



# newsletter

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

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## Here's a short quiz....

....on the bar code scanning industry:

- Which company claims to be the leader in the sale of bar code scanning equipment and peripherals?
- Which prominent company in bar code scanning equipment is now a major producer and marketer (\$400 million per year) to the health care industry, and is very much interested in bar code applications in that market?
- Which company has recently introduced a portable data entry terminal and announced its intention to become a major factor in that field?

The answer to all three questions, of course, is Hewlett Packard. During its fiscal year ended October 31, 1985, the company sold \$47.5 million in H-P bar code products, a 19% increase over its previous year. (Total company sales, by the way, hover around \$6.5 billion.) This does not include any computers, of which the company also sells a few.

Bar code hardware is manufactured by five H-P divisions, and bar code products are part of computer-based systems marketed by most of the company's strategic business units. This is part of an effort to provide customers with "integrated solutions, not just individual products," according to Claudia Devaux, bar code program manager. The company feels it has an advantage because of its expertise in both bar code hardware and computers.

In a related move, the entry of Hewlett Packard into the portable data terminal (PDT) field represents, in the company's own words, "the first major computer company to enter the market for hand-held industrial computers." H-P has introduced the HP-94 hand-held industrial computer and has targeted remote data collection, information processing and data communication in manufacturing environments and route accounting applications. Prices start at \$1,295 with first shipments scheduled for May, 1986.

This is a product area that has been dominated by Telxon and MSI Data, each with annual sales in the \$60-70 million range. Hewlett Packard believes it is looking at a market that may be expanding very rapidly. The company cites a

recent study by International Data Corporation which projects sales for hand-held data collection devices in the U.S. at over \$600 million by 1988 from a 1985 estimated base of under \$300 million. The major application areas, in addition to manufacturing, are route accounting, retail inventory, order entry and, particularly noteworthy for Hewlett Packard, the health care industry. H-P's attitude is very aggressive and it has clearly set out to challenge the stronghold of those PDT companies that have been in the business for about ten years with a considerable head start.

Although the official announcement....

....has not yet been made, and volume production is not expected until the second quarter of 1986, Symbol Technologies has been quietly demonstrating its new laser diode scanner for the past month or so. This solid state laser device has been under development by the company for about five years (SCAN Sep 84).

Laser diode scanners are not new. Optel has had one on the market for about two years and, more recently, MicroScan demonstrated a fixed position moving beam scanner at SCAN-TECH 85. Symbol Tech's version, however, will be the first in a hand-held moving beam configuration.

The major attractions of the solid state component are lower costs, fewer moving parts and better mechanical reliability. The primary source for these lasers is Japan, which seems to be ahead of the rest of the world in this technology because of their work on compact discs and fiber optics.

Although full pricing, performance characteristics and marketing strategies have not yet been worked out, S/T management does not expect the laser diodes to have any impact on sales of their helium neon laser devices. They see the new units existing side by side with the he-ne lasers as complementary products.

Symbol Technologies thinks of itself as the leader in "compact high performance scanning systems" with hand-held laser scanners as the primary product group. It will be interesting to see how this new product does position itself in the market vis-a-vis wands as well as lasers.

Symbol Technologies, 1101 Lakeland Avenue, Bohemia, NY 11716; 516/563-2400.

To some people....

....it had always been the obvious solution. They couldn't understand why the Book Industry System Advisory Committee (BISAC) took so long to recommend the EAN Bookland bar code as the symbol of choice for all published books.

There were many conflicting forces that had to be reconciled. Mass market paperbacks are sold in supermarkets which want the UPC symbol price encoded, as they have been since 1975. Conventional book sellers want to use the item-specific International Standard Book Number (ISBN), a ten digit code used throughout the world to identify each book publisher and title. Independent distributors have their own scanning systems and requirements to track sales and returns by publisher, title and price.

The book publishers in Europe -- particularly in the UK -- had come up with the EAN Bookland solution in the early 1980's, whereby the full ISBN number is incorporated into the 13-digit EAN code and symbol. It was a neat solution and

seemed to be working well. In a Solomon-like gesture, BISAC acknowledges the continued use of the price-point UPC symbols for mass market paperbacks, but adopted EAN Bookland as the ultimate code and symbol of choice for all books.

Since book stores do not yet own scanners for in-store use, they will now specify that they must read both EAN and UPC before the equipment is purchased.

