Connect to the Intranet: http://webstage/intranet

Happy New Year! 2000

QUOTE OF THE WEEK:

"TOMORROW IS THE MOST IMPORTANT THING IN LIFE.
IT COMES INTO US AT MIDNIGHT VERY CLEAN.
IT'S PERFECT WHEN IT ARRIVES AND IT PUTS ITSELF IN OUR HANDS.
IT HOPES WE'VE LEARNED SOMETHING FROM YESTERDAY."

-- JOHN WAYNE

INDUSTRY INSIGHTS

CONSUMER E-COMMERCE TRIPLES TO $11.9 BILLION - BUT ONLINE HOLIDAY SHOPPING LEAVES SOME CUSTOMERS OUT IN THE COLD

NATION'S "FIRST BIG TEST" OF CONSUMER NET COMMERCE FLAWED BY
25% FAILURE RATE.   E-TAILERS WITH CONVENTIONAL RETAIL EXPERIENCE
OUTPERFORM PURE E-COMMERCE PROVIDERS.

(Business Wire, December 28, 1999)

The U.S. consumer e-Commerce or "Net Commerce" marketplace tripled in value in 1999 to over $11.9 billion, driven by strong online sales of $3.35 billion during the holiday buying season.

But as Net Commerce users swelled to 9.6 percent of the population in 1999 – the largest test of Net Commerce to date – so did instances of consumer dissatisfaction over slow order processing, inadequate distribution systems and supply chains, lack of strong branding, undifferentiated marketing and poor customer service.

According to enamics, a newly-formed e-Enterprise modeling company that helps companies transform themselves into true e-Enterprises, the failure rate of Net Commerce transactions reached record levels, with one of out four users abandoning attempts to buy via the Net.

Only 65 percent of orders handled by pure Net Commerce companies were delivered correctly and on time. In contrast, the first generation of "click and mortar" enterprises – companies grounded in the conventional retail arena – delivered orders correctly 80 percent of the time. "In the first big test of Net Commerce, many companies barely earned a passing mark, and were propelled by consumers eager to benefit from the ease and efficiency of ordering goods and services online," said Faisal Hoque, founder, Chairman and CEO of enamics, author of the forthcoming book, *e-Enterprise*, and a research fellow of META Group, Inc. "While Net Commerce showed phenomenal growth this year, most efforts were highly unstructured. Companies that fared best combined traditional bricks and mortar assets, such as effective distribution, supply chains and customer service, with the efficiency of cybermediation."

According to Hoque, the Net Commerce 1999 experience was flawed by a "mad dash" into the market, with little planning. The following problems arose:

- Inadequate Systems Infrastructure. One-fourth of customers experienced frustrating delays and logged off, leading to significant lost sales.

- Distribution, Logistic and Supply Chain Issues. The pioneering "dot.com" or "point and click" companies were overwhelmed by consumer demand. In many instances, orders remained unfulfilled and never arrived.

- Inept Branding and Marketing. Many companies failed to effectively brand themselves, so that they were indistinguishable. Others did not differentiate between customers, using a "cookie cutter" marketing approach that ignored vast differences in buying habits and preferences.

- Poor or Nonexistent Customer Service. Customers who experienced problems were unable to reach service representatives, compounding their frustration when trying to resolve problems or track the status of orders.

"Clearly, reality did not live up to the hype of Net Commerce in 1999, " said Hoque. "With this learning experience behind them, companies must now adopt strategies that take a more thoughtful, holistic approach, with the goal of transforming their businesses into true e-Enterprises."

1999 CHRISTMAS ONLINE SHOPPING VOLUME ESTIMATES EXCEEDED; HANOVER BRANDS APPAREL AND HOME FURNISHINGS BRANDS STRONG SELLERS
(PRNewswire, December 28, 1999)

Leading e-tailer and specialty cataloger **Hanover Direct, Inc.** reports that Holiday '99 sales for its on-line brands exceeded even the most liberal of the industry and analyst estimates. While not yet fully tallied, it is obvious that consumer interest in online shopping for apparel, home furnishings and gifts has significantly increased since last year.

The 14 Internet brands of Hanover's Brands division have experienced heavy on-line traffic all season; more than 3.4 million individuals have visited Hanover's online sites since Thanksgiving -- with 1 out of 10 customer transactions generated via the Internet and, in some instances, such as the Undergear catalog, 1 out of 5 transactions were generated from the Internet.

"The online shopping season started at Thanksgiving, traditionally the heaviest shopping time of the year, and showed no sign of slowing down since," stated Rakesh K. Kaul, President and CEO of Hanover Direct, Inc. "Online consumers' expectations regarding fast delivery resulted in orders being placed closer to Christmas day. This pattern more closely parallels the trend traditionally seen at retail of consumers shopping at the last minute."

Kaul added, "Demand in the 1999 Christmas season has surpassed even our estimates. If 1998 was called the "Year of E-Commerce" and 1999 broke all records, 2000 is beyond comprehension."

"The data collected from this holiday season indicates a change in what consumers are purchasing online," stated Richard Hoffmann, President of the Hanover Brands division. "Non-traditional e-commerce categories such as apparel and home furnishings have been some of the strongest sellers. Everyone has known that books, videos and music sell well online, what we have proven is that apparel, home furnishings and gifts sell equally as well."

AIMING FOR PERFECTION
(Grocery Distribution, November/December 1999)

The saying goes that it you give them in an inch, they'll take a mile. It applies to kids, dogs, border countries and customer in almost every industry. For the retail customers of grocery distributors, it's not so much what they'll take as it is what they'll demand.

And in the past few years, the level of perfection that distributors reach with their fulfillment is closer and closer to perfect. The right product, in the right package, in the right quantities, to the right location – all at the right time. In this case, a little bit doesn't go a long way. A little perfection creates the expectation for total perfection.

What makes perfection possible is technology, and what makes it happen is trust. As the technology works its way down to mid-size and small companies and a level of trust is built between the distributor's and the retailer's top decision makers, perfection – in terms of information, control, inventory and insight – is within reach of every distributor in the grocery supply chain, and increasingly expected of them.

Perfect Information.
Customer expectations for perfection have gone beyond receiving the right goods at the right time. Not only do they want what they ask for, they want to know in advance that they are getting it. Advanced shipping notices (ASN) let the retailer know what goods to expect and when – the total reliability.

However, without the total reliability, the ASN is worthless. The retailer needs to know with certainty that goods will be received for a given promotion. The distribution center needs to know with certainty when orders will arrive to effectively schedule labor. A distributor that can't tell its customers with total accuracy what will ship and when isn't going to be on the playing field for very long.

Providing reliable ASNs is possible without using electronic data interchange (EDI) or without a warehouse management system, but not practical. ASNs are usually fed through EDI protocols, so very soon virtually all distributors will be operating online. And ASNs require the distributor to have perfect information about what shipped and when, and by what carrier, which, for even a relatively small distributor, can be difficult to report instantaneously without a warehouse management system.

Perfect Control.
Anything that works as well as ASNs supported by EDI and a warehouse management system will inevitably lead to opportunities for greater efficiencies. Perfect information in this case leads to perfect control. This includes the kinds of control that makes it possible for a centralized purchasing function to place orders that are shipped with total accuracy and reliability to decentralized locations.

For the distributor, drop shipments direct from the distributor to the individual retail stores that bypass the distribution center mean a larger volume of orders. The orders may be smaller, but the frequency will jump because the individual retailer does not have the room to stock inventory like a distribution center can. The good news is that the technology that makes it possible to provide reliable ASNs will also make it possible to handle a larger volume of orders, more frequent orders and multiple shipping destinations at the now-expected level of performance: perfection.

Perfect Inventory.
As retailers demand more information and greater accuracy from distributors, distributors gain the right to demand more information from retailers. For years, retail chains of any size have been capturing point-of-sale data. By gaining access to this data, distributors will be able to more directly manage the retailer's inventory and more effectively manage their own inventory.

Perfect Insight.
The widespread use of EDI and other technologies will allow more information about inventory levels to flow up and down the supply chain. This includes the advanced shipping notices retailers receive from distributors and those distributors should be receiving from their manufacturers and producers, as well as point-of-sale data that distributors receive from retailers, which manufacturers and producers also should receive.

The result is a single, albeit virtual, warehouse that includes the inventory physically held at the manufacturer or producer, at the distributor, at the distribution center, and at the individual stores.

When we reach this future, with each company in the supply chain sharing information about both supply and demand, the only information missing will be the perfect predictions in consumer tastes.

NOTES...NEWS...NONSENSE

'TWAS THE NIGHT BEFORE 2000

'Twas the night before 2000 and all through the tower,
applications were failing, more by the hour.

The programs were running on the mainframe with care,
in hope that the millennium bug was not there.
The programmers were seated in front of their PC's,
while visions of blank paychecks danced in their heads.

With Amy in her office and I at my desk,
we had just settled down for a night with no rest.
When up on my screen there arose such a ding,
I sprang from my chair screaming . "I didn't touch a thing!"

Away from my computer I ran real quick,
tore open the drawer and picked up a stick.
I glared at the PC, evil and mean,
then realized ... it's just a machine.

What to my wondering eyes should I see,
but a miniature window, and a message for me.
With tired eyes, I gave a glance,
only hours left...we don't have a chance!

More rapid than eagles the languages fell,
and we whistled, and shouted, and called with a yell;
"Now COBOL! now, NATURAL, Batch and On-Line!
Oh, FORTRAN! Oh SAS! Now CHORE went flat-line!

From the front of my face, to the face of the wall,
now bash away! bash away! bash away all!
As the team gathered together for one last try,
the word from management came... "Fix it or die!"

So they sat in their chairs, in the up-right position,
with a desk full of work, and a nasty disposition!
And then, in a dinging, I heard the speaker mention,
"Attention, the building, Attention."

As he tried to speak the next word,
the crashing of the mainframe is all we heard.
The programs were a mess, from start to end.
My screen was tarnished with an ugly abend.

The team assembled, into one huge pack,
we looked like hungry wolves, ready to attack.
Our eyes - how they twinkled! Our fingers typed with a clank.
Fix Payroll we said, because our paychecks are blank!

The sweat on my face was falling like rain,
while the coding of COBOL drove me insane!
The stump of a pencil I held tight in my hand,
I chewed nervously, hoping I would not get canned!

I coded some Windows and a Bridge too,
that took a program from version one to two.
I was tired, weak, and in a delusion state,
and I laughed when I saw it, in spite of fate.

A wink of his eye and a twist of his head,
soon let me know that bug was not dead!
It spoke not a word, but went straight to work,
crashing the remaining programs, then turned with a jerk.

I placed the cursor next to the bug,
pressed the delete key to remove the little thug.
But I heard it exclaim, as I erased the line.....
"Happy Millennium for now, 'cause I'll return in 9999!"

TRAVEL TIPS

SOMOA: THE LAST PLACE TO CELEBRATE 1999
(APP News Service, December, 1999)

With so much of the world's focus has been on the best place to see the first dawn of the Year 2000, Somoa is proud to lay claim to be the last place in the world to see a sunset in 1999. While the centerpiece for most New Year's Eve celebrations midnight, December 31, Somoa's centerpiece is 7:02pm December 31, 1999 - the time experts reportedly say the sun will dip below the horizon.

Islanders have identified the spot to see the last sunset of 1999 as Sunset Beach at Cape Mulinuu, near the village of Falealupo on the northwest tip of the Samoan island of Savaii. The spot is just 32k east of the International Date Line, reportedly the most westerly spot from the dateline in the world, but not that far from islands claiming to see the first sunrise of 2000.

News accounts say villagers are already cleaning up the undeveloped and primitive beach with the expectation of hosting a party for 5,000 people. The villagers have a long way to go to create accommodations for so many people. They plan to build dozens of fales or huts for people to sleep in near the beach.

The festivities are still in the planning stages, but preliminary plans reportedly call for a traditional wedding, singing and dancing just before sunset. On New Year's day there are plans for a walkathon, a floral parade and traditional stage play.

HAPPY BIRTHDAY

Jim Severyn	1/2
Gabrielle Pyle	1/7

HAPPY ANNIVERSARY

Bradly Anderson	1/4/99
Chris Rettig	1/5/98

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"NO SANTA CLAUS! THANK GOD HE LIVES, AND HE LIVES FOREVER.
A THOUSAND YEARS FROM NOW, VIRGINIA, NAY, TEN TIMES TEN
THOUSAND YEARS FROM NOW, HE WILL CONTINUE TO MAKE GLAD
THE HEART OF CHILDHOOD..."

> FRANCIS P. CHURCH'S FAMOUS COLUMN
> "YES, VIRGINIA, THERE IS A SANTA CLAUS"

INDUSTRY INSIGHTS
TECH CONSULTANCY STOCKS SURGING
(Crain's Chicago Business, Vol. 22, No. 49, December 6, 1999)

Volatility is the order of the day for the year's sexiest stocks, the dot.coms. But shares of their
less-glamorous cousins, information technology consultantcies, appear to be moving in one
direction only nowadays: up.

Whittman-Hart Inc.'s stock, for instance, has doubled since September. Diamond Technology
Partners Inc.'s has tripled since early August. And shares of Braun Consulting Inc., which went
public in August at $7 a share have not closed below $25 since October 27.

The consultancies bread and butter until recently has been work to eradicate the Y2K bug. But the
fact that most of their clients now have Y2K systems in place hasn't slowed the climb of their
stocks. That's because the new fuel for the consultancy engine is corporate America's unfettered
ardor for the Internet.

"I have never seen demand at this level, ever," says Melvyn E. Bergstein, a longtime consultant
and co-founder, Chairman and CEO of Diamond Technology Partners. "It's absolutely absurd.
It's because every board is demanding that every CEO have an approach to the Internet."

With clients clamoring for advice on launching and maintaining Web operations, local
consultancies say that the only obstacle that could trip up growth is a shortage of the very
commodity they sell: talent.

"Our number one challenge is our ability to grow aggressively but not lessen the labor pool," says Braun's CEO, Steven Braun. "There's a lot of competition, not only from competitors but from dot.coms. We see a lot of young workers getting big offers."

