



newsletter

Ltd.

The management
Newsletter for all
industries involved
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technologies.

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When we reported the success....

....of the new continuous-feed laser printers that were featured in Atlanta at SCAN-TECH 90, we singled out Identification Business Inc. as the leader in this product group (SCAN Oct 90). What we did not know then was that IBI's founders and owners, Ivan Jeanblanc and Jim Dooley, were actively negotiating the sale of their company. On November 13, DH Technology (San Diego, CA) announced that it had bought IBI.

After the deal was made public, Jeanblanc explained to SCAN why he chose to sell, rather than remain independent. "Basically, our company growth has been phenomenal lately," he noted, "and we anticipate that it will continue to double and triple, as time goes on, based on the sales of our product. We needed the capital to help us get there. We looked at the traditional sources, but we never found one that made us happy."

Jeanblanc believes that DH Technology's point of view in making this acquisition "came from their desire to strengthen their position in bar code printing and laser technology, of which they had none." He adds: "They saw, as we do, a growing market for laser printing. This was their incentive to get in. They also broadened their expertise in bar code printing through this acquisition."

DHT acquired all of the IBI stock, over 90% of which was owned by Jeanblanc and Dooley. Jeanblanc will continue with the merged company as Vice President and General Manager; Dooley will be Manager of Market Development. There are no details available about the price, terms or conditions of the acquisition. IBI will remain in their Chesterfield, MO plant and offices. Jeanblanc expects all of their dealers to remain in place.

DH Technology is the leading independent supplier of high performance printheads, printer mechanisms and specialty printers (primarily of the impact/dot matrix type). According to the company, its products are utilized by the lottery, labeling, ticketing, office automation, gasoline vending and specialty printing industries.

DHT was organized in 1977 and went public in 1984, raising about \$7 million at \$6.75 per share. Its stock is listed on NASDAQ and is currently trading at \$7 1/4 with a 12 month range of \$6 3/8 to \$16 7/8. (There was little change in the share price when the IBI acquisition was announced.) In 1988, the company



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acquired the Printer Products Division from Eaton Corporation (which was renamed DH Print). In 1989, DHT was singled out for recognition by both *Business Week* (55th among "The Best Small Growth Companies") and *Forbes* (107th among "The 200 Best Small Companies in America").

For the 9 months ended September 30, 1990, DHT's sales were \$31.8 million, compared to \$30.7 million last year; earnings were \$4.7 million (94 cents per share) compared to \$4.2 million (85 cents per share). Sales and earnings for the third quarter were off 14% and 18% respectively, primarily due, the company reported, "to the overall slowdown of the economy." This decline in earnings broke the company's string of 9 consecutive quarters with record earnings.

Significantly, DHT reported cash and cash equivalents totalling \$21.4 million as of September 30, 1990. At that time, a decision was made to repurchase up to 150,000 shares of its stock and to continue "to evaluate additional potential acquisitions of businesses which....could require the use of the company's cash resources."

DHT Chairman/CEO William Gibbs says that the IBI acquisition "greatly enhances" his company's bar code expertise and capabilities. Gibbs notes: "A combination of IBI's personnel, products and distribution channels, with its current bar code products, makes us a significant contender in the growing identification business. The addition of IBI's laser technology to DHT's dot matrix impact and thermal technology provides an increased flexibility to match the proper technology to our customers' specific needs."

For Jeanblanc and Dooley, their venture as entrepreneurs was fairly short-lived. They left Diagraph to start IBI in December, 1987. Just three years later, in spite of phenomenal sales increases, they chose to throw in with a larger company which can supply the capital to fuel that growth. It's an interesting move.

When the announcement was made....

....that Symbol Technologies had sold 45,000 "scanner modules" to United Parcel Service in a multi-million dollar contract, it was the culmination of years of product development by both companies. According to one Symbol spokesman: "It was a real team effort."

