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July 31, 1975

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To The Ad Hoc Committee On A  
Uniform Grocery Product Code

Gentlemen:

Enclosed are the minutes of the Ad Hoc Committee  
meeting held on July 15, 1975, in New York City.

Sincerely,

  
Stephen A. Brown

SAB/dkn  
Enclosure

CC: Thomas W. Wilson, Jr.  
Robert W. Cort

MINUTES OF THE MEETING OF THE AD HOC COMMITTEE ON  
A UNIFORM GROCERY PRODUCT CODE  
McKinsey & Company Offices  
245 Park Avenue, New York, New York  
July 15, 1975

A meeting of the Ad Hoc Committee on A Uniform Grocery Product Code was held on July 15, 1975, at the McKinsey & Company offices in New York City. A list of those attending is attached.

Chairman Burt Gookin called the meeting to order at 2:05 p.m. He began by welcoming all those in attendance, stressing the importance of this meeting and the decisions that were required.

Tom Wilson of McKinsey & Company first gave a report on the status of UPC implementation. There are four phases to the implementation effort: maintenance of industry support; provision of facilitating mechanisms; monitoring of progress; and modification of the specifications. Mr. Wilson elaborated on the status of each of these.

Mr. McFarland inquired as to whether the membership fee in the Code Council was simply for the administration of the numbers or for the full implementation of the UPC project. The Chairman responded that both were functions of the Council.

Jack Strubbe next gave a report on the Uniform Product Code Council. Currently, its membership stands at 3,497. The average membership fee paid today is about \$400. Expenses include McKinsey & Company, Kirkland, Ellis & Rowe, and Arthur

Andersen; but the largest item of expense is the payment to Distribution Codes, Inc. The Code Council is on a year-to-year service contract with DCI and the annual cost of that contract is now \$600,000 for the first 2,400 members, with a \$76 per member fee for all additional new members. DCI's profit is limited to 12-1/2 percent in excess of its audited costs. Mr. Strubbe noted that UPCC does contemplate reducing the activities of the service agency. It will also investigate the possibilities of obtaining service from other sources.

The realistic universe of membership in the Code Council is estimated to be between 10,000 and 15,000 companies. However, over 80 percent of the volume movement is already covered by a UPC number. A recent Nielsen survey shows that source marking is reaching the 40-60 percent level at the checkout counter.

There have been very few symbol marking errors reported to date. Some months ago, the Ad Hoc Committee issued a paper on the incidence and probable impact of symbol marking errors, and such errors do not appear to be a significant problem area either at present or for the foreseeable future.

The Code Council has also just reviewed the proposed add-on symbol for the periodical and greeting card industries. This is a new development, and we do not know exactly where it leads. Thus, for example, the recent announcement of "Universal

Product Dollars" (which has no affiliation with the Code Council) also involves an add-on symbol which the Council will presumably be asked to examine.

As of now, there are twenty-one test stores in operation. Mr. Wilson noted that the early productivity results are not good and they will continue to be poor until the location of the symbol on a product is standardized to a greater extent than has been accomplished to date. The time required by the checkout clerk to search for the symbol has an extremely detrimental impact on productivity.

There is no uniformity in format for the data that the various store tests are producing. Obviously, each testing store must be free to structure its test as it sees best. However, we have held one seminar on methods of measuring productivity and, as sufficient interest exists, will schedule others.

Approximately ten equipment companies are supplying UPC equipment.

Mr. Wegman next gave the report of the Public Policy Subcommittee. The membership of this committee has been expanded to include Jim Turner, representing consumer groups, Wayne Horvitz of the Joint Labor-Management-Government Tripartite Committee, and representatives of the various industry trade associations. The Subcommittee's prime task has been dealing with anti-UPC legislation. No legislation has been enacted in any state except Connecticut and Rhode Island. The Committee has tried to develop a dialogue with consumer

groups and some progress has been made, although a tentative agreement on price marking legislation fell through.

The Public Policy Subcommittee has solicited a research project on price awareness and has selected the Michigan State proposal as the best one. There was discussion over the desirability of conducting such research with Messrs. McFarland and Wolfe expressing reservations as to its desirability. Other members of the Committee took the position that research is the only possible hope of avoiding legislation in the future. Moreover, the consumer groups are on record that this research is responsive to their concerns.

Mr. Wilson then gave a consolidated financial report (based on unaudited figures) showing income and expenditures of both the Code Council and the Ad Hoc Committee. Essentially, the report indicated that, while the Code Council was in a profit position currently, losses were projected for the next two years. Further out, ongoing revenues of approximately \$1/2 million per year were estimated, which should be enough to sustain the project. The Ad Hoc Committee is in need of funds from the Code Council in order to finance its public policy and consumer education activities.

The Committee next addressed the question of the appropriate role of the Ad Hoc Committee in public policy. It was the unanimous opinion of the Committee that public policy was an appropriate subject for the Ad Hoc Committee and, having heard the report of its Public Policy Subcommittee and its activities, the Committee ratified and adopted all

actions taken by the Public Policy Subcommittee to date. It also recognized that the initial mandate of the Public Policy Subcommittee was too narrow. It is now obvious that the issue of pre-emptive legislation is inextricably mingled with consumer education and responding to issues raised by consumers, labor and government. Accordingly, the Ad Hoc Committee, on motion duly made and seconded, unanimously directed its Public Policy Subcommittee to deal with UPC related legislation, consumer education on UPC, responses to consumers, labor and government, and such other topics as may be delegated to it by the Ad Hoc Committee or its Chairman.