It is hoped that eventually, both the supermarkets and independent distributors will adapt their scanners to EAN as well, so that all books will use the same system. This is the first major foot in the door by the EAN groups who have been lobbying the US for years for full UPC/EAN compatibility at the retail level.

In the meantime, the 20,000+ publishers can now move ahead to place the new EAN-13 symbol on their covers and dust jackets. Full specifications and guidelines are being written and will be published and distributed in a few months.

BISAC, 160 Fifth Avenue, New York, NY 10010; 212/929-1393.

### We have been following....

....the first serious testing of UPC by a major department store -- Bullocks in Los Angeles, a division of Federated Department Stores (SCAN Dec 84, Jan 85, Feb 85).

About two months ago, Federated, the \$9.7 billion diversified retail holding company (Bullocks, Burdines, Bloomingdale's, A&S, Filene's, Rich's, I. Magnin and other department stores; plus Ralph's Supermarkets and Gold Circle mass merchandisers) announced unequivocally "Federated has committed to adopt UPC technology in our department store divisions." The official announcement went on to say "Several merchandise areas corporate-wide have been identified as initial targets. UPC is becoming a part of our private label program. And outside vendors are being asked to begin marking merchandise with UPC before shipment."

The Federated move just about completes the total commitment to UPC by retailers. Sears is not using the OCR equipment they bought in the 1970's and is now reported to have "teams" at the trade shows investigating bar code scanners. It is only a matter of time before the country's four top retailers: K mart, Sears, Safeway and Federated, each with a different type of retail chain, are scanning the Universal Product Code.

The task that lies ahead for full implementation in a department store makes supermarket operations look like child's play. A large, full service department store has literally 50 to 100 times more items for sale. The handling of styles, colors and sizes in soft goods; one day storewide or department sales; merchandise that is not packaged; shifting departments; constant mark-downs; decentralized check-outs; all these make for a monumental challenge.

But it was precisely all of these factors that convinced Federated there was no other way to go. The unofficial story behind the announcement was that Howard Goldfeder, Chairman of Federated, visited Bullocks and a demonstration was arranged in the domestics (sheet and pillowcases) department. Someone put a laser gun in his hand and he "zapped" 15 or 20 items in a few seconds and was

convinced. A number of stores have already begun implementation in selected departments.

We made our annual pilgrimage to the National Retail Merchants Association (NRMA) Business & Equipment Exposition (January 12-15 in New York) to check things out. We have been visiting the show for many years to check on the status of automatic identification in the department store and chain store sectors and every year we have been reporting to our readers about the imminent demise of OCR-A. Last year, you may recall, was the first time that bar codes were widely demonstrated in the exhibits, and OCR-A was hardly to be seen (SCAN Feb 85).

In view of the Federated decisions, we expect the NRMA Exposition in January 1987 to resemble the FMI supermarket show in Dallas in 1976-80: wall to wall bar code scanners!

#### As a follow-up....

....to the story on Federated and UPC in department stores, we spoke to Bill Sumner who made it all happen at Bullocks (SCAN Dec 84).

- He is now scanning in Domestic, Shoes and Junior Apparel.
- Only a few key suppliers are source-marking.
- Printing the tags and labels is still a major bottleneck. Sumner expects he will have to print most of the 60 million tags he needs annually for some time before vendors put them on the merchandise. He is using six printers now and wants them to go much faster -- he needs devices that will print 100 UPC tickets a minute.
- Sumner rejects the idea that merchandise can be grouped by style under one UPC number. He believes "UPC numbering must go down to the detailed SKU level by size and color" for the system to be effective.

He says 1985 was the year of transition and 1986 will be the year of the big switch. When Sumner talks, we should all listen.

#### We recently questioned

....whether RJS had gone through an identity crisis (SCAN Oct 85). When Signode acquired RJS Enterprises near the end of 1984, RJS became part of Cintrak, a wholly owned subsidiary of Signode.

The Cintrak name has now been dropped, totally as far as RJS is concerned. The company will be known as RJS Enterprises, Inc. in North America and RJS International in the rest of the world. RJS International will operate initially throughout Europe and parts of Africa. Kings Town Photo Codes (England) and Stork Graphics (The Netherlands) will continue as exclusive distributors of some RJS products in their territories and will also operate independently in other fields of bar coding not yet covered by RJS.

In discussions with company executives recently, we got the distinct impression that these moves are part of RJS' plans to establish itself as a

major systems house over the next two or three years. On display at SCAN-TECH Europe, for example, were Datalogic scanner products, which RJS International now handles as a non-exclusive distributor.

