Volume XII Number 5                                                                                                January 1989

## An open letter to Chet Benoit

Dear Chet:

Our long chat, two weeks ago, about your plans and objectives, as you assume the Presidency of the Automatic Identification Manufacturers (AIM/US), was most enlightening.

Your commitment to education, as AIM's primary mission during your administration, is very encouraging. We share your belief that there is still a very large segment of industry -- particularly top management -- that does not have sufficient knowledge and understanding of the potential benefits of automatic identification. More than any other single factor, the education of corporate managers may be the key to opening up many large industry segments to the advantages of auto ID technology.

Your tenure will be different from that of your predecessors in that you will be leading a more mature organization in a more highly visible and respected industry. With 132 current member companies (you said you would like to reach at least 155 by the end of your two-year term) representing a half-dozen technical disciplines, AIM is now pretty well defined in its scope and mission.

You expressed justifiable pride in the success of the SCAN-TECH expositions; in the educational merit of the seminar programs at the various shows sponsored or co-sponsored by AIM; and in the annual Teacher's Institute. You indicated that you expected AIM to "provide a national forum for all of the ancillary technologies -- RF, OCR, mag stripe, voice recognition and systems integration."

We discussed one sensitive area that may require fine tuning. Although all of these excellent educational programs require substantial funding, and although AIM must continue to sponsor activities which generate the profits necessary to support them, we believe that there may be times when the organization appears to be operating too much as a "profit center." All too often decisions seem to be based on whether the project is profitable, rather than whether it is worthy.

A couple of examples which may help to make our point:

INCLUDING THE INTERNATIONAL EDITION

- The auto ID industry badly needs a professionally written, edited and presented technical journal. This industry does not now have a forum for its engineers and scientists to publish new developments, explain innovative concepts, review pending standards and specifications, debate differing viewpoints. Such a publication was tried once by AIM (*ScanJournal*), but it was abandoned in 1986 after 6 quarterly issues, presumably because it lost money. It is time to try again!

- What the auto ID industry does <u>not</u> need is another mailer of packets of Response Cards. There are enough publications serving this industry with such mailings without having to compete with AIM. This type of promotion may make money, but it doesn't seem appropriate for a trade association to be competing in an area where it doesn't do the job any better and where its services are unnecessary, and possibly unfair. The AIM PowerPack Response Card program should be abandoned!

The point we are trying to make is that AIM's plate is full of projects that are needed and appropriate for a trade organization in a dynamic industry. AIM's total energies should be devoted to completing those worthwhile endeavors without diversions from less deserving enterprises.

Chet, your work is obviously cut out for you. You are succeeding Dave "Zap" Czaplicki, probably the most dynamic personality to have led AIM since its inception. Zap's tenure was a most important period during which the organization expanded its membership and scope by embracing the other auto ID technologies. He also promoted the international involvement of AIM by lending moral and material support to the formation and growth of national AIM groups throughout the world.

At the end of our interview, your comment that you probably "have more personal friends in the industry than at home" was a clear indication of your great personal devotion to AIM and to its members. We wish you every success -- you will continue to have our unyielding support. Best personal regards.


The acquisition of....

....Datachecker by ICL has all the earmarks of a merger that will result in a new company that may be greater than the sum of the original two parts.

The move by National Semiconductor, in mid-December, to sell its Datachecker Systems Division (for $90 million) is part of what industry observers believe to be the company's first step in divesting itself of its computer-related operations, which comprise about 40% of its $2.5 billion in revenue. National Semiconductor, which wants to concentrate on its chip business, is also reported to be trying to sell its National Advanced Systems, which markets mainframe computers made by Hitachi.

ICL, a subsidiary of STC (Standard Telephones & Cables), is the largest computer company in the UK. ICL's history in point-of-sale (POS) equipment goes back to 1974, when it marketed Anker Data Systems equipment for about two years. In 1976, ICL took over Singer's POS interests, including the support of the Singer worldwide installed base. Soon afterwards, ICL introduced its own POS range of products, and the company is now an important player in that market.

[Industry estimates are that IBM now leads the worldwide POS market, with about $600 million in annual sales of retail terminals, followed close behind by NCR with $550 million. The cluster back in third position includes ICL, Datachecker, Fujitsu and Nixdorff -- all in the $200-$300 million range. The merger of ICL and Datachecker puts them right up with the leaders.]

Datachecker's strengths have been concentrated in the US supermarkets, where it claims to be number one in sales and installations. The company's total number of scanning sites is estimated at about 6,000 stores, averaging 12-13 scanning lanes per store. The company recently aborted the introduction of an expensive new system for the general retail market -- the Series 3000 -- because, according to one company spokesman: "It was a promising, high-end, program-mable product which was too late and which missed the marketing window for which it was designed."

