



# newsletter

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## The other shoe has now dropped....

....with a resounding thud!

The first blow fell on August 20, when Symbol Technologies laid off 140 employees in anticipation of "slower-than-expected growth during the second half of 1992" (SCAN Sep 92).

Just how slow that growth would be was described 3 1/2 weeks later, on September 14, when the company announced that revenues for the third quarter (September 30) would actually be lower than last year. In addition, considering the expected poor economy through the end of this year, it was expected that the fourth quarter results may not be any better. The earnings picture was also bleak, with a loss expected for the third quarter (which includes the \$6 million one-time charge that will be taken for the workforce reduction announced last month).

The company directly attributed the problems in sales and profits to the "continuing weakness in the US retail market." The anticipated drop in revenues affected both Symbol's scanning and portable terminal lines. Meanwhile, the company reported that international sales were on target (even though it is quite evident that the foreign economies are not much healthier than the one here at home).

The day after the negative forecast of sales and earnings was announced, the stock tumbled 3 1/2 points -- almost 25% of its value -- and it has since remained in the \$10-\$11 range.

The question must be asked: Why has Symbol been affected so much more dramatically than its competitors -- like Telxon and Norand -- which also depend, to a great extent, on the retail market?

A Wall Street analyst who follows the company put it this way in a special advisory letter he rushed out on September 14: "Questions have arisen over whether [Symbol's] drop in sales represents a permanent loss of business and how much is related to competition....We continue to believe that the major market segments where Symbol operates have healthy growth prospects and customer interest in the company's new products is high....We do not believe Symbol is losing market share in its target market niches. However, what gives us some concern is that some other competitors, many of whom target other segments of the market, have not seen the same slowdown in order rates."



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INCLUDING THE INTERNATIONAL EDITION

This same analyst warns that this may not be the end of the bad news. "While there are signs," he writes, "that order rates will improve [for Symbol] in the first quarter of 1993, further postponements are possible."

One highly-placed industry executive, a consistent supporter of Symbol, believes the company is particularly vulnerable because of its dependence on the front-end store systems. He told *SCAN*: "It's true that Telxon and Norand are also heavily into retail applications, but they have concentrated on the back room, warehouse and operations systems while Symbol was dominant at the front end. And, at the moment, the retailers are more committed to improving other systems throughout their stores and are ignoring front-end upgrades."

Another well-positioned, and very knowledgeable corporate officer put a slightly different twist in his analysis when he told *SCAN*: "Symbol has been very strong in the 'rag' business [i.e., the department store and clothing specialty shops] and that trade has been particularly hard hit this past year. Many food and drug chains, on the other hand, see this as an opportunity to improve their bottom-line profitability by installing new systems which may also serve to knock out some of their weaker competitors."

The question has also been raised as to whether Symbol's attempts to reduce its overhead have been too little and too late. "Telxon was lucky," one industry-watcher commented. "They took their lumps two or three years ago and were forced to slim down and trim their costs at that time. They were better prepared than Symbol, therefore, to withstand the pressures of this recession."

#### COMMENT

*These assessments are not very positive, but they represent attempts by some Symbol supporters to put the best light on a very critical period for the company. Symbol Technologies has only recently emerged from its struggle to integrate the personnel and products of its two major divisions -- scanning and portable terminals. From all indications, this transition was successful, but no one can safely predict how quickly the company will break out of its current crisis. The lingering recession and more aggressive competition have presented new challenges that the company has not faced in the past, when it relied primarily on its innovative technology and strong patent position.*

#### It was no secret....

....that BRT (Fountainville, PA) -- a small manufacturer of high-performance, large laser scanning systems -- was actively seeking a partner to provide the resources it needed to fund operations.

Last October, the company announced that it had entered into an exclusive distribution agreement with Intermecc. When that deal fell through a few months later, BRT's Founder/President Benny Tafoya, went out to seek new venture capital "to finance production and growth" (*SCAN* Nov 91, June 92).

This time, PSC (Photographic Sciences) came to the rescue with a much more definitive arrangement. On September 21, PSC announced that it had executed a letter of intent to acquire BRT. This document represents an agreement in principle which has been approved by PSC's Board of Directors. Completion of the deal awaits the attorneys who are drawing up the final contracts.

PSC's President Mike Hone sees this acquisition as part of his plan to "expand our ability to reach new markets with a broad array of high-speed scanners such as those developed by BRT." Hone added: "PSC is committed to this market and will make additional investments in research and development, product development and marketing."

