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A surprising corporate acquisition....

....completed on February 26, has produced what the companies involved refer to as "the largest industrial bar code printer manufacturer in the world."

The Datamax Corporation (Orlando, FL) has acquired the bar code product line of Fargo Electronics (Eden Prairie, MN) in a friendly transaction between the two private companies. The purchase includes Fargo's three main bar code printer models: Allegro, Prodigy and Prodigy Plus. The manufacture of these products (as well as research and development, and software and hardware engineering) will be moved and incorporated into Datamax's Orlando facility. Datamax will headquarter its bar code marketing division in Eden Prairie.

Datamax is the leading automated ticket and boarding pass (ATB) supplier to both international and domestic airlines, railways and travel agencies. Datamax's products include a full range of laser, dot matrix and thermal ATB printers; baggage tag printers; gate readers; and self-service ticketing devices. Major customers include American Airlines/SABRE, Delta/WORLDSPAN, USAir, Continental, SystemOne, Amtrak, British Airways, Iberia and British Rail.

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LATE BREAKING NEWS ITEM

March 8...Advanstar Communications announced today that it has reached an agreement in principal with AIM/Europe to acquire the SCAN-TECH Europe show.

"The acquisition...ties in strategically with our acquisition last week of SCAN-TECH UK" said Brian Nairn, President, Advanstar Expositions (see below). He also indicated that both events will be managed out of its English office under the direction of Show Manager Lindsay Kubicki.

There has been a great deal of paddling going on beneath the surface in order to reach this point. There are still a number of items to be cleared up before the final agreement is signed. This decision also has implications regarding the future of AIM/Europe and AIM International. More about all of this next month.

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INCLUDING THE INTERNATIONAL EDITION

According to Datamax President, Robert Strandberg, Fargo is the leading producer of bar code printers with more than 50,000 of its units installed. Fargo sells its products through a large network of OEMs, distributors, system integrators and VARs in the US and more than 50 countries worldwide. When asked whether Fargo's sales were greater than its arch-competitor Zebra, Strandberg replied: "Fargo ships more units than Zebra." He would not reveal any specific dollar sales figures for either Datamax or Fargo, but he did confirm that the combined annual revenues after the consolidation would be almost \$80 million. [Zebra's 1992 sales were \$58 million.]

Fargo Electronics will continue as a separate company. Owner/President Bob Cummins told *SCAN* that he will now concentrate on his product line of thermal transfer color printers using presentation graphics. Datamax will be permitted to use the Fargo name for five years.

Datamax is a 15-year-old company that originally made lottery terminals. In the mid-1980s, it was acquired by GTECH. Then in 1991 there was a management buyout from GTECH by CEO/President Strandberg, Senior VP Bill Hartman, and Senior VP Bob Wohlers. By that time, the company was concentrating on selling airline printers. A knowledgeable industry source has told *SCAN* that Datamax produces "excellent printers that are competitively-priced."

Strandberg was noncommittal about whether he contemplated taking his company public. "That's always a possibility," he replied, "but no decision has been made at this time."

Datamax Corp., 4501 Parkway Commerce Blvd., Orlando, FL 32808; 407/578-8007

While we were waiting....

....for the imminent announcement that SCAN-TECH Europe had been sold by AIM/Europe (*SCAN* Feb 93 and above), we learned that the smaller regional SCAN-TECH UK (United Kingdom) show and exposition had been acquired by Advanstar Communications.

[Advanstar, based in Cleveland, OH, publishes *Automatic ID News*, *Automatic ID News Europe*, plus 50 other magazines in a variety of industries in North America and overseas. The company also owns and manages 50 expositions and conferences under its Advanstar Expositions Division.]

SCAN-TECH UK is owned by AIM/UK, the very first AIM organization established outside of the US (in 1984) and one of 15 AIM affiliates now operating across Europe. AIM/UK has grown from 25 founding members to its current roster of 80 companies. SCAN-TECH UK, which AIM/UK launched in 1986, was the first industry trade show held beyond American shores.

In a surprising move, Advanstar management and AIM/UK announced that SCAN-TECH UK has been renamed ICAP Expo (Information Capture and Processing Exposition). The first ICAP convention has been scheduled for March 1994 in the National Exhibition Center in Birmingham, England.

[The ICAP Association (from which the new name of the show was derived) was born late last year and is still a paper organization which has yet to meet or organize formally. As conceived, the ICAP Association -- funded and supported by AIM/UK -- was to bring together manufacturers, suppliers,

consultants, systems integrators, academics and users of automatic identification technologies. Since AIM/UK is an organization of manufacturers only, it is not yet clear just where the demarcation line will fall between the two groups.]

