



newsletter

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

SCANNING, CODING & AUTOMATION NEWSLETTER • 11 Middle Neck Road • Great Neck, N.Y. 11021 • (516) 487-6370

INCLUDING THE INTERNATIONAL EDITION



ISSN 0273-3080

Volume XI Number 1

October 1987

We are almost packed

. . . .and off to SCAN-TECH 87, scheduled for October 12-15 in Kansas City. SCAN-TECH 87 will showcase over 200 exhibitors from every auto ID discipline -- and attract over 6,000 visitors who will attend the seminars and see and touch the products and services being offered.

This show has been a reflection of the growth and vitality of the industry. We have been tracking every SCAN-TECH since the first seminars (with provision only for table-top displays) in Dallas in 1982. That show drew 650 visitors. This year there will be more exhibitor personnel than there were visitors attending just 5 years ago. It is where many new products are first showcased and where vendors and users have an opportunity to exchange plans and ideas.

We always learn a lot at SCAN-TECH. With our unique sources and special insights, we will be preparing our analyses as to what we can expect for the future. We plan to share all of this with you during the following months.

For the past six years

. . . .the Governors of AIM/US and the editors of SCAN Newsletter have joined in selecting the recipient of the Percival Award -- named in honor of Don Percival, an active pioneer in the early growth and development of the bar code scanning industry. The award is presented each year at the SCAN-TECH Convention to the individual or organization that has made a significant contribution to the industry. The honoree always comes from the "user" community and is never a vendor of auto ID products.

The previous recipients of the Percival Award have been:

- 1982: Mike Noll, for his accomplishments during the early development and implementation of the US Government's LOGMARS program.
- 1983: William Maginnis, for his leadership of the Distribution Symbology Study Group.
- 1984: The Uniform Code Council, for its pioneering efforts in introducing retail scanning, which has spread throughout the world.
- 1985: Eric Brodheim, for his development of systems and programs to automate blood bank identification.

1986: Allan Gilligan, in recognition of his significant contributions to the development of industry standards.

The 1987 Percival Award will be given to VICS -- The Voluntary Interindustry Communication Standards Committee. VICS has been the driving force that has literally dragged the department store retailers and the apparel industry away from their built-in inertia and into the modern day world of automatic identification (SCAN Dec 86; April 87). During this past year, VICS was spurred on by several key industry figures such as Roger Milliken (Milliken & Co.), David Carlson (K mart), Jack Shewmaker (Wal-Mart); Bill Sumner (Federated/Bullocks), and Joe Thomas (K mart), the current Chairman of the Steering Committee. The organization has made enormous progress toward establishing goals and standards for the implementation of these new systems.

Selected as the representative to receive the award will be Bob Martin, another key figure from VICS. Martin, Vice President - Corporate Information Systems at Wal-Mart, and Chairman of the VICS Technical Advisory Committee, is an excellent choice, considering his accomplishments in preparing for front-end automation both in the industry and within his own company.

This year's choice of VICS for the AIM/SCAN Newsletter Percival Award recognizes the wisdom, timeliness, persistence and political savvy of this most prestigious organization. VICS achievements will have broad impact throughout store and back-office operations.

No public criticism or comments....

...had surfaced, up to now, about the preliminary results of the AIM Bar Code Performance Test (the Stony Brook study) which was conducted under the supervision of the Technical Symbology Committee (TSC). Other than the updates that have appeared on these pages (SCAN Dec 85; July 86; June 87; August 87) and early opposition from consultant Craig Harmon (QED Systems), the industry has been quietly awaiting the results. The complete TSC/Stony Brook study will be released and discussed in detail at a special seminar (open to the public) at SCAN-TECH 87 in Kansas City on October 14.

It was interesting to note that almost no one we spoke with, aside from members of the TSC, was prepared to defend the methodology used to perform the tests. However, if the results turned out to be favorable to bar code scanning, it became fairly obvious that the prevailing consensus was going to be "Let's not look too closely at the methodology." That attitude seemed to be working just fine, until someone's ox got gored -- and that's just what happened to producers of photocomposed labels.

We have learned that the TSC test results (as shown in a preliminary draft circulated to AIM members) suggest that photocomposed bar codes do not perform as well as those produced using other methods. As a consequence, cries of "Foul" and "Time Out" have come from representatives of two of the world's leading producers of photocomposed labels -- Bruce Wray, Marketing Manager of Computype; and Harald Bailey, VP Marketing at Data Composition. These two companies consider their production methods to be "truly superior to all other imaging technologies."