In the past year, Braun scouted for talent on 30 college campuses, interviewing 900 students. The company ended up hiring 60, bringing its head count to 300. There seems little doubt that Braun can keep the new hires busy. Massachusetts-based International Data Corp. estimates the worldwide market for Internet professional services will expand tenfold, to $78.5 billion in 2003 from $7.8 billion in 1998.

Bottom Lines Small
While Net fever is stoking investor interest in consultancy stocks, the companies' bottom lines still are relatively small compared to their market capitalizations.

Whittman-Hart – which has a market cap of about $4.02 billion – reported a 59% increase in nine-month net income, to $21.3 million, or 35 cents a share. Its stock traded in the $70 range last week. Diamond's income for fiscal 1999 ended in March and was up 64% to $9.8 million, or 63 cents a share. Its market cap is roughly $614.7 million; the stock traded last week in the $60 range.

Meanwhile, for the first nine months of the year, Braun's net income rose to $2.3 million, or 17 cents a share, vs. $252,000, or 2 cents a share, in the year-earlier period. Its market cap: about $1.25 billion. The stock traded around $38 last week.

Maintaining growth is, as Whittman-Hart's Chairman and CEO Robert Bernard sees it, "what puts me into heart palpitations."

Meanwhile, a Chicago consultancy, 3-year-old Xpedior, Inc., announced in mid-October that it plans to go public. The company, which moved its world headquarters to Chicago from Texas a month ago, has grown from 166 employees two years ago to 945 staffers at several U.S. offices and three international offices.

"There's so much work out there now that companies like us are really deciding what companies we want to do business with," says Xpedior Chief Operating Officer Brian Farrar. "In many ways, we're out there interviewing the customer."

And trying to hold onto key staffers. To keep turnover low, employers are dangling stock options to everyone from clerical help to consultants. They're also addressing the quality-of-life demands of Generations X and Y. For example, Xpedior's office has pinball machines and pool tables, and employees got ice cream every Friday afternoon during the summer. Whittman-Hart, meanwhile, sends most of its consultants no more than 75 miles away to a client, so they can ostensibly return home every evening.

Traditional View Blurred

In a bid to stabilize its talent pool, Andersen consulting plans to let lower-level workers earn a share of the profits and join the partner ranks faster than usual. Ernst & Young has fired 200 local consultants this year and is retraining more than 1,000 existing Chicago-based consultants to focus on 3-strategy projects.

"The traditional view of consulting is totally blurred right now," says Bruce Tranene, an Ernst & Young partner. "It's not that we're stodgy. Other companies can very cheaply put something out there because of their business model."

Says Stuart Emanuel, CEO of Interim Technology: "The advantage the real small companies have is they're nimble. They can turn their business on a dime to what's in vogue. It means we have to look farther down the road instead of looking to make the quick buck."

Smaller firms, however, aren't just looking to grow internally. They also plan to swallow competitors and companies that would complement the strengths they already bring to the table. On several projects, Ernst & Young has partnered with ad agencies.

Whittman-Hart's revenues have grown 60% organically, but the company also has acquired five firms in four quarters, including London-based Fulcrum Solutions. "We want to be a consolidator," Mr. Bernard says. "We don't' want to be consolidated."

With demand for e-commerce consulting not expected to diminish for at least two years, most companies are riding high – so long as they deliver what they promise. "A lot of companies are growing too fast. They're defying the physics," says Diamond's Mr. Bergstein. "You can't differentiate the super-high-quality firms from the guys just trying to make a buck."

AMERICA ONLINE SAYS 1999 HOLIDAY SHOPPING SEASON INDICATES NEW CONSUMER CATEGORIES, SHOPPING BEHAVIORS, AND CUSTOMER SATISFACTION LEVELS
(Business Wire, December 14, 1999)

◆ Sports & Outdoors, Home & Garden, Consumer Electronics Emerge As Fastest Growing Categories for Holiday 1999.

◆ Two-Thirds of 1998 AOL Holiday Shoppers Say Buying Online Better Than Last Year .

◆ At Holiday Season Mid Point, First-Time Buyers Double Over Last Year; 6 Million AOL Members Made Purchases Online Last Week .

In this shopping season, America Online, Inc., announced new research that indicates several new e-commerce trends that characterize the1999 holiday shopping season to date among AOL members, the largest aggregate audience of buyers in cyberspace.

Toys and apparel remain top categories, with sports & outdoor, home & garden emerging as fastest-growing categories of 1999 holiday season. For the second consecutive holiday season, the most popular retail categories on Shop@AOL have been mainstream consumer products and services. The most popular categories and subcategories on AOL this year are:

1. Toys, Kids & Babies Toys
2. Apparel Men's Apparel, followed closely by Women's
3. Books, Music & Video Books
4. Sports & Outdoors Golf & Recreation
5. Home & Garden Furnishings
6. Department Stores & Boutiques

While Toys and Apparel remain the top categories for holiday 1999, the AOL shopping categories experiencing the biggest increases in seasonal traffic compared to the same period last year are: Sports & Outdoors, Home & Garden, Consumer Electronics and Books, Music & Video.

Sundays, late night most popular shopping day, times to shop online according to the AOL research, this holiday season Sunday has become the most popular day to shop online, followed by Monday and Wednesday. In addition, AOL continues to see that for online shoppers, the most popular time of the day to shop for holiday gifts is during the evening, with 9:00 PM to 10:00 PM as the most popular hour; indicating the convenience offered by online shopping, the most popular shopping time is when retail stores are closed.

First-time buyers double over last year and satisfaction is high with online shopping experiences. In addition, according to new research from the Internet Research Group (IRG) of Wayne, PA, since Thanksgiving, 1.5 million AOL members have shopped online for the first time -- doubling last year's rate.

Underscoring the rapid adoption of e-commerce among these first time AOL shoppers -- the majority of whom are women -- 9 in 10 say they are satisfied with their online shopping experiences, three-quarters intend to shop online again next month.

The IRG research also shows that in the last week alone, 6 million AOL members have made purchases online, up from 4 million only two weeks ago. Among those who have shopped online during 1998 holiday season, two-thirds of those who shopped online during the 1998 holiday season believe the experience has improved this year.

The majority of all AOL shoppers (67%) now think about going online as their first place to shop before stores or catalogues.

NOTES...NEWS...NONSENSE

'TIS THE SEASON FOR LEGGIO AWARDS

A s you may have noticed from previous HotSheets, I occasionally give out Leggio Awards. I have found some deserving recipients.

A few weeks ago, a member of our team drove himself, the project principal and a senior member of the client team to lunch at a Memphis Favorite...Down South. After eating, as we are walking out, this member begins looking for his car keys. After a couple of minutes he determines he has locked them in the car and goes to check. Sure enough, they are sitting right there in the ignition with all the doors locked. Not only were the doors locked, but the engine was running. So he calls Avis to find out about getting a spare key. They tell him they have one out at the airport. Because he is so dedicated to providing superior service to the client, he finishes his workday and gets a ride to the airport. When he gets back to the car it is still running, lights on, in the parking lot of the Down South restaurant. As a result, this Leggio Award for Absent Minded Fuel Conservationist of the Month goes out to Rod West.

Another award goes out to a coach in the much famed Logistics Football League. This coach distinguished themselves with sustained performance over a period of 13 weeks, one of which produced a perfect score. With a margin of two games, Suzanne Dencker, and her Fuzzy Yellow Tennis Balls, wins the Leggio award for Contribution to the Most LFL Victories in a Single Season (The perfect one being a perfect 0) with a final record of 5-21. (Those 5 teams must have been on their bye weeks). Of notable mention are Al Sambar and his Wagon Wheel of Death and Dallas Middlebrooks and his USMC Jarheads with records of 7-19.

-- FRANK LEGGIO

THE ECONOMIC PRESS
(Success Online #460, December 9, 1999)

W riter/radio personality Garrison Keillor said: *"The lovely thing about Christmas(time) is that it's compulsory, like a thunderstorm, and we all go through it together."*

It's that "stormy" time of the year again. And, for some folks, the rising pressure of the approaching Christmas and New Year holidays begins to move into the danger zone. When the secular aspects of impending celebrations gets too much in the way of the spirit and success of the celebrations, it's time to lighten up. So here are a few seasonal anecdotes with a light touch.

❄   Y2K WARNING: Dates in calendar are closer than they appear.

❄   Y2K PREDICTION: No matter what happens, there is someone somewhere who knew it

would.

❄   Ebenezer Scrooge--Y2K Version: "Bah! Dumb bugs!"

❄   A three-year-old was helping his family unpack their nativity set. He announced each piece as he unwrapped it from the tissue paper. "Here's the donkey!" "Here's a shepherd!" "Here's a wise man!" When he got to the figure of the infant in the manger he proclaimed, "Here's baby Jesus in his car seat!"

❄   Nancy was nearly four years old as Christmas approached. Her parents felt it was time to talk with her about the real meaning of the holiday and why the family celebrated it. So they did. Nancy had a wonderful Christmas with many presents and toys. A few days later, talking with her older siblings about what a great holiday she had, Nancy said, "I sure hope Joseph and Mary have another baby."

❄   Christmas--the time of year when people celebrate the birth of the Prince of Peace by giving toy guns, search-and-destroy video games and wrestling action figures.

❄   Some second graders were talking about Santa--whether Saint Nick was real or not. One child confessed that, at one time, she was unsure whether Santa was real or not. But now she was convinced he was. It came about when her big sister announced she no longer believed in Santa. That was when the older child stopped getting toys and started getting clothes. The younger girl was not going to risk offending Santa and have that happen to her.

❄   Kin Hubbard said: "Nothing's as mean as giving a little child something useful for Christmas."

❄   I went to one of those stores that specializes in educational toys. They had one with four square pegs and four round holes. I asked the salesperson, "You can't put a square peg in a round hole--so what does this teach?" She said, "Clichés!"

❄   It's interesting how many people who don't believe in Santa Claus will go out and buy a lottery ticket.

-- GEOFF STECK
EDITOR

CHRISTMAS CAROLS FOR THE PSYCHIATRICALLY CHALLENGED

SCHIZOPHRENIA:
Do you Hear What I Hear?

MULTIPLE PERSONALITY DISORDER:
We Three Queens Disoriented Are

DEMENTIA:
I Think I'll Be Home for Christmas

NARCISSISTIC:
Hark the Herald Angels Sing About Me

MANIC:
Deck the Halls and Walls and House
and Lawn and Streets and Stores and Office and Town and Cars and Busses and Trucks and Trees
and Fire Hydrants and...

PARANOID:
Santa Claus is Coming to Get Me.

PERSONALITY DISORDER:
You Better Watch Out, I'm Gonna Cry,
I'm Gonna Pout, Won't tell you Why.

DEPRESSION:
Silent Night, Lonely Night,
All is Dark, All is Fright.

OBSESSIVE-COMPULSIVE DISORDER:
Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock, Jingle Bell, Jingle Bell, Jingle Bell Rock....(better start again)

PASSIVE-AGGRESSIVE PERSONALITY:
On the First Day of Christmas My True Love Gave to Me (and then took it all away).

BORDERLINE PERSONALITY DISORDER:
Thoughts of Roasting on an Open Fire.

TRAVEL TIPS

MARITZ NAMES NEW PREZ
(BTNOnline, December 14, 1999)

Beginning April 1, 2000, Jeff Reinberg will assume Michael Boland's role as Maritz Travel Co. president and CEO. Boland, who announced his retirement in October, will leave his Maritz post at the end of March.

Reinberg, a 24-year Maritz veteran, currently serves as senior executive vice president and chief administrative officer for Maritz Inc. and reports directly to president and CEO Steve Maritz. Reinberg also sits on Maritz's board of directors and is a member of its executive committee. "Jeff brings to the position a wealth of industry and business expertise, strong strategic leadership and a general concern for our clients and our people," said Boland. "He will take an active role in furthering Maritz's technology, e-commerce and other Web-based initiatives."

HAPPY BIRTHDAY

Brad Griffith   **12/23**

Note: If your Birthday/Anniversary information was not listed or is inaccurate, please contact the HotSheet publisher.

QUOTE OF THE WEEK:

> "IT IS THE GREATEST SHOT OF ADRENALINE TO BE DOING WHAT YOU'VE
> WANTED TO DO SO BADLY. YOU ALMOST FEEL LIKE YOU COULD FLY
> WITHOUT THE PLANE."
>
>   - CHARLES LINDBERGH

VENDOR VITTLES
LENDING AN EAR TO CUSTOMER SERVICE
(Adapted from Call Center Magazine, by Jennifer O'Herron, December 1999)

Call monitoring systems offer a wide range of options for keeping track of what agents say to customers on the phone and what actions they perform on their computers. This article focuses on standalone call monitoring systems that can work with a variety of phone switches. The most basic component of a call monitoring system is a voice logger, which records and stores phone conversations between agents and customers. Some voice loggers record all calls a center receives. Other voice logging systems record all agents at a call center with equal frequency but at random times through a process known as random monitoring.

Besides logging calls, some of the more sophisticated monitoring systems include tools that make it to set parameters for recording calls, retrieving calls, evaluating calls and enabling customers to provide immediate feedback after they speak with agents.

Basic Monitoring Systems
CSI-Data Collection Resources' *ACD Agent Monitoring System* lets performs live monitoring or create recording schedules weeks or months in advance. It can schedule up to 32,000 recordings by date, start time, end time, agents' names or agents' extensions. The system stores all recordings as .wav files and plays them from PCs equipped with sound cards and speakers. Its voice-activated recording system ensures dead air will not be played back.

The Agent Log lets you keep track of recorded calls. It can search the log by agent name, date or call type. ACD Agent Monitoring System plays back calls even as you are recording new calls. The software also includes customizable agent evaluation worksheets and it works with third-party evaluation software. If remote agents or an outsourcer is employed, ACD Agent Monitoring

System can choose calls by selecting agents' names, extensions or outside phone numbers where they can be reached. It can also give agents the ability to start and stop recordings with CSI's *Verify-It* software.

