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When is a "lame duck"....

....not a lame duck? Politics aside -- it's when it's a decoy!

That's how we initially responded when we saw the recent LXE (Norcross, GA) ad -- notable by its picture of a duck supported by a crutch -- in the July issues of *Auto ID News* and *ID Systems* magazines.

Despite its attention-grabbing graphics, the ad's opening copy was questionable: "The equipment used in most of today's Spread Spectrum systems will be obsolete in 1994, the victim of tougher FCC standards."

This controversy over whether manufacturers were complying with the new FCC regulations was reviewed last month (*SCAN* July 92) when we reported on Intermec's strongly worded response to accusations that its RF system did not meet the standards. We pointed out that every vendor of spread spectrum systems complies with current FCC rules (and there is no requirement to meet the new regulations for another two years).

We pursued this subject with Bob Scaringe, Marketing Communications at LXE and Chairman of AIM's RF/Data Communications Committee. "Why," we asked, "do you state in your ad that any systems in use today, which do not comply with the FCC's new standards, 'will be obsolete in 1994'? And why is this same message also being bandied about by your sales staff?"

"What we are actually saying," Scaringe replied, "is that if you purchase a spread spectrum system that does not meet the 1994 standards, you may not be able to expand your system or replace parts after 1994."

When questioned further, Scaringe conceded: "You will be able to operate your pre-1994 system after that date, but there are only two ways to expand or replace parts. The manufacturers will have to supply parts that were produced and placed in inventory prior to the 1994 cutoff date in anticipation of servicing their customers. Or new radios made after 1994, which comply with the revised regulations, will have to be installed in existing terminals. And this may be difficult because these new radios may not physically fit."

Scaringe went on to describe LXE's new triple pledge. "We not only guarantee to meet FCC standards, but we also guarantee to cover any area, regardless of size; and we guarantee against interference because of our unique internal 'frequency hopping protocol' which our competitors do not use."



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INCLUDING THE INTERNATIONAL EDITION

LXE has made a rather remarkable turnaround from poor-mouthing spread spectrum -- when it was first introduced by Symbol Technologies in January 1990 -- to becoming one of its leading proponents. Last year, for example, Scaringe predicted to *SCAN* that spread spectrum would have only limited applications because it was susceptible to interference and could only cover very limited areas (*SCAN* Jan 91).

RF communication has come a long way -- as was expected. There are also signs that it is now starting to expand in Europe. At the recent SCAN-TECH/UK (Birmingham, June 16-18), narrow-band RF communication products from Handheld Products, Intermec, LXE, Symbol Technologies, Teklogix, Telxon and Belgravium (a UK-based manufacturer) were all in evidence. It should be noted, however, that broad market penetration is being hampered by two factors: widespread incompatibility among the various national standards of the European countries; and because spread spectrum is not yet permissible in that region.

In a major move....

....to enhance the technology aspect of grocery retailing, FMI (the Food Marketing Institute) has announced its new Supermarket Technology Convention to be held in New Orleans, February 28-March 3, 1993.

[FMI has 1,500 food retailer and wholesaler members who operate 19,000 supermarkets, representing more than half of grocery sales in the US. The annual Supermarket Industry Convention -- commonly called the FMI Show -- is a monster event held for many years in Chicago.

The major thrust of the FMI Show has been to highlight food, grocery and other items that are sold in the supermarket. Since UPC was introduced, the number of vendors of point-of-sale systems and other technology products have grown enormously at this show because it was the only available showcase that drew representatives from all of the important chains and independents.]

Splitting off the systems vendors from the FMI Show, and forming the separate Supermarket Technology Convention, recognizes that the retail executive in charge of systems -- who wants to learn more about POS, EFT, UPC, EDI, MIS and DSD (just to drop a few names) -- doesn't always want to wade through the latest information on in-store bakeries, salad bars or fresh catfish.

We discussed this new FMI initiative with Tom Friedman, publisher of the *Retail Systems Alert* newsletter, which, since 1990, has also sponsored conferences on Strategic Automation for Retailers. "This is a smart move by FMI," Friedman noted. "This decision was made in response to the comments they have been receiving from technology companies complaining that the FMI show was too large and too food-oriented."

As to whether this competition would negatively affect his own conference, Friedman thought not. "Our show," he explained, "is geared to the middle managers who are more computer-oriented and are responsible for actually installing the systems. FMI attracts the decision-makers who are more interested in the 'big picture.'"

From all indications, the new FMI Supermarket Technology Convention should be more attractive and manageable to auto ID vendors who previously have been overwhelmed by the FMI Show.

The corporate news this past month....

....was mostly positive.

[But first, a related aside. We have received a number of phone calls lamenting the volatility of the stocks of the publicly-held auto ID companies. This has been particularly true, of course, of Symbol Technologies, which has seen its share values hammered down to half of its 12-month high -- in spite of its record breaking revenue figures and improved earnings.