Both Computype and Data Composition have stated -- in writing to AIM -- that they do not accept the results of the TSC study, that they want the section with these statements corrected or deleted, and that they are undertaking independent studies to produce more accurate data. The ire of the two companies is directed toward one particular conclusion in the report, which states: "More than 95% of the errors with Code 39 and I 2/5 occurred when scanning photocomposed test sheets. Examination indicated that these sheets had been very heavily scratched by excessive contact pressure and a wand that had a sharp edge."

In reply, Wray of Computype poses a significant question: "Why would these conditions only affect the photographic test sheets?" "The only possible answer," Wray continues, "is that the same operator with the same wand scanned all the photographic symbols. If this is the case," he deduces, "two conclusions are unavoidable: 1. All operators were not trained. 2. No attempt was made in the test to control for the 'scanning style' of the operator."

Wray goes on to criticize other elements of the report and then concludes: "We are worried about the public's perception of AIM, Inc. as a trade association. To associate the AIM name and reputation, which we've all worked so long to enhance, with a study that uses questionable test procedures to make conclusions that bear no relation to reality, is clearly dangerous for us all."

We could not agree more!

In yet another radical change....

...in its corporate objectives and capabilities, RJS Inc. (Monrovia, CA) has sold all of the patents, technology, production and sales rights for their Thermabar Printer to Tohoku Ricoh of Japan. The agreement calls for RJS to be the prime distributor for these printers in North America and Europe, while also distributing other Tohoku Ricoh bar code products.

In reviewing the impact of these moves with RJS President Tee Migliori, he was quite frank to admit to SCAN that his company "is not good at mass manufacturing" and that these thermal ink transfer printers could be better produced by a company with Ricoh's capabilities. It has been no secret that, for some time, RJS was having problems with maintaining the quality and performance of the Thermabar printers, which had been highly rated when they were first introduced about 2-3 years ago (SCAN April 87).

RJS plans to continue to aggressively market the Thermabar printers through its direct sales force and distributors. However, Migliori noted that RJS will revert back to the products it knows best: verification devices. RJS will concentrate its product development and manufacturing facilities on the Codascan and Inspector verifiers. New generations of both models are expected to be introduced in Kansas City this month at Scan-Tech '87.

Although the price and terms of the Ricoh deal have not been made public, Migliori conceded that some of the proceeds will be used to pay off the company's obligations to Illinois Tool Works. This debt is related to the leveraged buyout by the RJS management earlier this year (SCAN June 87; July 87).

As for the future, Migliori sees a stronger company that will be concentrating on those products and capabilities it knows well. When asked to forecast results for the coming year, he was not bashful about offering a prediction: "We expect to double revenues over the next 12 months," he said, "and we will become a more balanced company."

In a sudden move

....that appears to have surprised even some executives of his own company, David Allais has stepped down, as of September 28, 1987, as Chairman and Chief Executive Officer of Intermec.

A terse statement issued by the Company announced that "Phillip W. Arneson has been named Chairman of the Board and Chief Executive Officer, succeeding David C. Allais, who became Chief Scientist and continues as a member of the Board of Directors. Mr. Arneson's appointment reflects Intermec's plan to strengthen the management team as the company continues to implement its growth strategy."

It was only last year (SCAN Aug 86) that Allais had moved up to Chairman, while retaining his title as CEO, and had brought in John Paxton as President and Chief Operating Officer. At that time the same reason was given to explain why Paxton had come aboard, i.e.: "to strengthen the corporate management team."

Since 1982 Arneson had been President of Amphenol Corp. (until recently an Allied-Signal Company), which manufactures electronic interconnect and fiber optics equipment. For 19 years before then, Arneson was with Control Data Corporation where he served in several executive positions.

Prior to press time, we were unable to reach any of Intermec's top executives for a more detailed explanation of these corporate moves.

As a service....

....to its membership, AIM has retained a law firm to analyze the "Lemelson" patents. It was based upon these patents that Refac Technology recently notified almost every US bar code scanning company that they are "infringing" (SCAN Aug 87).

AIM's patent attorneys studied the file histories of the patent applications and have written an analysis of the claims which has been sent to AIM members. A meeting has been scheduled for SCAN-TECH in Kansas City to provide more information and to answer specific questions. (For further details, contact AIM Executive Director, Bill Hakanson (412/963-8588).)

In Hakanson's cover letter to AIM members, he quoted the patent attorneys' evaluation of the four possible scenarios. We repeat these succinct possibilities here for your information:

1. One or more of the patents are invalid and there is no infringement of invalid patents.
2. The patents are valid and no one is infringing.
3. The patents are valid and companies choose to pay royalty.
4. The patents are valid and companies choose to infringe (willful infringement can result in treble damages).

