



# newsletter

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The management  
Newsletter for all  
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## The recent upheaval....

...in the Soviet Union has caused a few blips on the auto identification horizon that are worth noting and evaluating.

As we write this story, Gorbachev is still attempting to find a handle to control the fragmenting Soviet empire. The momentous changes which have occurred in the Soviet Union since Sunday, August 18 need to be consolidated before western businessmen can be sure of the extent to which they will affect the Soviet economy and opportunities for outside investors. That recent events will affect such investments and possible joint ventures is as certain as the changes that have taken place.

We continue to maintain, therefore, that it is clearly much too early for auto ID companies to make any such decisions. We hold this view, notwithstanding the page 1 headline on Sunday, September 1, in the Business Section of *The New York Times* which recommended: "Now is the time to invest in the Soviets."

[In spite of that unequivocal headline, the *Times* reporter, Steven Greenhouse, sent mixed signals in his description of the financial opportunities available in the Soviet Union. He quoted one source as saying: "If you wait until you have an ideal investment environment, with clear laws and rules of the game, you're talking 5 or 10 years. But if you wait 5 years, you might find that a lot of the most attractive partners have already made commitments to other companies."

But then Greenhouse follows with a cautionary note: "For companies negotiating Soviet joint ventures, questions remain about how the central government and republics will divvy up power, whether territorial disputes might erupt between republics and what will happen to the near-worthless ruble....The telecommunications system is laughable; apartments and office space are hard to get and prohibitively priced. With the nation's political framework changing by the minute, it is harder than ever to know which branch of government owns what and which level one must address to get joint ventures approved."]

In the light of this volatile atmosphere, AIM/Europe had to deal with three events it was sponsoring in the USSR, all of which had been scheduled for the week of September 2:



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- SCAN-MOSCOW has been rescheduled for December 9-10, 1991. The only other such event was held 3 years ago (SCAN Oct 88). Although there has been little, if any, auto ID implementation in the Soviet Union since then, there is still a great deal of anticipation and interest in the opening of this enormous market.
- Tied to SCAN-MOSCOW was a similar event in Riga, Latvia, which had been planned for that first week in September. SCAN-RIGA has not yet been rescheduled, but it is expected to take place immediately before or after the new SCAN-MOSCOW date in December. SCAN-RIGA takes on new significance, since the newly liberated Baltic republics are expected to establish closer economic ties with the West -- through the Scandinavian countries -- than with Russia and the other Soviet republics.
- The East/West Seminar, an event that was also supposed to have been held in Moscow during the first week of September, will now take place on October 17-18 in Dusseldorf, Germany, immediately following SCAN-TECH Europe. The new venue and timing of this event makes it an ideal opportunity for Western companies to interact with Soviet and other Eastern European experts. Those who attended the last such seminar in Budapest, Hungary, in April 1990 were provided with enough information to better understand events in Yugoslavia and the insight to treat that country's states as separate markets.

From all indications, the Eastern European countries seem to be aligning themselves into 3 separate marketplaces.

The first group -- Estonia, Latvia and Lithuania -- will probably look westward to trade with the 12 EC and 6 EFTA countries. There are even predictions that these Baltic republics will become an integral part of the European Community within a few years.

The other non-Soviet, ex-Comecon countries -- particularly Poland, Czechoslovakia and Hungary -- will comprise a second tier market. The economies of these nations are already structured to adopt the newest auto ID technology. The emphasis for bar coding, so far, has been on printing and labeling consumer products to increase the local value of goods destined for export to the West (replacing their old practice of shipping unmarked merchandise in bulk). A small, but increasing number of industrial/commercial scanning opportunities is expected to be available in the coming years.