Hone is very upbeat about the potential of this deal. "We have checked out a number of BRT customers," he explained, "who have confirmed that they found BRT equipment to be very sturdy and reliable. We believe we will be able to provide a much larger marketing base through PSC's existing reseller and OEM network."

Tafoya told *SCAN* that he felt both genuine relief and a great deal of satisfaction regarding the pending deal. He revealed that BRT recently completed the largest sale in its history to the Kraft Foods (Division of Philip Morris) Coupon Redemption Center in Kankakee, IL. "Our omni-directional scanners will be part of an automated system that handles \$650 million worth of coupons annually," he explained. "We completed the Phase I feasibility test a year-and-a-half ago and then shipped eight of our units for the Phase II test. Several months ago, Kraft placed a very large order for the scanners that will handle all of their coupon redemption operations."

The terms of the PSC/BRT acquisition agreement have not been released, but *SCAN* has learned it will include a combination of cash and PSC stock. PSC has no immediate plans to move BRT from its current location. Tafoya will remain with the company and he happily predicts that he will be able to make a significant contribution to its future success.

#### The public exchange of barbs ....

....between Veritec (Chatsworth, CA) and I.D. Matrix (Clearwater, FL) continues over their respective two-dimensional, matrix-type symbologies.

Last month, Veritec sued I.D. Matrix for patent infringement, charging that I.D. Matrix's Datacode infringed on Veritec's patents covering its Vericode symbology (*SCAN* Sept 92).

Two weeks later, I.D. Matrix's President, Dennis Priddy, shot back by releasing the following statement: "The suit by Veritec is completely without merit....I.D. Matrix had earlier forwarded a detailed statement of its position to Robert S. Anselmo, President of Veritec, along with an offer to meet to discuss the reasons why Veritec's assertions lacked merit. After Anselmo first agreed to the meeting, he later refused....We will formally respond to the complaint, file appropriate counterclaims against Veritec and vigorously defend our right to market our Data Matrix Technology."

[As evidence of the growing importance of 2-D symbologies, we were cautioned by Debbie Faggetter of ICS International (New Anspach, Germany) that last month's article on the subject neglected to mention her company's Codablock. Faggetter noted: "Several American companies have already implemented...Codablock...[which] could be used with practically all bar code printer suppliers and also with hardware from Compsee, Accu-Sort, Computer Identics, Mars and Microdata, to name a few."]

The questions are being raised....

....more and more often:

- Does the auto ID industry need two major trade shows -- SCAN-TECH and ID Expo?
- Are these shows providing the exhibitors with a suitable return on their investments; i.e., are they attracting enough potential customers who can be converted to sales? (There was a great deal of concern over the decisions by a number of regular SCAN-TECH exhibitors who chose not to participate this year, including Intermec, Epic Data, Fargo, Markem and Avery Dennison).
- Is it better to fix a show in one location or move it around the country?

To address these questions, and others, the AIM/US Board of Directors approved a study to examine new paths and options for SCAN-TECH, the organization's most important event and source of funds. An outside consulting firm was retained to survey exhibitor attitudes and the results of Phase I of this study are now being tabulated. Additional in-depth analyses will be conducted, during the October 5-7 conference, including surveys of exhibitors and visitors.

In a recent interview with SCAN, AIM's new Executive Director, Don Anderson, addressed these problems directly. "If you compare the attendees of SCAN-TECH and ID Expo," he explained, "there is only a 15% crossover or duplication. Part of that is attributable, of course, to our different locations. It is also probably true, as some have stated, that we attract more resellers to our show who tend to visit more booths and spend more time in each one. But that has become a very important part of the marketing effort of most manufacturers and should not be discounted."

As for the exhibitor withdrawals this year, AIM's Senior Marketing Director, Joe Marzano, told SCAN: "Each one reflects a different corporate decision based on individual internal factors and does not represent a movement away from SCAN-TECH. Most of these companies have left the door open to returning next year."

AIM's leadership recognizes that the question of moving about the country, instead of settling in one location, goes right to the heart of the trade organization's responsibility to bring automatic data capture to the largest number of people. Anderson was quite blunt on this subject. "We are facing a real challenge," he said, "which we have not met satisfactorily up to now -- to educate the industry leaders and the public about the real meaning and value of automatic data capture and the SCAN-TECH shows. We need to answer the questions: Who are we targeting? What are their job descriptions? Why should they attend?"

COMMENT

*Is AIM/US facing a crisis similar to the one that has plagued AIM/Europe regarding the less-than-enthusiastic support of its SCAN-TECH/Europe in previous years?*

We think not. However, it must be recognized that in tough economic times (such as these), and in the face of increasingly successful competition (such as ID Expo), it has become more difficult for AIM/US to maintain the high road while continuing to fulfill its obligations to educate the broadest possible geographic and industrial base of potential users.