Pyderion Contact Technologies' *Intranet Call Center Server (ICCS) Quality Call Monitoring*, a standalone product that works with Nortel and Siemens switches, allows recording of calls randomly or at pre-set intervals throughout the day. It also give agents the ability to select calls they want to record, which is a valuable option when customers offer feedback about a company or when agents receive abusive calls.

The software stores information about call recordings in a database that makes them easily retrievable. You can search for calls by dates, by agents or by talk times (long talk times are good indicators of problems). The software also enables searches for recordings based on key words entered within notes about calls, and it comes with customizable templates for creating forms for evaluating agents.

Scheduling recordings can also be done with **Racal Recorders'** *Agent Quality Management* suite and the system can choose between two different recording servers depending on how many agents need to be recorded. The *Mirra Voice Recording Server* records up to 32 channels simultaneously and *Wordnet Digital Communications Recorder* records up to 128 channels simultaneously. Racal's *Rules Recording* software allows for scheduling recordings for individual agents and groups of agents.

On-demand recording is also available for agents and supervisors who want to record calls as soon as they encounter difficulties while speaking with customers. By integrating Racal's software with computer telephony software, it can trigger recordings based on information such as the customer who is calling. Rules Recording also works in free-seating environments, where agents aren't necessarily available at the same extensions every day.

Racal Recorders' *Agent Assessment* software can evaluate agents and create performance review sheets that can be customized by groups, campaigns or agents' skills. Racal Recorders plans to add screen monitoring capabilities to Agent Quality Management next year.

ASC Telecom's *Marathon Suite* gives several options for recording agents. *Marathon Pro* provides recording for between eight and 128 agents at the same time. ASC Telecom's new *Call Commander* module allows for choosing which agents to record and when to record their calls. The Marathon Suite also includes *Marathon Compact*, which records between four and eight channels, and *Marathon Advanced*, which records between eight and 64 channels. All calls are accessed from a PC. A hot standby unit takes over if any problems are encountered with the primary recording device.

Calls can be archived to magneto-optical discs, digital audio tape (DAT), or digital video discs (DVD). ASC's *Call Collection Box* lets you store up to 16 hours of the calls accessed most often on a hard drive, which is a helpful feature for setting aside examples of calls for training purposes.

Monitoring Agents' Screens
Many monitoring systems record calls and screens simultaneously. This capability allows for hearing how agents speak with customers as well as seeing how well they enter data related to calls. Screen monitoring is also useful for helping identify problems within written scripts.

Witness Systems' *Witness* records calls and screens together. A valuable feature of Witness is that the software only stores changes to agents' screens. Witness can be configured to continue recording agents' screens for a certain period of time after a call ends to allow for viewing an agent's after-call work.

Witness performs random or on-demand monitoring. By integrating Witness with computer telephone software, you can initiate recordings for specific types of customers based on criteria like ANI, DNIS or callers' account numbers. By integrating Witness with front office software, you can trigger recordings based on data about a caller that an agent keys in. Witness lets agents block monitoring for customers who say they don't want to be recorded.

Witness' *Evaluation Reporter* module reviews, evaluates and scores agents using Witness' pre-defined evaluation templates. *Performance Analyzer* collects evaluations from Evaluation Reporter and allows for comparison of how they relate to information from ACD, predictive dialer and workforce management software.

Teknekron Infoswitch's *AutoQuality* records and archives agents' phone calls and the screens that correspond to them. One can schedule recordings for specific dates and times or arrange for how frequently the system randomly records agents' calls. It also schedules recordings in conjunction with workforce management software.

AutoQuality captures screens in similar ways to recording calls. The software captures screens for specific agents at specific times; capture only certain screens, such as an order verification screen; or capture all screens during a call. If you prefer, the software can capture screens only during certain intervals indicated. Another feature of AutoQuality is that it can add verbal comments to recordings of phone calls and allows for adding visual annotations to agents' screens.

P&Q Review is Teknekron's Web browser-based software for evaluating and scoring agents' performance and productivity. Because evaluations are stored on a company's intranet, only an authorized member of the call center staff can access reviews.

If the need is for a monitoring system for a small centers, with the ability to capture screens, **Comverse Infosys'** *Words & Pictures* is one option. Words & Pictures schedules recordings and monitors up to 80 agents at a time. The software includes evaluation templates, which can be customized, and a reporting package to help identify performance trends within a call center. It also includes a computer-based training tool and works with all major ACDs. Words & Pictures can continue recording after calls end to capture agents' wrap-up screens.

You can set up Comverse Infosys' *Ultra* call recording system to record all calls, to perform random monitoring, to do on-demand recording or to follow rules that trigger recordings based on

ANI, DNIS, agents' IDs or customers' account numbers. *Mentor* uses the same recording platform as Ultra and scales up to 2,400 agents.

Nice Systems *NiceUniverse* can schedule recordings by integrating with workforce management software from companies that include TCS and IEX. The software conducts on-demand and full-time monitoring, as well as initiates recording based on information collected from incoming calls. Since NiceUniverse can associate calls with agents' IDs, the system can identify agents and record their calls regardless of where the agents sit. Besides monitoring calls, NiceUniverse captures agents' text chat sessions and e-mail correspondence with customers. The system also comes with evaluation tools.

Envision Telephony's *SoundByte Server*, the core component of its *SoundByte Enterprise* suite of monitoring products, records, stores and plays back calls. With SoundByte Server, recordings are handled over the phone diminishing the need to transfer voice files over a network. If a call center uses computer telephony software, the software can trigger recordings based on DNIS, ANI or digits callers enter from an IVR system. The system records up to 96 channels.

SoundByte Supervisor allows scheduling, recording, evaluating and play back recorded calls from a PC or touchtone phone. You can annotate calls with written comments, fill out evaluations on-line and run reports. The software allows can set a minimum duration for recordings, the maximum number of calls recorded for each agent and up to three different schedules per agent.

Dictaphone's *da Vinci Call Management System (CMS)* adds computer telephony capabilities to its call monitoring system and allows for quickly retrieving recordings based on data associated with calls. da Vinci can continuously record all of a call center's phone calls and then use the data a computer telephone software gathers to monitor and play back the calls desired. da Vinci keeps track of calls from start to finish, regardless of how many times an agent transfers a caller, and it integrates an IVR system to determine which options a customer chooses within an IVR system before transferring to a live agent.

Dictaphone partners with Communico, a training company in developing its evaluation forms. Dictaphone also offers classes at its facilities in Aberdeen Woods, GA that show managers how to train agents to improve their customer service skills.

Also new from Dictaphone is the *Freedom* recording system. It stores up to 600 channel hours of compressed voice and data on a local hard drive. Freedom includes a server that it can use to archive and play recordings from a hard drive, DVD drive or another storage device on a network. Eyretel's *MediaStore* records calls and onscreen information. It can do full-time recording or, by integrating with Eyretel's computer telephony server, *Unify*, it uses a wide range of criteria to trigger recordings. Unify can also gather information about callers from an IVR system, a predictive dialer and any of a call center's databases. Eyretel's *E-Ware* software retrieves and plays back recorded phone calls from a PC.

Quality Call is Eyretel's agent evaluation and scoring software. You select which agents you wish to evaluate and the type of calls you wish to score. Quality Call pulls up calls for evaluation from the database of calls already collected.

Periphonics' *ScreenSentry*, which captures agents' screens, works with Periphonics' voice recording system, *CallSentry*. CallSentry and ScreenSentry work with Periphonics' *CallSponsor*, a computer telephony and voice processing system. CallSentry initiates recordings based on

information associated with each call, such as ANI, DNIS or agents' IDs. CallSentry includes evaluation software and lets you listen to recorded calls from a PC or through an IVR system. Agents can access calls by listening in over the phone or by receiving e-mails with .wav files.

Mercom Systems' *IntellAgents 2000* suite includes software that captures screens, schedules recordings and evaluates agents. At the core of this system is *AudioLog*, Mercom's recording platform. AudioLog, which records up to 144 channels from one server, sets up a system catalog that clearly indicates where you can locate the conversations you're looking for, whether they're on hard drives, DAT drives or elsewhere on a network.

With Mercom's *IRIS* software, it performs full-time recordings and schedules recordings for different agents at the same time. The company's optional *Record On Demand through Network Interface (RODNI)* does an on-demand recording. Mercom offers TPG Technologies' agent evaluation software as part of its IntellAgents 2000 suite.

Wygant Scientific's *Encore* also lets you capture agents' conversations and screens. It can log all calls, record random calls or monitor live calls. By integrating Encore with a scripting software, it can activate recordings when agents launch the onscreen scripts they typically read from while speaking with customers. Encore also monitors conversations during which agents have transferred callers.

Wygant's *Evaluation Session Manager* helps expedite agents' performance reviews by displaying lists that clearly distinguish between calls already evaluated and calls yet to evaluated. The software also gives reports about agents' scores on their entire evaluations or on certain questions.

If agents are employed outside of the main call center, *Encore Soloist* can record their phone calls and store recordings in the same database as the calls monitored from the center. Encore Soloist also performs live monitoring of agents working from home, and it lets at-home agents record their own calls if they wish to capture key elements of a transaction.

INDUSTRY INSIGHTS
ZANYBRAINY.COM DEBUTS AS ONE OF TOP INTERNET TOY STORES ON GOMEZ ADVISORS' SCORECARD
(Business Wire, December 8, 1999)

After launching only three weeks ago, ZanyBrainy.com, an e-commerce venture of Zany Brainy, Inc., was recognized as one of the top five toy e-retailing sites by Gomez Advisors, the leading provider of e-commerce research and analysis. ZanyBrainy.com, received its highest marks in the Ease of Use, Customer Confidence, and Overall Cost categories.

"We are thrilled to be ranked as one of the top toy sites by Gomez after only being online for three weeks," said Tom Vellios, President of Zany Brainy Inc. "Achieving recognition for our outstanding customer service demonstrates our commitment to excellence in both the bricks-and-mortar and online stores. As in our 103 Zany Brainy stores, ZanyBrainy.com is designed to be

user-friendly for all ages and complements our product mission of offering quality toys for children at the right price."

Launched in mid-November, ZanyBrainy.com features nonviolent, high-quality and age-appropriate toys such as games, puzzles, audiotapes, videotapes, books, arts and crafts, software, dolls, plush toys and electronic toys, in addition to hundreds of exclusive products from Zany Brainy.

THE J. JILL GROUP COMMENTS ON EXPECTED FOURTH QUARTER RESULTS
(Business Wire, December 8, 1999)

The J. Jill Group, Inc., reported that, based on currently available information, the Company anticipates sales for the fourth quarter of fiscal 1999 to be approximately $58.0 million. Additionally, the Company expects to incur a loss per share in the range of $0.12-$0.17. Gordon R. Cooke, Chief Executive Officer, commented, "In the third quarter, we experienced a downturn in our business due to overall soft demand in the catalog sector, a sudden decline in sales from our core J. Jill catalog and the underperformance of our relaunched Nicole catalog. We mentioned at that time that we expected these trends to continue for the balance of the year, and based on our quarter-to-date performance that is still our expectation."

Mr. Cooke continued, "While we are disappointed with the recent performance of our J. Jill catalog, we are encouraged by the results from our recently launched retail and Internet initiatives. Our store in Natick, Massachusetts, is performing exceptionally well and our newest store in Providence, RI, opened to a strong response late last week. Additionally, our e-commerce site, www.jjill.com, continues to trend very well indicating a strong start to the Holiday selling season. We believe these initial results are promising and underscore the viability of the J. Jill brand.

"Nevertheless, we are taking steps to address the recent decline in our core catalog business and to improve our long-term performance. First, in October we announced our intention to close the Nicole catalog after the relaunch did not meet our expectations. With respect to our J. Jill catalog, we are reviewing and, where appropriate, modifying our circulation levels, merchandise assortments and creative direction. On the merchandising front, we adjusted our assortments only slightly for the Spring season, since most of our purchasing commitments had already been made.

However, judging by the positive response to the merchandise in our recently opened retail stores, we believe that over-circulation and creative execution were the primary contributors to our disappointing performance this Fall. Consequently, our books for the Spring season will reflect a return to our traditional J. Jill roots and better target our core 35 to 55 year old customer by utilizing models and backdrops which convey the essence of our brand.

"Looking to fiscal 2000, our sales results will be impacted by the closing of the Nicole catalog. However, we expect this impact to be partly offset by anticipated SG&A savings stemming from a more streamlined organization. In addition, we plan to reduce our J. Jill catalog circulation from fiscal 1999 levels by approximately 20%, in order to optimize sales and improve profitability."

Mr. Cooke concluded, "While we have faced many challenges in 1999, we remain committed to the multi-channel expansion of the J. Jill concept and our initial `retail` and e-commerce results reflect the continuing viability and strength of the J. Jill brand."

BLOCKBUSTER OURSOURCES ORDER PROCESSING AND FULFILLMENT
(InformationWeek, December 6, 1999)

Blockbuster, Inc., has began outsourcing its order-processing and fulfillment processes for Blockbuster.com to OrderTrust, Inc. The move is designed to help Blockbuster focus on marketing, sales, and building its online brand rather than managing technology and infrastructure, Blockbuster executives say.

OrderTrust provides intergrated order management services for E-commerce and operates an order-processing network. Services include real-time credit card authorization and inventory-availability checking, routing separate fulfillment requests to multiple suppliers, order-status notification, and financial settlement. The move will let Blockbuster augment its lineup of videos and music with related merchandise and promotions.

OrderTrust simplifies communications with multiple suppliers by removing the technical obstacles, says David Schatsky, an analyst with Jupiter Communications. "The value proposition is that a merchant can hook into their network and get automatic connectivity to a large number of suppliers and access to a reliable infrastructure," he says. Outsourcing order-management functions will also let Blockbuster.com quickly add and remove suppliers so it can match online merchandise with entertainment trends.

The OrderTrust services requires a year-long contract; monthly bills are calculated by orders processed. Fees range from 30 cents to $1 per order, depending on volume.

