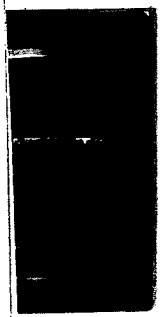


*From the desk of*

2057-1-3

Stephen A. Brown

Attached are minutes of the February 12 meeting. In light of the nature of the meeting, the minutes are being distributed only to regular members of the Committee and those in attendance at the meeting.



MINUTES OF THE MEETING OF  
THE SYMBOL STANDARDIZATION SUBCOMMITTEE  
McKinsey & Company  
245 Park Avenue, New York City  
February 12, 1973

A meeting of the Symbol Standardization Subcommittee was held in the McKinsey & Company offices in New York City on February 12, 1973. This meeting was for regular members of the Committee, and a list of those attending is attached.

The meeting was called to order at 9:15 a. m.

Larry Russell began the meeting with an update of developments since the last meeting. He described the second symbol submitted by Charecogn, a patented columnar bar code which is in fact a two-dimensional symbol. Another new entrant is Anker/Plessey which has submitted specifications for a bar code. Larry stated that on first reading, it appeared as if the specifications were not as complete as might be hoped. He also expressed the opinion that the Committee could expect between five and ten additional proposals before the end of March.

The Battelle test program is running. Currently seven companies are participating in this program. In general, the tests of scanner units are not showing up in the way anticipated.

At the March 5 meeting of the Committee, there will be a presentation by the Paperboard Packaging Council and the Flexographic Printers.

The El Rancho store test schedule is slipping, and there will probably be no data available before the end of March, although a visit to the

store is possible in early March. There are also revisions in the Kroger store test data. The lab test data to date tends to indicate that the equipment performs differently in the laboratory than in the store environment.

Larry cautioned that even when all of the data is in, the decision will turn on judgmental factors, rather than hard data.

The Committee acknowledged the vast amount of work done by Messrs. Biermeier and Franz in contacting individual equipment companies. In this connection, there was discussion of the fact that even those who have been working closest with the project feel inadequately informed. The consensus was that all members of the Committee would be informed of, and invited to, all future meetings. In addition, McKinsey & Company would prepare a package of key information for use of the Committee members in making a decision.

The Committee next turned to the subject of confidential information. It was the consensus that if individual Committee members have received confidential information and it affects the decision-making process for that individual, he should make that fact known to the rest of the Committee.

The Committee next outlined the kinds of information which had been received in confidence from various companies:

- A. Litton-Zellweger has asked that a unique aspect of their scanner be held confidential. (This matter is now public information.) They have also asked that the specific discussion of the decode and encode solution and the attributes thereof be held confidential.
- B. There is a confidentiality agreement with RCA, but nothing has been disclosed to the Committee that is not evident on its face from an examination of the Kroger store.
- C. Barry Franz and Larry Russell have an agreement with NCR in which they agree to keep confidential details of the design and operation of a simple device which can read most of the symbols proposed.
- D. Joe Moore, Scanner, Inc., initially requested that certain information be kept confidential but then did not hold the Committee to this, although he did request discretion to be used with the information.
- E. IBM has asked the Committee to hold confidential whether or not they have a thing that scans their symbol, and whether or not they are participating in the lab test program.

Fred Rosen next reported to the Committee on the preliminary results of the cost feasibility study. He stated that the response has been good, but that some large companies have not yet submitted their Part II responses. He cautioned the Committee to be wary of the preliminary report of the cost figures because they were not weighted and are biased on the high side.

Rosen stated his reasons for believing these costs are high as: The incremental costs are loaded; companies have taken a very conservative approach; associated costs are included which ingenuity will probably solve; future technology is not factored into the cost calculations; finally, short-cut math is involved in arriving at the present figures.

On the other hand, the costs might get higher as the technical complications of printing may currently be understated.

One of the major cost factors is the additional quality control required for printing. A second major new source of cost is a factor for rejected labels.

In summary, the Committee was asked to keep in mind that (1) the preliminary numbers are too big; (2) the feasibility study shows no adequate differentiation among the different candidate symbols, although a differentiation will be developed from the Paperboard Packaging Council,

and the Flexible Printers; (3) there are two main problems surfacing from the feasibility study -- (a) the number of quality control people required and (b) the estimates of rejection rates (today label quality control by grocery manufacturers is cursory); and (4) the cost figures reflect more qualitative than quantitative judgments.

Steve Brown next provided the Committee with an update on the various legal issues involving the Committee. He reported that the FTC has asked additional questions and that he was in the process of responding to those questions, although nothing appeared to be disruptive from that end.

He further advised the Committee that, for SEC reasons, it would be advisable for the Ad Hoc Committee to make public its decision immediately on April 3, but that the Subcommittee should make no announcement between the time of its recommendation and the Ad Hoc Committee meeting.

