

THE KSA OBSERVER

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Grocery stores look for "express" way to gain market share



by Chuck Troyer

Question: *If my grocery store has been using scanners for years, how come it's always out of pearl onions?*

Answer: *(from the Truth-is-stranger-than-Fiction files) Bar codes were implemented in the grocery industry for direct labor efficiency and are used to record the price at check-out only. The information has never been carried further to keep track of inventory or to assist with replenishment.*

Alarmed that grocery stores are losing market share to other channels of trade, such as the price club format, the grocery industry is trying to get up-to-speed fast. The president of the Uniform Code Council (UCC), Dave Jenkins, formed a task group named Efficient Consumer Response (ECR) to look into Quick Response in the grocery industry. The task group is composed of high level representatives from 15 companies encompassing all segments of the grocery chain. Grocery store giants Von's, Kroger, and Safeway, wholesalers and distributors including SuperValu and Scripnors, brokers and sales forces such as Crown BBK, and manufacturers, including Kraft, Nabisco, Coca-Cola, Ralston Purina, Proctor & Gamble and Oscar Mayer have joined forces.

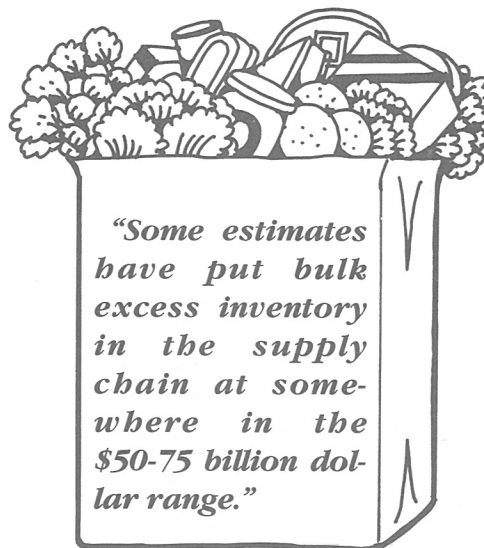
The project is being administered by

the UCC with funding from the FMI (Food and Marketing Institute), which is the retail grocers trade association; the GMA (Grocery Manufacturers Association); the NFBA (the National Food Brokers Association); and AMI (American Meat Institute).

On the KSA side, *Bob Frazier* was key in selling the project, *Peter Harding*, *Barry Moore*, and *Amanda Vought* handled the strategy side. *Ken Walker* represented distribution, *Tim Robinson* and I handled systems.

The project has three objectives:

1. Conduct cost benefit analysis of full



utilization of UCS (Uniform Communications Standards) technology. Those are the EDI standard documents that, in the general merchandise area, VICS administers. UCS is to the grocery industry what VICS is to the general merchandise apparel industry. Also included in that technology are auto identification schemes such as bar codes for items, and carton labels.

2. Look at current business practices and determine what changes could further synergize costs and benefits. Putting technologies with the business practice strategies and changes will form ECR (Efficient Consumer Response).

3. Marketing, documenting, getting media attention, getting published and presenting at the Sales and Marketing Institute meeting in mid-January, having the task group members ready to stand up to give support, and to implement pilot projects, the results of which will be shared with the industry to accelerate implementation of ECR. This project is very much akin to the initial work that KSA did in general merchandise and apparel for the Crafted with Pride council in the early '80s.

The benefits we see at this point in-

(cont'd on page 10)

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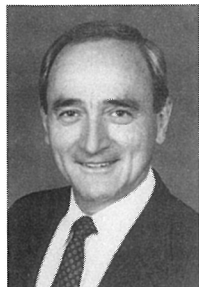
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Looking Back . . . Looking Ahead



by Dave Cole

In '91, we completed a good year with our consulting fees at 102% of budget worldwide. This included strong performance in Central Europe, and in North America in the Health Services, Distribution, and Information Systems areas. We had a soft market in UK/Spain and to some degree in Strategy and Retail in North America as well as the Far East. Progress was made in the new initiative in ACS. What we achieved was due to a focused strategy and commitment to value delivered for our clients. We outperformed the majority of the competition.

We are now well into 1992, and I would like to comment on a few highlights for me personally over the last 12 months:

1. In June '91, the **Central European Region Consultants Conference** in Hamburg, Germany, arranged by the Düsseldorf office staff, was a superb event with extraordinarily impressive colleagues — well positioned in the heart of a rapidly changing market. We were stimulated by the excellent business program presentations of *Emanuele Pedrotti, Hans-Peter Hiemer, Stefan Witte, Geert Bottger, Gerd Stubbe, Christoph Robe, and Michael Kunkel*. Such a talented group is the reason this region continues to perform so well.

2. The **July '91 orientation class**, with 28 new KSA colleagues from around the world. From all reports, this is one of our strongest groups ever, and my personal observations support that view. Such a dedicated and talented group of colleagues bodes well for our future.

3. In October, the **Hamilton/KSA Fall Retreat** in Minneapolis, arranged by a planning committee of *Susan*

Hann, Scot Latimer, Mike Evans, Jim Berarducci, and the Minneapolis office staff. This program, related to the future of the market and our services, was a good learning experience. A breakout group format permitted everyone to work together. After being with such a talented group, it is easy to understand why there has been such superb progress in Hamilton/KSA.

4. The **continuing intellectual stimulation and fun of consulting**, via working with a number of colleagues on projects at Levi Strauss & Co., Crate & Barrel, Wilsons, Phillips-Van Heusen, Vanity Fair Mills, and several other clients. Successfully filling

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Firmwide, we are in a period of re-commitment to people-oriented ideals and tightly focused, aggressive strategy.

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a significant client need is satisfying, professionally and personally. The best part is seeing the superb job done by our colleagues and the commendations from the client that invariably result.

5. **Communication with colleagues.** Year-end meetings and visits during the year to most countries in which we have an office provided the opportunity to speak with many of you.

The key issues worldwide tend to be the same. Each colleague desires to be part of a winning team, to be able to contribute

to the best of his or her ability, and to understand the firm's direction, key decisions, and his or her importance to the firm.

6. The **ability of our firm to pull together when problems arise.** Our history is to turn a significant challenge into an opportunity by developing a sound plan and having the will to see it through to successful implementation. A recent example includes the North American Operations group. Changes initiated by *Ken Osborne, Jerry Armfield*, and others in the mid- to late '80s and aggressively built upon by *Peter Brown, Sergio Cruz, Randy Nord, Butch Price, Jerry*, and others in '90 and '91 have yielded remarkable results. Revenues in the first quarter of this year were up 40%, and overall performance was at the very top level in KSA.

