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

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The challenge to....

....the European health industry to harmonize the automatic identification needs of various industry segments is proving to be an intimidating task. In order to develop common standards, the European Economic Community (EEC/Common Market), must first cope with each country's entrenched government regulations, coding systems, business methods and distribution networks.

These efforts by the EEC health industry (one of the region's earliest supporters of bar code scanning systems) to install common procedures that will cross all national borders has manifested itself in two very distinct patterns: Those multinational organizations that are operating from the "top down," attempting to create and impose international standards; and individual industry segments that are moving ahead from the "bottom up" to implement procedures that are needed now.

The top down approach is currently being pursued by three organizations:

- The International Article Numbering Association/EAN, the de facto multi-industry, multinational, product coding authority, is advising its national coding affiliates that governments and associations dealing with pharmaceuticals should be encouraged to apply the straight EAN coding rules.

- The European Health Industry Barcode Foundation (EHIBF), established in 1986 as a counterpart to the US Health Industry Bar Code Council (HIBCC), is an attempt to conform bar coding in Europe to the US standard. [HIBCC was neatly renamed the Health Industry Business Communications Council a few months ago to reflect its expanded horizons into areas such as electronic data interchange.] According to Hans P. deHart, Chairman of EHIBF, his organization's goal is "to put into effect a standard of bar code in Europe according to the HIBC data structure and to develop other related communications standards for EDI between institutions, pharmacists, doctors, suppliers, and payers." The EHIBF administers and assigns identification numbers to institutions, suppliers and other users; publishes documentation; and provides support and advice for the introduction of HIBC standards in Europe. Among the first applications has been the implementation of the HIBC data structure by the Dutch Pharmaceutical Organizations (KNIP). Drugs are marked with HIBC standard bar code -- even on unit

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doses. In spite of this action by KNIP, there are indications that the Dutch drug manufacturers are still debating the merits between HIBC and EAN bar coding.

- Eucomed (European Confederation of Medical Suppliers Associations), which represents 22 European associations, has the overall responsibility for the standards for non-ethical drug products as sold to hospitals and pharmacies. For the past two years, Eucomed has had a bar coding committee looking into existing solutions and/or alternatives for consideration by its member associations. Recently this committee proposed that the Board of Eucomed adopt the HIBCC standards. According to Alan Berton, Eucomed's General Secretary, it will be a long-term project to implement scanning. He recently told *SCAN*: "To achieve the goal of standardization will require a monumental education program."

Meanwhile, from the "bottom up" view, bar coding implementation is proceeding independently within the various national sectors. In Italy, for example, a government decree requires that all prescribed drugs must carry a government-assigned code number, translated into a base-32 number, and then encrypted into a Code 39 symbology (it doesn't seem to bother anyone that the human readable code number and the machine-readable bar code do not agree).

In France, one industry segment has opted to incorporate their special 7-digit code into a non-standard interleaved 2/5 code. And in the UK, substantial progress is being made by the manufacturers and retailers (such as Boots) to utilize only EAN/UPC codes and symbols.

The history of Europe is checkered with dreams of unity and the reality of divisions. Increasingly, efforts are being made toward harmonization, but differences continue to be preserved. The 12-nation EEC is developing unified tariff and documentation systems, yet must use all of the official languages of each member country. Unfortunately, with many more than 12 coding structures and symbologies to choose from, the health industry faces a task that will take more than just a "monumental education program."

By all accounts....

....SCAN-Hungary was a success. Presented by AIM/Europe and the Hungarian Chamber of Commerce in Budapest on April 25-27, this was the first AIM conference and exhibition to be held in an Eastern Bloc country.

A tabletop exhibition -- mounted by 30 companies from the East and West -- attracted nearly 500 visitors, while about 300 delegates attended the conference sessions. A number of the seminars were related to EAN and other bar coding applications in Hungary. In that country, the national Unified Article Identification Code (UAN) has been incorporated directly into the EAN code, permitting the entire number bank to be managed centrally.

Other Hungarian applications include scanning in the blood donor service, medical installations and photo processing. Portable terminals and point-of-sale equipment are now being manufactured in this country. We were somewhat surprised to learn of the extent of "capitalistic" competitive advertising for equipment and bar coding services among Hungarian organizations.

The potential export market is expected to stimulate Hungary's development of bar code technology. This will be necessary in order to meet the EAN source-marking requirements to sell into Western Europe where close trading relationships have been established. The problem is that Hungary has little foreign currency to purchase material from the West, and very limited availability of resources and components to expand its own manufacturing facilities. Computer chips, for example, are scarce and not readily allocated to this application.

Unquestionably, there was evidence of a high level of interest and a keen desire to expand bar code scanning in this country. This is more than just to provide a technological showcase, but recognizes that there are benefits to be derived from automatic identification. It might be over-optimistic to expect a rapid expansion of this market over the next few years, but the surprising level of interest will continue to attract attention from many companies looking for new, virgin territories.

