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October 4, 1974

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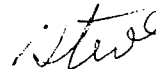
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To: Members of the Ad Hoc Committee On
A Uniform Grocery Product Code

Gentlemen:

Enclosed for your files is a finalized copy
of the minutes of the meeting of the Ad Hoc Committee
held on September 16, 1974, in New York City.

Sincerely,



Stephen A. Brown

SAB/dkn
Enclosure

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
September 16, 1974

A meeting of the Ad Hoc Committee on a Uniform Grocery Product Code was held on September 16 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 9:15 a.m.

Mr. Gookin traced the history of the Ad Hoc Committee. Once the Ad Hoc Committee started on the symbol selection process, no new members were added because of its technical complexity. The Code Council is now able to carry on well without supervision from the Ad Hoc Committee. However, a number of top level management issues have now arisen and policy backing for the Code Council is needed from the Ad Hoc Committee.

While the last meeting of the Ad Hoc Committee was about eighteen months ago, it has never been disbanded. In July, the Chairman of the Code Council met with the heads of the trade associations. As a result of this meeting, the Ad Hoc Committee was reactivated. It is not anticipated that a large number of Committee meetings will be required.

Mr. Gookin stated three objectives for the meeting today: first, to acquaint the Committee with the overall status of the UPC project; second, to reach a point of view on current issues facing the Ad Hoc Committee; and third, to decide how the Ad Hoc Committee can carry out its future role.

Mr. Strubbe next gave a report on the Code Council, based on the material presented to the trade association heads in July.

Mr. Strubbe reviewed the timetable of the UPC project and pointed out that one of the continuing tasks of the Code Council was to monitor the continuing performance of the system to ascertain if there are negative results.

He described the Code Council Board as composed largely of information officers and technical officers, and not general management officers. McKinsey & Company operates as the Executive Secretary.

Mr. Strubbe then turned to current issues involving the UPC. He stated that there were about a dozen issues currently before the Code Council. On most of them, no Ad Hoc action was necessary.

The issues include:

- a. Coupon validation;
- b. Dealing with the trade press;
- c. Expansion of membership of the Code Council and adjusting the composition of the Board;
- d. The problem of succession on the Code Council Board (Tom Nelson is unable to assume the chairmanship and there is a definite need for continuity and experience. Mr. Gookin has asked Mr. Strubbe to stay on and, if the Board

concurr, he will do so. There is still the problem of providing continuing leadership for the Code Council beyond the coming year with some general management experience.);

- e. Communication with trade associations (this communication should be in significant part through the trade association board meetings and some help is necessary in seeing that invitations do come.);
- f. Compatibility of the UPC with the NRMA;
- g. Symbol printing liability (it is hoped that retailers will not insist on liability and the goal is to start an open, industry dialogue on the subject);
- h. Symbol printing cost increases;
- i. International coordination; and
- j. Market information.

There are three issues which require Ad Hoc Committee action. The first is item pricing. It is clear that consumerists are worried and are organizing protests against the removal of item pricing. They argue that it will lower price consciousness, make it impossible to make price comparisons across departmental lines, encourage sloppy pricing practices by the retailers and encourage retailer fraud.

There is a movement towards legislation requiring price marking. According to the McKinsey study, the cost of dual marking is \$6,000 per year in a \$60,000 per week store. This represents about 20 percent of the total hard savings of UPC. Moreover, it is questionable whether the consumerists' assumptions are true. For example, there is no indication of cross department comparisons. In addition, with the UPC system, the clearer register tape provides the consumer with an audit trail, making it easier to police any discrepancy between the shelf price and the tape price. The tapes can also be posted in the pantry for comparison purposes. Finally, chains are unlikely to allow in-store personnel to have access to the price file.

It is true that the RCA tests showed resistance to price removal, but in that test, the cash register tape did not have item description.

Obviously, the removal of prices is a decision each retailer must make for himself, except for the threat of pre-emptive legislation. Perhaps it would be desirable for the Ad Hoc Committee to develop a position paper which is neither for nor against price marking, but is against pre-emptive legislation, at least until such time as experience shows otherwise. It was the consensus of the Ad Hoc Committee that this should be done and that McKinsey should prepare such a statement.

NAFC and/or SMI should be contacted to bring in the state retail association people. The Ad Hoc Committee was even willing to consider the question of litigation to prevent pre-emptive legislation if necessary. Messrs. Wegman, Haberman, Danzansky, Lloyd and Gookin were designated a subcommittee of the Ad Hoc Committee to deal with the issue of pre-emptive legislation in the various states and localities. Mr. Haberman was named to work with the appropriate associations in dealing with the Massachusetts situation.