The results are a tribute to our colleagues in that group and their ability to build on a rich heritage to meet client demands of the 1990s.

Clearly, when we put focused attention to something, we demonstrate the ability to excel at it. When we become stretched too thin — or worse yet, become overly enamored with prior success or temporarily lose sight of market shifts — we pay a price.

That brings us to current priorities. There are three that I want to mention at the moment:

1. **Retail North America.** We have the opportunity to capitalize on our strong market reputation and dramatically expand our practice. Our colleagues in Retail possess superb skills, and others are being added. Market demand is coming our way, due to retail verticalization and globalization of markets. The rapid development of our Retail practice will equal any positive development in our memory.

2. **Pan-European strategy.** We have performed well most years with a country or multi-country focus within Europe. With a re-defined Europe, we now must evolve a pan-European approach. The European Management Committee is working on a strategy to integrate our practice and continue its expansion.

cont'd on next page

Couture comes to KSA

by Chad Mellen

Louis Feraud. A hockey player on the Canadian national team? A brand of frozen croissant? And why would either be featured in the *Observer*? Actually, Louis Feraud is an apparel company

that recently retained KSA to conduct a strategic overview of the firm.

In real life, Louis Feraud is a French designer who works for a German company (Fink Modelle) and sells dresses and women's suits to the U.S., German, French and British retail markets. The company's products are described by retailers as well-made, well-designed, reasonably-priced commodity garments. But, don't plan on getting a peek at Louis's latest line at your local J.C. Penney. Feraud's "commodity" products sell for over \$800 per dress and \$1200 per suit. However, even at these price points, these garments are considered "commodities" among high-end retailers who would run a credit check on you before letting you in the door.

Welcome to the world of haute couture, where the average consumer spends up to \$10,000 in a single store during a given season; where retailers buy merchandise during market week with a specific customer in mind; and where a store will not buy two of a given style because they want to spare their customers the embarrassment of showing up at a function in the same outfit. Needless to say, this market was a completely new experience for the KSA project team of *Peter Harding, Andy Phillips, Chad Mellen, and Amanda Vought*. To paraphrase Dorothy, "Toto, I don't think we're in Wal-Mart any more."

Haute couture technically refers to any unique garment made by a designer re-

quiring at least three separate fittings with a customer in the designer's salon. Unfortunately, all of this exclusivity and service comes at a price: true haute couture averages \$20,000 per outfit. In the U.S., however, haute couture typically refers to the most expensive ready-to-wear lines of a given set of designers. The names in this rarified market include: Chanel, Ungaro, Valentino, Yves St. Laurent, etc. But it is not quite as simple as that. The U.S. couture market is actually segmented into two areas: Couture Two, the opening price point for couture, with suits starting at \$1000 and dresses at \$750, and Couture One, where suits start at \$1500 and dresses go for over \$1000. Before you laugh at these prices and dismiss this market, remember, the couture business in the United States represents over \$1 billion in sales at retail. So, there are an awful lot of people out there with more money hanging in their closets than is parked in most people's garages.

If the haute couture market still is confusing to you, we promise that you'll never make a fool of yourself at your local Neiman's if you let yourself be guided by "KSA's Top Ten Reasons to Buy Haute Couture" (with apologies to David Letterman):

10. You just cashed your CPS check and were wondering what to do with it.

9. You just got into a really, really, *really* big fight with your spouse and the florist is closed.

8. You're eighteen years old, you're bored and you've got Daddy's credit card.

7. You've just been invited to a private luncheon with the President, the Dali Lama, Queen Elizabeth and the Pope and you don't have a thing to wear.

6. You own a small, southwestern S&L and the Resolution Trust Corporation hasn't caught up to you yet.

5. Your last name is Rockefeller, your mother's maiden name is Morgan, and

you're married to a Vanderbilt.

4. In today's nihilistic world, you strive to find spiritual satisfaction through the fulfillment of materialist desires.

3. Your bank just made a \$50,000 error in your favor.

2. You perceive tremendous value in the timeless styling, exquisite attention to detail, luxurious fabrics and solid construction. (Ya right!)

1. It's 100% off.

FROM THE CHAIRMAN

cont'd from page 2

3. Communications. The scope of our firm in geography, services, and markets has changed dramatically. Our *prior patterns of communication are outmoded and clearly inadequate.* We are not sufficiently in

touch with each other on firmwide issues and individual concerns. This is a lead topic for the North American Management Committee and is resulting in a number of positive changes to which we will fully commit ourselves.

Recently, a large group of colleagues worked to identify characteristics to preserve in the firm going forward. Their list:

- Commitment to quality . . . client interests first . . . focus on achieving results for clients

- High integrity, ethics, and professionalism

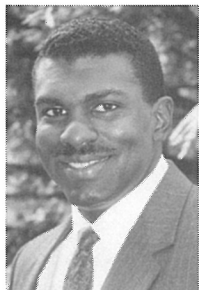
- Collegial attitude, opportunity for individuals to be innovative . . . and private ownership

- Industry specialization, reputation/access in selected industries . . . and globalization in the industries in which it is important.

We can collectively take great pride in that list, and re-affirm our commitment to them.

Firmwide, we are in a period of re-commitment to the people-oriented ideals and tightly focused, aggressive strategy which have been at the foundation of KSA's long-term success. To accelerate our journey on the path of success, we can do nothing more important than to focus our strategy and pay extraordinarily keen attention to the people issues in our practice.

Managing change — the Change Agent way



by Charles F.
Easley, Jr.
(Level III Change
Agent),
Manager,
Distribution
Services

*"Impossible!"
"It can't be done!"
"Fix it!"*

"We've tried everything!"

"We'll do anything you say, but whatever you do, don't do this because we have tried it and it did not work!"

"If you could fix this area only, everything else would be okay!"

Each of these statements was made during the course of five-minute conversations with nine managers at one client location. What could have happened to create the same perspective among all the managers?

It was fall of 1989, the client, a U.S. retailer, had moved into a KSA-designed distribution facility just six months earlier. Everything had been planned very well, discussed and implemented; *or so they thought*. The client rejected KSA's recommended implementation assistance.

"We'll just make a speech to the people, flip the switch, push the button and . . . everything will be fine," they said. "Right?" . . . WRONG!