The Committee then discussed financing of the Public Policy Subcommittee. Chairman Gookin noted that he was undertaking a study of the functions of the separate organizations and perhaps would be recommending changes in the organizational structure of the Code Council and the Committee. However, for the present, the Ad Hoc Committee is necessary to give guidance on policy actions and expenditures.

It was the sense of the Committee that Mr. Strubbe should be requested to ask the Code Council to advance approximately \$225,000 to the Ad Hoc Committee for its use in the public policy and consumer education efforts.

There next was a discussion of the financing of a review of the UPC program to measure the economics of the system. This is estimated to cost \$40,000. It was noted

that the Coyle Council has already provided \$25,000 to the Ad Hoc Committee for the conduct of this research. Upon motion duly made and seconded, the expenditure of \$40,000 to conduct an economic review was unanimously approved.

The question was next on the funding of the work of the Public Policy Subcommittee through 1975 as outlined below:

INCOME

Cash balance 6/30/75	\$ 53,475
Advance from UPCC	<u>225,000</u>
Total sources	\$278,475

EXPENSES

1975

McKinsey & Co. - Public Policy 11/74-6/75	66,000
- Public Policy 7/75-12/75	20,000
- Economic Review 1975	40,000
Public Policy Subcommittee, Administrative Expense	
- 1/75 - 6/75	10,000
- 7/75 - 12/75	10,000
Price Awareness Research	<u>65,000</u>
Total Uses, 1975	\$211,000
Projected Balance 12/31/75	\$ 67,475

Upon motion duly made and seconded, the Ad Hoc Committee unanimously approved these expenditures. Mr. McFarland wished it noted that, while he approved the budget, he opposed the conduct of the price awareness research project.

In connection with the Economic Review project, it was noted that the data belongs to the Ad Hoc Committee and will not be made public without the prior approval of the Ad Hoc Committee. It was further noted that the Chairman has the authority to appoint a subcommittee to work with McKinsey on this project if such a group is desirable.

The Committee next considered various organizational changes. After full discussion and on motion duly made and seconded, the Ad Hoc Committee adopted the following resolution:

RESOLVED that Joseph Danzansky be and hereby is elected Treasurer of the Ad Hoc Committee and that Stephen A. Brown be and hereby is elected Assistant Treasurer.

Be it further resolved that the Chairman is authorized to execute a Bank Resolution creating an account with United Virginia Bank of Alexandria, Virginia, with checks to be signed, upon proper authorization, by any of the following: Chairman, Vice Chairman, Treasurer, or Assistant Treasurer.

Be it further resolved that all expenditures under \$5,000.00 for the Public Policy Subcommittee may be approved by the Chairman of the Committee or the Chairman of the Public Policy Subcommittee; all expenditures over \$5,000.00 shall be approved by a majority of the Ad Hoc Committee (such approval may be obtained by mail).

Be it further resolved that the Chairman shall have authority to approve all other expenditures, except that he may, in his discretion, delegate to the Assistant Treasurer authority to approve expenditures under \$500.00.

Be it further resolved that the Chairman and Assistant Treasurer are authorized to contract, upon reasonable terms, with Richard Foote of Vienna, Virginia, for the provision of book-keeping service.



Be it further resolved that the Assistant Treasurer is authorized to close the Ad Hoc Committee's account with the Harris Trust and Savings Bank and transfer all sums in that account to the United Virginia Bank.

The Treasurer shall have authority to invest funds of the Ad Hoc Committee in certificates of deposit.

The Chairman announced that he had accepted selection to the Code Council Board of Governors and that, therefore, it may be desirable to select a new chairman of the Ad Hoc Committee. On motion duly made and seconded, the Chairman was given authority to appoint a nominating committee to recommend new officers for the Ad Hoc Committee.

The minutes of the previous meeting were unanimously approved without reading.

On recommendation of Mr. Register of NARGUS, Stephen Barlow of Barlow Foods was unanimously elected to membership on the Ad Hoc Committee.

Mr. Lloyd reported on couponing and the UPC. He reported that a format for symbol marking has been agreed to by a wide range of groups in the industry, that a problem had arisen, but a solution to the problem was at hand. It was noted that, while this is a technical solution, there are many other aspects of UPC and couponing which still require attention.

It was also noted that progress was being made in Europe to come up with a parallel system to the UPC. At least

one possible solution for Europe, the so-called World Product Code, would subsume the UPC.

There being no further business, the meeting was adjourned at 4:45 p.m.

SAB

Ad Hoc Committee Meeting  
July 15, 1975  
Attendees

R. Burt Gookin, Chairman	H. J. Heinz Company
Robert B. Wegman	Wegman's Food Markets
J. P. McFarland	General Mills, Inc.
John L. Strubbe	The Kroger Company
James Ferguson	General Foods Corporation
Robert A. Stringer	General Foods Corporation
Alan L. Haberman	First National Stores
John C. Suerth	Gerber Products Company
Bert L. Thomas	Winn-Dixie Stores
Donald Lloyd	Merchants Inc.
Jack J. Crocker	Super Valu Stores, Inc.
Ray Wolfe	The Oshawa Group, Ltd.
Thomas W. Wilson, Jr.	McKinsey & Company
Robert W. Cort	McKinsey & Company
Stephen A. Brown	Kirkland, Ellis & Rowe