ID Expo, on the other hand, is a profit-motivated commercial venture which has firmly rooted itself in Chicago in the most accessible location of the nation's industrial heartland. It may take many more years -- if ever -- before ID Expo exhausts that area of its potential customers. ID Expo provides a defined, albeit limited, service that seems to fulfill the short term needs of both its sponsors and exhibitors.

AIM and its members have a larger and longer-range mission that promises greater ultimate rewards to the entire industry; i.e., AIM must continue to strive to meet the challenge to bring auto ID technology to the largest audience in the entire auto ID universe.

Achieving their goal may demand new thinking, a revised SCAN-TECH structure and new approaches to the marketplace, but the mission cannot be abandoned and it requires the full support and participation of all member-companies.

#### Events are moving rapidly....

...at AIM/US which portend a significant transformation in that organization. AIM's new Executive Director, Don Anderson -- who succeeded Bill Hakanson this past March -- has been overseeing a number of important changes in his professional staff.

- Joe Marzano has been promoted to Senior Director of Marketing.
- AIM is actively recruiting to fill the open positions of Marketing Communication Manager, Events and Products Director, and Development Manager. (This last job was recently vacated by Leo Castagnari, who is no longer with AIM.)
- Steve Halliday has joined AIM as the new Senior Director of Technology. He was formerly with GFI, an AIM member (Elk Grove Village, IL) which specializes in mag stripe.
- Working with Halliday will be Bert Moore, AIM's newly appointed Director of Technical Communications. Moore, whose talents and achievements at AIM have been widely recognized, will be expanding his activities in the very important area of technical support to all of the bar code committees.

We asked Anderson and outgoing President Ivan Jeanblanc if there were concerns about these increases in the organization's staff and overhead. Anderson pointed out that AIM/US ranks well below the averages in number of personnel and costs for trade associations with comparable memberships. Jeanblanc replied: "We recognize the problem, but we are reflecting the desires of AIM members who are requesting broader services from the organization. We are trying to keep our arms wrapped around this expansion so that it doesn't get too costly or out of hand."

Beswick Associates, which has handled public relations for AIM/US since its inception, has resigned the account. Rob Beswick, who has been a fixture at all previous SCAN-TECH shows, has told SCAN that the event in Anaheim in October will be his last. "They have decided to handle their promotions differently," he explained, "and we do not fit in with their plans."

One of these changes, according to Executive Director Anderson, has been a shift to much greater emphasis on direct mail to attract exhibitors and visitors to the SCAN-TECH shows.

AIM's newly elected officers will take over immediately following the December membership meeting. Ivan Jeanblanc has completed his two-year term as president and he will be succeeded by Bonney Stamper (Bar Code Systems), who has been serving as AIM's VP Operations. Completing the new slate will be VP Operations, Dan Chamblin (Identatronics); VP Technical Development, Norm Weiland (Monarch); and Treasurer, Bill McCubbins (RJS).

Dan Tierney (Spectra-Physics) and Jack Kindsvater (Zebra), who had been very active officers and members of the AIM Board -- and in line for senior positions in the organization -- decided not to stand for reelection this year, pleading the press of business and expanded responsibilities with their companies. They will be missed.

[Jeanblanc is going through a rather complete change of life all at once. He is not only leaving his job at AIM, but he has also left his position as Vice President of the IBI division at DH Technology. Jeanblanc has set up his own consulting company, Axiom Tech, in Glenview, IL. "I just found the corporate climate too confusing," he told SCAN, "and I wanted to spread my wings." Attesting to his statement that his departure from the company was an amicable one, Jeanblanc's first client will be IBI/DHT.]

#### Joining the distinguished roster....

...of Percival Award recipients is this year's winner David Carlson, Kmart's Senior VP, Corporate Information Systems.

Carlson, who joined Kmart in 1985 and was promoted to his current position three years ago, has been a leader in the application of automatic data capture in the retail environment. His initiatives have gone well beyond just placing bar code scanners at check-out counters. Kmart, for example, was one of the first to install test sites of spread spectrum RF communications soon after this technology was first introduced in 1990. Kmart was then the first major chain to roll out these RF systems the following year.

Most recently, as an example of his out-front positions on important issues, Carlson led the battle to standardize the Bookland EAN format for all published books, a move strongly opposed by the Uniform Code Council and the grocery retailers (see below). Carlson marshalled his arguments and presented them convincingly to the paperback publishers to win their support.