Consumer education and public relations is a second issue for Ad Hoc attention. A draft press release on the benefits from the UPC system has been prepared and should be issued in the name of the Ad Hoc Committee. McKinsey is now also preparing a consumer question and answer piece on UPC which will be issued in the name of the Ad Hoc Committee. It is hoped in these ways to generate some favorable publicity.

The third issue with which the Ad Hoc Committee should deal is labor relations. In this regard, the food industry deals primarily with three unions -- the Teamsters, the Retail Clerks and the Meat Cutters. To date, the Retail Clerks have shown the most interest in the subject; but so far, no meaningful language has been introduced into any contracts. There is a food industry labor management committee. It was the consensus of the Committee that we should continue to respond to union requests for information

and that any other matters that come up should be referred to the labor management committee.

Mr. Gookin next discussed the structure and organization of the Ad Hoc Committee. The technical representatives have been dropped and the Committee has been reconstituted. In addition to those currently on the Committee, the National Association of Retail Grocers will be approached to suggest a replacement for Earl Madsen to represent small retailers, and Gavin McBain of Bristol-Myers will be asked to rejoin the Committee. Another meeting will probably be held in mid-spring 1975. Matters prior to that time hopefully can be handled by telephone. McKinsey & Company will put together a formal proposal for their role in this matter.

The Committee next discussed finances. Combining the Ad Hoc Committee and the Code Council, the cash balance could be approximately \$600,000 at the end of 1974. With this in mind, the Code Council has recommended that the trade association seed money be returned to them. Tax and accounting counsel have advised that this would most appropriately be an action taken by the Ad Hoc Committee, and it was accordingly recommended to the Ad Hoc Committee. After discussion and on motion duly made and seconded, the following resolution was adopted:

WHEREAS in order to make possible the initial development and implementation of the Uniform Grocery Product Code, the Grocery Manufacturers of America, Inc. ("GMA) advanced funds to this

Committee in the amount of \$171,397 and the Super Market Institute (SMI) advanced funds in the amount of \$50,000, with the understanding that if and when the project became self-sustaining, these advanced funds would be returned;

WHEREAS it has subsequently developed that, due in part to the stimulus and example provided by the advances of GMA and SMI, funds and pledges of funds from other sources have become available in amounts which will render the advance contributions of GMA and SMI in excess of the Committee's foreseeable needs; and

WHEREAS the Committee therefore wishes to set aside such initial contributions for eventual return to GMA and SMI, in recognition of the initial understanding when such funds were advanced, and in the expectation that this will set an example for the advance of funds by these or other trade associations at such future time as special contributions may again be needed for the launching of new projects;

IT IS THEREFORE RESOLVED AS FOLLOWS:

1. The amount of \$171,397 shall be set aside as a special fund on the books of the Committee for ultimate return to GMA and the amount of \$50,000 shall be similarly set aside for ultimate return to SMI, in both cases in such amounts and at such times as the Chairman may from time to time determine;

2. It is understood that upon such return, these funds shall be used by GMA and SMI for the overall purpose of improving

conditions in the grocery industry generally, and shall not be returned to any member firm or individual of either organization;

3. It is understood that the return of such funds shall be subject to a condition requiring their repayment to the Committee in the event that it should be finally determined by the Internal Revenue Service that the return of such funds to either such organization is for any reason inconsistent with the tax exempt status of the Committee; and

4. The Committee expresses its gratitude for the support which GMA and SMI have rendered in making possible the initial development of the Uniform Grocery Product Code, the implementation of which has now reached the point at which its cost can be self-sustaining from the grocery industry.

There being no further business, the meeting adjourned at 2:05 p.m.

SAB

Ad Hoc Committee On
A Uniform Grocery Product Code
September 16, 1974
Attendees

R. Burt Gookin

J. J. Crocker

Alan L. Haberman

Donald P. Lloyd

Robert A. Stringer

John L. Strubbe

John C. Suerth

Thomas W. Wilson, Jr.

Stephen A. Brown

H. J. Heinz Company

Super Valu Stores, Inc.

First National Stores

Merchants Incorporated

General Foods Corporation

The Kroger Company

Gerber Products Company

McKinsey & Company, Inc.

Kirkland, Ellis & Rowe