



# newsletter

Ltd.

Since 1977, the  
premiere management  
& marketing newsletter  
of automatic data  
capture: Bar Coding, RF  
and related  
technologies.

SCAN Newsletter, LTD. • 11 Middle Neck Road • Great Neck, NY 11021 • 516/487-6370 • FAX 516/487-6449

Volume XVI Number 6

February 1993

## The upbeat mood....

...was so apparent at the 82nd National Retail Federation (formerly NRMA) Convention and Expo that we expected to see salesmen whipping out their order pads and writing new business on the spot.

The NRF Show was held on January 17-20 at the New York Hilton. The exhibitors featured everything needed by the non-grocery retailers to run their stores (other than the actual merchandise for sale). These displays included an array of store fixtures, clothes hangers, banking and credit card plans, security systems (anti-theft devices seem to be more sophisticated and more ubiquitous each year) and point-of-sale equipment and software.

During the past five years, automatic identification -- particularly bar code scanning and RF -- has become the most prominent technology at the show. It is involved in nearly every aspect of store management, including check-out, inventory, receiving, security, warehousing, personnel and credit authorization.

While surveying the convention floor, one senior executive of an auto ID company observed: "This is the most excitement I've seen at this show in over 10 years." But the excitement, this time, was generated by the positive attitude of the visitors and not by any special offerings by the exhibitors. The 1993 NRF Show, in fact, was geared to exploiting ideas and systems based on products that were introduced and field-tested during the last few years which have now matured and are ready for a market that seems receptive.

Here are two examples of such developed products and systems which drew fresh attention:

- The "Wireless Store" concept, incorporating spread spectrum RF communications, seems to be taking hold. Reports of successful implementation at Wal-Mart, Kmart, Toys 'R Us and Ralph's Grocery have given these systems the approval and cachet they need to gain acceptance with many retailers. Symbol Technologies -- which claims to be the leader in this field -- states that it has installed units in 4,000 sites for 120 corporate customers.



0273-3080(199302)16:6;1-2

INCLUDING THE INTERNATIONAL EDITION

- Palm-sized laser scanners are now featured by both Telxon and Symbol. These wireless RF units communicate up to a range of 10 feet from their base cash registers without any line cord attachments. If ways can be devised to keep these sexy little devices from walking out the door or dropping on the floor, they should become very popular.

In one sector of the store security system business, a controversy has surfaced among the leading vendor companies. This argument arose because the National Association of Recording Merchandisers recently issued a guideline which specifies the use of non-magnetic tags on unit packaging of prerecorded records, tapes and CDs. This preferred system would employ radio frequency electronic article surveillance (RF EAS) tags which do not pose any threat to damage the magnetic-based merchandise. (Currently, in many stores where the magnetic security tags are used, the retailers employ the "pass around" system; i.e., as the customer exits through the magnetic gate, the purchased merchandise is passed around.)

Two of the leading security system manufacturers -- Sensormatic (Deerfield Beach, FL) and Checkpoint (Thorofare, NJ) -- are battling over this new regulation. Sensormatic (magnetic) is attempting to block the final approval of the NARM standard which is being supported by Checkpoint (RF).

A relative newcomer to the North American market, ID Systems (Etobicoke, Ontario, CANADA) is also attempting to move into this important market segment with their RF-based System QS. Jim O'Brien, the company's Regional Sales Manager based in Reston, VA, told *SCAN*: "ID Systems has a proven RF system with 40,000 installations in Europe and we are planning a major marketing effort among the record dealers. RF is definitely the way to go in the recording industry."

Overall, if this report from the NRF show leaves the impression that there were no new products to write home about, that's exactly correct. Mike Grimes, President of Telxon's new Retail Technology Group (see below), put it this way: "The important new products for retailers -- such as the portable cash registers, spread spectrum RF and improved scanners -- were introduced during the past three years. Now the retailers are showing up to buy."