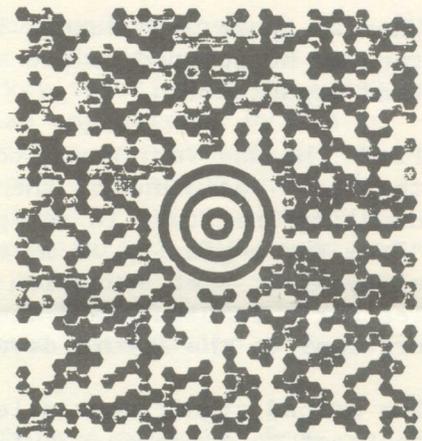
Officially, UPS is still keeping the project under wraps. Symbol was only allowed to make the brief announcement that the 45,000 units would be delivered over the next year (beginning in December, 1990), that 5,000 units had been shipped under a prior agreement, and that the scanner modules are to be integrated into the UPS Delivery Information Acquisition Device (DIAD).

The DIAD unit will not only allow UPS to rapidly and accurately collect data from the scanned bar coded packages, but also from consignee signatures and other delivery information. (Development of the DIAD is part of an overall \$1.4 billion technology upgrade begun in 1985 to automate UPS, which handles more than 11 million packages daily.)

SCAN has been able to fill in some other details about this significant system sale through interviews with individuals from both companies:

- The price of each Symbol scanner module is between \$300 and \$400 (Symbol will not confirm the exact price), placing the total value of the contract at an estimated \$15 million.
- The module consists of a circuit board mounted with all components, including the laser and mirror assembly, and decoder. It is all shipped in a specially designed styrofoam package ready to be dropped into the UPS DIAD unit.
- The DIAD is a hand-held terminal that will be placed on each delivery truck and will eventually replace the current paper forms that accompany each package. The device is about the size of an 11" x 17" clipboard, and includes an electronic signature pad, on which the recipient acknowledges the delivery. (This pad, which was described to us as "sort of looking like the old Etch-A-Sketch kid's toy," digitizes the signature for transmission to the UPS host computer.)
- The symbology selected was Code 39, which will appear on the package label.
- The pilot test -- using the 5,000 units previously shipped -- has been conducted in Hawaii. Current plans are to install the DIAD system for the UPS blue and red label shipments only (next-day and second-day air deliveries).
- Although this is a custom product designed exclusively for UPS, it does not preclude Symbol from selling other products to other package delivery companies.

In a totally separate development, United Parcel Service has designed and patented the UPSCODE (pronounced as one word, like "upscale"), the key element in a new system developed for use in their distribution centers. [As a frame of reference, in 1989, UPS handled 2.8 billion parcels and documents at their distribution centers, which were picked up from 1 million shippers, using 116,000 vehicles and 123 company-owned jet aircraft.]



UPSCODE -- 2X size

UPSCODE is a new two-dimensional, high-density matrix code. The symbol contains approximately 100 alphanumeric characters on a 1" square label. Its 888 information-carrying cells -- each in a hexagonal shape -- are arranged in a honeycomb pattern and contain all pertinent customer shipping information (consignee, name and address, handling instructions, invoice and package tracking numbers). The bull's-eye patterns (or rings) in the center of the label allow a special scanner/camera to locate the UPSCODE label information as the UPS packages move along conveyer belts at speeds up to 500 feet per minute.

Using special OCR readers, most UPSCODE labels will be printed and applied to the packages by UPS employees. The readers are designed to be placed over typewritten package labels and to convert the shipping information into the UPSCODE system format. The symbol itself is still under development and may be printed in either black and white, or a black, white and gray color scheme.

As packages move along the conveyor belt, and are scanned with a camera, the video images will be fed into a computer and stored. A dedicated processor within the computer will search the video information for the bull's-eye rings that identify the UPSCODE system label. Once found, the UPSCODE is decoded and processed -- all of which happens in one-half second. UPS' latest test results have indicated that the system has located and decoded 99.7% of the labels on the packages.