MASTERCARD TO OFFER VIRTUAL CREDIT
(InformationWeek, December 6, 1999)

Soon, online shoppers won't have to reach into their wallets – leather or digital – to buy things on the Internet. MasterCard International, Inc. is licensing technology from software maker Trintech, Inc., to create a virtual drag-and-drop credit and debit card for its 23,000 financial institutions.

The software provides a small desktop icon that looks and acts like its plastic counterpart and is designed to simplify online shopping for the customer, the merchant, and the issuing bank. Unlike other consumer-payment applications, such as digital wallets, trintech's NetIssuer and ezCard technology are controlled by the issuing bank. Customers will be issued a digital credit card that will be downloaded to their PC. When they wish to make a purchase, they simply drag the icon and drag it into an online form, which is automatically filled out with the data contained in the icon.

Not only is the virtual credit card easy to use and deploy, but NetIssuer minimizes merchant risk and provides greater user security – all account and user information is handled by the issuing bank instead of the merchant. As a result, the merchant is guaranteed payment, and the bankcard handles any disputes.

The virtual cards will be available to MasterCard holders later this year and early in 2000.

NOTES...NEWS...NONSENSE

On Thusday, Dec. 2nd at 13:37, Sue Swensen gave birth to a lovely little girl, Amelia Louise.

She was born weighing 6 lbs 13 oz (3095 gm) and is 19" long (48 cm). Mother and baby are doing well and will be home from the hospital later in the week.

-- KARL SWENSEN

KSA Trivia: Which two KSAers have played against the top two players with the highest scoring averages in NBA history? (Answer at end the of the HotSheet.)

-- VANESSA ANDROSS

HOW TO IDENTIFY WHERE A DRIVER IS FROM:

One hand on wheel, one hand on horn: Chicago.

One hand on wheel, one finger out window : New York.

One hand on wheel, one finger and head out the window -- cursing, cutting across all lanes of traffic: Philly

One hand on wheel, one hand on newspaper, foot solidly on accelerator: Boston.

One hand on wheel, one hand on nonfat double decaf cappuccino, cradling cell phone, brick on accelerator, with gun in lap: LA

Both hands on wheel, eyes shut, both feet on brake, quivering in terror: Ohio, but driving in California.

Both hands in air, gesturing, both feet on accelerator, head turned to talk to someone in back-seat: Italy.

One hand on latte, one knee on wheel, cradling cell phone, foot on brake, mind on game: Seattle.

One hand on wheel, one hand on hunting rifle, alternating between both feet being on the accelerator and both feet on the brake, throwing a McDonald's bag out the window: Texas.

Four-wheel-drive pickup truck, shotgun mounted in rear window, beer cans on floor, squirrel tails attached to antenna: West Virginia.

Two hands gripping wheel, blue hair barely visible above window level, driving 35 on the Interstate in the left lane with the left blinker on: Florida.

One hand on the wheel, the other holding a cell phone, driving 130 mph and four feet from your bumper, late for happy hour, while flashing headlights to tell you to get the hell out of the way: Washington, DC, Beltway

-- PAM BECKERMAN

HAPPY BIRTHDAY

Mike Gregory   12/20

Trivia Answer:

Tony DeMaria played against Wilt Chamberlain in a high school championship game.

Rich Dec recently played against Michael Jordan in a scramble at his gym in Chicago.

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:
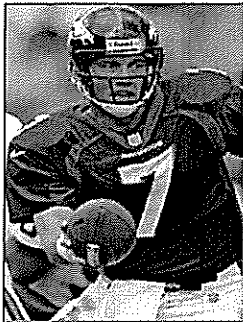
"IT'S LIKE ASKING JOHN ELWAY TO SIT ON THE BENCH DURING THE 4TH QUARTER OF THE SUPER BOWL, I AM JOHN ELWAY."

- AL SAMBAR, AFTER BEING ENCOURAGED BY TONY DeMARIA TO FLY HOME AFTER WORKING COUNTLESS CONSECUTIVE DAYS AT THE eTOYS DC START-UP IN PROVO, UTAH, AS RELAYED BY THE ETOYS GROUP

INDUSTRY INSIGHTS

KNOWLEDGE MANAGEMENT APPS CAN QUICKLY FIND EMERGENT INFORMATION ON THE INTERNET, BUT THEY WILL HAVE TO BE INTEGRATED WITH OTHER TOOLS TO REALIZE THEIR FULL POTENTIAL

(By Scott H. Boutwell, InformationWeek Online, September)

Knowledge-management applications are beginning to come of age, and business users have a wider range of utilities available for content discovery and search, analysis and refinement, leveraging extant information or wisdom, and collaboration between remote or cross- functional groups. One can use these applications right out of the box or customize them rapidly to specific business functions and industry needs.

I reviewed a group of off-the-shelf knowledge-management software products that vendors argue help executive and knowledge workers more effectively gather, analyze, and share information, particularly emergent research-related information. I call these off-the-shelf knowledge-management consoles.

Given the wide range of activities knowledge management encompasses, I didn't anticipate that these applications would perform every knowledge-management function (search, analysis, dissemination, categorization), and if they tried, they most likely wouldn't perform them well.

The initial analysis focused on a primary knowledge-management function that business users require and perform today: effective and thorough content search and discovery using the latest meta search engines. The Internet has emerged as a dominant source of competitor, market, client/industry, and operations information, and these meta search tools let corporate users better traverse the sea of information. These consoles can be effective in rapidly finding emergent information on the Internet, but you need to integrate them with other knowledge-management tools, such as content and context management, for users to realize their full potential in collaboration and learning tasks. Unfortunately, that critical integration is not here yet.

Knowledge-management consoles serve an urgent purpose. As companies get leaner and more horizontal, knowledge workers are more likely to undertake such knowledge-management tasks as content search and management, collaboration, and dissemination by themselves, or with minimal administrative support. Professional staff at the senior and executive levels are increasingly active (and comfortable) in performing some knowledge-management tasks: actively searching through the competitive and market landscape and potential and current partner services and products; keeping track of key client activities; and integrating this emergent information with extant information and knowledge of the company. All this allows for more continuous refinement and reuse of knowledge packets and searches. Off-the-shelf or low-customization software lets users quickly fill those needs.

With this premise in mind, I reviewed three products that can help knowledge workers better search for and manage critical business information. Testing was done with one typical scenario in mind: a market-facing knowledge worker searching for emergent, external information and integrating that with internal, archival knowledge to validate or modify upcoming plans. We focused on using knowledge-management consoles for exploring specific kinds of information:

- Company and people intelligence: activities of partners, competitors (known and potential), clients, and professional talent (management staff to be recruited or competitor staff to be tracked).

- Product release and market intelligence: information to validate/ modify business plans for new service introduction or product release; major growth trends in target markets, clients' needs, and
available solutions; barriers to entry.

- Process improvements: identification of best management practices from other industries; information management, change management, and technology products available; benchmarking processes with competitors in the same segment.

There's one key fact you need to keep in mind while exploring the deployment of a knowledge-management console. None of the individual products is completely effective at finding all the information you need in our scenario. You should view searches and integration with your existing archival information as a continuous process, even as time and dynamic markets alter the original search goal. A good solution recognizes both its own limitations and the dynamic nature of the sought-after information.

All of the products reviewed provided for search, refinement, validation, and sharing and sending capabilities; the differences were in the number of steps involved and the ability to capture interim results and use them to continuously focus and refine the search. Keep in mind, too, that communication bandwidth will dictate the efficiency and success of online searches. Detailed, refined searches can be very time-consuming with anything less than the most contemporary network connection. Many companies with distributed or remote offices (such as sales forces) may be limited to 56-Kbps Internet access and will need to be creative in conducting and scheduling searches-by crafting search terms offline and scheduling searches at off- peak hours, for example.

Copernic 99 Plus
Copernic 99 Plus claims to provide superior search results by using 125 search engines, organized in 15 subject categories, with a simple, intuitive interface that mirrors Microsoft's Internet Explorer interface. I found it easy to use. It let me quickly set up a search process using logical operators. Its abilities as a knowledge-management console are certainly enhanced by use of this interface, which lets users become productive. However, business professionals may not find as much use in many of the given categories (kids, sports, and music, for example) and may be limited in terms of the number of business-related search engines available.

The screen layout allows for rapid learning, given that it's modeled after Internet Explorer. Users can quickly set up searches using logical operators or key terms and select the primary category (and associated search engines) of choice, such as business and finance. Tight integration with Internet Explorer means that you can press the search button on the browser and launch Copernic 99 Plus in the left frame, where Microsoft's SideWalk search engines would typically be summoned. In theory, this sounds great, but it did not work on my PC, even after following the configuration wizard: searching for Web pages that contained the words Oracle or knowledge management yielded "the page cannot be displayed" messages.

As with many knowledge-management consoles, Copernic 99 Plus allows searching for only one category at a time. This is fine for consumer applications, but doesn't save time when your search topic transcends one category. For the scenario, I needed to find all the information about a new software release, so I want to peruse the news, tech news, tech reviews, and business and finance categories. And as I get more intelligent about which specific search engines deliver which results, I want the ability to customize and refine my categories and sources, just as I would refine my search terms, to yield the best results. Copernic allowed me to do this; the results of a refined search were marginally better than the first pass.

In my searches for products, people, and processes, the searches for competitive information about key staff yielded some good results. I could get those same results searching specific databases myself, but Copernic aggregates them so I didn't have to. Searches of product and market-intelligence issues (such as knowledge-management market size) in the business and finance and the Web categories yielded minimal hits that were of no use, while knowledge-management software yielded too many unrelated hits.

The clean interface of Copernic 99 Plus speeds learning and lowers support costs. But for the business professional, it may not yield the results and level of search customization required.

At about $30, it's a useful addition to searching across multiple search engines, and it could be quite useful to professionals, such as salespeople, who perform periodic searches.

Beeline
I liked this program right off the bat for its amusing and informative animated tutorial. The tutorial did not really cover much, but it didn't have to; Beeline is simple to use. One executes searches using plain English-there's no need for users to know how to use Boolean operators. This opens up use to a wider, less computer-sophisticated set of professionals.

This simplicity, however, comes at a price. Refinement of searches using additional terms cannot be done on the fly; you need to remember the original terms, add new ones, and search again. Beeline accesses about 40 search engines and newsgroups. You can download a 30-day version for free from Beeline's Web site.

The program has a number of simple features that make it easy to use. One is the addition of a plug-in from Alexa Software that recommends other sites visited by users who have visited a site that comes up on your search. This provides another set of directions for the user to pursue information, this time leveraging the experiences of others. If you could use this feature to identify similar sites visited by predetermined users (such as all of your senior managers or all of the knowledge workers in a given division), you could really take advantage of the corporate experience. Alexa, unfortunately, doesn't have a business version of its product.

You can also run the cursor over Web-site titles and get a quick description of the results; I found this a quick way to view results of a search and pick out the best ones.

Searches for our key emerging issues yielded a hodge-podge of results. Looking for knowledge-management software market size yielded some hits, though I had no idea why they were retrieved with the search terms provided. But there were a couple of gems, and I found them quickly.

Beeline limits your ability to customize and refine search terms and information sources in real time. Both Beeline and Copernic 99 Plus can save and send favorite searches; you could create a library of favorite searches and distribute to the sales and marketing staff, and let them customize, share, and collaborate on them. Beeline's best application with business professionals is limited to staff-level employees with little or no search experience.

Bulls Eye Pro 1.5
Bulls Eye Pro 1.5 represents the next plateau in meta search utilities, offering access to more than 400 search engines and sources. It gives the user the ability to customize both search terms and sources and to download and analyze Web pages for refined searching. This product will require you to map out specific information needs carefully, and it may take some time to fully use its range of features. But I believe it's worth the time. A 30-day free version is available for download at www.intelliseek.com.

BullsEye Pro has multiple features that business professionals with ongoing research needs will find useful. Search drivers are available for all major search engines, so you won't get messages

such as "the search engine you have chosen does not recognize exact phrases." You can conduct searches using simple terms, Boolean operators, or with the power query wizard, which lets you specifically define the search with an unlimited number and combination of terms. Similarly, you can search using the predefined categories BullsEye Pro provides, such as Web search, news finder, and business finder. You can also customize your search by adding or deleting other online sources.

While the standard search and review method works fine on BullsEye, you can leverage its power by downloading the Web pages themselves and analyzing their contents. I found this method much more accurate than the typical first-pass method. If your connection speed is lower than 56 kbps, be prepared to wait while it downloads and analyzes. BullsEye lets you work around this to some degree by scheduling the tracking of Web pages you have identified as relevant through previous searches. Networked or high-bandwidth locations will not have this problem, and users can configure the program to schedule automatic download and analysis of Web pages.

For my scenario, I wanted to get emerging information about key staff at IBM Global Services: who they are, what they are promoting, who their clients and partners are. Setting up a detailed search using compound terms took a fair amount of time, but you can save the search as a favorite and re-use and modify it. The first pass of results was not stirring at all and not much different than other meta search utilities. However, after download and analysis, I was presented with a select and manageable number of Web pages with highlighted text of the key phrases I was searching for. After saving my search, I can now refine it as I integrate results with my team's knowledge base and as I get more proficient in complex searches. I can also create a library of favorite searches, send them to peers, and allow others to modify, refine, and build on them.

BullsEye Pro also comes with a built-in Web-page tracking program, BullsEye Pro Tracker. This program will track changes on pre-selected Web pages on whatever schedule you choose and notify you via E-mail or BullsEye reports when changes occur. You can also schedule predefined searches.

BullsEye requires more time than the others to navigate and discover the range of features available, so productivity suffers until you perform a number of searches and track multiple Web pages. BullsEye could use more user guidance. I'd like to see a range of user-assistance tools, such as online help, tutorials, examples of searches by typical researchers, and inclusion of wizards. Also, recognize that even the most refined searches will still come up with a lot of unrelated hits, so be prepared to retrieve and download Web pages as a matter of course. With some after-market training tools and services, business professionals can use this product effectively and focus on the key research that affects their companies and industries.