Datachecker sales are strong in the UK where it runs second only to ICL. Both companies are well-positioned in France and other European countries. SABR, a successful product that Datachecker designed for the European market, is now being aggressively promoted in the US for the general retailers. According to the company, the SABR -- Side Acquisition Barcode Reader -- was the first front-end laser scanner designed with special optics to specifically scan horizontally, thereby accommodating the sitting position of most supermarket checkers in Europe.

In the US, ICL has targeted the Home Improvement/Do-It-Yourself retailers where it has made good penetration. The company has also leveraged its success with the checkout terminals it designed for the French hypermarkets, and has introduced these systems into North America, where a number of these superstores have been opening.

The merged company will be known as ICL/Datachecker in North America. (In the rest of the world, where the ICL name is quite well-known, the Datachecker name will be dropped.) Current plans call for the Datachecker headquarters in Santa Clara, CA to become the US base for the new company's combined management and marketing operations. Datachecker now has about 2,000 employees in the US -- ICL has about 200.

The President of ICL/Datachecker will be Gary Hegna, who headed up ICL's North American operation before the merger. Hegna is based at ICL's US headquarters in Stamford, CT. Mark Parrish, who was the President of the Datachecker Division under National Semiconductor, will become part of the corporate staff.

Datachecker management seems pleased with the merger with ICL. Parrish told SCAN that he visualizes a broader product line with new opportunities to expand current and future markets. He believes the product strategies of the two companies are complementary -- that ICL had made a major commitment to retail systems, and that Datachecker was an important strategic move to help accomplish that commitment.

From the UK, the acquiring company is also expressing optimism. According to Peter Bronfield, ICL's Chairman: "The new combined organization will have a scale of operation capable of succeeding on the world stage, continued focus on the retail market and a greater depth of product capability." Both management groups visualize the merger as accelerating the new company toward leadership in the $12 billion market for retail information systems.

**A fairly quiet buyout....**

....was engineered last April by the management of _Instaread_ (Orlando, FL). The acquisition was "leveraged" and local -- i.e., lots of debt which was financed by local banks, local investment capitalists and Rexnord, the selling company.

The insiders were led by Jack Cochran, who became Chairman of the Board of the new company; Mike Reid, the new President; and Ishwar Singh, VP Engineering. This acquiring group formed a new company -- _Laser Data Corp_. -- to execute the LBO. Cochran, Reid and Singh own 50% of Laser Data, with the balance held by the new investors (including Rexnord). Details of the terms of the acquisition are not available.

Although "Instaread" still appears in the company's ads and literature, that name will be slowly phased out in favor of Laser Data. Management has concluded that the Instaread name has been battered over the past few years (including its tenure as a division of Control Laser before Rexnord bought it in 1984) and, in any case, President Reid feels that Laser Data is "easier to recognize."

Laser Data/Instaread's products continue to be fixed-position laser bar code scanners for applications in distribution/warehousing operations, airline baggage handling and catalogue distribution centers. The company is looking to develop or acquire new products such as bar code printers, communications networking systems and other types of scanners. Currently under development is an omni-directional scanner which is competitive with the AccuSort scanner recently sold to the US Postal Service. [Instaread was invited to bid on the USPS contract (SCAN Dec 88) and Reid thinks that an opportunity may still be available to get a piece of the award.]

Laser Data's current annual sales are running in excess of $5 million, and Reid states that the company has been profitable for the past 6 quarters. He projects sales growth of 20 to 30% per year for the next few years. About 20% of the company's sales are overseas -- with, somewhat surprisingly, more going to the Pacific area than to Europe. Much of these foreign sales are private label products sold through distributors.

In the US, most revenue is generated through systems integrators and distributors, with private label accounting for 15% of the total. Laser Data/Instaread's most important private label customer is Intermec. A limited direct sales force handles important "house" accounts such as the Sears and J.C. Penney warehouses. The company is looking to expand its direct sales force during the coming year.

Laser Data/Instaread, 2400 Diversified Way, Orlando, FL 32804; 407/843-8975.

**We drew immediate response....**

....last month (SCAN Dec 88) to our article about the projected addition of numbers 1, 6 or 7 to the UPC-assigned _Number System Character_ (NSC). This expanded number series will supplement the current NSC zero (0), which has been used since 1973 and which is about to exhaust its 100,000 number capacity.

The first comment we received pointed out that NSCs other than 0 cannot be zero-suppressed under the current system. This restriction could present some difficulties for companies with small packages or labels.