The worldwide proliferation of trade shows....

....devoted to automatic identification, has prompted industry wags to comment: "Join AIM and see the world" or "Scan the world in eighty days."

Here is an updated run-down on the 1988 auto ID shows and conferences sponsored by the AIM International organizations:

Venue	Date	Sponsor
Milan, Italy	March 3	AIM/Europe
Budapest, Hungary	April 25-28	AIM/Europe
Paris, France	June 7-9	AIM/France
Birmingham, England	June 21-23	AIM/UK
Melbourne, Australia	Aug 30-31	AIM/Pacific
Tokyo, Japan	Sept 7-10	AIM/Japan
Stockholm, Sweden	Sept 8	AIM/Europe
Helsinki, Finland	Sept 8	AIM/Europe
Moscow, USSR	Sept 19-20	AIM/Europe
Osaka, Japan	Oct 5-8	AIM/Japan
Chicago, US	Nov 1-2	AIM/US
Dusseldorf, Germany	Nov 21-24	AIM/Europe

The information that we have on some of these shows is still a little bit sketchy. For example, we don't fully understand why AIM/Japan is scheduling one conference in Tokyo and another a month later in Osaka; or why Sweden and Finland would choose to have their conferences on the very same day. In any event, with the emphasis on education, and well-organized seminar programs, these shows have our full support.

The large US government awards....

....under the LOGMARS program continue to provide a strong foundation for the bar code scanning industry (SCAN Dec 87). Last month we reported that Intermec was the successful bidder for the Army's $100 million Non-Tactical contract (SCAN May 88).

Not as well-publicized was an award made at about the same time to Grumman Data Systems (Bethpage, NY) by the US Air Force Logistics Command. This 12-year Depot Maintenance Management Information contract is valued at $84 million (if all options are exercised). Control Module (Enfield, CT) has been chosen as a subcontractor to Grumman to supply up to 2,500 bar code data workstations. These scanning terminals, which include both non-sealed and hardened versions (designed for harsh environments), will work in conjunction with the Air Force's Tandem computer.

Although the value of this subcontract was not released, and is not available from either company, our best guess is that it exceeds $10 million -- which represents a nice piece of business for Control Module. Last month, the company received a $1 million subcontract from Federal Computer Corp. to supply 900 scanners and decoders to the US Defense Logistics Agency (SCAN May 88). Control Module is a privately held company engaged in the design, manufacture and system integration of a complete line of microprocessor-based bar code and magnetic equipment for shop floor data collection, work-in-process, inventory control, time and attendance and control access security systems.

Control Module, 380 Enfield St., Enfield, CT 06082; 203/745-2433.

For most other companies....

....an increase of 23% in sales and 10% in earnings would be a pretty good year. For Telxon, these results, posted for fiscal year 1988 (ended 3/31), were just so-so. By comparison, over the past five years, since the company went public in 1983, the manufacturer of portable tele-transaction computers (PTCs) has had a compound annual growth of 32% in sales and 47% in income.

TELXON	3 Months ended 3/31		12 Months ended 3/31	
	1988	1987	1988	1987
Revenues ($000)	$38,240	$28,505	$123,860	$100,819
Net Income ($000)	4,132	3,787	14,012	12,730
Net Income/Share	.32	.28	1.05	.94

President Ray Meyo and Senior VP/CFO Gene Novak analyzed the company's performance at a meeting of the New York Society of Security Analysts on May 19. Telxon, they pointed out, is now the world's leading manufacturer of portable computers, and has captured 24% of the worldwide $500 million PTC market. Retail and wholesale applications have remained the company's strength, currently amounting to over 60% of its revenues. They anticipate that industry revenues will double over the next three years. Meyo and Novak expect this increase to come from expanded retail systems -- which will probably remain the largest market for PTCs -- as well as from route accounting, field service and sales call reporting, meter reading, market research, transportation and manufacturing.

The company is planning to expand its sales force by 30% this coming year. At the same time, Telxon has been arranging joint marketing agreements with a number of companies including IBM, AT&T and Unisys. International sales, currently at 23% of total revenue, are expected to increase even faster than domestic growth over the next few years.

Finally, armed with $63 million in cash in the bank, the company is seeking acquisitions among software and systems companies which complement its current products. Last year Telxon acquired Real Time Computer Specialists, a software firm specializing in retail communications and applications.

Two public companies....

....are struggling to bring their operations back into the profit column and have reported their first quarter sales and earnings (ended 3/31/88):

- Revenues at Photographic Sciences (PSC) increased 15% over last year to $2,724,000 while three-month earnings rose 54% to $32,000. (Unofficial April figures indicate that month was also "in the black.") According to PSC, the company expects to start shipping their new, important, visible laser diode scanners toward the end of 1988, assuming adequate supplies of visible diodes are on hand (SCAN April 88).