Summary
Beeline and Copernic 99 Plus are good products for professionals who conduct periodic or occasional Web research. Both are easy to learn and use but have limits on performance. They are limited in their flexibility and their power to tailor and proactively track relevant business-related Web sites and to perform preconfigured searches.

BullsEye Pro 1.5 is a product professional market researchers will love; other business executives can use it effectively but may not use it to its fullest potential because of its broad range of features and narrow guidance on where to start and how to manage searches. It could use more utilities to increase the ease of use, including sample searches or simple methodologies provided in specific domains, such as sales-force management, competitive and market landscape analysis, oil and gas trading strategy.

I believe these knowledge-management consoles are good enough to gather emerging information on major business and industry trends; company, client, supplier, and competitor activities; and primary technology-news categories. The next step for these consoles is to break out of their search orbit and start to integrate with other knowledge-management tools such as content- and context-management tools. When they do, users can access and leverage extant information with emerging information gathered from the Web, allowing for collaboration and learning-a key end-product for knowledge management.

MANHATTAN ASSOCIATES ANNOUNCES THAT FRUIT OF THE LOOM IS THE 100TH CUSTOMER TO GO LIVE WITH PKMS SINCE JAN. 1, 1999
PROVEN IMPLEMENTATION METHODOLOGY, INDUSTRY EXPERTISE & ROBUST, BEST-OF-BREED WMS FUNCTIONALITY MAKES THE INSTALLATION OF PKMS AT 121 DIFFERENT DCs POSSIBLE
(PRNewswire, December 2, 1999)

Manhattan Associates, the global leader in advanced warehouse and transportation management systems for consumer markets, announced Wednesday that **Fruit of the Loom** is the 100th customer to install PkMS(R), the Company's advanced WMS, since January 1, 1999. These 100 different companies represent a total of 121 different distribution centers. The addition of these 100 companies represents a 56% increase in the number of customers going live over last year. From January 1, 1998 until December 1, 1998, the Company added a total of 64 new installed customers. The 100 new customers who have joined the User Community this year come from Manhattan Associates' six key verticals (retail, e-commerce, apparel/footwear, consumer goods manufacturing, food/grocery and 3PL) and run the Company's WMS solution, PkMS, on the UNIX, Windows NT and AS/400 platforms.

The completed projects varied in terms of warehouse size, the hardware and software systems with which PkMS interfaced, customer requirements (e.g., retail requirements versus food service requirements) and number of sites. At Fieldcrest Cannon alone, Manhattan Associates rolled out PkMS at four different sites this year. Other new customers include:

- **Coldwater Creek.** This specialty direct mail retailer of apparel, gifts, jewelry and home furnishings, mails more than 50 million catalogs each year, operates retail store complexes in Sandpoint, Idaho and Jackson Hole, Wyoming and receives online orders through its web site. The company went live with PkMS in its 650,000 square foot warehouse in Parkersburg, West Virginia and a 150,000 square foot warehouse in Sandpoint this summer. Coldwater uses Smith-Gardner's WebMACS front end as its e-commerce engine

and MACS as its order management system. Manhattan Associates partnered with Kurt Salmon Associates on this multi-site project.

- Ryder Logistics/Wedgwood. This past August, Ryder Integrated Logistics, a global third party logistics provider, went live with the first stage of a PkMS installation at Wedgwood's Global Processing Centre (GPC) in Staffordshire, England. The 135,000 square foot warehouse is designed to process up to 100,000 items a day, including an assortment of tableware, glassware, jewelry and other gift items. Customers of the GPC include Wedgwood Group warehouses in Australia, Canada, Japan and the United States; European distributors and retailers; and mail order customers worldwide.

- wine.com. Formerly known as Virtual Vineyards, Inc., wine.com is an online merchant of wines and gifts. Like many e-commerce businesses, they needed a system that could be implemented quickly so they could process their online orders. In partnership with Andersen Consulting, Manhattan Associates was able to install PkMS in only seven weeks. Running on the UNIX platform, PkMS gives wine.com the functionality needed to succeed in today's e-commerce environment: the ability to handle large transaction volumes, track parcel shipments and manage customer returns.

- Ben E. Keith Foods (BEK). BEK is the ninth largest distributor of food service products in the US. Along with PkMS, BEK will also install Productivity Manager, a comprehensive productivity tracking and labor planning tool which enables the company to track its employees' performance against various warehouse activities), and SLOT IT(TM), Manhattan Associates' dynamic, sophisticated slotting system that optimizes the placement of items in the pickline on a continuous basis, by next July. The installation of PkMS allowed BEK to consolidate three DCs into one new, 410,000 square foot, state-of-the-art facility in Fort Worth, Texas.

Proven Implementation Methodology A key factor in Manhattan Associates' ability to complete such a large number of installations is its proven implementation methodology. This proprietary methodology, PRISM, focuses on teamwork and the use of discrete, linear stages throughout a project. Each stage has clearly defined goals, roles and responsibilities for both the user's and Manhattan Associates' project teams. Since projects vary significantly in terms of scope, duration and complexity, PRISM demands a high degree of commitment among all team members. The teams must continually analyze their specific situation and apply the appropriate solution. Specifically, PRISM adds value to a project by:

- Institutionalizing best practices refined over hundreds of installations.

- Defining guidelines for setting roles and responsibilities of both client and consultant.

- Providing a road map to assist in scheduling and resource planning. Standardizing methods in order to assure accuracy and consistency.

- Implementing a systematic, proactive approach to project management.

- Increasing visibility to critical path items and key milestones.

- Integrating feedback loops/reviews into the implementation process to drive corporate learning.

NOTES…NEWS…NONSENSE

Please extend a hearty Logistics welcome to Robert Fulghum. Robert joined the Logistics Group on Monday fresh off of his Thanksgiving holiday. Robert is a local Atlantan but went to school at Duke for his undergraduate work and Emory for his master's. Most recently, he has been working with Byers Engineering (a local engineering design firm).

He will be working in the Atlanta office and focusing his efforts in the Graphics department. In addition to his CAD duties, Robert will also be lending a helping hand with any analyst needs as they arise.

The next time you are in the AO, please stop by the CAD room and introduce yourself.

-- SCOTT SANGREY

TRAVEL TIPS

STAYING CONNECTED
(Frequent Flyer, November, 1999)

Marriott has started installing new high-speed Internet access systems in its Marriott, Renaissance and Courtyard by Marriott properties, with plans to have about 500 properties fully wired by the end of next year, in all guest rooms, meeting rooms, and business centers.

Your laptop should be able to surf the Web at speeds up to 50 times faster than it can on normal phone lines. The system allows guests to use the telephone and surf the Internet at the same time. And a revolutionary plug-and-play solution has been found that permits guests to easily connect to the Internet using an Ethernet or USB cable.

The cost to you? For 24-hour Internet access, $9.95 a day.

HAPPY BIRTHDAY

Bob Roge	12/10
Ashley Deaton	12/12
Shawn Olds	12/12
Chris Davis	12/13

HAPPY ANNIVERSARY

Bob Smith   **12/2/96**
Debra Hamrick   **12/11/97**
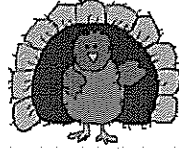
Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"THE REAL SECRET OF SUCCESS IS ENTHUSIASM. YES, MORE THAN ENTHUSIASM, I WOULD SAY EXCITEMENT. I LIKE TO SEE PEOPLE GET EXCITED. WHEN THEY GET EXCITED, THEY MAKE A SUCCESS OF THEIR LIVES.

YOU CAN DO ANYTHING IF YOU HAVE ENTHUSIASM. ENTHUSIASM IS THE SPARKLE IN YOUR EYE, IT IS THE SWING IN YOUR GAIT, THE GRIP OF YOUR HAND, THE IRRESISTIBLE SURGE OF YOUR WILL, AND YOUR ENERGY TO EXECUTE YOUR IDEAS."

-- WALTER CHRYSLER
FOUNDER OF THE CHRYSLER CORPORATION

INDUSTRY INSIGHTS

THE ECONOMY OF THE FUTURE

Alvin Toffler, the futurist and author of *Future Shock* and *The Third Wave,* addressed a group of business leaders this week at the Carter Center. The event was sponsored by the Leadership Center at Georgia Tech. Here are some of the ideas Toffler presented via his remarks:

- Our economy has been through waves of change. The first wave was marked by the agricultural revolution. The second wave was triggered by the industrial revolution. The third wave, which we are experiencing now, is a digital one where brain power is the engine for economic growth. Like the prior waves, the third wave will transform business, politics, culture, education, and families.

- Companies need to make sure their business models embrace the Internet. Look for ways to serve new markets or serve old markets in new ways. There will be opportunities resulting from desynchronization or mismatched rates of change (e.g., a company may change the speed at which it registers consumer demand faster than it can change its speed for producing and distributing goods). *Ah, that's where the need for consulting comes in.......*

- Accounting systems will need to more accurately capture intangibles like knowledge and relationships to show the true value of companies.

- Partnerships and alliances will be opportunistic and short lived. Entities will come together to fulfill certain needs and disband again quickly (e.g. A retailer, supplier, trucking firm, and conference planner may partner to produce an event.)

- Modes of currency will diversify beyond money. There is one company looking at using frequent flyer miles to purchase stock!

- The supply chain will disintermediate. Consumers will access what they need, often in a customized form, without middlemen (e.g., tracking your own FedEx packages, requesting a specialized computer right from the factory).

- Legacy systems (hardware, software, and business processes) will need to be replaced. *Ah, the pent up demand after Y2K is over!*

- Companies will need to articulate strategies for propelling their businesses forward. Being agile is not enough. It is merely reactive.

- Deception will increase. Beware of misrepresentations (e.g., manipulating video to bring together disparate people).

- Manage knowledge intelligently. Make sure you don't load up on trivia. Rigorously categorize input and make sure it's relevant.

- More business and education will be conducted out of the home.

There is lots of opportunity for consultants here. We need to keep thinking creatively about how we apply our expertise along the changing supply chain.

-- PAM BECKERMAN

INTERNET WARS
(Special Advertising Feature, Stores Magazine, November 1999)

Recently, at least two major retailers strongly discouraged their suppliers from selling directly on the Internet, or risk losing the retailers' business. Realizing the potential for Restraint of the Trade lawsuits or backlash from their own consumers, the retailers quickly restated their positions in less stringent terms. Though they are undoubtedly taking a more discreet approach towards dissuading suppliers from selling on the Internet, animosity is building.

Why should retailers let their suppliers compete with them by selling directly on the Internet? Won't it decrease traditional retail format sales, and build new strong competition?

First, let's look at recent history. When suppliers opened stores in outlet malls many retailers made threats similar to those they are now making. The resulting compromise agreed to allow outlet malls in relatively remote locations that would not jeopardize full price sales. But consumers eagerly embraced the outlet mall concept, some traveling great distances to go discount shopping. Soon, outlet malls opened closer to highly populated retail hubs or in resort areas where

consumers congregate. Many retailers opened their own outlet stores in these malls. The end result was a new retail format that now coexists well with traditional retail formats. Savvy consumers know that the discount mall, while not necessarily possessing the complete selection of full service retail stores, frequently has current product at very competitive prices.

Internet sales are the latest to threaten traditional retail formats, including the outlet malls. There is strong consumer demand for this new type of retail format, with Christmas sales last year in some products reportedly as high as 3%, and expected to grow. But it is clear that some types of products are far more appropriate for physical inspection for consumer choice (e.g., books, many drugs, well known apparel items, even many food products) are likely to compete well in the Internet retail format, mostly for convenience and price. But it is questionable whether products such as fashion apparel items and items requiring very accurate sizing (e.g., shoes), or complex selling processes (electronics) will sell as well in the Internet format as in a traditional retail environment.

Ironically, quite a few traditional retailers are helping create increased competition from their suppliers by demanding that suppliers fulfill Internet orders. Retailers have realized that they do not need to have a product in stock, as long as their suppliers do. Orders taken on the retailers' websites are forwarded electronically to their suppliers for fulfillment. This has forced suppliers, who have historically only been able to ship in bulk, to alter their distribution capabilities to allow for individual orders shipped directly to the consumer. Once forced to make these adaptations, suppliers can add a web capability of their own (which can be developed easily by a third party) and set themselves up in the Internet retail business.

There is a growing group of consumers wanting to make purchases over the Internet. These consumers will buy where they want, whether it is from suppliers who currently sell through traditional retail outlets or emerging suppliers not encumbered by retailer demands. Traditional retail formats are best served by providing and enhancing what Internet competitors are incapable of providing. An entertaining, exciting shopping experience which provide human interaction, ingenuity in display, immediate gratification (make sure the product is available), and explanations for complex products (electronics, home repair items) will motivate consumers to go to traditional retail formats.

Ultimately, it is completely self-defeating to discourage suppliers from selling over the Internet. This is yet another retail format that will eventually take its place alongside the older formats, including discount malls. Diversity in purchasing options will lead to increased overall product sales in all retail formats, which will be good for consumers, suppliers, and retailers.

-- NEIL THALL, SR. VICE PRESIDENT,
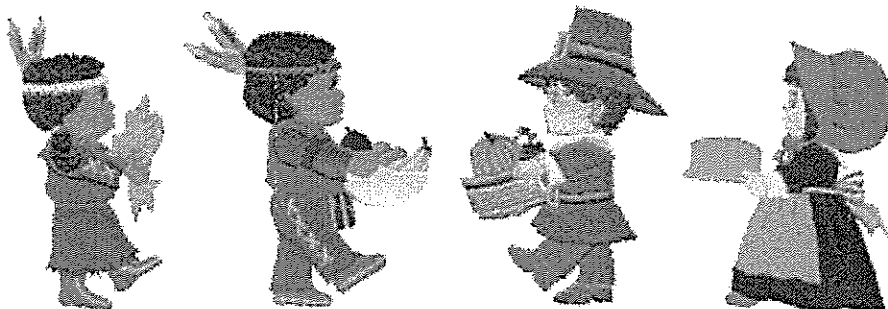SUPPLY CHAIN STRATEGY,
MANHATTAN ASSOCIATES

Notes...News...Nonsense

The Truth about the Pilgrims and Thanksgiving
(excerpts from the website of Plimoth Plantation, the living museum in Plymouth, MA.)