Actually, what transpired is quite common:

- Everything was planned
- Everyone knew what needed to be done
- Everything was perfect

The problem was that everyone knew what needed to be done, but not necessarily how to get it done.

- All employees, including managers, needed to be educated about the new facility and how it affected them.
- The building was new.
- The equipment in the facility was

new — as well as state-of-the-art.

The facility was designed for 80 units per hour of productivity from receiving to shipping. Actual productivity was 60 units per hour.

The client believed that either the design was wrong or management was ineffective and KSA was hired to determine what the problem actually was. My role was to review the operation and ensure that the best methods and procedures for the facility were implemented. After two days of research, I concluded that management was fine and so was the facility.

Eleven weeks later, the client had a cumulative average for the eleven weeks of 78 units per hour with the most recent seven weeks at an average of 85 units per hour.

Six months later productivity was up 50%. Weekly productivity dipped below 80 on only two occasions. Productivity was above 90 units per hour for at least eighteen weeks. Productivity was above 100 units per hour for several other weeks.

Was this the same client?

Was management replaced?

Was everyone fired and a new work force employed?

No!! Wrong Guess!

Here is what took place

I held a meeting with management to explain:

- My role as change agent — to help determine, with their help, the best methods and procedures and to implement them.
- Their role as sponsor — to lend support, participate in and legitimize the changes.
- What would happen to the associates (targets) — those who would actually execute the change.

The first step, after asking for their patience, understanding and commit-

ment, was to identify the primary bottleneck — the check-in operation. I met with the managers of the area and explained what they were going to experience and how it could be managed.

An experiment lab was established in the check-in area, and we began work to determine the best method and procedures. Progress was made and everyone was excited — then we hit the first hurdle:

- The senior manager mentioned that it seemed I was always instructing and there was no activity.

The senior manager and I had a chat during which I mentioned the following:

- His support and interest needs to be further demonstrated by more than an occasional walk through — by stopping talking, asking questions and cheerleading.
- He was invited to come by any time.
- We were teaching the associates what they need to do, to think for themselves and to know when to ask the manager for help.

The result:

- He became so involved I couldn't get rid of him.
- Everyone understood that he expected them to perform the new methods and procedures.

The following week, I spoke with the senior manager again about two things that were still needed:

- He needed to create levels of expectation (goals) with banners and charts, and reward quickly and sincerely when a goal was achieved.
- These goals required interdependence in order to be achieved. This would create teamwork, eliminate territorialism, finger pointing and finally generate synergy. Also, the goals needed to, at a minimum, be weekly, yet progress monitored and posted daily.

The net result:

- managers who never talked to each other except to point the finger, worked together and enjoyed it.
- Synergy was created as productivity jumped 25% in one week from 60-75 units per hour.

cont'd on next page

- The senior manager conducted every meeting and explained all new proposed methods and procedures.

It was obvious that this was the client's project, the senior manager was a *mega-sponsor* or initiating sponsor, and I was just an agent to help them achieve what they were capable of all along. Any new enhancements or methods to implement were presented by the mega-sponsor after we reviewed it in private. The managers then were called in for a briefing to refine and improve the tasks for implementation. The mega-sponsor followed up with notes from the meeting, including issues agreed upon, and those to be resolved with names and due dates assigned. The managers, *sustaining sponsors*, presented the methods and enhancements to the associates and developed and implemented the plan for getting everyone trained. A lot of very impressive things were being done, yet I was not doing all the talking or presenting as in the past. I did not call or conduct one more meeting dealing with the implementation issues.

In my final meeting with the senior manager and the other managers, I expressed the importance of understanding and managing the *informed pessimism* and *completion* phases of the Response to Positive Change Cycle.

Informed pessimism is necessary and will be either public or private. The goal is for it to be public so the problem can be resolved. (Otherwise, you'd better check the tires on your car, check your gas tank and always back out of a room when leaving.)

Completion requires follow up. By maintaining the levels of expectations that are set, the sponsor must continue to inquire, recognize and reward the achievement of the goals. The sponsor should inquire about the progression

Chuck Easley has been appointed to the Board of Trustees of the Georgia Tech Alumni Association. Contratulations, Chuck!

toward a goal so often that the people he/she is leading will learn to report their progress before being asked by the sponsor.

Previously, if the facility achieved a level of 70 units per hour in a day, management explained why it happened and why it wouldn't happen regularly.

Now, if the facility performs below 90 units per hour in a week, management knows why and is confident it will be the exception, not the rule. Remember, the facility was designed to run at 80 units per hour when fully operational.

To summarize, five things are required to lay the foundation for success:

- Explain the role in the change process
- Explain that the process of change must be managed
- Explain the components of good sponsorship
- Explain the importance of and the prerequisites of synergy
- Explain that everyone will have a perception about a given change and even if the perception is positive, it can and must be managed.

Implementing major change in an organization is not easy, but it can be managed *successfully* and *fully imple-*

mented on time and within budget.

As a Change Agent, my main objective to help the client achieve successful implementation by providing the knowledge and confidence to establish a continuous improvement environment.

I used my Change Agent skills to determine what aspects of the MOC Methodology needed attention. By strengthening the weak areas, I was able to effectively deliver my skills to the clients. Subsequently the client:

- realized sustained 50% improvement in productivity
- developed a team effort among management in different operations
- developed an understanding among all managers about the magnitude of change
- developed the knowledge among all managers of how to manage change in the future.

P.S. — We stay in touch regularly. Here is an update on performance:

	1989	1990	1991	1992 current
Performance (UPH)	65	88	92.5	114

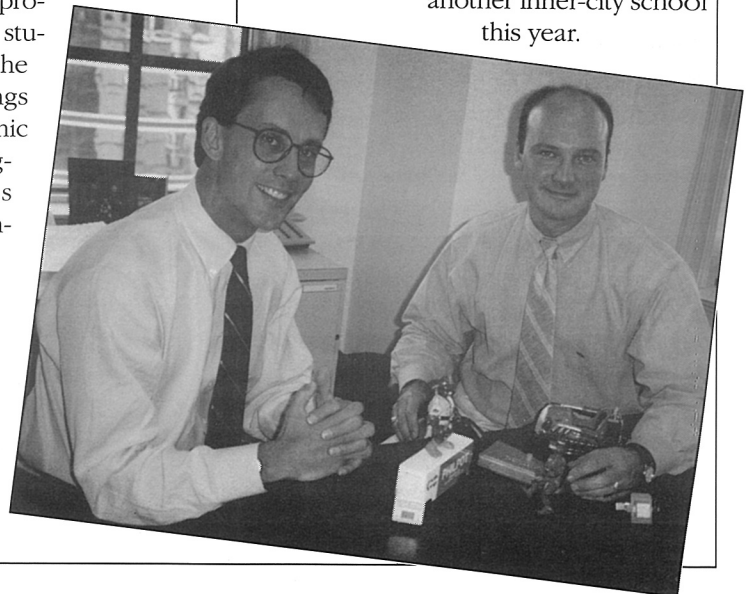
Impossible! *It can't be done!*

Consultants find Junior Achievement isn't child's play

Last year, Madison Riley (L) and Phil Kowalczyk (R) teamed up to teach a 12-week course in Project Economics to 9th graders at an inner-city school in Atlanta. The purpose of the program was to help students understand the "real world" workings and use of economic principals by bringing in business leaders from the community. Madison and Phil encouraged participation in the 12 one-hour classes by offering a gift certificate to a record store for the student who

participated the most during the quarter!