What in the world....

....was Intermec trying to say with their latest full page advertisement in the trade journals? The eye-catching ad depicted Philippines' President Cory Aquino, with arms outstretched above her head, holding an Intermec portable computer in each hand. The large headline under the picture read: "Seize power." The ad, which ran in the September issues of Auto ID News and ID Systems magazines, was intended to promote Trakker, the company's hand-held Portable Bar Code Transaction Manager.

We have learned from the company that this campaign has been quickly aborted. The reactions from customers, and even from some members of the company's own Board of Directors, have been quite negative. The illustration made no point, the accompanying copy did not relate to the picture of Aquino, and the overall impression conveyed a totally incongruous image (especially with Aquino's latest political problems).

This isn't the first time that there has been a less than enthusiastic reception to Intermec's choice of attention-getting illustrations. Early last year (SCAN Feb 86) another ill-conceived ad -- this one featuring a fully-exposed baby boy above the caption "It's a girl" -- didn't last more than one shot either.

It may be okay for a company to draw attention to its advertisements with dramatic illustrations and layout, but there are limits to what works -- and to good taste.

We have now learned

....most emphatically, that Intermec is not the first company to support a user's group devoted to bar code scanning (SCAN Sep 87). Fred Hoeflok of Epic Data Inc. has written to "disabuse" us and our readers of that "mistaken assumption." Hoeflok's letter describes the Epic Data Users Group, which was founded in 1984 and held its first annual conference in the Spring of 1985. The Group has since grown in size and scope and expects to hold its fourth conference next Spring. The organization also publishes a slick newsletter, Epic User's News, covering the organization's activities.

Epic Data manufactures data collection systems, including fixed and portable terminals, controllers, concentrators, storage units, output devices, software and accessories. Its products employ data collection from bar codes, magnetic stripes, punched badges and keyboards. Epic Data Inc., 7280 River Road, Richmond, D.C. Canada V6X 1X5; 604/273-9146.

"Ever expanding"....

....is the way that Paul Berge, Managing Director of Symbol Technologies International (STI), recently described the business he heads in Brussels, Belgium. To back up this statement, Berge pointed out a few recent developments of note: ● STI has launched a recruitment campaign which is expected to increase its staff from 8 to 13 people over the next 6 months. ● Auke Osinga, an experienced executive from Recognition Equipment, has been enticed away to fill the newly created position of Sales Director-Europe. He will supervise three area managers responsible for STI's distributor

arrangements throughout Europe. • STI's sales in fiscal year 1987 (ended 6/30/87) were double the previous 12 months. This was reported to be 11% of the total sales of its parent company Symbol Technologies Inc. and would place STI's revenues for that year at about \$5 million.

STI is literally on the move. The company's new address will be Avenue des Turvuren 300, Bte 5, 1150 Bruxelles, Belgium; telephone (02)762-5202.

If you want to hit "The Charts....

....in the United Kingdom, you had better put the EAN bar code symbol on your records. The Charts are the weekly compilations of the best-selling record albums and singles, as assembled in the UK by the Gallup organization. A recent shift in the position of the British Phonographic Industry (BPI), (the Association of UK Record Manufacturers) could provide the necessary leverage to force record makers to accept EAN bar coding.

The gathering of data for the BPI Charts is a large, fairly sophisticated operation. Long gone are the days when retailers kept diaries of sales. In 1983, statistical balancing and electronic key-entry data capture were introduced when Gallup was first awarded the contract to track BPI sales. Gallup placed terminals in 250 retail record stores, with a view toward eventually upgrading all of them to bar code scanning (SCAN/IE Nov 82). Although the level of source-marking of albums has since increased (almost all new albums are now being coded), little progress has been made with singles, which are still at the low level of 20%.

The logjam has now been broken by BPI's decision to extend the Gallup contract through 1992 and to change to automatic data collection. Epson computers are being installed in 500 stores and, starting in March 1988, these computers will be upgraded with scanners. By the end of this year, WH Smith, the country's leading book retailer, will add another 150 automated retail outlets to increase the total which will be scanning record sales.

The full data on the BPI Charts comprises hundreds of thousands of individual sales which can be traced to time and place every week. Through the use of scanning, Gallup's system will be one of the fastest turnaround data collection operations in the world.

The process of assembling the data starts at the close of business on Saturday. By Sunday afternoon, the Top 40 singles Chart is made available to the public. The remainder of the Charts are released on Monday morning. Although sales of products without bar codes can still be recorded by manual key-entry, BPI expects that there may be discrimination against these records.