Thanksgiving and the Pilgrims seem to go together, just like Christmas and Santa Claus--but the truth is, the Pilgrims never held an autumnal Thanksgiving feast. Before you cancel the turkey, take a look at the origin of that particular myth. In some ways, the truth is even more intriguing.

The Pilgrims did have a feast in 1621, after their first harvest, and it is this feast which people often refer to as "The First Thanksgiving." This feast was never repeated, though, so it can't be called the beginning of a tradition, nor was it termed by the colonists or "Pilgrims" a Thanksgiving Feast. In fact, to these devoutly religious people, a day of thanksgiving was a day of prayer and fasting, and would have been held any time that they felt an extra day of thanks was called for. Nevertheless, the 1621 feast has become a model that we think of for our own Thanksgiving celebration and we do know something of the truth about it.

We can assume, for example, that the harvest feast was eaten outside based on the fact that the Colonists didn't have a building large enough to accommodate all the people who came. Native People were definitely among the invited guests, and it's possible. even probable, that turkey (roasted but not stuffed) and pumpkin in some form, found their way to the table. And it gets better. This is the way the feast was described in a first-hand account presumably by a leader of the colony, Edward Winslow, as it appears in Mourt's Relation:

> "Our harvest being gotten in, our governor sent four men on fowling, that so we might after a special manner rejoice together after we had gathered the fruit of our labors. They four in one day killed as much fowl as, with a little help beside, served the company almost a week. At which time, amongst other recreations, we exercised our arms, Many of the Indians coming amongst us, and among the rest their greatest King Massasoit, with some ninety men, whom for three days we entertained and feasted, and they went out and killed five deer, which they brought to the plantation and bestowed on our governor, and upon the captain and others. And although it be not always so plentiful as it was this time with us, yet by the goodness of God, we are so far from want that we often wish you partakers of our plenty."

From this we know that the feast went on for three days, included ninety "Indians", and food was plentiful. In addition, to the venison provided by the Indians, there was enough wild fowl to supply the village for a week. The fowl would have included ducks, geese, turkeys and even swans.

TRAVEL TIPS

UNPLUG THAT FURBY
(Frequent Flyer, December 1999)

The airlines are taking no chances with Furbys, those troll-like talking furry dolls that have made such popular gifts for children. Most domestic carriers and some foreign ones have banned them from flights unless their batteries have been removed first.

Behind the ban, recommended by the FAA, is a suspicion that Furbys can interfere with navigational equipment, jeopardizing flight safety. The manufacturer, Tiger Electronics Ltd., says there is no conclusive evidence of this.

A Japanese version of the doll is highly popular in Japan. To enforce the ban, Japan airlines and All Nippon Airways have posted Furby warning stickers at domestic flight gates and broadcasts a captain's warning at the beginning of a flight.

Meanwhile, the *Wall Street Journal* reported that an exhaustive study commissioned by the FAA had found no scientific evidence that use of cellular telephones in flight endangered aircraft operation. Such use has been banned by the FCC with the FAA's backing.

HAPPY BIRTHADAY

Faith Cox	**11/23**
Arlene Ialacci	**11/28**

Note: If your Birthday/Anniversary information was not listed or is inaccurate, please contact the HotSheet publisher.

RELOCATOR ROUNDUP AS OF 11-24-99:

Note: *Please contact Laurie Crankshaw with corrections.*

Louis Hornick
Haverstraw, NY
BSampson
IBao

Princeton Office
MMaddox
DUlicny
LDigulla
AEisa
EDietz

eToys
Danville, VA
JRaines

Hamilton Beach / Procter Silex
Memphis, TN
FLeggio
JChristos

Federated Dept. Stores
Atlanta, GA
TSoller
JTimberlake

United Kingdom
SADeaton
EBDayton

GT Interactive
Lancaster, PA
BSteele
DTyson

Manhattan Associates
Atlanta, GA
JWatschke
TCopland

Cornerstone
Cincinnati, OH
VLevy
BAnderson
ASmolensky

Atlanta Office
SDencker
JBJenkins
JLykens
DMiddlebrooks
DTPurefoy
IChang

Guess?
Louisville, KY
BEhlenberg
BTaylor
ATodd
JMays

Bestform
Johnson, PA
SVanags
GRDugger

BonTon
York, PA
SOsburn
MThomas

Cluett
Atlanta, GA
JDDensmore
MMessinger
WHerrin
TVehar

Mars
Atlanta, GA
BGriffith

Blockbuster
Dallas, TX
JCDowd
CRettig
CMcGraw
AJohnson
BFiore
LEdmonds

Coldwater Creek
Sand Point, ID
WWosilius
JPicken

800.com
Portland, OR
Abrunson
TAMitchell

eToys
Provo, Utah
EMorales
ASambar
LGiles
MKellog
TFong
SOlds
IWebster

etoys
Santa Monica, CA
BEhlers

Tokyo
Office
KRSwensen
DBruce
BRoge

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the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

" DON'T COUNT THE DAYS, MAKE THE DAYS COUNT."

-- ED AGRESTA, MOTIVATIONAL SPEAKER

INDUSTRY INSIGHTS

BON-TON STORES NAME NEW VICE CHAIRMAN & CHIEF MERCHANDISING OFFICER
(PRNewswire, November 12,1999)

The Bon-Ton Stores, Inc., announced the appointment of Frank Tworecke as Vice Chairman and Chief Merchandising Officer. Mr. Tworecke will report to Heywood Wilansky, President and Chief Executive Officer and will assume his new post immediately.

Mr. Tworecke, comes to The Bon-Ton with more than 25 years of senior retail experience. Most recently, he held the post of President and Chief Operating Officer of **Jos. A. Bank Clothiers, Inc.,** for over three years where he headed that company's merchandising, marketing, store visual and real estate planning efforts. Prior to this post, he was at **Merry-Go-Round Enterprises, Inc.,** where he served as President of the Merry-Go-Round, Cignal and Boogies Diners divisions. He is currently a member of the Directors of Weathervane Apparel Group.

During his career, Mr. Tworecke has held various senior merchandising and operational positions with such prestigious retailers as **Lazarus, John Wanamaker**, and Lord & Taylor. He holds a B.S. from Cornell University and an M.B.A. from Syracuse University. Mr. Tworecke began his career as a department manager and assistant buyer at Abraham & Straus.

Industry Insights

Voice Recognition Systems Find Growing Uses in Warehouses & DCs
(Stores Magazine, November, 1999)

A s retailers increasingly need to ensure that merchandise is shipped with near-perfect accuracy from their warehouses and distribution centers to stores, the use of voice recognition applications is growing.

When the systems came into use a few years a`go, their initial claim to fame was an ability to speed the flow of goods through the supply chain. Today, however, improved speed is a given, says Rick Brown, president and CEO of Lucas Systems, a developer of software for voice recognition applications.

Instead, the chief attraction today is the systems' ability to ensure, with an accuracy rate of 99.9% that merchandise is shipped where it's supposed to go. "A lot of people are driving their return on investment in these systems based on gains in accuracy." Brown notes.

Brown points out that the cost of incorrectly distributing merchandise – in terms of returning or re-shipping merchandise – can be dramatic. Some estimates put it as high as several hundred dollars per carton. "You need to hit the specific consumer's need, and you have to hit it right," he adds.

Voice response systems can help in achieving this. Backers say, because they electronically link the worker on the floor with the corporate database or warehouse management system that contains information about which merchandise is to go to which store.

They also allow for a natural interface between human and machine, by enabling workers to convey and receive information by talking and listening. In essence, the systems replace keyboards, says Jeff Hill, director of marketing for Voxware, a Princeton, N.J.-based developer of speech-recognition products.

Rather than sitting at a desk and typing information into a database or warehouse management system, the employee can simply speak the information and have it transmitted. That's particularly significant when employees have to do another task, such as moving boxes or driving a forklift, while they're trying to create or apply barcode labels.

Painless Implementation. For most companies, getting up and running with a voice recognition system is relatively painless. A portable unit costs about $6,000, while stationary units cost somewhat less. Companies that employ several shifts can share units between workers.

Training and installation can be quick. Employees need a half-hour training session on operating the headset, and then must spend a few minutes speaking into the system and building templates of their voices, so that the system can recognize them. They'll also create a small vocabulary of words that they'll be using on the job.

One useful feature of the system sold by Lucas and Voxware is its ability to recognize any language. The system just needs to be instructed, for example, that "dos" is a particular employee's word for the number two. The software will know to insert a "two" when the employee says "dos." Employees have to be able to understand English in order to follow the directions, however.

The system also can create a record showing which operator handled which boxes. This allows the company and employee to monitor quality and productivity, which is critical in organizations that link pay to such measures.

Here's how a voice recognition system might work in a receiving application: A warehouse gets in packages that are missing bar-code labels. However, they indicate the purchase order numbers and destination stores. The warehouse employee would speak this information into a set of headphones. The system is connected to a corporate database, so it can search for and supply the missing bar code, and print out a label on the spot.

Because the voice response system helps packages move faster through the warehouse or distribution center, merchandise can get to the selling floor more quickly, reducing the chance of stock-outs. In addition, workers can process packages more quickly, driving down labor costs.

When Charlotte, N.C.-based Distribution and Marketing Services Inc. (DMSI) a third party provider of warehouse and logistics services to retailers, implemented a voice recognition system several years a go, the company saved $125,000 the first year – more than recouping the $110,000 it had invested, says the company president Mike Faucett.

In addition to applications in receiving goods, voice recognition software can be used when employees need to receive information, as is the case in picking applications. With voice recognition, the employee can get information via a verbal prompt. For example, a chain of apparel stores needs to get jeans to each of its locations. At the distribution center, the jeans arrive in cartons that contain a single size, style and color of jeans. Workers at the center need to create cartons for each store that contain the appropriate mix of sizes and styles.

The voice recognition system can prompt the worker to take so many of a certain type of jeans from each container, and put them into the cartons that's headed for a particular store. Because the worker is getting information via the headphones, his or hers hands are free to gather the goods. The system knows the instructions to give the worker because it is electronically connected to the retailer's master merchandising plan. Once the worker has selected the proper items, he or she can verbally confirm this to the system.

Picking Applications. In previous picking applications, employees had either to visually match a large printout of numbers or instructions to a label on a carton, or use a hand-held computing device with a screen and keyboard. Voice recognition can be an easier way to get the job done. Lucas Systems is piloting picking applications with several traditional and e-commerce retailers.

Voice recognition can be used with imported goods, which typically present particular challenges in the warehouse, says Ron May, an engineer with Lucas Systems. Most packages are not UCC

marked, and usually have only part of the data normally used as identifiers, such as carton counts or store destination numbers. "It's more of a jumble of information," says May.

As a result, workers often must manually match merchandise to the purchase documents. At DMSI, for instance, it used to be that the only way to account for each carton was for workers to unpack a whole trailer and manually sort them on the receiving block. Today, the voice recognition system can take whatever information is on the box, and by tapping into the warehouse management system, provide routing information that lets employees know where the packages should head next. The system automatically updates the corporate databases. For example, it revises the information in the purchasing system to reflect the arrival of new merchandise right off the trailer, so it eliminated a lot of the handling that we had to go through," says Faucett.

Another application that is gaining interest is the use of voice recognition in returns processing – "the lonely stepchild of most warehouses," observes Hill of Voxware. Many retailers that are ramping up e-commerce initiative say they expect to see returns become a bigger issue. Voice recognition can help in transmitting information when goods come back without a bar code, or when it's necessary to record the condition in which the goods come back.

Just down the road is the integration of voice recognition with real-time location systems, says Thomas Turner, senior vice president of Santa Clara, California-based WhereNet. WhereNet develops real-time location applications, which transmit information showing the whereabouts (to within 10 ft.) of a container of inventory within a distribution center, or a truck in a truckyard. Although the integration hasn't happened yet, there is no reason it can't, says Turner, adding, "We're using industry standard tools and well-known interfaces."

Still, voice recognition applications are not always the best option. The rule of thumb, says Hill, is that the systems work best in situations where either a bar code isn't on a package, or it is on but doesn't contain all the information needed. The one exception to this guideline, is in picking operations. Even when the boxes contain bar codes, it's faster to transmit the bar-code information via voice recognition, rather than scanning, so that employees can keep their hands free to move packages.

Moreover, the old computer adage, "garbage in, garbage out," also applies to voice recognition systems. As long as the employee using the system conveys information accurately, the system will remain on target. However, if the employee supplies incorrect information – for example, saying he or she is picking 10 pairs of jeans, while really picking 11 – the system will be off.

KOZMO.COM: AT YOUR DOORSTEP IN ONE HOUR

(InformationWeek, November 8, 1999)

Joseph Park, co-founder & CEO of Kozmo.com Inc., says he has hit upon the right formula for what he calls the next generation of E-commerce: Web orders delivered to your door in less than one hour.

"I love Amazon.com, but when I get to their delivery options page, I'm looking for the 'I want it now' button, Park says. "All of E-commerce today is basically electronic mail order catalogs. But we think that we can provide the Holy Grail – combining the convenience of Web shopping with speed of delivery."

Best known for on-hour delivery of video rentals in Manhattan and Brooklyn, the New York company has ambitious plans to expand locations and product categories. Kozmo.com already offers CDs, books, magazines, games, and food items that range from sandwiches to frozen pizzas to movie snacks. In fact, Kozmo.com sells more Ben and Jerry's ice cream than any supermarket in New York.

The company, recently branching out to Seattle and San Francisco, will add Boston and Washington this month, and plans to be operating in 30 U.S. cities by the end of next year. Next month, Kozmo.com will add convenience-store items such as diapers and over-the-counter drugstore products. Next year, it plans to add gifts, flowers, pet supplies, and consumer electronics. "We'd like to eliminate the word 'errands' from the language," Park says.