There is no question but that many of the optimistic comments by the vendors included a sizeable measure of wishful thinking. But even that intangible becomes an important element in any economic recovery. A resurgence of demand for auto ID products by retailers represents a critical component in the sales and earnings recovery of many of the leaders in the automatic data capture industry -- in particular, for the two largest companies, Telxon and Symbol. It will be important to track the degree to which the surface enthusiasm displayed at the NRF Show will be converted to firm orders during the next few months.

#### With the filing of....

....its "Form S-1 Registration Statement" last April, Norand (Cedar Rapids, IA) had positioned itself to offer shares of the company to the public. At that time, President Bob Hammer told *SCAN*: "We have not yet set an exact date for our [first] public offering, but it should be in the relatively near future when market conditions are right and we can get the right kind of value for our company" (*SCAN* June 92).

In the mid-1980s, Norand had been a wholly-owned subsidiary of publicly-held Pioneer Hi-Bred International. In 1988, Norand separated from its parent company, and took itself "private" by means of the then-popular leveraged buyout (LBO) route. This required the assumption of a fairly large, high-interest corporate debt.

Norand characterizes itself as a "distribution automation company." It sells portable computers, scanners and RF systems, with emphasis on route accounting, manufacturing, transportation and retail. The company had grown in sales and profits since the completion of the LBO and the timing seemed appropriate to raise new funds to pay off the LBO debt. For FY 92 (8/31/92), revenues were \$114.6 million with earnings of \$8.8 million. This compared to \$71 million and \$2.5 million in FY 88.

Management has been waiting patiently, this past year, for the new issues market to improve so they could move ahead with their initial public offering (IPO). Well, it has -- and they did!

On February 4, 1993, Norand successfully completed its public offering of 4 million shares at \$15.50 per share. The underwriting group was led by Donaldson, Lufkin & Jenrette, the securities firm which helped to structure the 1988 LBO.

One week later, on February 12, Norand's shares -- traded on the NASDAQ national market system -- closed at a robust \$20.75, indicating a very favorable investor response to the company.

For a month following the IPO, management is precluded by the SEC from discussing its internal affairs with anyone outside the company. We will be covering some of Norand's corporate plans and performance in greater detail, therefore, in future issues.

#### In its first move....

....to reorganize, since the ouster of Ray Meyo as President four months ago (SCAN Nov 92), Telxon established a new Retail Technology Group. The RTG is the first in a series of "industry-specific business units" that President Dan Wipff sees as a long-term business strategy for the company.

Mike Grimes, a seventeen-year employee of Telxon, was appointed as president of the retail unit. Grimes told SCAN: "The RTG controls about 50% of Telxon's total business. We will be concerned only with the systems and equipment that go inside the store and not with other retail operations, such as distribution, back room and warehousing."

In what seemed to be an attempt to distance himself from the recently aborted Meyo regime, Grimes explained: "The important change will be that Telxon will now be 'market-driven' instead of 'sales-driven.' We plan to listen carefully to our customers and to work to solve their systems problems, rather than concentrating on selling existing hardware off the shelf. We will also be expanding our working relationship with our strategic partners to help in the development of new products."

Meanwhile, Telxon issued its third quarter financial results, which showed a loss of \$9.1 million on sales of \$48.9 million (down \$4.3 million from last year). According to President Wipff: "Fiscal 1993 third quarter results include approximately \$12 million in unusual items. Many of these nonrecurring costs are directly attributable to implementation of our new business strategy...Unusual expenses include approximately \$4 million for inventory obsolescence and costs associated with lower sales volume. Also included in the unusual items for the quarter were pre-tax charges of \$3.5 million for severance and consulting agreements for Raymond D. Meyo, former President and Chief Executive Officer." Wipff added that operating income (excluding the unusual items), was at an approximate break-even level for the quarter.

[There have been no further details regarding the generous severance arrangement made with Ray Meyo. From all (unofficial) indications, he is no longer actively engaged in Telxon affairs and seems to be exploring new opportunities to employ his entrepreneurial talents in some non-auto ID business area.]