It can be argued that self-serving, external financial pressures are part of the burden you are expected to bear when becoming a public company. However, in a high-technology industry, made up of smaller companies, the (mis)fortunes of one leading company reflect on the entire industry.

By all accounts, Symbol's recent woes have been compounded by negative rumors circulated by short sellers this past June. As a result, a remark by Chairman Jerry Swartz, on July 22, when he announced second quarter results fell on fertile ground. "We have concerns," Swartz said, "that continued weakness in our US retail market could result in slower than expected growth in the second half of 1992."

On the date of that statement, the stock tumbled 3 1/2 points -- to 14 1/2 -- a loss of almost 20% of its value. This plunge followed the 3 1/4 point drop just a few weeks earlier (6/27), when the stock had the distinction of posting the largest loss and the fifth largest volume on the New York Stock Exchange. The June downturn had been based on incorrect (some say malicious) rumors circulated about poor earnings expected for the second quarter.

The underlying point we are trying to make was best expressed to us by one Wall Street analyst: "Why invest in an industry with these kinds of volatility problems when there are so many good investment opportunities around?"]

Now, for the good news:

- Computer Identics half-year revenues went up 12% (to \$10.6 million) while posting a \$474,000 profit (\$.05 per share) compared to last year's small loss for the same 6-month period.
- The mid-year results at DH Technologies reflected sales of \$27.2 million, up 33% over last year. Profits rose 43% to \$2.9 million (\$.56 per share).

In an unexpected move, Ivan Jeanblanc (Chairman of AIM/US) has resigned as Vice President of DHT's IBI division to start his own consulting company. [Jeanblanc was travelling and not available for comment at press-time.] A DHT spokesman told SCAN that the separation was on good terms and that Jeanblanc, as a matter of fact, will be consulting for

DHT on a continuing basis. He thought that Jeanblanc had been wanting to set up his own firm for some time and that he would be moving back to the midwest from DHT's San Diego headquarters.

- The most spectacular surge in quarterly sales and profits were reported by PSC (Photographic Sciences). The company reported \$9.3 million in sales (almost 2 1/2 times last year's \$3.8 million) and \$1.5 million in profits (vs. \$100,000 last year). For the 6-month period, revenues were \$16.4 million and income \$2.5 million (\$.34 per share). President (and now also Chairman) Mike Hone was quick to tell SCAN: "Don't look for this level of performance every quarter. These figures reflect the large shipments we made to Telxon of our hand-held scanner modules for the Wal-Mart orders" [which will be completed in August].

Hone makes it a practice not to forecast sales and earnings. But PSC is now followed closely by a few financial analysts and Bob Anastasi (Hambrecht & Quist) predicts 1992 sales and earnings at \$32 million and \$.46 per share. For 1993, Anastasi estimates \$39 million in revenues and \$.63 per share.

There is additional news about PSC's surprising patent infringement suits against Spectra Physics and Metrologic (SCAN July 92). In his initial public reply to the July 1 lawsuit, Spectra's President John O'Brien stated: "The company believes it did not infringe this patent....This is an obvious attempt by PSC to slow S-P's recent successes in the portable bar code scanner market." Metrologic's similar response was that it believes that its recent 50% price reduction on the 900 Series (SCAN Mar 92) "along with significant product performance advantages, has contributed to PSC's decision to pursue legal action."

- Symbol Technologies' 6-month revenues were up 24% to \$184 million with an increase of 19% in earnings to \$11.6 million (\$.47 per share). The problem, in the view of some financial gurus, was that the second quarter earnings were only up 8% to \$.25 per share (\$.23 last year). Domestic scanner revenues were down for the second quarter -- although European scanner sales "showed significant growth."

On the operations front, Symbol and IBM announced a cooperative marketing agreement that authorizes IBM's US direct sales force "to either directly or jointly market and take orders for several Symbol products." The agreement includes the LS 2000 and LS 8500 handheld laser guns. Symbol had entered into a similar marketing agreement with IBM Europe earlier this year.

- Telxon announced its fourth straight record-breaking quarter reporting revenue of \$67.4 million for its first fiscal period of 1993 (ended June 30). This result was a 37% increase over last year. Net income rose almost 30% to \$4.4 million (\$.30 per share) over last year's \$3.4 million.

The company also announced a new multi-million dollar contract with the Burlington Coat Factory to install Telxon's spread spectrum wireless communication network (including the PTC 960 microcomputer) in 185 of the chain's discount stores across the country.

- Zebra also posted record results for both the 3- and 6-month periods that ended June 27. The 6-month sales figures were \$28.1 million (up 34.4% over last year) while profits were \$5.4 million (\$.34 per share), reflecting a 47.6% increase over last year.

Two major initiatives....