- Although Computer Identics' first quarter shipments ($3,146,000) were up some 5% compared to 1987, it fell short of expectations (SCAN Feb 88). According to President Frank Wezniak, "This sales level was below our break-even point, resulting in a loss from operations of $108,000, which, with interest charges, resulted in a pre-tax loss of $139,000." This compares to a loss during the first quarter of 1987 of $664,000. In reviewing these results, Wezniak pointed out: "Standard product orders and shipments were relatively strong, with disappointing results from the Custom Systems Division, which has had weak orders for several months." "Action has been taken to reduce the expense level of that group," he continued, "and to redirect its efforts toward providing standard system solutions which can be more easily sold by our sales force." It seems to be taking Wezniak longer than he anticipated to achieve the goal he outlined last February in an interview with *SCAN*, when he stated: "Computer Identics will concentrate on the bread-and-butter, off-the-shelf, scanning hardware, software and peripheral components that had been the company's strength."

Sometimes the story of....

....what is happening in an industry can better be told from the perspective and accomplishment of one company, rather than from an attempt at an industry overview.

In an article about the progress of bar coding in the health industry (SCAN Jan 88), we pointed to the paralysis induced by the "chicken-and-egg" syndrome: The hospital users are waiting for the vendors to source-mark all their products with the Health Industry Bar Code (HIBC); the vendors, on the other hand, are reluctant to expend the time, energy and considerable resources to include the symbols on all products until the health care providers demonstrate some real commitment to setting up their systems and insisting that their suppliers comply with the HIBC requirements.

Our article prompted a detailed response from Robert Kennedy, Senior Management Engineer of Fisher Scientific, a manufacturer/distributor of over 60,000 items for the health industry. As early as 1984, according to Kennedy, the company

established an internal task force to develop a knowledge of the technical aspects and applications of the HIBC bar code.

Kennedy goes on to describe in detail the extent of Fisher's solid achievements to install and promote auto ID systems. We couldn't do any better than to quote liberally from his letter:

> "We also initiated a major effort to introduce the concept to our vendors [and we]...provided those vendors with technical support, including a testing program to verify their compliance with the HIBC specifications. We have developed an in-house printing capability to supply bar coded product labels to any vendor requesting them. We also held a seminar in 1987, hosting 50 representatives of about 30 firms to introduce the HIBC to them. Lastly, we produced two videotapes explaining the HIBC and its potential uses for distributors, manufacturers and customers. The result of this 3-year effort is that we have directly discussed bar coding with approximately 800 vendors, including Becton-Dickinson, Kimble and Eastman Kodak. We can claim that at year-end 1987, over 50% of our total line items are already being bar coded, with commitments from vendors to bar code an additional 31%."

We heartily endorse the work of Fisher Scientific as a demonstration of the kind of leadership that will make the HIBC program a reality. It is obvious that Kennedy and his company have not been restrained by the chicken-and-egg scenario, and appear proud enough of their accomplishments to share them with others. We will be exploring more of this industry's travails during the next few months.

Fisher Scientific, 711 Forbes Avenue, Pittsburgh, PA 15219; 412/562-8300.

In its first new product release....

....Identification Business Inc. (IBI) announced the arrival of Laser-Aide, which is said to be a "low cost and high-quality system that prints better bar-code labels easier and less expensively on a variety of low cost non-impact printers." Laser-Aide is a modular software system that can be piggybacked to the user's existing systems or driven by a personal computer.

IBI is a new company. It was formed by Ivan Jeanblanc and Jim Dooley who recently left Diagraph's Advanced Marking Systems Group. The firm will focus on proprietary hardware and software products related to bar coding and automatic identification and, according to the founders, IBI's products will provide the bridge from host data communication to high quality printed output.

"IBI is neither a consulting company nor a distributor," explains Jeanblanc. "We plan to concentrate on non-impact technologies, offering software designs based on an analysis of the customer's printing needs." He does expect to get involved in "bundled deals" where both printers and software will be provided.

Prior to Diagraph, Dooley was with Weber Marking Systems and Jeanblanc worked for Moore Business Forms Systems. Jeanblanc observed that they left Diagraph "on good terms to pursue our own interests." Both men plan to continue to be active with the Automatic Identification Manufacturers (AIM). (Dooley will chair the Seminar program at SCAN-TECH 88 in Chicago.)
IBI, 1743 Golden Lake Court, Chesterfield, MO 63017; 314/537-1077.

When we asked the question....

...."Whatever happened to these companies?" (while we were reminiscing about our 10th Anniversary in the Oct 87 issue) we wondered whether we would resurrect any contacts with firms that had been out of touch. Well, we did get one reply -- but it wasn't exactly what we expected.