We asked Brian Nairn, President of Advanstar Expositions Division, about the significance of renaming the event. Nairn replied: "We decided that there would be broader industry appeal using ICAP, which goes beyond auto ID and scanning. We want to include other technologies, such as smart cards and voice recognition, and to appeal to any companies who capture data and use it in business-related ways. This step gives Advanstar the opportunity to work with both AIM/UK and the ICAP Association."

As for why Advanstar dropped the widely-recognized SCAN-TECH name, which, after all, was a primary asset in the sale of the show, Nairn explained: "We may continue to use the name SCAN-TECH. There are no restrictions in our contract with AIM/UK which prevent us from using the SCAN-TECH name in that country."

Two of the world's leading....

....market research companies, which regularly publish reports on the auto ID industry, have merged. Market Intelligence Research Corporation (MIRC) has acquired Frost & Sullivan.

MIRC (Mountain View, CA) serves the biotechnology, healthcare, computer, industrial and telecom industries. Frost & Sullivan (New York and London) is the world's largest producer of industrial market research reports and European management training seminars. During the past 30 years, Frost & Sullivan has produced more than 5,000 reports; it offers market research publications and electronic databases in pharmaceuticals, chemicals, defense, healthcare, telecommunications, information processing, and other high-tech technologies.

Some of the recent auto ID reports published by these two companies include:

MIRC

- World Markets for Bar Code Equipment (#535.10)
- European Barcode Equipment Markets (#578-10)
- European Market for Automatic Identification (#497-10)
- Voice Recognition, Response and Synthesis Markets (#449-60)
- World Image Scanner and OCR Software Markets (#698-73)

Frost & Sullivan

- US Market for Automatic ID Equipment (#A2274)
- European Market for Scanners and OCR Products (#E1595)
- US Market for Portable Data Recorders (A2342)
- US Market for Scanning and OCR Devices (#2524)

The ongoing need for accurate, reliable and consistent market research has always been an elusive commodity in the automatic identification industry.

There have been three routes available to obtain information about the current and future size of this market. First, there is the proprietary research commissioned by individual companies. These projects are usually confined to

the larger corporations that can afford this expensive commodity. Generally, this information is very closely held and few outsiders get to know the nature and extent of these studies, much less their actual content.

The second method has involved those studies conducted, funded or sponsored by AIM organizations. These results have truly been a mixed bag, running the gamut from disastrous to almost respectable. The straw polls, for example, which were taken three times a year at AIM/US membership meetings, fell easily into the disaster area (*SCAN* March 91). Although these polls were defended by a succession of AIM officers and administrators for about five years, they were finally abandoned in 1991. They had become a total embarrassment to the AIM Board of Directors and to those members who continued to participate in them.

To replace the straw poll, in November 1991, AIM announced a partnership with Dataquest (a D&B company) to undertake a series of "vertical market studies." Their first such venture was to be an assessment of current and future markets for automatic data collection products among the vehicle manufacturers and their primary suppliers. The cost to each subscriber was to be \$3,575 (AIM members) and \$4,090 (non-members).

The proposed study had no takers. "First of all, we attempted to get into the business of market research before we were prepared," Joe Marzano, AIM's Director of Marketing told *SCAN*. "Second, the concept of the vertical industry -- automotive in this case, which was to be followed by the retail trade -- was great on paper, but the reality was that the audience of buyers was narrowed to those specifically interested in that segment only. It was too small a universe. It was perceived as too expensive for smaller companies and not attractive to those firms already in that market who think they know all they need to know about it. It turns out that our problem right now is that there is bad research out in the field and we cannot afford to do the good research and make it affordable to the vendors."

This situation, for the moment, leaves most companies to pursue the third and most visible route, which is to obtain market research from the diverse group of professional research organizations, the most prominent of which have been: MIRC, Frost & Sullivan, Venture Development Group and Clarendon Reports.

Almost all the research undertaken by these companies is conducted through selective telephone interviews with vendors, users and so-called industry experts. In addition, each research company has compiled a data base derived from previous studies, financial reports from public companies, published literature, directories and a variety of other sources.

Forecasts projecting as much as five years into the future are the trickiest and least objective parts of these studies. Of necessity, these projections will include estimates by the vendors as to how fast they believe their companies will grow (and who would underestimate those figures). They also contain predictions by the users as to how quickly they plan to implement new systems and expand or replace old ones (and which company doesn't want to reflect an aggressive, progressive image in that area).

There are indications that the combined MIRC/Frost & Sullivan organization will continue its interest in the auto ID technologies. We hope that the quality of the research will result in accurate representations of the industry.

OPEN LETTER TO BONNEY STAMPER

Dear Bonney:

Congratulations on your election as President of AIM/US for the next two years. The US automatic data capture industry -- which has been so overwhelmingly male-dominated throughout its history -- demonstrated its clear support for the 1992 "Year of the Woman" phenomenon with your selection as its chief executive.