As of December 31, 1992, Telxon acquired, for \$3 million, an additional 30% equity in Teletransaction Corporation, "owner of certain technology, product development and design rights related to workslate-based technology and systems." Telxon subsequently agreed -- in mid-January -- to acquire, during the fourth quarter of fiscal 1993 (ended 3/31/93), the remaining 55% of Teletransaction for approximately \$3.6 million in cash and 720,000 shares of Telxon common stock (which will be restricted during the next three years).

In a separate move, in mid-January, Telxon signed a letter of intent to purchase Itronix, a Spokane, WA designer and manufacturer of handheld computers, system components and software for the field service market. No terms were disclosed.

#### After fermenting beneath the surface....

...for about three years, the problems with the AIM/US SCAN-TECH show have finally burst forth during the past few months. Nearly everyone involved is grappling with the underlying question: "Does the US automatic data capture industry need two 'horizontal' trade shows?"

A "horizontal" trade show -- such as SCAN-TECH and ID Expo -- usually involves one particular technology and attracts visitors from all industries which have possible areas of application for that technology. A "vertical" trade show, on the other hand, is industry-specific and all technologies are presented. NRF (see above) is an example of a vertical show since it is dedicated to all systems and services for the non-grocery retailer.

Attention has focused on this two-trade show issue because of the stringent economic times and the concern for corporate bottom-line profits. Marketing managers are questioning the value of two shows which are held just a few months apart and essentially duplicate each other.

In the headier days of the late 1980s -- when annual growth in the auto ID market was reportedly soaring by more than 25% and exciting new products were being released weekly -- a twice-yearly showcase was welcomed. Those were

the days when six-figure entertainment budgets were lavished on elaborate hospitality suites, Ray Charles-type concerts, cruises on the river, and the like.

SCAN-TECH shows seemed to grow in size and excitement as they moved to different cities each year. The midyear ID Expo -- sponsored by *ID Systems Magazine* and managed by Expocon -- was then still a struggling enterprise catching the coattails of an expanding, exciting market.

But in 1990, after coping with only moderate success since it began in 1986 (with shows on the East and West Coasts), the managers of ID Expo decided to locate permanently at Chicago's O'Hare Exposition Center. Given this prime venue in the heartland of America's industry, the quality and quantity of the show's attendees improved dramatically. Those companies exhibiting at both shows began to compare the results that were achieved and they liked what they saw in Chicago.

The first major break from the status quo occurred last year, when Epic Data, Avery Dennison and, especially, Intermec, the leading provider of automatic data capture systems to the non-retail industry, withdrew from SCAN-TECH 92. Intermec's announcement stated: "We are now developing...an expanded scheduled of technical and other educational workshops...[and will] expand our participation in industry-specific trade shows. SCAN-TECH is no longer congruent with our strategic goals." At that time, Intermec also maintained that it had not yet made a decision about whether it would participate in ID Expo 93 (*SCAN* July 92).

Last month the rumble became louder. President Harry Knowles of Metrologic, for example, has become quite outspoken in his criticism of AIM/US and the way in which the SCAN-TECH shows are conducted -- particularly last year's event in Anaheim. Knowles told *SCAN*: "This industry does not need two trade shows. I find that the AIM organization is not responsive to the needs of its members."

A critical point was also reached when it was rumored that PSC (Photographic Sciences), Symbol Technologies and Norand -- three major manufacturers and among the largest exhibitors at SCAN-TECH -- were about to withdraw their participation from AIM's event. PSC's President Mike Hone commented: "We have not yet made a final decision about SCAN-TECH 93. However, it has become just too expensive for us to mount two horizontal shows each year to reach essentially the same people."

But Symbol's VP Marketing, Rich Bravman, says such talk is premature as far as his company is concerned. He told *SCAN*: "Any contemplated actions about withdrawal have been withdrawn." Bravman then explained: "In discussion with AIM about future marketing activities, everything is on the table. SCAN-TECH and other educational programs are under discussion. I am confident that a solid framework of events will be developed. I have received positive responses from Bonney Stamper [AIM President] and Don Anderson [AIM Executive Director] and discussion and negotiations will be held soon."