When fully operational, the UPSCODE system will facilitate package handling -- in hubs and operating centers -- from entry through intermediate sort to final loading for delivery. The system is presently being tested at the UPS facility in Lawnside, NJ and will be phased in to all distribution centers over the next four years.

Both the DIAD and UPSCODE systems were developed by research companies which are wholly-owned UPS subsidiaries. As with UPC/EAN retail scanning systems, and the Federal Express hand-held device carried by each driver, the widespread use of DIAD and UPSCODE will increase the visibility and acceptance of bar code scanning on a very broad basis.

Not many of us....

....achieve success in two aspects of our careers and bring them to a successful close simultaneously.

At the end of this year, Chet Benoit will have completed his two-year stint as President of AIM/US and -- having just passed his 65th birthday -- he will retire as Director-Sales/Marketing of the Data Collection Division of Welch Allyn.

When we spoke with Benoit last month about AIM's achievements during his tenure, he pointed to two very recent events which illustrated the progress of that organization.

First, he was very proud to represent AIM on October 20, 1990, when it became the first recipient of the Norman L. Cahners Award, presented by the Material Handling Institute in recognition of outstanding achievement in education. "From the beginning of my term as President of AIM," Benoit said, "I have always felt that education was my primary mission. Projects such as the Teacher's Institute and the Dilling Scholarships for college students were critical to the future development of automatic identification."

The second significant milestone for Benoit was the October 25th signing of a contract to purchase a building to house the AIM headquarters in Pittsburgh. Benoit feels that this move demonstrates the growth, maturity and diversity of AIM. When he took office in 1988, the organization totalled 131 members. In the last two years, membership has grown almost 25% and is expected to exceed 160 members by year-end. In particular, there has been a notable membership growth in the "other" (non-bar code) technologies of RF and magstripe.

Retirement, it seems, means different things to different people. Chet Benoit will become a part-time consultant to Welch Allyn and continue as that company's representative to AIM. He will also shift his focus at AIM beyond the US and will become Vice-Chairman of AIM/International.

When you want something done....

....give it to the busiest person -- or so it seems at AIM/US. The new administration, for the 1991-92 two-year term, will be led by President Ivan Jeanblanc (IBI). He and his partner, Jim Dooley, founded IBI 3 years ago, built it into one of the most dynamic, fastest growing companies in the industry (*SCAN* Oct 90), and just sold the firm to DH Technology (see above).

[The other AIM officers are: VP/Operations -- Bonney Stamper (Bar Code Systems); VP/Development -- Joe Sheppard (Xico); Secretary/Treasurer -- Dan Tierney (Spectra Physics). Bill Hakanson has been re-elected as Executive Director.]

Just after assuming office and meeting with his new Board of Directors for the first time, Jeanblanc spoke with *SCAN* about his plans and objectives: "As a trade association for the auto ID industry," he said, "we think our job is to do things to grow in the marketplace. One of the things that we are doing is to restructure the volunteer organization into technology groups. We have always had a magstripe technology group and an RF technology group. We are trying to do something similar with bar coding. For example, there will be a scanning committee, a printer committee and a consumables committee. Our objective is to focus more directly on each of these industry subsets so that the participating member-companies can come up with specific industry positions."

Jeanblanc sees each of these specialized industry groups developing its own educational program. The new Board recognizes the need for efforts in education, he explains, and wants that program to reflect the new organization changes.

Jeanblanc's plans are still a bit vague about how to accommodate those companies who consider themselves "systems integrators." He defines systems integrators as those who provide customers with "turn-key solutions that entail some hardware and some software." He does not visualize any attempt by AIM to distinguish between those independent firms which provide a system made up of the best components from a variety of companies, as opposed to those who push only their own products. According to AIM's new President: "AIM's perspective is to provide a forum for all of those people to be represented. AIM needs to present turn-key solutions to the whole marketplace to make sure that customers understand what their systems integration options are, and to provide the literature and education to teach people what the systems integration concept is all about."