Madison and Phil enjoyed the classes so much that they are teaching at another inner-city school this year.





1. Lori Hawkeswood; 2. Norm Beerbohm; 3. Steven Dahl; 4. Lee Pritchard; 5. Robert Kaufman; 6. Brandon McGahee; 7. Robert Blyth; 8. Bryan O'Malley; 9. Brian Karman; 10. Michael Robertson; 11. Natalie Johnson; 12. Melyssa Plunkett; 13. Neil Buck; 14. Michael Chavez; 15. Bill Sharpe; 16. Charlie Cosovich; 17. Bjorn Schnabel; 18. Bill Dempsey; 19. Sonia Leon-York; 20. Astrid Muller; 21. Jan Spencer; 22. Verena Goldberg; 23. Jill Johansson; 29. Bob DeVries; 30. Joachim Haag; 31. Curtis Skolnick; 32. Mike Humphrey; 33. Leslie Simdon.



Beerbohm, Norman L. – BA, Oakland University. Single. Hometown: Detroit, Michigan. Previous experience: CIBA Vision – Project Leader; Keane, Inc. – Project Manager. Assigned to Distribution Systems.

Blyth, Robert – MBA, Manchester Business School; BSc, University of Southampton. Married: Dessie Andrews. Hometown: Manchester, England. Previous experience: Karl Heinrich GmbH – Operations Manager; Nevica Ltd. – Operations Manager. Assigned to KSA/UK.

Buck, R. Neil – BS – Industrial Engineering, University of Illinois. Single. Hometown: Penfield, Illinois. Assigned to Distribution.

Chavez, Michael A., Jr. – MBA and MA-International Studies – The Whar-

ton School, University of Pennsylvania; BA – Economics, UCLA. Single. Hometown: Glendale, CA. Previous experience: Security Pacific Merchant Bank – Marketing. Assigned to CPD Strategy.

Cosovich, J. Charles – MM, J.L. Kellogg Graduate School of Management, Northwestern University; A.B., Stanford University. Single. Hometown: Stanford, California. Previous experience: V.P., The Health Care Advisory Board. Assigned to HSD/Strategy.

Dahl, Steven S. – BSIE, California Polytechnic State University. Married: Julia. Hometown: Ventura, CA. Previous experience: Chouinard Equipment, Inc. – Rock Climbing/Mountaineering Equipment Designer. Assigned to Distribution.

Dempsey, William J. – MBA, Golden State University; BS, U.S. Naval

Academy. Single. Hometown: Massapequa, NY. Previous experience: U.S. Navy, Submarine Warfare Officer. Assigned to Distribution.

DeVries, Robert J., Jr. – MBA, Harvard Business School; MS-Economics, Georgia Tech. Single. Hometown: Skillman, New Jersey. Previous experience: Egleston Children's Hospital – Strategic Planning; Booz Allen & Hamilton, Consulting. Assigned to HSD/Strategy.

Diel, Jurgen – Abitur, Gymnasium Grevenbroich. Married: Helga. Hometown: Koln, Germany. Previous experience: K. H. & J. Diel Software, Software Development. Assigned to KSA/Germany.

Goldberg, Verena – Dipl. Ing., Fachhochschule Moenchengladbach. Single. Hometown: Moenchengladbach, Germany. Assigned to KSA/Germany.

Gordon, Michael R. – BS, Carnegie Mellon University. Engaged (Lori). Hometown: Bridgewater, New Jersey. Previous experience: Peterson Consulting – Litigation Management Consulting. Assigned to Technical Excellence Center.

Haag, Joachim – Apparel Engineering, University of Apparel and Textile, Sigmaringen. Single. Hometown: Ulm, Germany. Previous experience: VEIT GmbH – Technical Consultant and Product Manager for Pressing and Ironing Machines. Assigned to KSA/Germany.

Hawkeswood, Lori C. – MBA, University of South Florida; BSIE, Auburn University. Married: Geof. Hometown: Lakeland, Florida. Previous experience: Lucas Associates – Engineering Recruiting; Harris Corporation, GASD – Quality Engineering. Assigned to Recruiting.

Horst, Jack D. – MBA, State University of New York; BBA, College of William and Mary. Married: Marcia. Hometown: Hillsborough, New Jersey. Previous experience: Baxter Healthcare – Operations Management; U.S. Navy – Logistics/Purchasing. Assigned to: Distribution. Joined KSA: May 1992.

Humphrey, Michael A. – MHA (1993), Medical College of Virginia; BA, King College. Single. Hometown: Richlands, Virginia. Previous experience: Saint Mary's Hospital – Management Engineer Analyst; Richmond Memorial Hospital – Weekend Administrator; Humana Hospital – Clinch Valley, Finance Specialist. Assigned to HSD/Facilities.

Johansson, Jill P. – BS, Industrial Systems Engineering, Virginia Tech. Single. Hometown: Finksburg, Maryland. Previous experience: Walt Disney World – I.E. Co-op. Assigned to Distribution.

Johnson, Natalie L. – MM, J.L. Kellogg Graduate School of Management – Northwestern University; BA, Stanford University. Engaged. Hometown: Menlo Park, California. Previous experience: Palo Alto Medical Foundation – Sales Manager, Occupational Health; American Medical International – Project Coordinator. Assigned to HSD/ Facilities.

Karman, Brian J. – BSIE, University of Wisconsin. Single. Hometown:

Mishicot, Wisconsin. Previous experience: James River Corporation, Product Development and Industrial Engineering; Lands' End Direct Merchants – Customer Sales Representative. Assigned to Distribution.

