



newsletter

The management
Newsletter for all
industries involved
with bar-code
scanning and
related
technologies.

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As we promised last month....

....we can now bring you details about the first Automatic Identification Manufacturers (AIM) organisation being established outside the United States. It will be in the United Kingdom and the most likely name will be AIM (UK).

There are two stages to complete before the organisation can be formally established. Since only some of the suppliers have participated in the preliminary discussions, an immediate objective is to open up the dialogue with all interested parties. A meeting is planned for 31 May in Coventry where there will be a general discussion and the objectives of the organisation will be outlined.

After this plenary meeting, founding members will be canvassed. The true inaugural meeting is planned for 27 June when the proposed constitution will be adopted, council elected and secretariat appointed.

The UK move to set up a national organisation is seen as a spearhead for other national and territorial bodies. The liaison and cooperation established between AIM/UK and AIM/US has been gratifying.

AIM/UK co-ordination is being undertaken by Ian Smith Marketing, Old Vicarage, Haley Hill, Halifax, HX3 6DR, England. All interested parties are invited to contact Ian Smith and to attend these important meetings.

We can also add a little more about the development of AIM International. If all goes to plan, AIM International would be an umbrella organisation for affiliated national bodies. Also, it could provide a base for those companies operating in countries where a national body would not be viable.

The developments in the United Kingdom are not perceived as a threat to the broader international scheme. To the contrary, AIM/UK may serve as the model for other national groups to be formed under the AIM International umbrella. Much more needs to be done before the organisation can be formalised internationally. Language, legal and territorial difficulties present additional complications. The establishment of such an organisation is a goal which need not be constrained by a particular deadline. Don't be too surprised, however, if AIM-International is launched at SCAN-TECH Europe 84.

SCAN-TECH Europe 84....

....conference plans are taking shape. The subjects for each presentation and speaker details are being finalised. An early objective of the organising committee will probably be achieved; all the speakers will be either European or Americans based in Europe. The details of the programme will follow as soon as we have them.

The registration fee for delegates has been fixed at 1250 Guilders (\$425) with discounts for early bookings. Entrance to the exhibition will be free to those who pre-register; but will cost 25 Guilders to those walking in on the exhibition days.

A brochure for delegates is to be available from Ian Smith Marketing, Old Vicarage, Haley Hill, Halifax, HX3 6DR, England.

It's not often....

....that we have access to the financial results of European businesses in the bar coding industry. After the long saga of its previous owners' mixed and erratic operations (SCAN/IE May 83 and before), it is especially gratifying to be able to report the positive results of Image Data Systems Ltd, Beverley, England. The company manufactures computer generated bar code labels.

Image Data Systems (IDS) was only formed in April 1984. In its earlier "lives" it had had chequered results: as Harland Data Systems -- a growing subsidiary of a printing business; as Photographic Sciences (Bar Code Products) -- a somewhat roller coaster existence; then a period of receivership, followed by the very brief ownership by Computype Inc of St. Paul, Minnesota, USA. And finally, because of licencing difficulties, Computype sold off a significant portion of the business to the present owners of IDS. Without this backcloth, the results might not seem remarkable.

IDS is demonstrating a successful recovery to a stable base with potential for growth. Net sales for the 8 months ended December 1983 were £625,000; pretax profit was £44,000. IDS states that it has a client list of more than 700 companies in the major bar code user sectors in the UK: retail, automotive, pharmaceutical wholesaling, electronics, libraries, and blood transfusion service. Currently, 10% of the company's business is in the export market.

Forecasted turnover for the full year 1984 is £1.2 million (\$1.7M) with growth in exports expected to contribute 20%. In addition, the company has started expansion of its production facilities.

"A unique approach in the EAN community....

....for a supermarket chain" is how the F W Knowles launch of scanning has been described. When we reported the start of scanning in South Africa (SCAN/IE Mar 84) we only had the bare facts. An article from the South African publication Supermarket and Retailer provides more details.

In its Pinewood, Natal store, Knowles has opted to start its program by scanning in those departments with variable-weight products: butchery, produce, bakery, deli, fish, fresh ground coffee, loose nuts and loose spices. Source-

marked packaged foods are being temporarily ignored. The reasoning behind this approach, given by Stuart Sampson, Knowles' Chief Executive, was the main concern to select departments that scanning could not affect adversely. Service areas with random weight products, were the perfect place to start. Because the in-store generated bar code label is price-marked, nothing has been taken away from the consumer. Price discrepancies do not exist -- there is no fear that the shelf ticket and price look up will be different -- and consumer confidence can be built up. As the store extends the types of products scanned at its 25 checkouts, this foundation can be built upon; confidence will be established stage by stage.