One of the issues that the Board has not yet dealt with is a proposal from Andersson-Czaplicki to launch a coordinated effort with AIM to create a new trade show directed specifically to systems integration (*SCAN* Oct 90). This plan is expected to be on the agenda of the next Board meeting. A commitment has already been made by AIM to improve the systems integration presentation at *SCAN-TECH 91* in Dallas. At the very least, according to Jeanblanc, "it will be better located."

Jeanblanc summarizes his overall objectives, and his approach to his new job, as follows: "Everything is up for review. Every program that we have needs

to be justified. We've got a whole new slate of officers in there; although we cannot change the world overnight, at least we want to make the members of AIM aware that we want to be responsive. And one of the ways we can do that is by taking a 'no sacred cow' approach."

Individuals like outgoing President Chet Benoit and incoming Ivan Jeanblanc devote an enormous amount of their time to these industry positions. AIM is a better trade organization because of them.

A unique and inventive....

...marketing tool, the Barcode Implementing Guide (BIG), is being offered to vendors of hardware, software and supplies by Quad II (Charlotte, NC). BIG is the brainchild of Scott Cardais and Rick Bushnell (Bushnell Consulting Group), who founded Quad II to market special promotional packages. This is their first project.

The concept centers around the opportunity to place a compiled manual of sales information and literature into the hands of a qualified group of prospective customers. These prospects were attendees at seminars conducted by the Bushnell Group throughout the past year.

According to Bushnell: "It provides access to over 1,500 managers who have been authorized to implement bar code technology in their facilities within the next 12 months. The persons receiving the book have already been educated since their companies have sponsored their attendance at a seminar on bar coding." Bushnell further maintains that "the majority of these people do not subscribe to the major trade journals or attend the industry's trade shows, so current promotion programs probably don't reach them."

The Guide is divided into more than 15 product categories, and there is a limit of four suppliers per category. Each vendor must provide printed literature that is bound and ready for insertion into the Guide, which is then mailed to the 1,500 seminar attendees. The vendor's cost is \$5.00 per contact (totalling about \$7,500 per company insertion).

COMMENT

If Quad II can actually place this literature on the desks of 1,500 pre-qualified customers who, according to the sponsors, "have decided to use bar code technology [and] have been authorized to implement within the next 12 months," this sounds like it might be a reasonable buy. The deal gives the vendor a timely one-shot opportunity to get the sales message across to a presumably hand-picked prospect. Quad II will retain complete control of their name list, which will not be made available to sponsors.

First mailing is scheduled for February, 1991, with a January 7 closing date. Contact Rick Bushnell (215/822-6880) or Scott Cardais (704/846-3400).

An East German government official....

...was able to stand before a group of vendors, as recently as the SCAN-HUNGARY auto ID Conference in April 1990 (SCAN June 90), and reel off statistic after statistic about the structure of the Eastern Bloc economy. It

turns out, of course, that his data were absolutely precise then, and totally meaningless now.

In a just released market research report, Automatic Identification Systems in Eastern Europe 1990-1995, author Peter Glattfelder takes a different approach. Glattfelder presents a concisely written, country-by-country survey of developments and market prospects for automatic identification, based on a real-world evaluation of opportunities, with only a few of the report's 70 pages devoted to statistical tabulations.

He covers, in a forthright manner and with unique insight, the economic and technical priorities that need to be addressed by the governments, agencies, and private sector companies in the USSR, East Germany, Poland, Czechoslovakia, Hungary, Bulgaria, Romania and Yugoslavia. He also provides his personal blueprint of how the western auto ID companies -- including the AIM trade organizations -- should approach this market, including an appraisal of related legal and financial considerations.