As for Norand, President Bob Hammer neither confirmed nor denied the widespread rumor. He said he could not comment at this time because "our company is now in its 'quiet period' following the February 4 initial public offering [IPO] of our stock" (see above). [The SEC requires that for at least one month after an IPO, management must refrain from any comments that would materially affect the performance of the company.]

## COMMENT

*There is no question but that the fat's in the fire regarding the future of the AIM/US SCAN-TECH show. The new administration, under the leadership of Bonney Stamper, has inherited this major problem along with many other gut issues facing the organization.*

*SCAN Newsletter has always supported a "traveling" SCAN-TECH show that brought automatic data capture to many parts of the country. In the light of growing criticism, however, it is obvious that AIM/US has not sold this concept to its members. More importantly, many members we have spoken with have complained that AIM/US always seemed to be too cocksure of itself about the premiere status of its show and its unassailable position as the industry leader.*

*We suggest that AIM/US follow Rich Bravman's lead and place "everything on the table."*

*[SCAN has learned that Intermec has recently decided to participate in the upcoming (June 1993) ID Expo after foregoing SCAN-TECH 92.]*

### Amid growing frustration....

....on both sides of the Atlantic about the reorganization of AIM International, the chief protagonists met last month in Europe.

On January 21-22, an AIM/US delegation -- consisting of President Bonney Stamper and past President Ivan Jeanblanc -- went to Bad Hamburg, Germany in an attempt to hammer out their differences with the leaders of the AIM Europe council (SCAN Nov 92, Dec 92, Jan 93). Included among the European representatives present at these meetings were Brian Marcel (Bar Code Systems/UK), Mark Marriott (Symbol Tech/UK), Joop Oldenbroek (Leonhard Kurz/Germany), John Nugent (PSC/UK) and Jean-Luc Bruno (Telxon/France)

All parties agreed that the specific negotiations during these meetings would remain confidential. SCAN has learned, nevertheless, that the AIM/US representatives believe that the general outcome was "encouraging." Stamper and Jeanblanc returned home to refine some of the proposed agreements; then they were to submit them to the AIM/Europe delegations for further discussions and, hopefully, final approval.

But some important complications remain. It has been no secret that AIM/Europe's financial position has been strained, to say the least, over the past two years. Although AIM/US had agreed, early last year (SCAN March 92), to give AIM/Europe a substantial loan to alleviate the cash crunch, that loan was never executed, as the two organizations got hung up on the terms of the agreement. The failure to provide that money did not improve relations between the protagonists.

AIM/Europe then turned to another alternative to raise cash. A few months ago, the organization decided to offer the SCAN-TECH Europe Exposition for sale to a private, commercial show management group. A prospective buyer has been found and terms have been negotiated; details of this proposed sale will not be disclosed until the agreement is finalized. One of the key remaining questions

is whether AIM/US -- which presumably owns the "SCAN-TECH" name and mark -- will stand aside and permit the sale to go forward. An AIM/US spokesman has told *SCAN* that AIM/US will not interfere with the sale of the rights to the show "as long as responsible parties are involved in the sale and purchase."

There is little question, therefore, that the successful completion of both the AIM International negotiations and the sale of the SCAN-TECH Europe Show will depend on the future economic viability of AIM/Europe.

One last point. At our recent visit to the NRF Convention (see above) we raised the subject of AIM International with four top executives from leading auto ID companies who have been members of AIM for many years. Without exception, each of these corporate leaders expressed dismay at the way in which AIM/US has conducted itself in these AIM International dealings. When asked why they had not voiced their objections to the AIM officers, Board of Directors, professional staff, or membership, they all replied that they did not have the time to go to the meetings, nor to be involved in these affairs. And each of them sheepishly admitted that he had not instructed his company's representative to the AIM meetings to take a stand on these issues.