The Soviet Union (and its constituent republics, in whatever political form they materialize) is the third market emerging from Eastern Europe. Whatever the outcome of the current national restructuring, it does not seem likely that this market will provide significant sales opportunity for many years. There may be special, individual opportunities, but broad-based market development of auto ID will have to await a total reorganization of the manufacturing, distribution and retailing infrastructure. Introducing front-end scanning in retail stores, for example, while backroom operations are still being handled by an abacus, is just not in the cards.

Finally, the history of automatic data collection is inherently dependent on computer-based operations. If we track the spread of computer installations in Eastern Europe, therefore, we may be better able to make reasonable forecasts as to when these markets will open up to automatic identification.

Although we can still support the "Comment" we made on these pages 3 years ago -- that this industry "cannot ignore a country of 285 million people" that is expressing interest in automatic data capture (SCAN Oct 88) -- our final word on the Soviet Union is "caution."

#### The opportunity to use....

....the auto ID industry's technological skills and resources for humanitarian purposes does not come along all too often . That's what makes the story of Brian Marcel, Managing Director of Bar Code Systems, Ltd. (Kingston, England) so interesting and special.

On his return from a recent trip to Romania, Marcel reported that he had visited an orphanage where "66% of the children were HIV-positive while 90% were hepatitis-D positive." Marcel noted: "The epidemic has escalated due to lack of medical supplies and inefficiencies in the collection, screening and allocation of blood." As a result of his findings, Marcel announced that he was leading a consortium of British bar code industry suppliers to help prevent the spread of AIDS among Romanian children.

One of the principal sources of this disease in Romania, Marcel discovered, is contaminated blood samples. The consortium, therefore, will be providing bar code scanners, film masters and 1 million coded labels to assist the proper identification in tracking of blood at a new transfusion center in Timisoara.

BCS will provide the scanners. ESP Security Print and Dernier Ltd. (ESP's managing European agent) will contribute 1 million laser-printed labels for the identification of donor blood samples and other derived blood products. (ESP and Dernier have already completed a commercial contract to supply Hungarian blood banks with in excess of 10 million labels.)

This voluntary aid by the British consortium will be coordinated with a \$6 million program, funded by the European Economic Community via the Romanian government, to establish the blood transfusion center in Timisoara. The BCS/ESP/Dernier donations of labels and scanners will provide additional benefits which were not included in the original EEC program..

Congratulations to Brian Marcel and his associates!

#### A feeding frenzy....

....has broken out once again on Wall Street, where investors are frantically looking for companies which are selling their corporate stock for the first time. These special opportunities are commonly referred to as IPOs (Initial Public Offerings).

Last month, we examined the proposed IPO by Zebra Technologies (SCAN Aug 91). The company and its major stockholders had planned to raise about \$34 million by selling 2.84 million shares. The original prospectus had pegged the price of the stock at between \$12 and \$14. The actual price at which the stock was sold on August 15 was a remarkable \$15.50 per share, totalling \$44 million (\$25 million to the company; \$16 million to the selling stockholders; \$3 million to the underwriters). Within days, the price on the open market had climbed to \$19; at the end of August it was still holding at \$18 1/2.

What makes this story particularly interesting was the "road show" the company arranged just prior to the effective date. This type of presentation is the way a company's management normally acquaints financial analysts with the company's history, products and prospects. According to one attendee, who has been following the automatic identification industry for many years: "Zebra gave a really incredibly bullish presentation -- not only for their own prospects, but for the whole bar code industry. People walked out of there with renewed faith and confidence in the entire bar code group."

According to this same industry observer, that one meeting may have boosted the stock of other companies. "If they couldn't get enough stock of Zebra," he speculated, "they seemed to have gone after other guys like Symbol Technologies." The next day the market received so many early buy orders for Symbol's shares that the stock didn't open for almost an hour because enough sellers couldn't be found to meet the demand. Symbol finally did open -- up over a point -- and at the end of August, that company's stock was trading at \$25+, close to its 12 month high.