Just the chapter headings in the report's section titled "Problems of Eastern Europe" suggest the scope of the difficulties facing both the Eastern Bloc countries and potential outside investors. These headings include:

- Countries in Economic Trouble
- The Limited Market
- Small-scale Production
- Lack of Technical Knowledge
- Slow Adaptation Process of Standards
- Lack of Foreign Exchange and Import Restrictions
- Low Level of Education and Training
- Lack of Auto ID Advisory and Consultative Services

Glattfelder undertook this first market study on auto ID in Eastern Europe at the request of AIM-Europe. As the expert on bar coding for the Hungarian Chamber of Commerce, he led his country's early discussions with EAN authorities in 1983 and later promoted the development of a variety of bar code applications. More recently, as head of AIM-Europe's office in Eastern Europe, he traveled extensively throughout the old communist bloc countries to meet numerous officials and entrepreneurs. (In recognition of these accomplishments, Glattfelder received the 1989 *SCAN Newsletter* European Achievement Award.)

Copies of the Glattfelder report may be purchased from AIM-Europe, The Old Vicarage, Haley Hill, Halifax, HX3 6DR, England; 422/359-161.

An indication of the importance that some companies are placing on the Eastern European market is the special series of seminars on auto ID that were conducted last month in Moscow. The three-day event was sponsored by Symbol Technologies and Bar Code Systems (UK) -- along with BCS' Soviet joint venture partner, Inter Bar Code.

According to Brian Marcel, Managing Director of BCS: "There were 300 delegates from all of the Soviet Republics and the level of interest was incredible, as witnessed by the six hours of questions." Speakers included specialists from the sponsoring companies, as well as two prominent guests: David Carlson, Senior VP of K mart (US) and Anton Scheepmaker, Managing Director, TNO Product

Center (Netherlands). Marcel hopes to take this "Road Show" to Poland and Czechoslovakia in 1991.

There wasn't much time....

....for new products to be developed or new industry trends to emerge between the two major international SCAN TECH shows: Atlanta, on October 2-4, and SCAN- TECH/Europe in Frankfurt, on November 6-8. [These events are held back-to-back every year, which has always struck us as being counterproductive.]

The 5,500 attendees at SCAN-TECH/Europe were exposed to the latest from 116 vendor exhibitors and 150 seminar speakers. The very ambitious seminar program included 27 two-hour sessions (with simultaneous translation into English, French and German).

Although most of the products had been exhibited at SCAN-TECH/US a month earlier, one notable exception was a new CCD Power-Wand developed by the Dutch subsidiary of Hand Held Products. [It is significant to note how some products are designed to reflect the preferences of each market, in this case, CCD's for the Europeans. Similar HHP terminals, such as the Laser-Wand, equipped with laser scanners, were demonstrated by the company at SCAN-TECH/US.]

The concept of setting up demonstrations to showcase complete systems in operation was continued in Frankfurt. It was attempted earlier this year at SCAN-TECH/UK, and in October at SCAN-TECH/US, where it was called "Actual Working System Displays" (SCAN Oct 90).

At SCAN-TECH/Europe, these expanded and improved systems exhibits were dubbed "AIM Wonderland." The presentations included the Hospital of the Future, Factory of the Future and Airport of the Future. (A clever fourth demonstration tracked beer kegs through a distribution system which led the visitors to the end of the line where free beer was available.) There were 28 companies that contributed equipment, consumables, software, manpower and services to make this systems exhibit one of the show's highlights.

[At SCAN-TECH/Europe, we noted the emergence of a larger number of European companies that are the original developers and manufacturers of auto ID equipment. This increase runs contrary to the general perception that American and Japanese vendors continue to provide the overwhelming majority of products for this industry. That situation is changing -- particularly in bar code printers. We plan to explore this trend in future issues.]

Next year SCAN-TECH/Europe moves back to Dusseldorf (its 1988 venue). A major portion of the exhibit space has already been committed.

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* A happy, healthy, prosperous and *peaceful* Holiday Season and New Year to all*
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