The identity crisis, it seems, has metamorphosed into a change of name, location and mission. The European headquarters are being moved from the UK to RJS International, Richard Klingerstrasse 15, D6270 Idstein, West Germany; telephone 06126-3064; Telex 4182262.

More details have emerged....

....about the UK's Department of Health and Social Security (DHSS) system and the contract awarded to Zengrange and Hewlett Packard (SCAN Oct 85). This has turned out to be Britain's largest bar code identification project and the government's first.

The H-P equipment deals with the movement of complete case history files. The system also includes MSI equipment, which is concerned with the filing of incoming mail.

Image Data Systems has now been awarded the contract to supply 30 million labels to set the system up. One label carries a unique reference to the claimant's case; another one, on the file itself, also identifies the individual DHSS office. A special data base supply control system has been set up by Image Data Systems to administer the distribution of the label sets to the 438 DHSS offices as they are due to go live over the next six months.

Image Data has recently moved its headquarters to new and larger premises: Image Data Systems Ltd., 23 Flemingate, Beverley, East Yorkshire, England HU17 ONT: telephone (0482) 86048; Telex 52263 IMAGE G.

It seems ages....

....since we reported on the Tic Tag scanning system (SCAN Nov 82). The concept then was to remove bar coded tags (previously affixed in-store by the retailer) from grocery items. These tags were to be loaded into a cassette and then batch-scanned at about 6 per second.

The idea never took off for grocery retailers. Quoting from our comment at the time, "The major weakness of the Tic Tag system is that it ignores source marking because of the special detachable labels it requires."

There have been a few modifications to the equipment and it is now being marketed as the Tic Tag Batch Reader to fashion retailers. So far, the equipment has been installed by two UK fashion stores and one shoe store, and there is also one installaton in the US.

Tic Tag, 4/6 George Street, Richmond-upon-Thames, Surrey, England, TW9 1JY; telephone (01) 948 2204; Telex 894891 SAMAD G.

If you want to retain....

....your corporate privacy, don't sell equity to the public -- and above all, don't file for bankruptcy. In the latter case, you will be required to bare all

in court documents open to public scrutiny. The bankruptcy filing by Metrologic (SCAN Sep 85, Nov 85) is a case in point.

In the reorganization plan, recently filed by the attorneys, it became evident that the company had gone through some very difficult times during the year or so prior to August, 1985. Major procurements of raw materials and parts were made in anticipation of business that did not materialize; new marketing and sales personnel were hired to meet unrealistic sales goals (set at \$8-10 million for 1985).

Things just didn't work out as planned. NCR's sales of hand-held laser guns, begun in mid-1983 (SCAN Jun 83, Jun 84) were less than anticipated, and many of those that were shipped were returned for repair. Problems cropped up with laser tubes ordered by the government. Sales by Envipco of reverse vending machines for bottle and can returns were disappointing and Metrologic had more in inventory than Envipco could sell. And more recently, NRC informed Metrologic that its 1986 projection of 4,000 scanners had to be rescinded because K mart decided to buy competitive units. NCR will not commit to accept any new shipments.

As often happens when things go wrong, there was a falling out in the management group. Mike Sanyour, who joined the company as President in 1982 after buying 30% of the stock, was dismissed by the company under the restructuring mandated by the bank. Sanyour is objecting to the reorganization plan filed with the court and may sue the company.

Meanwhile, Harry and Janet Knowles, the founders and principal stockholders, are struggling to put the pieces back together. The bank (holding \$2.6 million debt) has helped with extended loans and special terms. Creditors are cooperating, even though they may only receive 10 cents on the dollar for any unsecured amounts outstanding, if the reorganization plan is approved. There is a concerted effort to keep the company afloat, and many of those involved feel positive about its future.

The administrative costs, covering the lawyers, accountants and court costs have run up to about \$100,000 and, of course, they will have to be paid off the top. It is a tough road and a lesson to be learned. There are still some people out there who believe bankruptcy offers an easy way to climb out from under a bad situation and to start over. Take another look before you leap.

### It's probably...

....one of the most outrageous ads run by a bar code company that we've ever seen. Under the headline "It's a Girl" Intermec ran a full frontal nude picture of a baby with the obvious equipment to prove otherwise.

This eye-catching graphic was intended to illustrate Intermec's ability, using their system approach, to eliminate data entry errors in the health care industry. The ad ran in the February '86 issue of hpn (Hospital Purchasing News).