This is not to infer that Symbol's strong showing on the stock market is attributable to one meeting held by Zebra. Recently, Symbol has shown strong sales and earnings gains and disclosed significant contracts for its products (SCAN Aug 91). It does suggest, however, that the "herd" mentality of those who influence the market -- institutional investors, analysts, brokers, etc. -- can be an important contributing factor.

Our financial guru has one last question: "Is there anyone else ready for an IPO since this industry is as hot as a pistol?"

#### In an effort to alleviate....

....the fears of its customers about its pending litigation with Symbol Technologies, Spectra-Physics has taken an aggressive stance in its promotion and advertising efforts.

An aggressive new ad campaign, that extols the virtues of Spectra's SP 300 ("Grill It - Chill It - Drop It - Dunk It - Flex It - Price It - Then Buy It") also points out to its potential customers: "Have you heard? You now have a choice in handheld bar code scanners."

In a separate public relations effort, an open letter by President John O'Brien, printed in the current issue of the S-P house publication *Frontlines*, lamented the "unfortunate" need for litigation for corporate America to settle its differences. O'Brien makes it clear that differences should not be ignored, or "settled in a less civilized manner (swords at dawn?)." He maintains, however, that litigations are unfortunate "to the degree that they stifle business, cost inordinate amounts of money, hinder progress and discourage innovation and competition."

More to the point, O'Brien notes that "an unfortunate casualty of this litigation are our customers....Retailers who desire to adopt handheld bar code readers are understandably concerned. And it's unfortunate that they are denied swift solution to a data capture methodology that has the potential of bringing them an economic and competitive advantage, sorely needed in the present retail environment."

Nevertheless, O'Brien leaves no doubt that his company will aggressively pursue its suit against Symbol, and he pessimistically predicts: "While both parties seek swift resolution, it probably won't be."

Neither side shows any sign of an accommodation. Spectra is suing Symbol for restraint of trade and Symbol has replied with a patent violation suit. Both are complicated litigations that could drag on for years.

#### Very quietly and with little fanfare....

....Symbol Technologies has dropped any reference to MSI from their corporate name and product designations. As of last month, all of the company's products are being sold under the Symbol Technologies banner. MSI Data, which had been one of the earliest innovators and developers of portable data terminals and the leading supplier of these devices for many years, thus becomes history.

There has been no official explanation as to why Symbol made this move. Although the company's portable data product line seems to have turned around and now shows signs of a stronger sales performance, it is apparent that Symbol felt that the less-than-stellar performance of MSI Data -- both immediately prior to Symbol's acquisition of MSI three years ago and since that date -- is not something that will benefit the parent company in the long run. MSI's products are now linked strongly with Symbol scanners and the new spread spectrum RF technology and, with this change, the company has moved to bring all of its products under the strong Symbol umbrella.

In a separate development in Symbol's continuing program to expand international operations, the company announced the opening of a Spanish subsidiary, located in Madrid, with Alfredo Gomez Rubio as General Manager. Spain joins Symbol's other European subsidiaries located in Austria, Belgium, France, Germany, Italy and the United Kingdom.

#### Zealously guarding its non-public image....

....Hand Held Products, which believes that it has been the target of unwarranted "ownership rumors," felt it necessary to issue a statement entitled "Hand Held Products still privately held."

The company believes the rumors started in the mid-1980s after it sold a large number of scanners to Federal Express. Rumors spread that HHP had been bought by FEDEX. According to Jeff Osborne, HHP's Marketing Director, that unfounded rumor has never subsided. Osborne adds: "These fairy tales, designed to cast doubt upon the allegiances and support capabilities of HHP, are rampant and more widespread than ever before. For example, DHL and RPS (two important customers of HHP) are purported by the rumor mill to be owners as well."