Kaufman, Robert J. – BS-ICS, Georgia Tech. Married: Beth. Hometown: Miramar, Florida. Previous experience: IBM – Systems Engineering/Application Programming. Assigned to Technical Excellence Center.

Leon-York, Sonia – BIE, Georgia Tech. Single. Hometown: Tegucigalpa, Honduras. Previous experience: General Motors – Summer Internship; IBM – Co-op Student. Assigned to Consumer Products Group.

McGahee, Brandon N. – BS, Augusta College. Single. Hometown: Augusta, Georgia. Previous experience: Ernst & Young – I.S. Consultant; Electronic Data Systems – Designed, constructed, implemented data processing solutions. Assigned to Technical Excellence Center.

Muller, Astrid – Business Administration; Gymnasium – Waldorf Schule. Single. Hometown: Dusseldorf, Germany. Assigned to KSA/Germany.

O'Malley, Bryan D. – BA, University of Virginia. Single. Hometown: Hopewell Junction, New York. Previous experience: Dow Chemical – Marketing Internship; IBM Corporation – Summer Internships. Assigned to CPD/Strategy.

Plunkett, Melyssa A. – MS, Georgia Tech; BS, Cornell University. Single. Hometown: Warwick, Rhode Island. Previous experience: Parsons Brinckerhoff Quade & Douglas – Systems Analysis and Simulation Development; Brown & Sharpe Manufacturing Company – Manufacturing Engineer. Assigned to Technical Excellence Center.

Pritchard, J. Lee – BIE, Georgia Tech. Single. Previous experience: Logitech Sysms, Inc. – Project Engineering/Supervision. Assigned to Technical Excellence Center.

Prokopis, Michael T. – B.S. Finance, University of Utah. Married: Cheryl Marie. Hometown: Anchorage, Alaska. U.S. Navy – Navigator/Administrative Officer. Assigned to Distribution.

Robertson, R. Michael – BS, University of Colorado. Single. Hometown:

Paducah, Kentucky. Previous experience: Standard Chartered Bank/Hong Kong – Business Analyst; American Express Bank/Hong Kong – Operations and Systems Analyst; Capital Associates International – Financial Analysis. Assigned to Technical Excellence Center.

Roth, Joseph M. – BS-IE, California Polytechnic State University. Single. Hometown: Walnut Creek, CA. Previous experience: Kaiser Permanente Medical Group – Industrial Engineering Intern. Assigned to Distribution.

Schnabel, Bjorn – Dipl. Ing., Technische Hochschule Sigmaringen. Engaged (Elke). Hometown: Lueneburg, Germany. Previous experience: Apprenticeship/tailor, various overseas jobs in the engineering field. Assigned to KSA/Germany.

Sharpe, William F., III – MM, J.L. Kellogg Graduate School of Management – Northwestern University; Bachelor of Individualized Studies, University of Minnesota. Married: Katrinka. Hometown: Minneapolis. Previous experience: Kidder Peabody – Associate, Corporate Finance; FBS Merchant Bank, Associate, Corporate Finance; Triad Partners, Inc., Associate V.P. Assigned to HSD/ Strategy.

Simdon, Leslie R. – BSIE, University of Wisconsin. Single. Hometown: Cambridge, Wisconsin. Previous experience: Sentara Health System – Co-op Student – helped engineers with projects; Texas Instruments – Co-op Student – Developed and Implemented Product Changeover Procedure. Assigned to Distribution.

Skolnick, Curtis M. – MHA, Medical College of Virginia; BS, Health Care Management, Medical College of Virginia. Single. Hometown: Virginia Beach, Virginia. Previous experience: Winchester Medical Center, Administrative Resident. Assigned to HSD/Facilities.

Spencer, Janet V. – MBA and MHSA, University of Michigan; BA, Duke University. Married: Chuck. Hometown: Bethel Park, Pennsylvania. Previous experience: Medical College Hospitals – Acting Administrative Director. Assigned to HSD/Facilities.

Teamwork pays off at Carter, Hawley, Hale

(With rave reviews from CHH executives)



by Maura Nicolini

As Carter Hawley Hale emerged from Chapter XI last year, its management embarked on an aggressive program to restructure the business direction and organization of the company and to provide new computerized tools to improve operations. Ken Wilkes, Gregg Bedol, and Jim Giddings saw the opportunity for KSA to assist with this effort. They proposed to help CHH define its new organization and develop a conceptual design for the systems tools that would be required. They convinced Ed Holman, Executive Vice President of Operations, and Mike Hecht, President, that our contributions would be quite valuable.

Our charge at CHH was twofold. First, we were asked to develop conceptual designs for two new systems — Quantity To Buy and Distribution. KSA has a great deal of experience in the area of distribution/allocation systems but Quantity To Buy was a new venture for us. We utilized the experience of several different KSAers from the Retail, Systems, and Technical Excellence Center groups.

We were also asked to help define and develop the new planner/distributor function in CHH's merchandising organization. KSA previously helped Saks Fifth Avenue develop a similar organization.

Jana Miles Barbosa, the manager of this project, and I worked for three months to fulfill the promises made to our client. This project would not have been successful if it hadn't been for the cooperation and teamwork of several KSAers nationally and internationally:

- The organizational part of the project was kicked off with an all-day brainstorming session conducted by Jana, Linda Ortwein, and Freddie Wood. Members of CHH's current merchandising and store management organizations from all levels participated. Following this, the project team worked to define the new organization, the roles and responsibilities, and the criteria for measuring the performance of the new planner/distributor organization. The MOC Diagnostic tools were used to assess the organization's ability to advance change.
- System tools were designed to ad-

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During the final meeting, Mike Hecht, CHH President, publicly complimented KSA on the quality of our work and the caliber of our consultants.

”

dress two major questions. A conceptual design for the Quantity To Buy system addressed the question of *How much to buy?* and the Distribution system addressed the question of *Where to put it?* The original seed ideas for the systems came from Gregg and Patrick Moylan of the U.K. Joe Irastorza and Kristi Weiss contributed their ideas in an internal review session held in the L.A. office. Joe also provided technical reviews as needed.

The Quantity To Buy system determines a recommended number of units to buy of a given style. It ensures that presentation and color minimums are achieved in each store, and that sizes are ordered in the ratios in which they sell in each store. The Quantity To Buy system is unlike any that any other retailer has.

