the RJS management group -- Migliori, McCubbens, Morgan and Mahmarian -- had "come to a preliminary agreement on terms" to structure a leveraged buyout from their owner Illinois Tool Works (ITW). Efforts were under way, we reported, for Migliori and his associates to locate the necessary financing to do the deal.

A somewhat different version of this story appeared a week later on the front page of the June, 1987 issue of Auto Id News, which reported that "members of RJS Inc's current management team along with several outside investors have purchased RJS from ITW."

We followed up with President Tee Migliori and learned that the current situation falls somewhere between the two published stories. According to Migliori, "a purchase agreement has been reached with ITW, although the financing has not yet been arranged, and may not be finalized for 6 months." "Our group," he continued, "has put down a substantial down payment which would be forfeited if we do not complete the purchase."

While discussing his plans for RJS, Migliori conceded that the 1984-87 period had not been a successful one for the company. He also admitted that his group does not have extensive prior experience in automatic identification or bar coding. He feels strongly, however, that his management team can offset these negatives by bringing needed strength to the company through their professional experience, general know-how in marketing and engineering, and expertise in the systems approach to structuring a product line. He expresses a great deal of confidence in the current RJS products and is optimistic that his team will successfully complete the deal with ITW and go on to create a successful company.

Any time we hear....

....authoritative sales and earnings forecasts from companies in the industry, we like to pass them along.

Ray Meyo, President of Telxon, called to comment on the article we ran last month (SCAN June 87) about his company's year-end financials. We reported that Telxon, the Ohio-based manufacturer of portable transaction computers, had a great year -- over $100 million in sales and more than 12% net after-tax earnings -- in spite of Meyo's previous caution that revenues and profits would not meet the predictions of some financial analysts. Being in a public company fishbowl, Meyo explained, he feels compelled to go to great pains to release only accurate and supportable information.

With Meyo's usual forthright answers in mind, we asked him to "tell us about next year." These are his forecasts about Telxon's performance for FY 1988 (ending 3/31/88):

- Sales will fall in the $122-130 million range; earnings will run $1.23 to $1.30 per share (vs. last year's $.94/share).
- Foreign sales will reach 40% of total revenues.
- About 55% (by dollar volume) of all portable computers sold by the company will have either a laser or wand bar code scanner attached.
- The major application growth areas for Telxon's systems are manufacturing, warehousing, health care and transportation. Meyo is particularly enthused about the transportation market, where Telxon was recently awarded a large contract by Emery Air Freight.

All in all, Meyo feels "very good" about Telxon's prospects for the next few years.

Airport security....

....is a major problem that the International Air Transport Association (IATA) has been addressing for some time. In response to widespread government reactions to terrorist attacks against the airline industry, IATA has proposed standards and procedures incorporating automatic identification procedures.

In order to complete these guidelines, IATA and the Air Traffic Conference of America (ATC) are jointly sponsoring a series of seminars to be held in Rome (August 4-5), Miami (August 17-18), and Singapore (September 2-3). According to Ken Sanford, IATA Traffic Director: "The objective of these seminars is to assist the airline industry in complying with the new regulations and to expose them to the available technology." Attendees will be drawn from airlines, governments, and airport authorities and handling agencies worldwide.

At these sessions, IATA plans to propose a standard for the bar coding of interline baggage tags (i.e. for bags transferred from one airline to another). It is hoped that approval of this new interline tag will encourage airlines to adopt the same system for their own intraline tags. Another key proposal under consideration involves bar coding passenger boarding passes at the time they are printed. If the encoded number on the boarding pass could be matched with the passenger's baggage stub, it would insure that every bag checked onto a plane could be accounted for and linked directly to a boarding passenger. Air France is currently experimenting with a similar system at selected French airports.

Vendors of related equipment and services have been invited to display their products at the IATA/ATC seminars. These meetings will give vendors the opportunity to acquaint themselves with the new airline procedures and possibly spark new ideas for future product development. The IATA/ATC group is particularly interested in readers (bar code and mag stripe) and printers for baggage tags, boarding passes, and bar coded labels.

The potential uses for bar code scanning in the airline industry have been evident for many years. Some US airports are now tagging luggage with destinations encoded in large bar code labels that are read by overhead clusters of scanners. Plans are under way to incorporate scanning in other documentation and control procedures, such as ticketing and airbills.

For further information about these seminars contact: IATA, 2000 Peel St., Montreal, Quebec, Canada H3A 2R4; 514/844-6311. (Note: As a precaution against a pending Canadian postal strike, IATA has set up a special mailing address: Box 93, Essex Junction, Vermont, USA 05452).

It isn't often....

....that a company displays so much faith in a new device, knowing full well that its introduction will obsolete the firm's existing product line. In effect, that's what Barcode Industries has done by bringing out the new MiniBar.