In addition to providing details about top selling titles, the Gallup survey gives BPI a considerable amount of other valuable information. This includes sales performance of all titles, market share, sales profile by day, and retailers' share of sales during the life cycle of a product.

None of this information comes cheap, with the basic cost of the UK record Charts running at \$1.2 million per year.

Optimism is rising....

....among the organizers of SCAN-TECH Europe '87 that its choice of Dusseldorf, West Germany as this year's venue will attract more delegates than any previous year. According to AIM-Europe's market research study, The Clarendon Report (SCAN Feb 87), West Germany accounts for 21% of the overall European market for automatic identification and the Dusseldorf region is the most populated area of the country.

Of the 51 companies from 12 countries which have already contracted for exhibition space, the largest representation comes from the host country, with 21 exhibitors, followed by the United Kingdom with 9. The conference and exhibition is scheduled to run from December 7-10, 1987.

The conference includes 5 main presentations: ● a basic session on bar coding (which will run on each day of the conference) ● a more advanced session on bar coding, including new technology trends ● an equally advanced update on "other" technologies, including Softstrip and the "block" code from Calra in Japan ● a seminar, entitled "Installing for Success," offering advice on subjects like standards and combining technologies ● a series of user case studies concentrating on return-on-investment.

The Planning Committee of Scan-Tech Europe has recently announced that a scanning-based, access control system would be installed at the show. Members of AIM-Europe, AIM-UK and AIM-France were invited to tender offers for this security system, which is intended to be a showcase for the industry. Bar Code Systems Limited of London was selected to provide the system (which we will describe in a later issue).

Details and booking for the show are available from: SCAN-TECH Europe '87, International Secretariat, The Old Vicarage, Haley Hill, Halifax HX3 6DR, ENGLAND; telephone 04422 59161.

A change of direction

....has been announced by the ID & Control Integrator Newsletter, which has been written by Rick Bushnell and published by Karen Fine Coburn (Cutter Information Corp.) for about a year-and-a-half. They have decided to discontinue the newsletter and to produce, instead, a series of special reports. According to Coburn, she believes the industry's needs would be better served by supplying in-depth studies on key topics, such as the integration of bar codes and other key technologies. Bushnell and Coburn thus plan to focus their energies on a new service called the Automatic Identification Strategies Report Series.

One of the first reports in this series, prepared by Bushnell and Ron Ames, is entitled "Radio Frequency: Technologies, Markets and Applications." The price of the study is \$2,250 (with a 20% discount offered for any orders received before the end of SCAN-TECH 87 in Kansas City). Cutter Information Corp., 1100 Massachusetts Avenue, Arlington, MA 02174; 617/648-8700.

This is the third publication devoted to automatic identification that has folded during the past two years or so. We are beginning to appreciate our loyal subscribers more and more.

A significant, personal anniversary....

....passed largely unnoticed last month as SCAN Newsletter completed 10 years of publication. We embark on our second decade with a great deal of optimism.

To provide some perspective on how far the industry has progressed during these past 10 years, we have extracted some tidbits from articles we published 1977:

- The first story in the very first issue of SCAN Newsletter reported on the early efforts by the US Department of Defense to establish the LOGMARS program. Field tests were then underway and, as we now know, it took several years before LOGMARS was fully adopted. But what an enormous boon the US government market has been to the growth and development of bar code scanning.
- The Distribution Symbology Study Group, which was formed in 1977, had undertaken studies to establish standards for what later became the UPC Shipping Container Symbol (SCS). The work of this group took more than 5 years to complete -- and the SCS is still not used by more than about 10-15% of all companies which place the UPC symbol on their consumer items.
- In 1977 the founding members of European Article Numbering (EAN) got their organization off the ground, as coding authorities were established in 12 European countries. There are now 35 EAN member countries on 5 continents and the list is growing.
- At the National Retail Merchants Association Convention 10 years ago, a representative of Recognition Equipment predicted that it would be "just a matter of time before OCR will replace all bar code applications."
- A decade ago NCR cut their prices for UPC slot scanners by 20%, to \$4,000; Data Terminal Systems cut the price of an entire system by 40%, down to \$9,000 per lane. Since then, as with almost all computerized systems, prices have come down even further, while performance has increased markedly.
- And whatever happened to these companies that were mentioned in the first few issues: Informer, Ames, Mekontrol, Microscan, Information Product Systems, UP\$, Chase Scanning?

Bar code scanning may not have met every wild prediction or expectation during the past decade, but it has established a very solid foundation and is accepted everywhere as the premier method for keyless data entry. The next 10 years should be great to watch, for both the staff of SCAN and for our readers throughout the world.