The Distribution system calculates a suitable distribution of merchandise ordered or received among CHH stores. This system matches the merchandise to be received to each store's ability to sell it while, at the same time, maintaining the presentation requirements. The distribution system will save money by reducing markdowns and transfers because the goods will be sent to the right store.

Throughout the project, several lengthy review sessions were held with the client to discuss the algorithms that provided the basis for the decisions made by the systems. Very senior level management were involved in these reviews.

We made our final presentation to CHH management on Tuesday, June 2, and closed the project on an extremely positive note. In fact, during this final meeting, Mike Hecht, CHH President, publicly complimented KSA on the quality of our work and the caliber of our consultants. He stated several times to the group that he was very pleased with the results. To these comments, Dale Christy, Divisional Vice President of Merchandising Systems Development, added that KSA is the best outside vendor he has ever worked with. Most importantly, during this meeting Mike invited KSA to propose a follow-on project directed toward helping CHH successfully implement the Planner/Distributor Organization.

Change Occurs for the "Agents of Change"

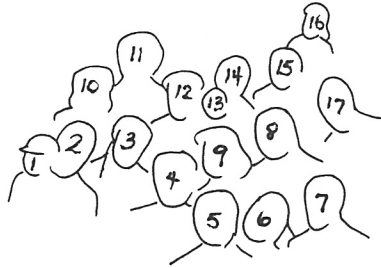
After 57 years, KSA has closed its office in Nashville, Tennessee. The Nashville office was KSA's first office. It opened in 1935. The staff has relocated as follows:

Zeb Roberts retired; Jerry Armfield to Greensboro; Nancy Frietas to Atlanta; Becca McLendon accepted a position with L.L. Bean in Maine; Marilyn Friedlander is an associate providing technical support for PLATO.

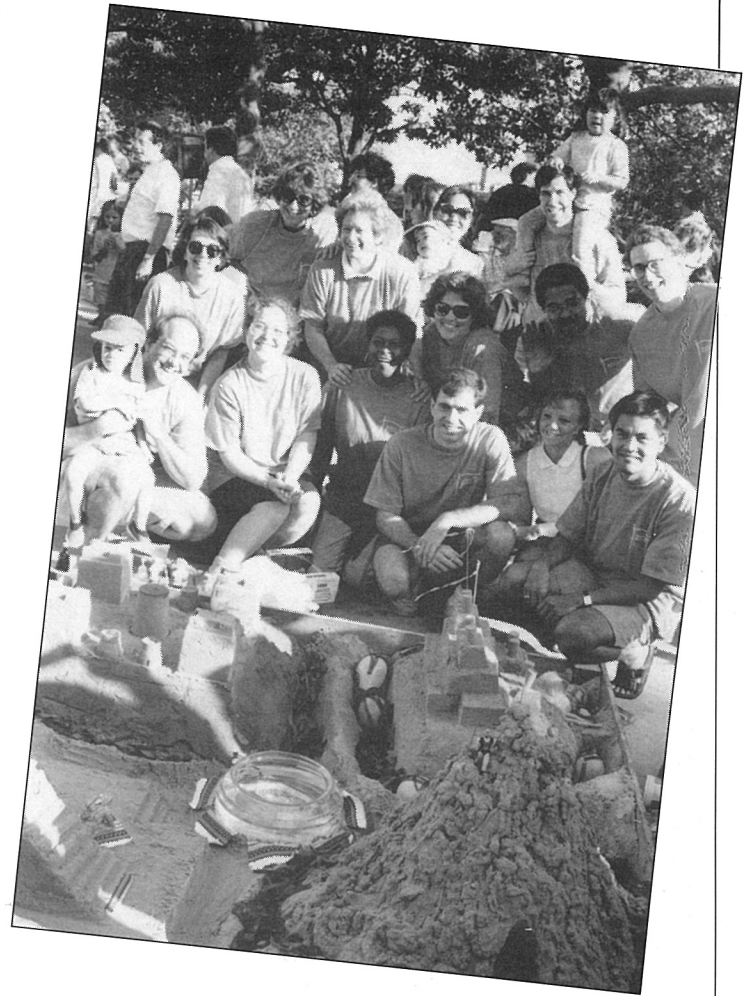
Castle by Committee

What do you get when you combine one ton of sand, a sunny California day, Beach Boys music, and a team of 22 Hamilton/KSA staffers, family, and friends? An unbelievably good time, adults with an excuse to act like kids (although support staff indicated that was normal behavior for the consultants) and a third place finish (out of 18 teams) in the 1992 Palo Alto Sand Castle and Architectural Marvel Contest.

One of the biggest challenges facing the team was developing a design. Being creative, innovative consultants, at least ten different ideas for the sandcastle design were discussed. Not even facilitation expert *Mike Evans* could get the group to agree to a single design, so the entry was "Castle by Committee," consisting of four castles — a Mayan Temple, a fantasy drip castle inspired by *The Hobbit*, a Barbie-doll palace (complete with Malibu Barbie, courtesy of *Caroline Acosta*) and a traditional Camelot fortress, complete with goldfish in the moat!



Participants in the 1992 contest included: 1-Brian Ping, 2-Dave Ping, 3-Melissa VanArsdel, 4-Chris Boyd, 5-Carlton Purvis, 6-Audrey Hekkert, 7-Rick Fung, 8-Michael Boyd, 9-Natalie Johnson, 10-Cyndie Ping, 11-Pat Jennings, 12-Cathie Heller, 13-Mark Acosta, 14-Grace Acosta, 15-Craig Acosta, 16-Caroline Acosta and 17-John "Schmoogly" VanArsdel.



KSA CE-Region Ski Weekend

Imagine, for a moment, Flims, Switzerland at the height of ski season — a panoramic view of the mountains, set against the blue sky; the fir trees practically buried under the deep, deep dazzling snow; hot drinks, good food, open fire, clear air, good company and super skiing conditions.

Those KSAers who accepted Sigg Schuttpelz' invitation to the most recent CE Region ski weekend enjoyed all the above and had a wonderful time.

YOU are invited to participate in the next KSA ski outing in Flims, planned for the weekend of December 18. Contact Sigg in the Zug office for details.