A second reply raised questions about cents-off coupons. The UCC guideline specifies that all coupons will carry the NSC 5, which precedes the 5-digit manufacturer's number, and which is substituted for the standard product NSC 0. If this procedure were to be followed, when the additional NSCs are assigned, there could be number duplications.

By far, the most detailed response came from Etienne Boonet, the Secretary General of the International Article Number Association/EAN in Brussels. The main thrust of Boonet's two-page letter was: "Let's use this opportunity to finally upgrade all scanning systems to reading and decoding EAN symbols."

Because this subject has become so important to the multi-national retail scanning community, particularly as international trade has grown, we would like to quote liberally from Boonet's letter:

> "For more than 10 years, all efforts from the EAN and UCC organizations, to convince the US retail trade to adapt to reading the EAN code and symbol, have led to poor results. Manufacturers in EAN member countries, who export to the US and Canada, did not want the bar code symbol to be an obstacle to completing difficult export contracts. Therefore they gave in and marked their products with the UPC symbol....

> "Although equipment manufacturers active in the US market have maintained that their scanning systems were capable of reading and decoding the 13-digit EAN, 90% of the retailers' databases were designed to accept only the 10-digit UPC numbers....

> "Upgrading to EAN offers practical benefits to US retailers, which have been previously overlooked. The EAN-13 numbering system offers larger capacity of limited circulation numbers (e.g., prefixes 02 for variable weight, and 20 and 29 for in-store use) and the EAN system can offer solutions to the announced future shortage of UPC-E numbers and coupon issuer numbers....

> "Of course, the EAN community looks forward to the situation where exporting manufacturers will no longer be obliged to run dual packagings for their products and where major multi-national companies will no longer resign their membership with EAN numbering organizations claiming that 'UPC is the only truly international solution for them'....

> "Finally, there are current realities which one can no longer ignore. The EAN community is now well-established in 42 member countries with almost 100,000 companies using the EAN standards and over 36,000 stores scanning EAN and UPC symbols. It should also be noted that the EAN/UPC compatibility will become an even more critical issue in Latin America, which is now represented in the EAN Association by Mexico, Brazil, Argentina, Venezuela, Colombia and Peru. These countries are amongst the strongest advocates of EAN and supporters of full transparency between the EAN and UPC standards....

"The movement to EAN/UPC compatibility is now irreversible. Taking
another decision would be an historical mistake!"

To which we reply: "Bravo!"


While setting up....

....your 1989 calendars, you might want to make note of these upcoming special
events related to automatic identification. In addition to the scheduled
dates, the venues and the names of the sponsors, we have included additional
comments on why these particular meetings may be significant:

- The 78th Annual National Retail Merchants Association (NRMA) Business
  & Equipment Exposition will take place January 15-18 in New York City.
  Directed toward the 50,000 department and specialty stores and mass
  merchandisers represented by the NRMA, this show has been the one to
  watch as auto ID has taken hold in the retail sector during the past
  few years (SCAN Feb 88). We will be covering this show personally, and
  reporting on it in detail in our next issue.

  NRMA, 100 West 31 Street, New York, NY 10001; 212/244-8780.

- The National Wholesale Druggists Association (NWDA) will host a Bar
  Coding Applications Conference on February 1-2 in Arlington, VA. The
  wholesalers are targeting December 31, 1989 as the date when all drug
  products will be bar coded. The goal of this conference is to help the
  drug manufacturers move forward to learn how to use these technologies,
  how to get bar codes on their products and how to take advantage of
  the available benefits. The NWDA expects over 100 prescription drug
  manufacturers to attend.

  NWDA, Box 238, Alexandria, VA 22313; 703/684-6400.

- The Quick Response 89 Seminar & Show will be devoted to the QR concept
  and its supporting technologies: bar coding and electronic data
  interchange (EDI). The interaction between scanning and EDI has become
  one of the most vital topics in the retail industry. Although this
  first-time event, scheduled for May 21-22 in Dallas, has fairly modest
  attendance goals -- 60 small-booth exhibitors and 450 visitors are
  expected -- it will have an important program. Roger Milliken,
  Chairman/CEO of Milliken & Co., will deliver the keynote address.
  Milliken was the prime mover behind the "Crafted With Pride in the
  USA," Quick Response and VICS programs.

  In addition, QR 89 seminar attendees will hear presentations of the
  two VICS cost/benefit research studies, one each for retailers and
  suppliers. Co-sponsored by VICS and the Automatic Identification
  Manufacturers (AIM), the program will emphasize information flow
  between trading partners and transportation services. Registrants are
  expected from among the apparel manufacturers and their suppliers, and
  from transportation companies.
  .
  AIM, 1326 Freeport Road, Pittsburgh, PA 15238; 412/963-8588.

