October, 1996

What You Need to Know About UPCs: Applying Bar Code Technology to Boost Marketing & Cut Costs

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Applying Bar Code Technology to Boost Marketing & Cut Costs

by Doug Swanson

It means different things to different people. To the typical consumer, it’s just a series of white and black lines and a few numbers printed on the bottom of a retail product. To the check-out counter clerk, it’s a labor-saving device which automatically tells a cash register how much to charge a customer for a particular item being purchased. But for the men and women who own and manage retail and wholesale businesses, the UPC (Universal Product Code) is the gateway to a universe of knowledge about consumers, their buying habits and spending power. The information available through the use of UPCs helps companies identify target markets, increase sales and marketing efforts and cut overhead costs. The UPC is just one facet of an exploding new area of technology—one which, if implemented wisely, can mean greater return on investment and lower overhead costs for your business.

Universal Product Codes

Each UPC has eleven digits along with a series of black and white lines. When a shopper goes to the check-out counter, the clerk passes the coded item over an optical scanner where beams of light interpret the product information. This information is then immediately sent to the register where a printed receipt-of-purchase is prepared. At the same time, information about the purchase is sent to an in-house computer system which keeps an immediate, ongoing tally about the products sold and the items remaining in inventory.

The UPC first appeared on retail products in supermarkets in 1973. At that time, only a few hundred products were coded and most retailers didn’t have the necessary optical scanners in place to take advantage of the information from UPCs. Today, however, it is all but impossible to find products which aren’t labeled with the codes. Virtually all retail consumer products are coded—fast foods, newspapers, magazines, rental automobiles—you name it. Just a few years ago it was unusual to find a store using the optical-scanning check-out counter; today, it’s the clerk entering numbers into the cash register by hand that is uncommon.

The benefits of the UPC

Many of the nation’s large retailers—giants such as Wal-Mart and K-Mart—won’t even consider stocking merchandise which isn’t packaged with a UPC. It is difficult and complicated to determine pricing for non-UPC marked items at the register and entering prices by hand takes valuable time. Furthermore, items sold without UPCs deny the retailer access to the wealth of consumer information the codes provide. And it is this consumer information which can make the difference between a successful product introduction and a failed one.

The UPC and new products

Every year, 72 percent of all the new retail products introduced into the U.S. marketplace fail. What’s more, over half of all the extensions of existing product lines fail. According to Information Resources, Inc., a Chicago-based market research firm, these failures cost nationally-based product manufacturers an average of $15 million each in production costs. Add to this the fact that there are 15,000 to 20,000 new products introduced every year into the U.S. marketplace, a number which is equal to or greater than the total number of products stocked in the typical American retail store. Furthermore, most packaged-goods manufacturers have cut costs to the bone with “just-in-time” production and delivery to retail establishments. Now more than ever, these manufacturers need successful new products and they don’t have a lot of money to waste on a product that won’t survive at the consumer level. Nor do they have the luxury of simply raising prices to boost profitability (since big-volume retailers carry a lot of muscle with wholesalers and can use that influence to keep costs down).

So it’s obvious that in today’s competitive marketplace any manufacturer marketing a new retail product simply cannot afford to fail.

UPC data helps manufacturers and retailers gain valuable insight into consumer behavior by relating actual item sales to method of pur
chase (cash, check, charge), identity of purchaser, discounts or coupons applied, relevant seasonal variables, store traffic flow, ongoing promotions, shelf placement and competing products. UPCs can provide valuable information about the type, size, color and model number of the item purchased; the day, date and time of purchase; and the purchase location (store and department) and the employee who made the sale. The American Greeting Card Company, for example, uses UPCs to determine—down to a city-block level—which stationery and card shops are best suited to selling particular lines of cards directed toward specific consumer groups.

UPCs also help retailers make new sales to existing customers. Many grocery stores now offer “frequent shopper cards” which give retail discounts to customers who buy particular items. Almost 20 percent of the nation’s grocery stores offer such cards. In return for granting discounts to card-carrying customers, the stores collect valuable data about those customers and their specific buying habits. This information is then used by the retailers in their marketing and promotional efforts.

For example, the Safeway grocery chain recently selected a targeted group of 250,000 shoppers from its database of 1.2 million consumers—and then addressed those consumers through a cooperative campaign with the Quaker Oats Company in which consumers received Quaker Oats back-to-school and holiday coupons to encourage them to shop at Safeway and select Quaker products.