The "KSA Ski Team," left to right: *Hardy Artelt*, *Verena Goldberg*, *Ina Fabrizi*, *Peter Amrein*, *Gisbert Kraus*, *Guido Schied*. *Gerd Stubbe* wimped out after only one day of heavy skiing!

clude reduction in administrative time by creating paperless systems that involve external integration using EDI and internal integration in company systems. The industry has a tremendous problem with excess inventory. Some estimates have put bulk excess inventory in the supply chain at somewhere in the \$50-75 billion dollar range. The industry acts very much like a push system. It is complicated by a maze of trade promotions from manufacturer to the wholesale and retail community. This has two bad side effects:

1. It promotes forward buying, which means taking advantage of deals and buying far in excess of current need and stockpiling it. There are massive amounts of public leased warehouse space filled with forward buy quantities. This increases excess cost because of excess inventory, and there is also extra handling. Cases of product make anywhere from one to three and four stops on the way from manufacturer to consumer. Each stop adds cost without adding value to the consumer.

2. Invoice deductions, in which someone writes a purchase order to a manufacturer and, because he/she doesn't understand the parameters of the deal, gets the wrong price. When the invoice arrives it doesn't match the price expected and it creates deductions. There is a tremendous amount of administrative hashing going on in resolving deductions. Service companies and post audit-companies will resolve invoices for a cut of what they

KSA Opens Miami Office

In March, KSA opened an office in Miami in order to better serve South Florida, the Caribbean and Latin America.

Four bi-lingual consultants staff the office: *Sergio Cruz, Paul Raines, Lisandro Sagastume, and Claudia Larondo.*

The consultants were quoted extensively in an article in the *Miami Herald*, about the Apparel Show of the Americas, (which took place at about the same time as the office opening) and the importance of the apparel industry in Miami.

will recover to find invoice deductions. The differences in the general merchandise area and in implementing Quick Response in the grocery industry involve culture and history. When KSA helped the general merchandise area develop QR as a strategy, we were starting with blank slates in regard to QR systems. There wasn't a lot of baggage from a historical perspective, and we started from the top down approach —

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We have a waist-high stack of studies done by other consulting firms, ... but there has been little action. Our hope is that we can stimulate action.

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we gained CEO commitment and worked down to technological needs, such as POS data capture and an efficient way to transmit documents.

The grocery industry has started from the bottom up. POS data capture, UPC and scanning technologies have been in use for years almost solely for direct labor efficiency at check-out. Data is not shared with wholesalers or manufacturers. Retailers do sell the data to marketing services such as Neilson and IRI, so POS has been seen as a profit center.

The grocery industry has compromised POS data integrity for labor efficiencies, for instance, scanning one item and using the times key for same price items so they lose a lot of information in soda, yogurt and kool-aid-type items where there are multiple flavors. That has been one of our surprises — the lack of utilization of POS data on an operational basis. In the EDI area, the grocery industry started to implement that slowly but it is transmitted electronically and received electronically, then printed out and rekeyed, effectively cancelling out any EDI integration. The

grocery industry developed the technology before developing the need which is the exact opposite of the general merchandise/mass merchant/department store areas.

Another very sticky issue is trade promotion. Because of the complexity of the deals and the retail accounting systems we've learned that the retail grocer is selling to the consumer as a sideline. Retail grocers make their money buying, shopping and negotiating the best deal. Culturally, that is a big barrier to overcome and while we won't get rid of trade promotions, hopefully, we will simplify them and improve the timeliness and accuracy of information being passed back and forth utilizing electronic transaction sets. Proctor & Gamble has been a leader and has stirred a lot of controversy in the industry by, in several of their brands, eliminating their promotions and going to everyday low pricing in the trade. Some people are all for it, some people are totally against it. That is still in its infancy.

Also in infancy in the grocery industry is “continuous replenishment” in which a manufacturer takes over the replenishment of warehouse inventory — writing orders to itself based on transmitted inventory levels. The area of promotion and timeliness and accuracy of information is handled by several electronic transaction sets including item maintenance, price change, and promotion announcement. The Uniform Code Council (UCC) is currently in the process of piloting those actions in a process called UCS-2. We intend to incorporate those studies into our final report.

The project is probably a third over at this point. The mid-winter meeting will be the conclusion of the project. We have had three task force meetings in Chicago. Also, a complicated, interesting part of the project is the number of studies that have been done in the industry. We have a waist-high stack of studies done by other consulting firms, internal studies, trade association studies but there has been little action after these. Our hope and the task force's hope and Dave Jenkins' hope is that we can stimulate action.

New Principals

Hans-Peter Hiemer

Hans-Peter was promoted to Principal in April of 1991. He is a Diploma-Engineer from the FHS Niederrhein at Mönchengladbach and holds an engineering degree in apparel.

Before joining KSA in 1987, he worked for several years for the "Forschungsgemeinschaft Bekleidungsindustrie" (Research Organization of the German Apparel Industry).

During his time with KSA, Hans-Peter has been associated with a wide array of assignments in apparel, knitwear, shoes and leather, car upholstery and of our service spectrum in operations: global sourcing strategies, productivity improvements, collection planning and merchandise scheduling, and quality management factory setup.

Hans-Peter's clients include: adidas, Basler, Brandtex, Calida, Deimler Benz, Gabor, Puma, Salamander, Schiesser.

Hans-Peter likes to ski or to climb in the nearby mountains of the Bavarian Alps, or work on renovating his newly-bought house in Munich.

Gert Stapelfeldt

Gert was promoted to Principal in July of 1991. He is a Diploma-Engineer from one of the most famous Technical Universities in Germany, where he was also promoted to Dr. Ing. in 1979.

Before joining KSA, Gert worked for three years for the second largest electrical company in Germany, and for seven years as a consultant for Klenbaum, Dusseldorf, where he served as Service Leader for the area of "Production Structures and Strategies" for several industries.

Since joining KSA, Gert has served

several important clients in Operations and Distribution. His clients include: Fink, GFT, DeBijenkort, German Telecom and Piraiki Patraiki.

Gert likes to golf and ski. He and his wife, *Maria*, live in Aachen.

Kristi Weiss

Kristi joined KSA directly out of Georgia Tech where she received a BS in Information Computer Science. Kristi gained invaluable experience as a co-op student with IBM while she was at Georgia Tech. She has made significant contributions to KSA and to a host of important clients such as Chau, Time, Polo, Matthew-Bender, and Bacarrat.

A charter member of KSA's Retail Group, Kristi has gained a reputation as a tough, no-nonsense manager who keeps her assignments on schedule and on budget. Her clients have responded with numerous extensions and new assignments.

Kristi and her husband, *Danny*, live in Guttenberg, New Jersey and commute to New York City. Not to be outdone, Danny was recently promoted to National Sales Manager of his company.