The company is going to have a tough time using that picture in its annual report. It is creative -- wonder what they plan to do for an encore if this is the first of a series?

Intermec's third quarter....

....financials reflect a distinct improvement over the company's poor sales and earnings records for the first six months of the fiscal year. Sales were at a record level, but earnings continued to lag behind last year's performance.

<u>INTERMEC</u>	<u>3 Months Ended 12/31</u>		<u>9 Months Ended 12/31</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Revenues (\$000)	\$12,580	\$11,631	\$32,917	\$29,921
Net Income (\$000)	882	1,302	1,064	2,809
Net Income/Share	.16	.25	.19	.58

President David Allais says he is glad that the sales and marketing problems of 1985 are behind him, but he concedes that the aggressive goals he set for the second half of this fiscal year (SCAN Nov 85) will not be met. He does not admit, however, to any diminished optimism. "We view the third quarter's record revenues and the uptrend in earnings as harbingers of Intermec's real potential."

The company also announced a new 1260 wand series, which is intended for use with the company's recently introduced 9510 reader. It includes the Model 1260 for high density symbols (less than .012" narrow element); Model 1261 for medium and low density; and the Model 1266 infrared wand.

Intermec, Box 360602, Lynnwood, WA 98046; 206/348-2600

In spite of the market softness....

....experienced this past year by so many other companies Telxon reported an 89% increase in income on sales that were up 24% for its third quarter ended December 31. For the nine months of FY 86, sales are up 31%, income up 61%.

<u>TELXON</u>	<u>3 Months Ended 12/31</u>		<u>9 Months Ended 12/31</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Revenues (\$000)	\$20,654	\$16,629	\$57,931	\$44,054
Net Income (\$000)	2,298	1,216	5,108	3,167
Net Income/Share	.26	.17	.61	.43

President Ray Meyo attributes the earnings improvements to cost reductions brought about by buying some components overseas, greater manufacturing efficiencies at their Houston plant and improved results from sales in Europe. The company has invested \$2 million in automated manufacturing facilities in Houston and increased R&D expenditures by 50% this year.

We waited until everyone....

....had their 1986 calendars fully activated before noting some of the bar code scanning events scheduled for this year:

- SCAN-TECH/86 is scheduled for October 15-17 in San Francisco and will be called "The One Show." More about this major show in later issues (except to mention that 130 exhibitors have already bought up 38,000 square feet -- more than all of SCAN-TECH/85).
- AIM is now sponsoring a brand new series of trade shows and seminars called SCAN-TWO, which focus on the "How to" applications of the technology for those who are already familiar with the basics of bar coding. SCAN-TWO will move to a different location each year in an effort to attract as many regional people as possible. In 1986 it will be in Chicago, on April 16-17.

AIM, 1326 Freeport Road, Pittsburgh, PA 15238; 412/963-8588.

- Another new entry into this field is the ID Expo sponsored by Bar Code News Magazine and is scheduled for May 19-21. The conference and exhibition cover all areas of automatic identification and data entry, including bar code, OCR, RF technology, vision systems and voice data entry.

Bar Code News, 174 Concord Street, Peterborough, NH 03458; exhibitors should contact Expocon Management Associates, 3695 Post Road, Southport, CT 06490; 203/259-5734.

- AIM/UK will have its second conference and exhibition, AIM/UK 86, on May 20-22 at the London Novotel. The program for this event will focus on all automatic identification technologies, featuring bar code, RF and OCR.

AIM/UK, The Old Vicarage, Haley Hill, Halifax, West Yorks HX3 6DR, England; telephone (0422) 59161.

- SCAN-TECH Pacific 86, sponsored by the emerging AIM PAC group, is set for March 25-26 in Melbourne (just 6 months after their 1985 show).

National Materials Handling Bureau, PO Box 344, North Ryde, NSW 2113, Australia; telephone (02) 887 8111; Telex AA 25386.

#### Our report last month....

....that "MSI has switched from Spectra to Symbol for its laser guns" was not exactly correct, according to Ralph Hoffman, MSI Data's Director of Material.

MSI has placed new orders with Symbol Technologies, but will also continue to use Spectra Physics as a source for its hand-held lasers scanners.

#### We were so intent....

....on cramming all the possible information we could into last month's DOUBLE ISSUE, that we never noticed the incorrect edition dates on page 1. Please change the month/year on the front page to read December 1985/January 1986.