#### Comment

*One has to wonder whether this admittedly small sampling of opinion indicates that the AIM/US Board may have lost touch with its own "Silent Majority."*

*And why do we always get the impression, after these international meetings are completed, that the AIM/US and AIM/Europe delegations come away with markedly different conclusions -- although they all sat through the same sessions? Does each side hear only what it wants to hear?*

*We hope that an amicable resolution of these disputes -- which have dragged on now for more than a year -- may be close at hand. Our instincts and best information, however, suggest otherwise.*

#### Expanding its coverage....

....*ID Systems Magazine* announced, in January, the introduction of its new *ID Systems European Edition*.

According to the editors, this quarterly will follow the expanding use of automatic data collection in important European industries, including manufacturing, transportation and retail. Each issue will feature new products, industry and technology news, and several case studies of businesses that have implemented automatic data collection.

European editor, Susan Beale, who is based in Strasbourg, France, intends to cover the market from the European perspective. Her first edition will make its official debut at the 1993 CEBIT show in Hannover, Germany (March 24-31) where over 600,000 attendees and 5,000 exhibitors are expected during the eight-day schedule. In addition to free distribution at that convention, 12,000 issues will be mailed throughout Europe as the initial (controlled) circulation.

Our congratulations and best wishes to Beale, *ID Systems* Publisher Kevin Rushalko and to Carl Helmers (Helmers Publishing, Peterborough, NH), the father of them all.

*ID Systems European Edition*, 5 rue Boussingault, Strasbourg, France 67000;  
Phone and Fax: 33 887 60 62 57.

Once again, a consumer product....

...based on bar code scanning is on the market and this one seems to be a winner.

First launched by Tomy, a Japanese-based manufacturer, a new hand-held computer game, which is designed around the ability to scan standard UPC/EAN bar code symbols, has proven enormously successful in Japan. The company reports that over one million "Barcode Battlers" have been sold in that country and the game is about to be introduced into the British toy market.

According to an article in England's *Today* newspaper: "Barcode Battler boasts the usual computerland heroes and villains in a fight through five lightworlds for a showdown with evil Emperor Boss. But the difference is that players will be able to boost their scores by zapping barcodes on consumer goods before sitting down to play."

Although bar-coded cards are supplied with the game, the gimmick is that there are certain EAN symbols on consumer packages which will enhance the power of a player. *Today's* reporter conducted his own research and discovered that the EAN symbols on Kellogg's cornflakes and Andrex toilet rolls "are the greatest force for galactic good since Captain Kirk." The rival *Daily Telegraph* gave up in frustration when its reporter's pantry shelf did not yield any improved performance.

[According to the manufacturer, sales of one brand of noodle rose sharply in Japan when children discovered that its EAN code produced high scoring points when cut out, taped on cards and slid through the toy's slot scanner.]

Aside from the uniqueness of this toy, it raises an interesting question about the costs of scanning hardware in general. The Barcode Battler retails for \$60. The wholesale price, therefore, would be about half that, or \$30. Allowing for the expense of the other components, and any profits along the way, the numbers suggest that the slot scanner probably costs less than \$10 to manufacture.

Under \$10 for a barcode scanner!! Even setting aside the economies of scale -- toys may sell in the millions, commercial products in the hundreds or few thousands -- it is hard to ignore the implications for future costs and prices for scanners.

---

SCAN NEWSLETTER, LTD. • 11 Middle Neck Road, Great Neck, N.Y. 11021 • Phone: 516/487-6370 • FAX: 516/487-6449  
PUBLISHER/EDITOR: George Goldberg • ASSOCIATE EDITOR: Jeff Goldberg • CIRCULATION DIRECTOR: Teddy Allen  
INTERNATIONAL EDITOR: Paul Chartier • United Kingdom Office P.O. Box 7 • Cirencester GL7-1HY England  
Phone: Int + 44-285-653011 • Fax: Int + 44-285-640401

---