New Managers

The following have been promoted to Manager:

Archie Aamoth
Jim Berarducci
Juan Echeverry
Raj Kumar
Chris Merritt
Clay Parnell
Scott Telk
Jan Watson

Milestones

Congratulations to:

Craig and Grace Acosta on the birth of a son, *Mark Takashi*, January 4.

Herb and Anita Buchanan on the birth of a daughter, *Amber Rae*, January 9.

Scot and Nancy Latimer on the birth of a daughter, *Carrie Grace*, January 18.

Jenny and Stephen Murray on the birth of a daughter, *Nadine Mairead*, January 19.

Kevin and Louise Smith on the birth of a daughter, *Briony*, February 3.

Lisandro and Larissa Sagastume on the birth of a son, *Lisandro, Jr.*, February 8.

Tracy Brown and Mark Bauer, who were married on February 8.

Tina and David Knight on the birth of a daughter, *Lisa Maria*, March 2.

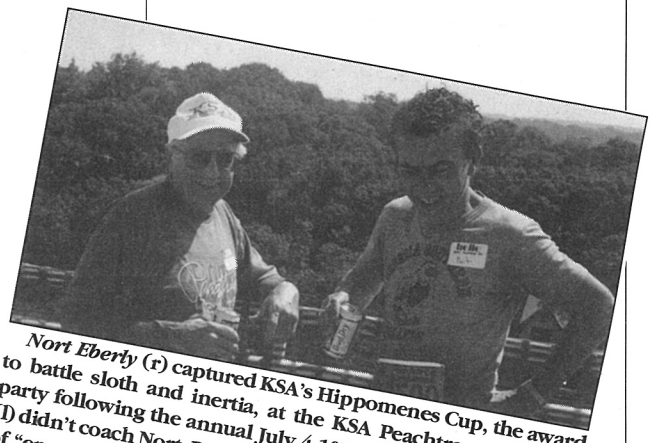
Archie and Tricia Aamoth on the birth of a daughter on March 18.

Jon and Susan Amsler on the birth of a son, *Taylor Harrison*, March 19.

Wilhelmina Camp and Derrick Gibson, who were married on March 21.

Claudia Larrondo and Paul Raines, who were married on April 25.

and belated congratulations to *Mike and Debbie Bogusewski*, whose son, *Thomas Hughes*, was born at the beginning of last year's orientation class.



Nort Eberly (r) captured KSA's Hippomenes Cup, the award to battle sloth and inertia, at the KSA Peachtree Road Race party following the annual July 4 10K. While *Don Burkhalter (l)* didn't coach Nort, Don did provide the appropriate amount of "encouraging harassment." Nort stopped smoking in May and began a training program on a treadmill at his health club. He wore cross-trainers until three weeks prior to the race, when he went to Sportstown and tried on every pair of running shoes in the store. After exhaustive MU studies and garment analysis, Nort purchased a pair of Asics and commented to several fellow runners that wearing real running shoes did seem to feel a bit better.



Hiemer



Stapelfeldt



Weiss

New Staff

Anne Marie Eberhardt—Accounting Manager, Dept. T. Anne Marie has a BS in Accounting from the University of Northern Colorado. She transferred to Atlanta in 1989 while working for United Artists Entertainment. Anne Marie spends her free time with her husband and daughter.

Nancy Halcak—receptionist, Princeton. Nancy retired from AT&T after 33 years of service and temped for 1-1/2 years at GE Astro before coming to KSA. She has three children and one son-in-law. She enjoys roller skating, skiing, and reading.

Anne Hamre— Word Processor, Minneapolis. Anne is a native Minnesotan who was previously at the Urban Coalition. She enjoys (Democratic) politics, (folk) music, and following the ('91 World Champion) Minnesota Twins. (Photo not available.)



Eberhardt

Jodi Hiscock — AA, Princeton. Jodi graduated from the University of Maryland, College Park, where she majored in Public Relations and minored in Marketing. She and her



Halcak



Hiscock



Ialacci



Karam

husband, **James**, recently moved back to New Jersey from New York.

Arlene Ialacci — AA, Princeton. Arlene retired from AT&T after 23 years of service and temped for a year before coming to KSA. Arlene and her husband, **Joe**, have four children and four grandchildren.

Allison Karam — Receptionist, Atlanta. Allison moved here from Charlotte, North Carolina, but is originally from Boston. She has several years experience as a receptionist/secretary. She enjoys bowling, golf, tennis, skiing, and "frisbee, anyone?"

Nancy Litecky— Equipment Planning Assistant, Facilities Department, Minneapolis. Nancy works with various computer databases to provide clients with Equipment Planning reports. Her interests range from arts to photography to music. She and her husband, **Jim**, are Minneapolis natives.

Sharon Rogers — analyst, Technical Services, Atlanta. Sharon is responsible for the care and feeding of all the PCs in the Atlanta office. She was formerly with the Southern Arts Federation in Atlanta, where she had similar responsibilities.

Lynn Senior — Office Manager/AA, Los Angeles. Lynn previously worked at UCLA (go Bruins!) as an Administrative Accountant for thirteen years. She is an avid outdoorswoman who enjoys travel and gardening. Lynn and her husband, **Dave**, live in Redondo Beach. (Photo not available.)

Sheryl Snitkin — Word Processing Operator, Minneapolis. Sheryl is originally from Bronx, New York. Her interests include paleontology, designing/making jewelry, collecting music, and sports. (Photo not available.)



Litecky



Rogers

Britt Dayton — Distribution Services Manager. Britt was with Cluett Peabody and Coopers & Lybrand, and MSA prior to joining KSA. He has an IE degree from Georgia Tech. Britt and his wife, **Lydia**, and their two daughters live in the Atlanta area.

Carolyn Crowe Riticher — Controller, Dept. T. Carolyn is a Certified Public Accountant and has a BS from the University of Kentucky. Carolyn has worked for Arthur Young & Co. and Hayes Microcomputer Products. The last four years she worked independently for various companies, including KSA. Carolyn is married and has a six year old son, **Ray**.



Dayton



Riticher

On the Light Side

An aspiring job applicant got a call through to the CEO of a large firm and said: "You were at a party last Saturday night and met a young man in a blue suit. The two of you talked for hours."

"Yes, that's true," the CEO said.

"And," the applicant continued, "you told him you were impressed with his knowledge and insight, thought there might be a place for him on your staff, and said to call you first thing this week."

"Indeed I did," said the CEO.

"Well, I was watching you both, and if he hasn't called, I'd like the job."

The KSA  Observer

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