Carlson, who obtained his BS (Mathematics), MS (Industrial Automation) and Ph.D (Industrial and Operations Engineering) from the University of Michigan, adds the Percival to his other prestigious awards:

- Winner of SIM "Partners in Leadership Award" for Kmart's retail automation programs (1990).
- First runner-up for Chain Store Age's "Retail Innovative Use of Technology Award" (1990, and again in 1992).
- Winner of the Carnegie-Mellon/American Management Systems "Award for Achievement in Managing Information Technology" (1991).
- Winner of Smithsonian Institution's "In Search of New Heroes Award" (1992).
- Winner of UNIX "Expo International Excellence in Open Systems Award" (1992).

Carlson served on the Board of Governors of the Uniform Code Council from 1985 through 1989. Among his other achievements, he was particularly pleased to have conducted scanning and technology seminars in the former Soviet Union in October 1990 and December 1991.

The premise of the Percival Award -- given only to members of the automatic data capture "user" community -- is that the efforts and accomplishments of individuals do have a profound effect on the course of world events. David Carlson, the eleventh Percival designee, is an excellent example of the validity of that premise.

The Percival Award, co-sponsored by SCAN Newsletter and AIM/US, will be made at SCAN-TECH in Anaheim on Tuesday, October 7.

### The continuing frustration....

....over UPC/EAN incompatibility -- a situation that we've been deploring for the past 15 years -- has surfaced again recently due to the Hobson's Choice faced by the US publishers of paperback books (SCAN June 92). The book publishers had to decide which of their two major markets to satisfy when they place the code and symbol on the back covers:

1. The booksellers and mass merchandisers -- led by this year's Percival Award winner, Kmart's Senior VP, David Carlson (see above) -- are demanding "Bookland EAN"; i.e., the EAN-13 bar code incorporating the established International Standard Book Number. (All books, other than US/Canadian-produced paperbacks, have the Bookland EAN symbol routinely printed on their back covers.)
2. The US supermarkets and most drug chains -- whose book sales are primarily paperbacks -- insist on continuing with the so-called price-point UPC (which identifies the publisher and the price, but not the specific book title). These grocery and drug retailers have never geared up their systems to read the EAN code and symbol.

The conflict came to a head last May when Wal-Mart and Kmart told the publishers that they plan, starting next year, to charge-back the publishers from 6 cents to 15 cents per book to recover their costs of relabeling the back cover of each paperback.

That threat seemed to catch the attention of the major publishing houses. At a meeting in New York in early July -- in a move that took many members of the book industry by surprise -- the top executives of the paperback publishers decided that, effective January 1, 1994, they will go with the Bookland EAN code and symbol!

Three weeks later, however, on July 29, 1992, the UCC Advisory Committee, which had been appointed to study the issue, recommended that Guideline No. 21 (Paperback Coding) should not be changed and that price-point UPC should be retained. The Committee asked for additional comments by October 9. The subject is scheduled for review at the next meeting of the Board of Governors in November.

#### COMMENT

*The Advisory Committee's report was an evenhanded presentation of all of the opposing viewpoints on this subject. However, since this UCC group could not force the EAN-13 symbol down the throats of its powerful supermarket-members, it was a foregone conclusion that the Committee would have to affirm the position of those constituents.*

*What was disappointing to us was the total lack of any statement in the Advisory Committee's 6-page report about the need and desirability for the food and drug retailers to move toward a UPC/EAN environment. They should at least have taken this opportunity to point these members in the right direction.*

#### The major complaint....

....registered by Harry Burke, after his definitive two-volume "Automating Management Information Systems" was published in 1990 (by Van Nostrand Reinhold), was that there were too few people who actually read his books.

Partly to remedy this problem, Burke has now self-published a 100-page book which highlights and condenses the subjects of his larger works. Titled "Barcodes Galore -- Maximize Productivity," the new book comprehensively covers the essential material of his major thesis of Realtime-Management, his version of the key to increased industrial efficiency.

According to Burke: "Well-crafted bar code programs provide management with a tremendous amount of information, detailing work in process, which is not available by any other equally economic means. Productivity growth is at stake!....Those organizations who do not operate under the aegis of Realtime Management will have trouble competing with those who do."

As with all of Burke's writings, it takes special effort and concentration to obtain the benefits of his analyses. But for those setting out to establish automated production systems, this could be a valuable asset.

"Barcodes Galore" is list-priced at \$25 (with attractive quantity discounts). Distribution is handled by Jeffrey M. Burke, TEVAKI, 2442 Coronet Boulevard, Belmont, CA 94002.

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