- On May 9-11, ID Expo will take place in Los Angeles.  Sponsored by *ID Systems Magazine*, this is the fourth event in this series.  The objectives, programs and exhibitor roster of ID Expo closely parallel those of the larger SCAN-TECH show -- with ID Expo having evolved into the Spring version.

  ID Expo, 3695 Post Road, Southport, CT 06490; 203/259-5734.

- The 1989 Health Industry Business Communications Council (HIBCC) Conference & Trade Show will take place in Philadelphia on June 21-23.  According to HIBCC President, Robert Hankin, this year's event will focus on "the three hottest topics in health industry business communications -- electronic data interchange, HIBCC's new Health Industry Number (HIN) system, and, of course, bar coding."  (HIBCC recently introduced the HIN system which assigns standardized code numbers to more than 7,600 hospitals in the US.)

  The HIBCC is struggling mightily to bridge the communications gap that it perceives among the health care providers, and has placed great emphasis on bar coding and EDI.  Editor Tim Bitler's commentary in the September/October 1988 edition of *Identification Journal* provided a special perspective on automation in the health industry and why it has lagged behind the rest of the world these past ten years.  Bitler's editorial, which parallels positions we have taken in the past (SCAN July 87), concludes:  "What hospitals need are off-the-shelf systems, but there are painfully few of those.  It is....up to manufacturers to...design appropriate hardware and software and begin a cooperative effort to educate hospital administrators on what bar coding can do."

  HIBCC, 5110 North 40th Street, Phoenix, AZ 85018; 602/381-1091.

- SCAN-TECH 89 will be held on October 17-19 in San Jose, CA.  AIM is still analyzing the data to determine why attendance at SCAN-TECH 88 in Chicago was almost double that of the 1987 show in Kansas City -- rising from 4,300 to 8,300.  Speculation is that the most important factors contributing to the sharp increase were Chicago's generally stronger drawing power for show visitors coupled with the steady growth in interest in auto ID.  [It didn't hurt that at least 1,000 attendees were crossovers from AUTOFACT, the CAD/CAM show which took place simultaneously in another part of McCormick Place.]

It was encouraging to hear that the sponsors of both ID Expo and SCAN-TECH have finally gotten together to coordinate their schedules.  This will prevent a reoccurrence of the 1989 situation when both events will take place five months and a few hundred miles apart.  For those who really like to plan ahead, the future venues for these events will be:

| Year | SCAN TECH | ID Expo |
|------|-----------|---------|
| 1989 | San Jose | Los Angeles |
| 1990 | Atlanta | Chicago |
| 1991 | Dallas | San Francisco |
| 1992 | Anaheim | Boston |
| 1993 | New Orleans | Chicago |

## High on the list....

....of major aggravations in doing business is the perception that another company may be usurping your good name. After years of developing a reputation and track record, the discovery that someone else is using your corporate name for a similar line of products can be a traumatic experience.

For example, take the case of <u>Craig Harmon</u> and his company, <u>Q.E.D. Systems</u>, which was formed in 1981 to provide bar code consulting, education, systems design, systems integration and software development services. The company has been very active with many clients and industry associations related to auto ID applications.

Harmon became quite upset, this past month, when he was made aware of a New Jersey company named <u>QED Ringmaster</u>. Never known for his timidity, Harmon took off after Ringmaster by calling the company directly and asking its President, Richard Graham, to drop QED from his corporate moniker.

Graham refused, so Harmon has now publicly announced that "Ringmaster is not in any way affiliated with the Q.E.D. Systems organization." To be certain Graham gets the message, Harmon has advised his legal counsel to begin seeking the protection of the Federal Court system for the Q.E.D. name.

We called Richard Graham to hear his side. Ringmaster's Chief Executive told us that he had always used QED (*quod errat demonstrandum* -- "which was to be proved") in his work as a mathematician. He had thus chosen this notation as his corporate identity quite naturally. To drive the point home, he mentioned that he has formed "a family of QED companies, of which Ringmaster is only one."

Graham assured us that he was completely unaware of Q.E.D. Systems until Harmon called him. He feels that the two companies sell totally unrelated product lines, and he expects no conflict in the market. QED Ringmaster develops and sells software -- its so-called Application Generator System -- for Telxon RF terminals. The company's major account, according to Graham, is Telxon itself, which resells the package to its customers.

> [It should be noted that Harmon is not devoid of a sense of humor. His personal Q.E.D. business card (a 4-color laminated job made by Data Code Systems of Cleveland, OH) has a Code 39 bar code below his photograph. When we scanned the symbol, out of curiosity, it decoded "GOTCHA."]

We certainly hope the squabble between the two companies can be settled amicably -- rather than have to present this QED for a decision by the federal courts.

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