....developed by FACT (Federation of Automated Coding Technologies) have met with some resistance -- and the difficulties clearly involve communications as well as substance.

Both of these projects have been personally supervised by Craig Harmon, the new Chairman of FACT. Under Harmon's leadership, FACT is undergoing major changes in its status, mission and active programs. On May 15, the organization was placed on notice -- because of a "potential conflict of interest" -- that AIM/US would no longer provide the management and administrative support it has rendered to FACT since it was founded in 1984 (SCAN June 92). This cutoff was supposed to take effect at the end of this year, and AIM encouraged FACT to submit a "business plan proposal..for support beyond 1992."

The very resourceful Harmon did just that. Within a few weeks, he had drafted a 25-page document replete with a new organization description, marketing and operational plans, and detailed budgets.

This June 9, 1992 Business Plan was carefully circulated for comment among a few key individuals (one copy was quietly passed around at ID Expo in mid-June). The plan included Harmon's controversial proposal to establish an Equipment Testing Facility "to advance the state of bar code technology." As described in the plan: "Commercially available bar code equipment would be tested and test results reported to the user community....The facility would be philosophically oriented somewhere between the Underwriters Laboratories concept to that of the Consumers Union concept."

The problem was that FACT's Board members were not sufficiently briefed on this elaborate new plan which would increase the organization's budget from \$25,000 in 1992 to a proposed \$2.8 million in 1993. At the June 25 meeting of its Board of Governors -- many of whom are Executive Directors of the association members of FACT -- the new plan was blocked from even coming up for discussion. A number of Board members were not only philosophically opposed to the ambitious proposal, but they also felt they could not consider a plan they had not seen nor reviewed with their own membership and counsel. In effect, any proposition that includes a testing facility is dead-in-the-water at this time.

The second important project, that has suffered because the ground was not sufficiently prepared in advance, involved the presentation of the working draft (dated April 27, 1992) of the FACT-2 Data Application Identifier Standard. FACT-1, which was adopted as an ANSI standard, was the "Data Identifier Dictionary of Definitions and Coding Prefixes." After the UCC/EAN organization issued their Application Identifiers in 1990 (SCAN Jan 91; June 91) there was a recognized need to reconcile these conflicting systems.

FACT-2, which includes a section on "Mapping FACT D/I's to UCC/EAN A/I's," is the first major effort to accomplish this reconciliation. Unfortunately, after an information-only copy of the working draft -- which was the result of a coordinated effort between Harmon and members of the UCC -- was sent to EAN

headquarters in Brussels, it was then prematurely circulated to many of the EAN affiliates. This same document also surfaced at the June 10 meeting of the European Community's Bar Code Standards Group -- CEN TC225. All the while the paper was being passed around, the FACT Board of Governors had neither seen, considered nor approved the proposed standard.

COMMENT

Symptomatic of how sensitive these areas have become, there were even indications from AIM/Europe that its members also felt that they had been bypassed from seeing the FACT-2 document. They felt slighted because AIM/US still plays an important role in FACT and because the FACT-2 proposal was circulated to European members of the auto ID community (through the EAN). Why, they wondered, was AIM/Europe left out and forced to obtain their own copies and information back door?

Much of the resistance to FACT's initiatives smacks of political gamesmanship. There also appears to be petty nitpicking of important proposals which are being moved ahead by a well-intentioned, activist FACT Chairman. The auto ID industry must recognize that FACT's future is somewhat fragile at the moment. One Board member told SCAN: "Generally, the member organizations which comprise FACT have been providing little money and even less support and, as a result, some of these grandiose plans have received a chilling reception."

Unless a major effort is undertaken -- supported by a cadre of FACT members, specifically including AIM/US -- to reorganize and revitalize FACT, it may not emerge intact from this crisis.

It remains a very sensitive area....

....that no one is willing to address for the record, but the reorganization of AIM/International and the related AIM/US and AIM/Europe reconciliation are not progressing as smoothly as had been promised.

The Task Force charged with preparing a new charter for AIM/International was to have gathered in Australia on June 29, at a meeting hosted by the Asian-Pacific members. However, that session was called off, an AIM/US spokesman told SCAN, because "not everyone was ready." SCAN has also learned that several AIM/Europe members reacted with some concern and suspicion about American motives when this unilateral decision by AIM/US was announced.

The actual situation is that there are still a number of open issues remaining about the proposed new structure of AIM/International. One of these differences is the very basic decision about who is eligible for membership; i.e. will AIM/International be an umbrella group made up solely of AIM affiliate organizational members -- a position supported by AIM/Europe; or will the membership be open to any company that wishes to join -- as recommended by AIM/US.