Barcode has always featured its ability to provide the "boxes" to interface bar code scanning with just about any computer terminal or system. The company, which claims to be the first to have introduced the "Wedge" concept, has designed its current Models MR-200 and MR-230 so that they were compatible with over 100 terminals. This flexibility was accomplished by writing a new software package for just about every potential customer who asked for one.

Barcode has taken a different approach with its MiniBar. This unit is contained in a much smaller box (4.3" x 3.3" x 1") and can be self-programmed by using its own scanning wand and following the straightforward instructions provided in the Users Manual. The user can now select from among any of 7 popular symbologies, 25 microcomputers, and 60 terminals -- and the list is growing. By using a special bar coded menu card, a customized interface program can be created and scanned into the MiniBar operating system. A number of special parameters are also available, including check digits for the US Health Industry (HIBC) and the Italian Pharmaceutical Industry, keyboards configured for European or American terminals, autodiscrimination and various code densities. The clever little MiniBar costs $445; add $140 for bar code wand scanners, $225 for the mag stripe reader, and $95 for RS232 output.

Jeremy Metz, President of the US subsidiary of Barcode Industries, expects that his division will ship 6,000 MiniBars during the next 12 months. The parent company (based in France) projects sales of an additional 12,000 units. In 1986, consolidated sales for the entire corporation were $8 million. The US division had sales revenues of about $2 million last year and Metz is looking for 40% profitable growth in 1987.

In July, Barcode will relocate its US headquarters from Great Neck, NY to Ammendale Technology Park, 12240 Indian Creek Court, Beltsville, MD 20705; 301/498-5400.

When we last reported....

....on the new products introduced by Graphic Technology Inc (GTI), we noted a then-secret device that President Terry van der Tuuk promised would be his best yet (SCAN Feb. 87).

It has now been announced that this newest product, called Accu-Chek, is an automated shelf-labelling system for supermarkets. Although Accu-Chek does not directly involve bar coded labels, as do all of the company's other products, the system was developed to deal with the problem of shelf labels and computer prices not agreeing in scanning stores. Accu-Chek is based on a small LCD device that is affixed to each shelf. Embedded in the battery-powered unit is a computer chip programmed with the UPC number of the product it represents.

All price changes are downloaded into a specially programmed hand-held Telxon portable computer. At the prompting of the Telxon unit, the store clerk touches the device to the electronic shelf label which automatically loads the corrected price. Only after all prices are corrected on the shelves can the Telxon unit be used to download price changes into the store's host computer. Each shelf device costs about $4; to equip an entire store runs $40-50,000.

A competitive system that performs essentially the same task is being sold by Telepanel in Canada, with tests under way at one of the Loblaws Supermarkets in that country. We have not been able to check out the Telepanel system as yet, but we do know that it is based on radio frequency signals transmitted to the shelf markers from the host computers as price changes are made. This system is estimated to cost about $150-200,000 per store installation.

Graphic Technology Inc, 14824 West 117 St., Olathe, KS 66062; 913/829-8000.

In last month's report....

....on the International Conference and Exhibition on Health Industry Bar Coding (SCAN June 87) we commented that "maybe the vendors need to address the lack of off-the-shelf drop-in systems for the health care facilities."

In mid-June, just such a system was introduced by Intelus, the Maryland-based provider of turnkey computer systems. Called ChartFlo, the product is described as the bar code-based computer system that automates each and every aspect of chart management in hospitals. ChartFlo enables medical record personnel to automatically track chart locations; monitor chart status; produce letters and reports that manage the chart completion process; speed word processing; retrieve productivity measurement data by individual, section and shift; and provide complete control over outside information requests. The new system operates by placing work stations with bar code reading wands at key points within the medical records department, and throughout the hospital, if desired.

According to Nancy Weil, Product Marketing Manager for Intelus, bar coding is at the heart of the system. ChartFlo can be configured to support as few as two or as many as 200 work stations, making it adaptable to the requirements of both large and small hospitals. The system employs an AT&T 3B series mini-computer as the base station and lap computers with attached wands as the workstations. System prices start at $26,500.

Intelus, 3204 Monroe Street, Rockville, MD 20852; 301/984-6363.

The seminar program....

....and scope of exhibitions at SCAN-TECH 87 are indeed a reflection of how far and how fast the automatic identification industry has progressed over the past five years. In 1982, the 650 people who attended the first SCAN-TECH/US in Dallas viewed the products of the 66 exhibitors manning table top displays which were only open between seminar sessions. The seminar program that year was limited to the basics of bar code scanning plus a few applications.