Like the well-funded and well-publicized counterpart, Webvan Group Inc., Kozmo.com's business model is very capital intensive. The company needs a 10,000 square foot distribution center in each city, video return boxes in coffee and sandwich shops, and a small army of delivery employees – 300 in New York alone – to fulfill orders by car, bicycle, and motor scooter.

"We worked out our distribution model for two years; it's the core of our business," Park says. "Once we build it nationally, the pipe is in place and we can sell basically anything. Video rentals are just the Trojan horse."

Park admits that the company's nationwide plans will cost a lot more than the $32 million in venture capital the company has received, most of it in a $28 million round last month. Park, a former Goldman Sachs analyst and corporate finance specialist, is looking for more – and he'll get it if he can sell his next big-thing vision. Says Park, "We have the ability to make every commodity-selling brick-and-mortar store obsolete."

NOTES...NEWS...NONSENSE

SIGNS THAT YOU'VE HAD TOO MUCH OF THE 90S

- You try to enter your password on the microwave.
- You now think of three espressos as "getting wasted."
- You haven't played solitaire with a real deck of cards in years.
- You have a list of 15 phone numbers to reach your family of 3.
- You e-mail your son in his room to tell him that dinner is ready, and he e-mails you back "What's for dinner?"
- Your daughter sells Girl Scout Cookies via her web site.
- You chat several times a day with a stranger from South Africa, but you haven't spoken to your next door neighbor yet this year.
- You didn't give your valentine a card this year, but you posted one for your e-mail buddies via a Web page.
- Your daughter just bought on CD all the records your college roommate used to play that you most despised.
- Every commercial on television has a web-site address at the bottom of the screen.
- You buy a computer and a week later it is out of date. And now sells for half the price you paid.
- The concept of using real money, instead of credit or debit, to make a purchase is foreign to you.
- Cleaning up the dining area means getting the fast food bags out of the back seat of your car.
- Your reason for not staying in touch with family is that they do not have e-mail addresses.
- You consider 2nd day air delivery painfully slow.
- You refer to your dining room table as the flat filing cabinet.
- Your idea of being organized is multiple colored post-it notes.
- You hear most of your jokes via e-mail instead of in person.

-- PAM BECKERMAN

TRAVEL TIPS

RENTAL CAR TROUBLE? GETTING ROADSIDE ASSISTANCE
(Frequent Flyer, December 1999)

While most auto rentals are trouble-free, mishaps do happen. How much help you get or how fast can vary depending on where the breakdown occurs. Avis renters are given a toll-free number for emergency assistance anytime, either from the nearest Avis location or via the reservation center. Avis is gradually increasing installations of OnStar, a General Motors satellite navigation system that sends signals for help to a center in Troy, Michigan. The system automatically notifies the center if there's an accident in which airbags deploy. It can track a stolen vehicle and, if a driver locks keys in the car, send a remote signal to unlock the door.

HAPPY BIRTHDAY

Faith Cox   11/23

QUOTE OF THE WEEK:

"YOU DON'T HAVE TO BE GREAT TO START, BUT YOU HAVE TO START TO BE GREAT."

-- JOE SAGAH
PROFESSIONAL SPEAKER

PROJECT POSTCARDS

PROJECT TEAM HELPS CLUETT SET A RECORD

After many long, hard hours at the Arrow Distribution Center, the Cluett project team helped the distribution employees set two new records! October is the peak month and since our project is titled "Peak Performance Assistance," we figured now was our time to shine. Going into the last week of October (looking suspiciously like the first week of November) we had over 700,000 units to ship in order to meet the month's budget. Averaging 50,000 units shipped per day, and with a reduced supervisory staff, our assistance was requested on the floor.

The Project Team (JD Densmore, Mark Messinger, Tammy Vehar, Whitney Herrin, Sharon Gavron and Chuck Easley) hit the floor (and the ground) running. The team did everything from acting as "super" supervisors to scanning cartons on the shipping dock. If you weren't careful, you could have gotten run over by Tammy and Whitney on tricycles, or lost Mark and JD amidst 80,000 units located in small orange cartons—they called it "flexing the flex area."

And it worked! A weekly record was set by shipping 585,748 units! On Friday, the distribution center set a daily record for the year by shipping 166,000 units!! Half of the units shipped on Friday came out of the flex area, an area KSA helped make available 2 months ago. It used to be full of slick rail for hanging shirts, and since Cluett's demand for this type of product has decreased immensely, we recommended that the slick rail be removed and the area be used as an additional shipping dock. Little did we know what a great opportunity this really was!

Many things were observed, learned, and questioned during this crazy week. You can now find the project team burrowed in their laptops, trying to capture all of their new-found knowledge, and documenting our wonderful recommendations for Cluett.

The week was brought to complete close with a visit from the CEO Monday, where he enlightened the management team with his analogy of the company. He said it is like the digestive system. We'll let you figure out what part the DC plays...

Great job Cluett Project Team!

-- WHITAMMY VEHERRIN
(A.K.A. WHITNEY HERRIN & TAMMY VEHAR)

HAIL AND FAREWELL FROM DALLAS

We would like to bid Anika Ball a fond farewell. Anika has been an integral member of our Gap Analysis team since August, and has shared her systems expertise with the team of Chris Dowd, Chris Rettig, and Colleen McGraw. We are wrapping up that project, and Anika is off to grad school -- best of luck on your new endeavor!

We would like to welcome three newcomers to Big D, where we are now in our 39th month at Blockbuster. Andy Johnson, Barry Fiore, and Lucy Edmonds all joined the project this week. True to Big 10 form, Andy and Lucy are from Purdue and Illinois, respectively. Barry, however, has broken our string, as he hails from Auburn, by way of a stint in the Army. We know all three will enjoy this city and this client as much as we have!

We are currently working on three separate projects: Gap Analysis; DVD Supply Chain Analysis; and E-commerce Distribution Strategy. We recently completed our Base Plus implementation, which was an extremely successful year-long project. The STAR (Share Teamwork and Rewards) program yielded the following results:

- $3.6 million in labor savings over the first year.
- $5 million in annualized labor savings.
- 12 departments and over 500 people on standard.
- Helped reduce overall headcount in the facility by over 500 associates.

With lots of work still ahead of us, we are planning our 4th consecutive holiday party on site! We'll keep you posted on the progress of the other three initiatives we're currently working on. As always, if you're in the heart of Texas, look us up -- we'll be here!

-- CHRIS DOWD

INDUSTRY INSIGHTS

Knowledge Management (KM) has been a buzzword for the past few years. It was only a matter of time before someone was able to place a value on solid KM practices...

IDC RESEARCH: COMPANIES TO LOSE USD31.5 BILLION IN KM
(IDC.com, November 1999)

A report from IDC finds that by 2003 Fortune 500 companies will lose a total of USD31.5 billion in revenue due to cumbersome knowledge management systems. This year alone Fortune 500's will lose USD12 billion to inefficient knowledge management. Reasons for the losses include substandard performance, intellectual rework and a lack of available knowledge management resources.

In addition, companies will see 3.2 percent of their total knowledge share become obsolete every year due to a lack of appropriate tools and processes to capture, manage and organize company information. A further 4.5 percent will be lost as a result of high employee turnover and knowledge hoarding.

A survey conducted by IDC found that 50 percent of Fortune 500 companies plan to invest in knowledge management systems and in companies with over 500 employees this figure is higher. The report, Knowledge Management Factbook, examines knowledge loss in the US and gives a per industry breakdown of knowledge management spend over the next few years.

-- CAMERON GEIGER

BAAN TO INTEGRATE ERP, FRONT OFFICE, SUPPLY CHAIN APPS
(InformationWeek, November 1, 1999)

After developing it for more than a year, Baan Co. next week will unveil a version of its enterprise resource planning suite that integrates with its front-office, supply-chain management, and accounting applications.

Baan ERP 5.0c, scheduled for January, will provide interoperability among the applications Baan has gained through acquisitions in the past several years. Tools for integrating Baan ERP software with applications from other vendors will be available in the first quarter of 2000.

For Phillips Plastics Corp., a manufacturer of custom-molded plastics and metals, the integrated suite comes too late. The Eau Claire, Wis., company decided to scale back its implementation of Baan supply-chain planning applications due to delays in Baan's promise to deliver APIs to link the software with its ERP suite, Craig Mey, VP of manufacturing services. "It's an undelivered promise," he says. "We're only using the system in stand alone mode in one location. I have got five other sites that should be using it right now."

But with the improvement due in January, analysts say, Baan will offer one of the most comprehensive integrated ERP suites available. "In one year, they have moved to a very solid cradle-to-grave enterprise application suite," says Katherine Jones, an analyst with Aberdeen Group.

Also next week, Baan will release version 2.0 of its Supply Chain Planner and a new application dubbed Supply Chain Order Promising. That software is designed to maximize customer-order fulfillment capabilities at the most profitable levels across multiple production sites. Both applications will be available this quarter; pricing will range from $30,000 to $800,000 per module license.

Meta Group analyst Dan Gilmore says the new projects help position Baan as player in the supply –chain management market. "Right now, order-promising technology is a differentiator for companies on the cutting edge," says Gilmore, "But in the next two to three years, it will be a necessity to compete successfully."

Also available will be the Baan Business Intelligence Suite, a set of applications for analyzing business data contained within Baan app; pricing will start at $45,000 per 25 users.

FRENCH CHAINS SET GIANT MERGER
(Stores Magazine, October, 1999)

Responding to the much-feared "invasion" of European retailing by **Wal-Mart**, two major French retailers have announced a planned merger that would create the world's second-or third-largest retailer.

Carrefour and Promodes agreed in late August to a stock-based merger deal that, if approved by European authorities, would create a supermarket, hypermarket and discount chain with some 8,800 stores in 26 countries.

The combination of Carrefour, with $30.5 billion in 1998 sales, and Promodes, with $21.8 billion in revenue, would create a company with sales equal to or larger than the world's current No. 2 retailer, German-based METRO AG Gruppe. However, both companies will trail far behind Wal-Mart, which had $139.2 billion in sales last year.

Wal-Mart's purchase this summer of Asda, a British supermarket chain, sent shock waves through European retailing, leading many analysts to predict that European chains would begin to combine in order to survive in the new competitive environment.

NOTES...NEWS...NONSENSE

USEFUL WEBSITES

Site	Content
www.aetnaushc.com	The site for Aetna US Health. Has the latest info on plan providers.
www.bcomplete.com	The site for our 401(k) plan. Has info on fund performance. With a password, you can check on the status of your account, model a loan.
www.lifebalance.net	Our EAP site (employee assistance program). Has a variety of info on health, family, finances, etc. Password is "ksa" "3790"
www.intelihealth.com	Site sponsored by the Johns Hopkins Medical Center. Search for information on diverse health topics.

-- PAM BECKERMAN

COWBOY WISDOM FOR THOSE IN THE HEART OF TEXAS

- Don't worry about bitin' off more than you can chew. Your mouth is probably a whole lot bigger than you think.
- Never smack a man who's chewin' tobacco.
- Always drink upstream from the herd.
- Never kick a fresh cow chip on a hot day.
- The quickest way to double your money is to fold it over and put it back in your pocket.
- Don't get mad at someone who knows more than you do. It ain't their fault.
- Don't let so much reality into your life. There's no room for dreams.
- Making it in life is sort of like bustin' broncos: You're gonna get thrown a lot. The simple secret is to get back on.
- Go after life as if it is something that has got to be roped in a hurry before it gets away.
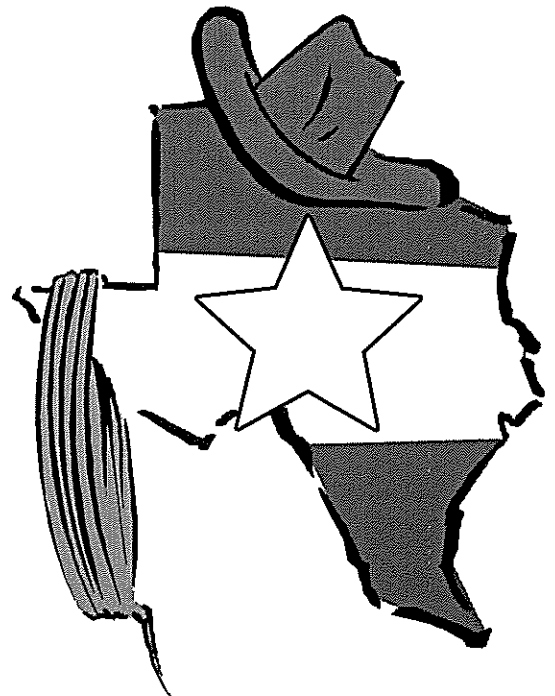
TRAVEL TIPS

HOLIDAY RENTAL SHORTAGE
(Kiplinger's Editorial Supplement, November 1999)

Millennial travel combined with the holiday crush is creating a rental-car shortage at popular destinations in the U.S. and abroad. Good deals are scarce, so check with both the rental companies' 800 numbers and the local outlet at your destination. For bargains abroad, try wholesalers such as Auto Europe (www.autoeurope.com) or Kemwel (www.kemwel.com). If you reserve a car, pick it up early in the day, or you could lose it to another customer.

HAPPY BIRTHDAY

Jeff Picken   **11/16**

Note: If your Birthday/Anniversary information was not listed or is inaccurate, please contact the HotSheet publisher.

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"THEY MAY FORGET WHAT YOU SAID,

BUT THEY WILL NEVER FORGET HOW YOU MADE THEM FEEL."

-- CARL W. BUECHNER

PROJECT POSTCARDS

NEWS FROM COLDWATER CREEK – THAT'S NOT ALL, FOLKS!

Greetings from Parkersburg, WV, and the Coldwater Creek project! For over two years, we've been involved in the DC design, definition of system requirements, specification of material handling equipment, implementation and testing of systems and equipment, and system start up.