In 1977, we had written about MicroScan Corporation (Natick, MA), a company that had announced the first bar code scanner to sell for under $100. They had developed the unit as part of an effort by Byte Magazine to publish software programs in bar code format. Some of these programs were actually published back in 1977-78, based on developments led by Walter Banks of the University of Waterloo in Canada. Nothing much came of the concept, although Byte did try to push it for awhile. MicroScan disappeared from sight and we heard no more from this start-up company.

What we had forgotten was that there is a Microscan Systems Inc. in Tukwila, WA that is alive and prospering (SCAN Feb 86), albeit totally unrelated to our MicroScan of 10 years ago. Craig Landon (VP Operations), who wanted to be sure that we didn't think they had passed from the scene, wrote to us with full descriptions of the company's small, high-speed laser bar code products. "By targeting the OEM market," Landon explained, "Microscan has grown from $500,000 to over $2.5 million in sales in less than 5 years. Microscan continues to be privately owned and financed."

Microscan Systems, 939 Industry Drive, Tukwila, WA 98188; 206/575-3060

The UPC scanning program....

....instituted by Toys 'R Us (Scan Mar 87, April 87) demonstrated the enormous impact one company can have on an entire industry. When the world's largest toy retailer set a specific date for when they expected all of their suppliers to be UPC source-marked, almost the entire industry fell into line. This kind of influence from one firm -- or even one individual -- has also been demonstrated in other industries such as book publishing (by Waldenbooks); prerecorded music (CBS Records); and the apparel industry (Federated Stores and Millikin Industries).

As of today, every one of the 313 Toys 'R Us stores is scanning; over 95% of all merchandise received is source-marked; and the 100-store Kids 'R Us (clothing) division is ready to convert to full scanning soon.

Gary Hoiems, the coordinator of the scanning program at Toys 'R Us, gave us that rundown when he called to comment on our report of the "velvet hammer" used by Dave Carlson of K-mart to convince his vendors to source-mark: "No symbols, no scans, no reorders, no sales, no commission check!" (SCAN Mar 88). Hoiems suggests that Carlson may be too subtle and too wordy. Every visiting salesman at Toys 'R Us, he says, is immediately apprised of that chain's more succinct and to-the-point motto: "No UPC; no PO."

Hoiems also told us about a Touche Ross management study currently under way at Toys 'R Us which will recommend a program to automate receiving, inventory and shipping in their warehouses. From all indications the final system will be based on the UPC/Shipping Container Symbol.

A certain type of negative....

....sales promotion has periodically cropped up in the automatic identification industry, and it has always turned us off. It's the kind of marketing strategy which suggests that some type of plague has struck down the users of bar coding systems and that medical help is on the way.

There was a rash of these ads about 7-8 years ago: RJS was taking a man's temperature and promising to cure his "symbolitis"; Symbol Technologies offered a cure for "nagging symptoms of inaccurate or improper bar coding"; and a MacroGraphic printer by TAC asked, "Is bar code printing giving you a headache?" There were others we have happily forgotten. In our August, 1981 issue, we editorialized:

> *"Whatever happened to the power of positive thinking? We don't want to sound paranoid -- but if you keep associating a subject with sickness, it's going to make healthy people uncomfortable. Bar code scanning still has a long way to go to educate its public. If all we talk about is how it will raise your temperature or give you a migraine, people will avoid us like the plague!"*

We have resurrected these comments because there are a few recent additions to this genre. The Traveling Infirmary Service (the sponsors think so highly of the name they trademarked it) is the brainchild of the Data Capture Institute (Duxbury, MA), a new consulting firm headed by David Collins (SCAN Nov 87). Photocode (division of Western Publishing in O'Fallon, MO) wants us all to try their "cure for the common code." And Weber Marking Systems (Arlington Heights, IL) offers a way "to make the change to bar codes painless."

We stand by our 1981 comment.

The growth of the automatic ID industry,....

....since the early 1980's, has been paralleled by the growth of *ID Systems* magazine. In March, 1982 the first issue (then called *Bar Code News*) was a 16-page black-and-white edition interspersed with a few ads.

Under the able leadership of Publisher Laura Hanson, *ID Systems* grew to where it is now a "fat" book with loads of four-color ads, distributed to 43,000 followers of automatic identification in all forms -- bar code, RF, OCR, mag stripe and voice. Hanson became a familiar face at industry meetings and conventions, and was respected by all.

This month, Laura Hanson will leave her position as the magazine's publisher to become Product Development Director for Helmers Publishing (the owner of *ID Systems*). Hanson will be looking for new product ideas which support and supplement the trade magazine; i.e. special interest books, educational programs and other tie-ins. She says she welcomes both the new challenge and also relief from the day-to-day publishing pressures which kept her away from her growing family. We wish her the best in her new position -- we will certainly miss her cooperative, upbeat spirit as a publishing colleague.

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