To clear the air, HHP President Hank Bennett issued an official corporate statement: "Mike Weaver, Jim DeArras and Miles Smith, Jr. founded HHP and have retained ownership ever since." Bennett explains: "We are a private and very closely held corporation, and we are flattered that our name is continually associated with major firms and corporate powerhouses. Although relationships with our major customers remain close and very strong, I can assure you that no ownership is involved." Chairman Mike Weaver adds: "Although we've considered several legitimate opportunities....HHP is not for sale."

Obviously, Mike, you just haven't been exposed yet to an offer you can't refuse!

#### We have often heard speculation....

...by industry experts that Telepen, introduced by George Sims in 1972, was possibly the best-designed bar code symbology ever developed. At the time, Sims was Managing Director of SB Electronic Systems Limited (Harpenden, UK).

Telepen was really way ahead of its time. It is a wide/narrow symbology with a constant 3:1 ratio which offers considerable printing and scanning tolerances. Each character is 16 modules wide, and encodes either all 128 ASCII characters or a compressed 2-digit numeric font (as in Code 128, which arrived over 10 years later).

There is no fixed pattern of wide to narrow elements, such as is used in the 2 of 5 or 3 of 9 symbologies. There is a direct relationship between the ASCII width pattern and the bar code character. The encoding and decoding rules are considered "intellectually elegant." (The one criticism that has been levelled at Telepen is the relatively high incidence of misreads due to character substitution. Reportedly, this has been overcome -- as it was with UPC/EAN -- through the inclusion of a strong check character.)

At the 3:1 ratio, Telepen -- with its full 128 ASCII set and compressed double-digit numbers -- takes up the same space as the more-limited 43-character Code 39. Because of its simpler wide/narrow structure, it is easier to print than Code 128. It is claimed that 10 characters per inch can be achieved on low-cost dot matrix printers.

Telepen never really got off the ground because Sims insisted that he retain proprietary rights to the symbology and he resisted all suggestions that he place the design in the public domain for all to use. Because of his inflexibility, Telepen has been restricted to use by libraries in Britain where it has been incorporated into systems installed by SB Electronics.

There has now been a change of heart. Telepen has been placed in the public domain -- except, not surprisingly, for applications in libraries in the UK. In recognition of this step, AIM/Europe has published Telepen as a Uniform Symbology Specification. This is the first AIM specification that did not have its origins in the US.

Two years ago (*SCAN* April 89, May 89), we wrote about the problems Telepen symbology had encountered in the past. It had been passed over in the 1970's as a standard for the automotive industry because it was not in the public domain and has been virtually ignored for 20 years. With this new step by AIM/Europe, it's just possible that late recognition may come to this innovative symbology.

#### The chaos that has ensued....

....as a result of the expiration of the New York State item-pricing regulations seems to have caught the food retailers by surprise.

Earlier this year, the NY supermarket operators launched a successful effort to block the renewal of the law, which expired on July 1 (SCAN July 91). State legislators were reportedly convinced that the existing law was not working, but since they could not agree on a substitute by June 30, the old law was allowed to die (or "sunset," as the bureaucrats refer to it) without a substitute in place.

In the meantime, a new problem has emerged because local jurisdictions are exploring opportunities to fill the void by enacting their own item-pricing restrictions. New York City is considering one of the most restrictive of these proposals. On August 15, the City Council adopted an item-pricing measure which levies fines of \$1,000 for each infraction. Mayor David Dinkins is threatening to veto that bill -- he wants those fines upped to \$25,000.

Regulations in other cities and counties throughout the State range from no restrictions at all to severe penalties. In Rockland County, for example, the punitive local law allows for no exceptions to the requirement that items be individually price-marked, and each violation is subject to fines of \$1,000.

Local ordinance-making bodies are now being besieged with pleas for help and clarification from the large chains (who are facing different regulations in each jurisdiction) and the small independent retailers (who plead lack of space and resources to comply).

The latest word from the NY State Food Merchants Association (NYSFMA) -- the retailers' trade group -- does not seem to help very much. The self-serving statement reads: "Contrary to the claims from various consumer advocacy groups, [the NYSFMA] has supported item pricing laws....The patchwork quality of local ordinances is creating confusion for consumers as well as retailers."