For some retailers, the information gathered as a result of UPC scanning becomes a revenue source in itself—they sell this information to wholesalers and others for a variety of uses. The Nielsen Marketing Research firm, for example, is just one of many companies which purchases retail sales data from thousands of merchants across the U.S. to get up-to-the-minute information on every item they sell. This information is then re-sold to manufacturers who use it in their product analysis and development process.

In the future, use of UPC data will become even more detailed as retailers band together in networks to link product sales information with the specific demographics of people who shop in the community. Imagine the potential for forming specific consumer demographic profiles of customers. If you were a member of a UPC retailer network, you could use your computer system to identify exactly who consumers are, where they live and what they’ve bought recently—right down to the number of gallons of milk they purchased at the grocery store last week, the number of video tapes they rented at the movie store last June and the amount of bottled water they had delivered to their homes last Tuesday (as well as who delivered it).

Postal bar codes

Companies lose money when their mailings are poorly routed due to incorrect ZIP Codes, erroneous street names, missing or incorrect rural route numbers and illegible addressee information. According to a recent article in Computerworld magazine, many companies are less than attentive when it comes to sending out correct, appropriately addressed letters and parcels. Here is another area where bar-code technology is helping many businesses cut their direct overhead costs and communicate more effectively with customers and prospects.

The Postal Business Companion, a publication available free from the Postal Service, goes into extensive detail on how companies can prepare their mail so that it will be correct. It also explains how mail can be barcoded or addresses printed before mailing so that the Postal Service’s new optical character readers (OCRs) can “read” these items. The Postal Service even offers free software assistance to businesses

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October 1996
who want to update incorrect mailing lists, eliminate duplicate mailings and add ZIP+4 Codes to addresses.

Companies which presort their bulk mail, add nine-digit ZIP+4 Codes and use postal bar codes can realize the maximum Postal Service discount on their mailings — often three to five cents or more per piece. Such a savings might initially sound small, but if you’re sending out a monthly billing to 10,000 customers you’re talking about saving as much as $6,000 over the course of a year!

Other bar code applications

Bar codes are showing up in more and more places. Specific types of bar codes are used in assembly plants, for example, where optical scanners read bar codes to assure that specific parts are assembled in a particular order on particular products. Bar codes are used as security measures in hospitals, schools and libraries. And many different in-house bar-code applications have been developed for inventory control within different types of businesses.

Of course, as with other industries, not every water conditioning business can make use of all the bar-code technology that’s available. But now that you know a little more about UPCs and other recent innovations, here are some questions you might ask yourself about using bar codes to maximize your marketing and minimize your costs:

Marketing

Could your firm develop a way to use UPC information to tell you more about marketing new products and services to current customers? Is there an opportunity to work together with other merchants in your community to assemble a database of general or specific information about consumers in the area?

Product sales

What UPC data can you obtain from the manufacturers from whom you purchase products for resale? How can you use this information to bring about increased sales opportunities? Are you keeping track of UPC information at your point-of-sale? If so, what are you doing with that information? Are there opportunities for you to share information with wholesalers?

Inventory

What about bar-code labeling of your automatic softeners, exchange tanks, coolers, filters and other equipment in-house and on-site? What would it be worth to you to have instantaneous information on computer regarding every piece of equipment you own, its account status, current location, service history and asset depreciation?

Cost control

Would it be worth a small investment of time and resources to create a more efficient system for reaching customers and others through the mail? What if you could save $500 or $1,000 this year just through implementing Postal Service bar coding or ZIP+4 addressing of your out-going mail? What other overhead costs could be reduced simply through better management of resources which can be facilitated by bar coding?

Conclusion

With the technology available to us today, we can accomplish things that once we only dreamed of. It is now possible to know some of the minutest details of our customer’s buying habits—and to harness that knowledge and form it into a successful and profitable marketing program.

About the author

Doug Swanson has 16 years’ experience as a journalist, broadcaster and educator. Founder of the public relations and marketing firm, The Swanson Group, he is also an assistant professor and director of the journalism and public relations program at Oklahoma Baptist University in Shawnee, Okla. Mr. Swanson formerly worked in management for the Rapee Corporation in its company-owned water conditioning businesses in San Jose, North Hollywood and Glendale, Calif.