The current status of the patent policy and other patent questions was reviewed. Virtually all companies proposing symbols have submitted their statement regarding patent policies. Steve advised that after the March 5 and 6 meeting, if it appeared that patents would be an important factor in the final decision, patent counsel should be asked for an opinion.

Steve brought the Committee up to date on rumors of a threat from a large retail organization that it wished to place roadblocks in the way

of the Committee. He also advised the Committee of a statement by John Esserian to the effect that John felt handicapped by his lack of resources.

The topic of Fritz Biermeier's participation on the Committee was next discussed and it was the consensus of the Committee that Fritz should stay on the Committee and that Red Owl should be requested to avoid entering into an agreement with any company for testing equipment till after April 1.

Pitney Bowes-Alpex has designated David Carlson and Richard Daitch of Chatham Supermarkets in Detroit and Richard Shulman of Pueblo International of New York City as new consulting members. These two chains are testing partners with Pitney Bowes-Alpex.

A subcommittee of the Committee had arrived at a new C-1 figure which was the subject of a lively discussion by members of the Committee. It pointed up the great difficulty the Committee would face if it insisted that manufacturers source mark only on the natural bottom of products. However, a decision on symbol location was deferred.

The Committee next decided to hold its March 5 and 6 meeting in Los Angeles so that it could observe the El Rancho store test. The March 29 and 30 meeting is to be held in a retreat area and this meeting should be subsidized by the Ad Hoc Committee.

Barry Franz next summarized for the Committee his current information on each of the proposed symbols. Some of the key points he made about each symbol were as follows:

- A. The scanning method for the Charecogn symbol may present serious problems.
- B. IBM may have good error detection capability, and the IBM solution is suited to a variable size symbol. (Barry noted that picking a format for a symbol does not necessarily dictate the selection of a particular encodation scheme.)
- C. As far as Litton-Zellweger is concerned, they were seriously impacted by our San Francisco meeting and have made numerous changes in their approach, including the encodation scheme and the size of the symbol. However, in store marking is still difficult for the Litton-Zellweger symbol.
- D. The Pitney Bowes-Alpex symbol is virtually tamper proof, but as nearly as Barry can determine, they have not spoken to the problem of error correction. Pitney Bowes has demonstrated the simplicity of their in store marking.



- E. The Singer Corporation has been most cooperative.

Their encodation scheme is unique. For them in store marking might be difficult. Their symbol also requires side marking only, and this may be a problem.

- F. The scanning method of the Scanner, Inc., proposal is unique. It probably can read almost all of the symbols proposed. Error detection with this symbol is fair; in store marking is by a hand-held device and simple. One problem for Scanner would be the lack of speedy implementation.

- G. There is a tremendous lack of data on the Dymo proposal. It is wandable only; the current indications are that bottom marking is not good for it, and that it has poor error detection, but that in store marking is excellent.

- H. The specifications for the Anker symbol are inadequate. The symbol is probably wandable and its error detection may be very good.

- I. As far as format is concerned, Barry's tentative thinking is that Litton and IBM have the best format approach.

It was stated that both NCR and Litton are considering making a commitment to enter the marketplace with equipment regardless of the symbol selected. The Committee wishes to encourage this.

It was the consensus of the Committee that it was desirable for the symbol to be variable in size.

The Committee next discussed the implementation program for the symbol. The two big hang-ups on implementation involve the numbers of quality control people who will be required and the dangers of a high rejection rate of poorly printed symbols.

This raised the issue of should the Committee set dimensional tolerances for the symbol. There was considerable discussion of the pros and cons of this, and the tentative conclusion was that some form of dimensional tolerances at least as guidelines were desirable.

The Committee should make some recommendations regarding implementation problems past April 2. One need may be for some form of arbitration system for disputes. The second major effort required is one of communication, and the size of that job is staggering. The third job is akin to that of a sheep dog -- to run around keeping people in the fold -- and there are several alternative possibilities for this: McKinsey & Company, DNB, members of the trade association staff, the Symbol Standardization Subcommittee augmented by others, the Board of Governors of UGPCC, etc. Various alternatives were discussed and no decision was reached.

It was the consensus that the Committee should also consider the possibilities of a hybrid symbol, and McKinsey was authorized to prepare materials considering this.

The meeting adjourned at 7:00 p.m.

ATTENDANCE  
Symbol Standardization Subcommittee  
February 12, 1973

Alan Haberman	First National Stores
Eric Waldbaum	Greenbelt Consumer Services
Barry Franz	Procter & Gamble
Fritz Biermeier	Red Owl
John F. Hayes	H. J. Heinz
Robert Tripp	Winn-Dixie
William B. Galt	Del Monte
Stephen Linn	General Foods
William Bonner	Finast
Larry Russell	McKinsey & Company
Fred Rosen	McKinsey & Company
Stephen Brown	Counsel
Donald Martin	Distribution Number Bank
Rick Thatcher	Battelle