What a botch job the retailers are doing on this sensitive problem, which doesn't seem to go away. Consumer groups are still maintaining that scanning is inaccurate and that consumers are being cheated. We have yet to see the industry launch a coherent, cohesive rebuttal.

#### The most innovative presentation....

....introduced last year, at SCAN-TECH 90, will be expanded and enhanced at this year's event (Dallas, November 5-7). Called the Working Systems Displays, the exhibits will be increased from four to six actual working demonstrations of the benefits of automatic identification. They will include the following applications: manufacturing and distribution, warehouse inventory management, vehicle identification, order tracking, and inspection and repair. [This demonstration approach to technology exhibits has also been effectively used in the SCAN-TECH/Europe and UK shows for the past few years (SCAN July 91).]

The companies and government organizations that will showcase the ways in which automatic data collection is helping to improve the gathering and management of information are: AT&T Omaha Works, Barre-National, Texas Turnpike Authority, FTM Heat Treating, Famous Footwear and Northwest Airlines. The demonstrations will include bar code, RFID, RFDC and EDI.

We thought that last year's Working Systems Displays was an excellent effort which suffered from being poorly located and minimally promoted (SCAN Oct 90). This year, in a welcome move, AIM is planning to situate these displays right

on the convention floor, to complement the expected 280+ company exhibits.

In another change, the keynote address will be held at 5:30 P.M. on the evening before the show opens, instead of the first morning. This year's keynoter, Dr. C. Jackson Grayson, is Chairman of the American Productivity and Quality Center and the author of "American Business: A Two Minute Warning." In his address, "Total Quality Management as a Tool to Restore Competitiveness," Dr. Grayson will discuss the need for US companies to implement programs that stress the quality of the products and services they provide. This strategy, known as Total Quality Management, covers a range of organizational, managerial, technical and behavioral issues.

Those who attend this important part of the three-and-a-half-day program will also learn the name of the winner of the 1991 *SCAN Newsletter*/AIM Percival Award when it is presented just prior to the keynote speech. The Percival Award is made to an outstanding contributor to auto ID technology, selected from the user community. (Nominations are now being accepted and should be sent to the Editor of this newsletter.)

This is the tenth SCAN-TECH and the show returns to Dallas -- its original venue -- where it all began in 1982. The 10-year comparison, especially for those who attended both events, should be amazing.

#### We read a provocative story....

....about the strategy for defining and pursuing market niches that we would like to share with our readers. The story, told by Jan Nathan, Executive Director of the Publishers Marketing Association (Hermosa Beach, CA), appeared in the *PMA Newsletter*. (PMA, a nonprofit group, serves as a cooperative marketing organization for small-to-medium size book publishers.)

Nathan's story goes like this: She met a small independent publisher -- Ara Movsesian -- who had a book he felt should be more successful than it was. Titled, "Pearls of Love: How to Write Love Letters and Love Poems," it just didn't seem to attract many buyers. One day, a librarian picked up the book at the PMA booth at a publishers' convention and remarked: "I can't keep this book on my shelf. It keeps getting stolen from the library."

That librarian was from San Quentin! Further investigation revealed that the same problem was occurring with that book in prisons across the country.

The publisher took this information and ran with it. Net result: The October 22, 1990 issue of *US News & World Report* noted that the number-one prison best-seller among the 1.2 million Americans in jail is, as you may have guessed, "Pearls of Love."

If lonely men, in prison and away from their families, read that book, why not military people similarly removed from their loved ones? Publisher Movsesian reported that his second book, called "Love Poems for Cards and Letters," had been ordered by the US Army, last year, for dissemination throughout the world, particularly to the troops in Saudi Arabia.

Great story! It may not have anything to do with auto ID products, but it does relate to how to market any goods and services.

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