By contrast, the 1987 show, which is scheduled for October 12-15 in Kansas City, Missouri, encompasses all of the auto Id technologies: bar coding, mag stripe, RF, OCR, machine vision and voice data entry. There will be more than 6,500 attendees circulating through 60,000 square feet of modern facilities, visiting over 200 company booths and attending a broad array of 30 seminars (given in 100 sessions over a four-day period).

Here are some of the planned highlights:

- A comprehensive series of afternoon and evening sessions on October 12 (the day before the show officially opens). These primers will cover all of the auto Id technologies and will offer an excellent opportunity for beginners, as well as for those who want to broaden their knowledge of other related technologies.

- The overall theme of this SCAN-TECH will be system integration -- an area that may have been neglected in previous years. Bar coding, RF and the other auto ID technologies can no longer be considered outside the scope of the total system design.

- A special session will be conducted by AIM's Technical Symbology Committee to review the findings of the recently completed Stony Brook research project on the reliability of the various symbologies and equipment. The most important conclusions, drawn from the preliminary reports, are that there are no significant reliability differences among the major symbologies (specifically UPC/EAN, Code 39, and I 2/5). Members of the AIM committee will discuss in detail the methodology and the meaning of the results of the Stony Brook study.

- FACT (the Federation of Automatic Coding Technologies) will present information on the many industries that are preparing application standards for their own member companies. Dave Czaplicki, President of AIM, has identified 30 industries which have accepted bar code scanning or are moving in that direction. The current members of FACT are such diverse groups as Automotive, Health Care, Bicycle Dealers, Department of Defense, Aluminum, Air Conditioning/Refrigeration/ Heating/Plumbing, Retail, Graphic Communications and Air Express.

- Three plant tours are scheduled to Marion Labs, Target Products and Federal Express. These field trips were started last year and proved to be a very successful element in the educational process.

All in all, SCAN-TECH promises to be a well-rounded and worthwhile exposition. Each year the show provides us with a wonderful yardstick to measure the progress and advances of our industry.

Contact: AIM, 1326 Freeport Road, Pittsburgh, PA 15238; 412/963-8588.

The draft proposal....

....of the revised UPC Shipping Container Symbol (SCS) that was circulated by the Uniform Code Council (UCC) has been approved (SCAN May 87). The specification should be printed and ready for distribution in a few weeks.

Now that the latest version of this important code and symbol has been finalized, the UCC is planning a major educational program to speed up implementation. With a video cassette in production, and a series of seminars scheduled for later this year, the goal is to increase the awareness of retailers and manufacturers of the benefits of bar coding all shipping cartons.

We reviewed the importance of this program with Harold Juckett, Executive VP of the UCC. His latest estimate is that about 15% of all the packages received at supermarket warehouses are currently bar coded with the SCS. Where the SCS does not appear, those warehouses that are equipped for scanning are opening cartons and scanning the UPC on the unit packs. Some warehouses are even generating their own bar coded labels and stickering the cartons in order to facilitate inventory, location, order picking, and destination routing of merchandise. Juckett feels that the SCS is long overdue and will provide benefits for both the vendors and retailers.

Juckett also spoke at length about one of our favorite subjects -- UPC/EAN compatibility. Under his stewardship, and with the support of Tom Wilson (advisor to the UCC from McKinsey and Company) and the UCC Board of Governors, there have been new initiatives to encourage as much cooperation as possible between the UCC and the International Article Numbering Association EAN groups. For instance, the recent changes to the SCS were coordinated with EAN and, as a result, the new US version fits within the EAN guidelines.

In another example of UPC/EAN joint efforts, a UCC/EAN Alliance proposal has been put forth to simplify the coding requirements for companies exporting to North America. Although this step does not suggest that EAN symbols will be recognized in US supermarkets in the immediate future, it is a positive sign. We wholeheartedly support these cooperative efforts.

At its annual general meeting....

....in Amsterdam on June 5, the International Article Numbering Association EAN celebrated its 10th anniversary. Conceived as the European counterpart to UPC, the organization's original domain covered 12 European countries. Today, the EAN community includes 35 member countries spanning five continents. More than 75,000 companies have obtained their manufacturers numbers from their respective EAN national coding authorities.

The major showcases for EAN retail scanning equipment in Europe are the biennial Automacom/EPoS Europe 87 Conference, based at the Montreux Convention Center in Switzerland; and EPoS 87, the annual UK show held in London. Both shows are managed by RMDP, the professional management group, which this year has scheduled them back-to-back. Automacom, considered Europe's major forum on retail automation, will take place on September 8-10; and EPoS 87, now in its 8th year, will be held September 29-October 2. Contact: RMDP Ltd., 61-63 Ship St., Brighton, Sussex BN1 1AE, ENGLAND; telephone (0273) 203581/3.

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