Since AIM/International membership meetings would be held in different locations throughout the world, and since members would be required to attend a minimum number of meetings annually, AIM/US theorizes that only multi-national companies would join and bear the significant expense of attending these meetings. And since most of these larger, international companies are

American-owned, some members of AIM-Europe have viewed this arrangement as leading to domination of AIM/International by the Americans.

There is an active move to reconcile the two positions by opening membership to both organizations and companies; that proposal is on the agenda for the next meeting. According to an AIM/US spokesman, AIM/Europe is now insisting that the next session should be held in the UK, and everyone seems to have agreed to that change of venue. The schedule calls for late August, but there is no decision yet as to the exact date.

The target is for a new AIM/International charter to be presented for approval by the members at the Annual Meeting scheduled for SCAN-TECH (Anaheim, CA) in October. Therefore, the August meeting will be an important one.

As for the deal reached by AIM/US and AIM/Europe, after their very emotional squabble earlier this year (SCAN Feb 92; Mar 92), there are still a number of issues outstanding. One of the key points of their settlement was to be a "substantial loan" (reported to be \$175,000) from AIM/US to AIM/Europe to help the Europeans to pay off some of their debts and to support their expanded marketing efforts in Europe.

That loan has not yet been executed. AIM/US had stipulated -- and AIM/Europe had agreed -- that there would have to be appropriate documents prepared (including a 5-year interest-free repayment schedule), that periodic audit reports would be forthcoming and that AIM/US could sit in on AIM/Europe financial meetings. When the final loan documents were forwarded to AIM/Europe, they were returned unsigned with objections. The loan and supporting agreements are still in limbo.

[There has been speculation that AIM/Europe is in no rush to assume this additional debt since its money crunch may have been somewhat relieved when it sold its *Auto ID News Today* magazine to Avanstar (publishers of *Automatic ID News*) (SCAN Feb 92; Mar 92).

These are just two examples contributing to our impression that there are still major gaps preventing positive, cooperative relations between these two pivotal groups within the AIM/International family. Let's get on with it!

There were a few problems....

....with the Northwest Airlines' full-page ad that ran in the *Wall Street Journal* and other newspapers around the country on July 28, 1992. The copy was pretty corny ("every bag has to pass a bar exam"); and the wrong symbology was displayed (it was a UPC symbol, although airlines actually use Interleaved 2 of 5 on the tags and stickers). But, from our viewpoint, the ad's essential message could not have been better: "If you need accuracy, reliability and dependability -- bar codes are the way to go."

[A representative of Northwest's advertising department was not concerned about the inaccuracy of the symbology portrayed. "You may recognize the difference," he told SCAN. "We just selected the bar code we knew the public would best identify with." Okay, we'll buy that.]

At the other end of the Auto ID spectrum, some frequent travelers will now be "scanned" by the INS (US Immigration and Naturalization Service) using a new auto ID technology.

The INS has undertaken an experimental program to speed up the process for arriving international passengers at airports where clearance delays can now take up to an hour. These passengers, who will be carrying a special identification card, will place one hand into a scanning device which will measure certain distinctive physical characteristics, such as finger size, distance between joints and hand width. The identification process is expected to take about 6 seconds. The experimental program -- costing \$700,000 -- will be installed at JFK and Newark airports in the New York region. An estimated 50,000 regular business travelers (who make 3 or more international trips each year) are eligible to apply.

Interesting note: An article in the *Washington Post* (7/20/92) reported that a similar system in the Netherlands checks fingerprints. The INS felt that such a procedure had "connotations of criminal investigation [and] would not be well received by the [American] public."

Not much attention....

....has been paid to the existence of specialty companies devoted to selling "cleaning" products for auto ID industry devices, nor to how competitive these companies were.

KIC Products (Peterborough, NH) -- a clever name which stands for Keep It Clean -- was founded this past year by Craig Barry to sell items such as the Thermal Printhead Cleaning Pen and Cleaning Card, Magnetic/Optical Reader Cleaning Cards and other similar products to clean reader heads, paths, rollers and other contact parts. Barry was originally employed by the Clean Team Company (Simi Valley, CA) which is not particularly happy -- to say the least -- that he has now set up shop in direct competition.

So, Stan Eyler, owner of Clean Team, sent a letter to all of his customers to let them know that Barry is "working by himself out of his apartment without the ability to control the quality of his products or to honor orders." In a press release, Eyler also stated that he has filed a lawsuit against both KIC and Barry, charging "conversion, collusion, theft of technology, RICO and other charges."

On July 15, Barry replied with a letter of his own which denied all of these accusations. He also countered by filing a suit against Eyler and Clean Team for "defamation...unfair competition" and other complaints. (Actually, Barry has told *SCAN* that Clean Team has never officially filed suit against him, although Eyler continues to maintain that he had.)

With the hundreds of thousands of printheads out there that need cleaning, it would seem to be more productive for these fellows to just fire their lawyers and concentrate on expanding their markets.

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