There are other benefits claimed for starting in the service area. It is possible to realise improvements in profit margin more quickly. This comes from improved stock rotation, better use of refrigerated shelf space, preparation of food into specific cuts of meat and better selling pack sizes.

Knowles' management is very aware that the acid test will come when more products and shelf pricing are introduced to the system. The company will continue its approach of scanning by product group because it is easier to remember groups which are bar coded than to remember thousands of products which are not. This may not be the best approach for all retailers, but it is working for one pioneer.

Everything that we've heard....

....about the Article Number Association's Conference "The Second Generation" indicates that it was a great success. Some of the impressions from delegates: "the conference shows that it's all coming together", "informative", "professionally organised", speak for the reactions of many of the 400 or so delegates. Much credit must go to Countrywide Communications, the ANA's public relations consultants, for the smooth running of the event.

At the conference it was announced that ICL/Baric had been selected as the organisation to operate the ANA's computer clearing house bureau to facilitate electronic data exchange between trading partners. The basis -- or language -- for this exchange is the EAN article number. The UK system known as TRADACOMS (SCAN/IE Jun 83) has mainly used magnetic tape as the medium for communication, with only a few organisations communicating over the wires -- fully electronically. As we reported then, the system could benefit only the larger businesses unless smaller organisations could participate on a shared network.

The concept of the new system is fairly straightforward. It is an open system network requiring no central host processor. Dual ICL System 25 minicomputers are hooked on as nodes to the existing Baric network. These are placed at various locations around the country. The node computers are linked together via a high speed telecommunication line -- TRADANET. Because of their relatively low cost, particular ICL System 25 computers will be dedicated to the ANA system to preserve the confidentiality of the information. As large mainframe computers are not used as part of the system, the ICL/Baric network is not faced with the high fixed overheads associated with such equipment. Also avoided are the large step-wise increases in cost as usage reaches critical thresholds. The ICL/Baric charges have been set from July 84, when the trial starts, to early 1986.

The pilot scheme will run for a period of 6 months from July. It will be restricted to a dozen subscribers -- established TRADACOMS users -- who have been selected to give the system a hard test.

For more information on this truly "second generation" development of EAN article numbering, contact David Morley, Baric Computing Services Ltd, Forest Road, Fletham, Middlesex TW13 7EJ, England.

A C Nielsen continues to monitor....

....and publish data on source-marked grocery products in 14 product categories common to a number of countries. But the latest report suggests a shift in the company's approach. In Germany, the percentage of source-marked products has reached 95% in 5 product classes and the overall figure is 89%. Nielsen has therefore decided to discontinue its survey there as no longer significant in terms of its growth pattern.

The data is of most value during the early years of bar coding (and then only in the grocery sector) when source-marking has to lead the way before scanning takes off. Once the Nielsen figures reach the 70% level, the value of this particular data as a predictor diminishes. It is equally important to survey some of the newer EAN countries and Nielsen has recently added New Zealand and Spain to those countries monitored.

In the table below, we have taken a cue from Nielsen and have not included details of those countries now beyond the 70% level. (For the record these are: Australia, Belgium, France, Germany, Great Britain, The Netherlands and Switzerland.)

	<u>EAN SOURCE-MARKING (%)</u>				
	1981	1982	1982	1983	1983
	<u>Nov/Dec</u>	<u>May/Jun</u>	<u>Nov/Dec</u>	<u>May/Jun</u>	<u>Nov/Dec</u>
Ireland	39	52	61	69	70
Sweden	42	50	56	63	69
Japan	NA	NA	8	35	56
Austria	15	20	27	36	45
Italy	3	6	11	22	30
New Zealand	--	--	1	#	30
Spain	NA	NA	NA	NA	17

NA - Survey not available

- Data not available for publication

In addition to these figures, Nielsen surveys the level of all commodity grocery store volume (ACV) which passes over a scanner: i.e., the scanned percentage of total grocery volume. The next table is compiled from recent reports.

	<u>SCANNING VS ACV</u>		
	*UPC <u>1976</u>	Europe <u>1983</u>	*UPC <u>1983</u>
Level of source marking	80-85%	17-89%	95%
Scanning stores	100	700	9100
ACV via scanning stores	0.5%	1-3%	33%

*UPC includes US and Canada

The ACV percentage represented by scanning stores provides a meaningful comparison between countries of the level of penetration of scanning in the grocery sector, and a good benchmark for those marketing and research activities tied to scanning.