During the past ten years, we have interviewed the previous five AIM/US Presidents as they took office -- Ed Andersson (1983-84); Rick McDonald (1985-86); Dave "ZAP" Czaplicki (1987-88); Chet Benoit (1989-90); and Ivan Jeanblanc (1991-92) -- and then reported on their plans and programs.

Each of these estimable leaders guided AIM through different phases of its rapid growth, from a subdivision of the Materials Handling Institute to a full-blown, fully-staffed and fully-funded, independent trade association. Along the way, many important challenges were met and each administration left its unique imprint.

But from Andersson to Jeanblanc, no one has faced the array and intensity of problems that now confront you. In your recent interview with SCAN, you were very frank and forthright indicating that you were going to "take one day at a time" to address these problems -- which you preferred to characterize as "opportunities."

From what you said, we believe that you have undertaken a formidable task in dealing with such a broad range of these "opportunities."

- You recognized that a total reevaluation of all AIM programs will be required. "During AIM's history," you explained, "while the auto ID industry was expanding in all directions, AIM was growing in spite of itself. We undertook activities which may have been questionable, but even wrong decisions were not critical, at the time, because everything in the industry was going so well. We cannot do that any more. Every activity to which we devote time or staff or money must be reexamined."
- You pledged your continued support for AIM's well-worn objective to "Grow the Market," but you were quick to concede that new ways will have to be found to achieve this goal. "We were too comfortable doing what had been done in the past," you said. "We have not created or nurtured a structure that has allowed us to explore new initiatives."
- You expressed concern that AIM has not always reflected the corporate policies of its member-companies. You correctly pointed out that many of the representatives attending meetings of the general membership, committees, and Board of Directors have not been the policy-making individuals from their companies. You vowed to engage more top executives in AIM's affairs. (The CEO Roundtable scheduled for February 25-26 was to be your first major effort in this direction.)
- You acknowledged concern about the growing criticism over the issue: "Does the auto ID industry need two vertical trade shows?" You now recognize that Intermec's withdrawal from SCAN-TECH 92 was a signal and that the comments by CEOs from other leading AIM member companies must be addressed. "We are questioning it now," you insisted. "However,

if we want AIM to continue all of its other activities -- such as the development of standards and the coordination of international activity -- then we must recognize that the SCAN-TECH shows bring in well over 50% of AIM's revenues.

"We realize that the Chicago factor [ID Expo's permanent venue in Chicago vs. SCAN-TECH's movement to all regions] influences the thinking of many companies, but we are delighted by our selection of Philadelphia for SCAN-TECH 93. And we are scheduled to be in Chicago in 1994. It must be understood that exhibitor participation in SCAN-TECH helps AIM and the industry, while profits from ID Expo allows Expocon [the ID Expo show manager] to laugh all the way to the bank."

- On the sensitive issue of AIM International, and the disputes that have been raging for the past 15 months, you acknowledge that mistakes had been made in the negotiations with AIM/Europe and you vowed to maintain a "non-emotional approach" in future dealings with the other AIM affiliates. You predicted: "We expect that the major issues relating to the new AIM International organization will be resolved and an agreement with AIM/Europe will be signed within the next 30 days."

You wound up our conversation expressing your intention "to be more responsive to the needs and desires of our members." You described your plan to solicit more senior level corporate input to obtain a "better sense of what our member companies want." And you recognized that AIM/US may be facing some serious policy and organization changes during your two-year tenure as its leader.

Good Luck!

The initial group of financial reports....

....for 1992 is trickling out -- mostly from the "second tier" auto ID companies -- and they reflect mostly positive results for that tumultuous 12-month period. (Was the election only four months ago?)

- Annual results reported by Computer Identics (Canton, MA) were a modest 6% increase in sales to \$22.0 million, with \$875,000 net income (\$.09/share), up 15% over last year. President/CEO Frank Wezniak states that the "economic and political uncertainties in the U.S. and international markets have slowed the growth in bookings and revenues."
- At DH Technology (San Diego, CA), revenues for the year were \$54.2 million, representing a 16% increase over 1991. Net income rose 25% to \$5.8 million (\$1.12/share). For the fourth quarter (ended 12/31/92), revenue and pre-tax income were both down slightly because of the company's "decision to limit the amount of shipments to two significant customers for credit reasons."
- Peak Technologies (New York, NY), which completed its initial public offering last August, is a full-service, value-added distributor and system integrator of bar code-based data collection systems; mass storage systems; information systems printing equipment; and related supplies. Peak Tech markets the products of more than 50 manufacturers and concentrates on non-retail applications.

In its first year-end report as a public company, Peak posted sales of \$82 million, up 87% from \$43.8 million last year; net income was \$1.8 million (\$.49/share) compared to last year's small loss. Part of the increase in revenue was attributed to the April 1992 acquisition of Gentry Associates. Peak Tech Chairman/CEO Nicholas Toms reported: "The performance in our core business lines of industrial bar coding and mass storage continues to expand strongly."

- PSC (this is the last time we will remind our readers that this was formerly Photographic Sciences, Webster, NY) had a great year. Sales were up 78% to \$35.9 million; net income increased 166% to \$4.3 million or \$.59/share. The company appears to have a strong balance sheet. In his usual low-key manner, President/CEO Mike Hone expressed pleasure in these results and optimism for next year, but he would not forecast any sales or earnings. On February 15, the company completed its previously announced acquisition of BRT, the manufacturer of high-speed, high-performance, bar code laser scanners (SCAN Oct 92).
- Zebra Technologies (Vernon Hills, IL) reached \$58.7 million in sales in 1992, up 28.7%, with profits increasing to \$11.8 million (\$.99/share). Fourth quarter sales of \$16.0 million were up 24.6% from a year ago, with profits up 28.4% to \$3.3 million (\$.28/share).

Although POSdata (Gig Harbor, WA) is not a public corporation, President Bill Crane sees no reason to refrain from bragging a little about his company. Crane writes: "POSdata has enjoyed 16 consecutive quarters of profitable operations since we were acquired by Sensormatic Electronics in January 1988."

POSdata's chief executive then ticked off some other achievements from this past year: POSdata was issued two US patents for its horizontal point-of-sale scanner/scale; the company is now marketing Spectra Physics' 950LX barcode scanner designed for grocery, drug and discount stores and also the 960LS scanner/scale; PSC, Sensormatic and POSdata have successfully integrated the deactivation of Sensormatic's security tags into PSC's handheld laser scanners.

Crane, one of the most knowledgeable observers of the retail automation market, summarizes: "In the past two or three years, national competitors such as Dataserv, Postron, and Caredas, have exited from the POS scanner market. Large OEMs, including IBM, NCR and FIS, continue to develop and market systems and products with proprietary architecture. This [commitment to their own developments] plus their lack of flexibility and slow response to market needs, creates significant opportunities in the new and replacement markets for POS equipment and software."

There has been a great deal....

...of interest in two new symbologies that have attracted attention for their uniqueness, if not for their general application to industry:

- Intermec introduced the Bone Code. This is a simulated 2 of 5 bar code of light and dark rings that are "encoded" into the ear bones (otoliths) of baby salmon incubated by the Washington State Department of Fisheries. These ear bones grow daily and the light and dark bar code pattern is induced by periodic changes of the water temperature in the incubator pools. The resulting number decoded from the bone

pattern identifies the home hatchery of the fish which are ultimately released into their natural habitats.

In an interview with *SCAN*, Intermec's Sprague Ackley was quick to explain that the commercial marketability of this procedure was no greater than an earlier Intermec scheme to place bar coded labels on bumblebees -- but if the Bone Code story could equal the worldwide press coverage for Intermec that was achieved by the bee scenario a few years ago, then the Bone Code will have served its purpose.

- The other new symbology -- dubbed the Channel Code -- was invented by Andy Longacre (Welch Allyn) and Ted Williams (LaserLight Systems). As described in Longacre's paper on "small" codes: "Channel Code is a conventional, one-dimensional bar code designed to encode a single number value in the shortest symbol length....Channel Code comes in several fixed sizes ranging from Channel 3, capable of encoding 27 values...up to Channel 8, capable of encoding 7,742,863 valuesChannel Codes are designed for use in isolated applications where they are to be the only bar code-like markings seen by the scanner."

Longacre later told *SCAN*: "Channel Code is an academic exercise that works well for suitable applications. We encourage anyone to print or read it, and we will seek AIM standardization if applications arise."

There is always the danger, when introducing new symbologies, of slipping into bar code proliferation -- too many to choose from and a babel of nonstandard languages. In the case of these narrowly focused symbols, however, they provide interesting examples of the versatility of bar codes and their adaptability to special situations.

The expanded conference program....

....at ID Expo this year (Chicago, May 11-13) includes 48 seminars concentrating on a variety of educational formats ranging from basic courses in the auto ID technologies through more complex tutorials, case studies and workshops. They even chose to forego a keynote speaker -- whom they felt is often a distraction, rather than an attraction, at the event. This 8th annual ID Expo is sponsored by *ID Systems Magazine* and produced by Expocon Management.

The Uniform Code Council (UCC) and the American Production and Inventory Control Society (APICS) will conduct separate, full-day "mini conferences": UCC on the retail environment; APICS on manufacturing and material handling. Each will have a roster of experienced moderators and presenters.

With the economy turning up, and amid evidence of increasing momentum toward the installation of auto ID systems (as witnessed at the January NRF Convention -- *SCAN* Feb 93), we sense a great deal of enthusiasm among the marketing personnel of the exhibitor companies for a successful show in mid-May.

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