After an intense weekend-long inventory transfer from a temporary facility, start-up occurred on July 19th. By the end of the week of the 19th, the Coldwater Creek EDC (Eastern Distribution Center) was shipping packages to over 4,000 customers each day. As we approach the peak Christmas season, volumes have been ranging from 10,000 to 15,000 packages per day. Coldwater Creek expects this number to rise to 35,000 packages per day at the height of the peak in mid-December. This volume, combined with Coldwater Creek's customer service goal of shipping all in-stock orders within 24 hours, will make for an exciting holiday season.

During the start-up support phase of the project, the project team of Tony DeMaria, Randy Unger, Ashraf Eisa, Brad Griffith, and Todd Soller assisted Coldwater Creek in becoming intimately familiar with the best practices and methods by which to operate their new DC. As peak approaches, the last of the project team will be transferring off of the project. Not to fear, however, two Base Plus® projects are in the wings. Bill Wosilius and Jeff Picken are already becoming accustomed to life in the great Northwest (northwest Idaho, that is) by living in the town of Sandpoint. Parkersburg, WV, will see the return of KSA in the spring of 2000 to begin a BasePlus® program in the new distribution center.

As a final note, on any project, there are always the quotable quotes and funny occurrences that make the project memorable in so many ways above and beyond the original project scope. On a

project of this length, that list would grow too large for these pages without excessive editing for space and content. In light of this fact, we offer the guiding wisdom of one person, who showed us how admitting your limitations is the first step on the way to true enlightenment:

"I'm not much of a bullfighter."
-- Randy Unger

Please disregard any attempts by Randy to distance himself from this enigmatic comment. Just be sure to offer your sympathy and support as he works through this issue.

-- TODD SOLLER

CORNERSTONE CONSOLIDATED SERVICES GROUP PROGRESS

As we enter the changing season, we also enter changes in the project. We have had the honor of welcoming Jennifer Lykens and Arthur Smolensky to the Cornerstone project in Cincinnati, Ohio. Both have recently moved onto new projects, but not before adding significant value to this project.

An instrumental member of the Cornerstone team, Scott Vanags, will also be moving off of the project after a year of hard work and priceless contributions. Scott has been dubbed as the conveyor and sorter guru as a result of the project team's testing and startup support efforts for the Rapistan RS200 slat/shoe sorter, Sortec Tilt Tray sorter, and the associated Rapistan conveyors that are used to move product through the Cornerstone DC.

For the past 2 years, the project focus has been placed on implementation and startup efforts. The project team spent countless hours with material handling vendors making sure that the racks were sturdy, the conveyors conveyed, the lift trucks lifted, the pick carts picked, the totes toted, the pallets palletized, and the tape machines taped. The team picked up many valuable tidbits learning the communication that these vendors use in dealing with their customers.

High Bay Rack at Cornerstone

For those of you dealing with MHE vendors, consider the following list of vendors we used:

Component	Vendor	Comments
Conveyor (photo accumulation, 30" rollers, belts)	Rapistan	Problems with photoeye accumulation; project management was a problem (3 PM for the $6.6 million).
Shoe Sorter	Rapistan RS200	540 ft/min, fastest production shoe sorter; slats work very well for conveying nearly anything; PM was a problem
Tilt Tray Sorter	Sortec	Sister company of Rapistan, PM was a problem; communication with Italians extremely difficult; induction is not smooth.
Lift Trucks (reach trucks, order pickers, stand-up CBs, walkie riders)	Crown	Cost a little more than comparable Raymond equipment but have a much better history of reliability.
RF Equipment (hand-helds, wrist mounts, truck mounts)	Symbol	Hand-helds have a large screen that lights up. Wrist mounts are very popular when associates need both hands. Both are very durable (able to sustain a drop of four feet). Truck mounts have a nice large and bright display.
High Bay Rack	Frazier Industrial	Cost was average; material was the strongest available (structural steel).
High Bay Cranes	Raymond (SRT 589)	Cranes are not tested prior to delivery; takes several months to work the kinks out of each one.
Pallet Rack	Interlake	Beams slotted to hold cross beams that roll in; very nice, no need to tek-screw them to the beams.
Pallets	Tri-Enda	Plastic pallets are an investment but almost necessary for the high bay to avoid splintering and breaking deep in an aisle. Ours were 4-way with runners, very durable.
Totes	Schaefer	Nestable/Stackable totes. List was $27, I think we paid $12. Very nice handles, great plastic – not brittle at all.
Pick Carts	Sterling	We had a local manufacturer make custom carts for this operation out of aluminum. Much lighter than steel. The back of the cart is plexi-glass, allowing light to come in to see what you are picking (nice touch). The key word for selecting a pick cart. . . CASTERS!

If you are dealing with these vendors, give one of us a call. We can provide you with several "lessons learned."

To date, 4 of the 6 member companies have been moved into the facility, and shipping levels have reached 23,000 units per day. Recently, our efforts have shifted to follow-up and initial

productivity tracking. Working with managers, supervisors and floor associates, the follow-up process was designed to streamline, standardize and simplify operations for each functional area in the DC. Increases in productivity as much as 60% have led to the fruition of our efforts.

As we gear up for the upcoming holiday season, we have begun initial productivity tracking in the high bay storage area with the creation of tracking documents and databases. With successful results in this department, we have moved to other areas in the distribution center.

We welcome you to visit us at www.cornerstonebrands.com to see what we are all about!

-- BRAD ANDERSON AND SCOTT VANAGS

INDUSTRY INSIGHTS

THE REAL TEST OF E-COMMERCE THIS HOLIDAY SEASON WILL BE INTEGRATION WITH BACK-END FULFILLMENT SYSTEMS   *(By Alorie Gilbert, InformationWeek, October 25, 1999)*

Most E-retailers spent last year's holiday season worried about establishing an online presence and keeping their Web sites up during peak holiday traffic. On the verge of this year's stress test of the Internet economy, customer-savvy E-retailers are turning their attention to logistics--the ability to deliver the right goods, at the right time, to the right place, while keeping customers informed along the way. "You can have great graphics, but if you don't have a fulfillment system on the back end to live up to the customer's expectations, you're not going to get the bookmark," says Jon Ricker, president and CIO of Limited Technology Services, the technology division of The Limited Inc., which owns Victoria's Secret and Victoria's Secret Online.

Eyeing the opportunity, several distribution companies, software providers, and E-commerce startups are stepping up with new products and services. USFreightways Corp. last week launched a business unit for online retailers that will manage warehousing, distribution, and delivery of merchandise to consumers. Warehouse-management systems vendors such as EXE Technologies, Optum, and Yantra are introducing E-commerce order-fulfillment software to help companies handle Internet orders and let customers track orders through the delivery process. Startups such as Electron Economy and Escalate Inc. are offering a full range of E-fulfillment services.

To be done right, E-commerce logistics requires integration of systems from the Web front end to the customer's signing for a package. It also requires managing the complexity of delivering thousands of mostly small packages daily to their unique destinations. Analysts say that E-retailers, with few exceptions, have simply shrugged off the demands of the back end, leaving consumers in the dark about product availability and delivery. "You still can't track fulfillment on Web storefronts--that is the next thing that will hit these guys," says Meta Group analyst Hollis Bischoff. "Consumers want to check if inventory is there and when it will arrive."

Concerned about the possibility of a disconnect with customers, some E-retailers have decided to

make logistics a key part of their business. Petstore.com, an online pet shop in Emeryville, Calif., implemented Yantra's fulfillment suite at its first warehouse before going live with the virtual store

in April. The product has helped Petstore.com fulfill as many as 100,000 orders in one day and track the status of deliveries. That ability is critical, particularly to Petstore.com's Flying Fish Express unit, which offers hundreds of varieties of exotic fish for overnight delivery. "To ensure the best customer service, you can't separate the warehouse from order management," says Chris Luhnow, president and cofounder of Petstore.com. "It was important for us to have an end-to-end system."

Toysmart.com in Waltham, Mass., is another online retailer that's counting on logistics to give it a competitive edge. Bracing for 40,000 orders a day during the holiday-shopping season, the online toyseller just completed an implementation of Yantra's software, letting it track every order and guarantee on-time, accurate delivery. "For us, logistics is a critical part of the overall customer experience," says Mark Reese, chief E-commerce officer at Toysmart.com. "It's a challenge and a complexity we've chosen to take on."

E-retailers that opt not to take logistics on themselves are the target of third-party providers offering combined E-commerce and fulfillment services. USFreightways' new eLogistics division provides E-commerce technology based on transportation-management software from supply-chain vendor i2 Technologies Inc. It also offers proprietary logistics applications, along with its existing trucking and warehouse infrastructure, to provide inventory and shipping data to consumers via the Web in real time.

The USFreightways business unit is in its infancy, with three full-time employees and no customers. But it offers integration services to tie its systems to the Web storefronts of its customers in two to six months, according to Doug Christensen, CEO and president of USF Logistics.

Companies such as Electron Economy, Escalate, and **Fingerhut** are also betting on a growing demand for the packaging of logistics with E-commerce software and services. Electron Economy is a startup that's pitching itself as a one-stop shop for online companies that want to outsource management of their E-commerce software, as well as contracts with logistics companies and call centers.

"It's not an easy task," says Andrew Leary, CEO of Style365, a high-end fashion and lifestyle E-merchant that's one of Electron Economy's first customers. Leary says coordinating the work of various subcontractors is daunting for a small E-retailer. Style365 has postponed its launch until after the holiday season because it couldn't get all the pieces together in time, even with Electron Economy's help. Style365 is an object lesson: If E-retailers don't have their logistics infrastructures ready by now, analysts say, they may have missed out on this shopping season. "This is a sophisticated technology buy," says John Fontanella, a logistics analyst at AMR Research. "If retailers haven't gotten the message about how important this is, it's too late now. They should have started the day after last Christmas."

800.Com Inc., a consumer-electronics Web retailer in Portland, Ore., did just that. Following its first holiday online last year, the company completed a rollout of Assist, an inventory-,

warehouse-, and transportation-management suite from **Cornerstone** Technology Inc.   With that technology and an additional warehouse, Greg Drew, CEO of 800.Com, says the company is better-prepared for holiday traffic than last December, when it ran out of inventory during a three-

for-a-dollar CD and DVD promotion and was unable to deliver on time--or at all. "We haven't taken a moment's rest since the last holiday season," Drew says.

Even for consumer-catalog companies that have mastered direct-to-consumer fulfillment, getting Web logistics right can be a major effort. For instance, the launch of Victoria's Secret Online took nearly a year and a half, even though the company had a fulfillment infrastructure and call center for its catalog operations. Though that capacity helped, says Limited Technology's Ricker, the hard part was integrating the Web site with inventory and distribution systems and a data warehouse.

According to analysts, speed to market may be a compelling reason to outsource logistics, especially for smaller vendors. "Single delivery isn't a competence you grow overnight," says Meta Group's Bischoff. Still, given the closeness of the holiday season, speed-to-market may be a moot point for E-retailers if the logistical capability isn't there already. Says AMR's Fontanella: "There's always next year--if they're still in business."

MARS LAYS FOUNDATION FOR GROWTH
(Condensed from Stores Magazine, October 1999)

A s many retailers are aware, accelerated growth can result in a slew of problems if a company's systems infrastructure is inadequate. Thanks to careful attention to advance planning MARS' executives have been able to gear up for the daunting task of high-speed progress.

Created three years ago and still in its relative infancy, MARS has set its sights on "universal presence," according to Keith Hammer, vice president and chief information officer for the Fort Lauderdale, Florida-based company. Hammer took over the CIO role 20 months ago, joining MARS after a three-year stint with Crown Books and 11 years with Circuit City.

To run efficiently and effectively, Hammer explains, MARS has chosen to implement systems typical of larger companies. "MARS has a clear sense of vision and our long-term objectives. We are actively building the infrastructure now to support our aggressive growth plan. Our ERP systems either have or are currently being integrated so that they can comfortably handle a multi-billion dollar company down the road, with information technology acting as a key facilitator," Hammer says.

MARS considers itself to ready to take on the competition. Armed with a unique concept and under the direction of president and chief executive officer, Mark Begelman, a former president of chief operating officer of Office Depot, the company's first entered the marketplace in the Southeast. Beginning with a single store only two and a half years ago, the network now encompasses 28 outlets, with 33 projected by the end of the year. Further plans call for the launch of approximately 12 additional superstores each year. MARS has opted to target multiple market segments, catering to the needs of the amateur musician while still offering a full spectrum of projects and services for the professional musician. "Typical music instrumentation stores can be daunting places for new players," says Hammer. "We are focusing on providing a fun

environment that delivers a high level of service to both the aspiring musician and the professional market."

MARS' store sizes average 26,000 sq. ft., considerably larger than those that have historically existed in the market. Prototyping has begun on smaller stores designed to deliver the concept to smaller markets. Outlets are equipped with an instore stage for performances, a recording studio and a learning center made up of 10-12 classrooms for ongoing music education. The company expects to give more than 400,000 lessons this year, making MARS the largest known national provider of education in the county.

As for expansion plans, Martian Records and Martian Publications, along with a significant Internet presence (marsmusic.com), round out the offerings – for now. MARS' ambitious plans have already reaped tangible results. "Our success and acceptance in the marketplace has been significant," says Hammer. "We project approximately $200 million in sales for this year and we are still in the very early stages of development."

"Our CEO preaches that we can't allow ourselves to get behind on the people curve, technology curve or the financial curve," says Hammer. "We won't compromise when it comes to having the best people on staff, and we expect the same of our partners who extend our expertise. We expect to be the clear leaders in our industry. It is our goal to have MARS, the Musician's Planet, becoming synonymous with music-making everywhere."

AMAZON.COM REVENUES EXCEED PREDICTIONS, BUT LOSSES TRIPLE
(Bizrate.com, October 28, 1999)

A mazon.com has made the interesting achievement of boosting its sales by 132 percent, yet more than tripling its losses - and growing its customer based from 2.4 to 13.1 million in the process. For the September 99 quarter, Amazon posted losses of $197 million - up from $45.2 million in the third quarter of last year.

Adjusting the figures to take account of the $111.3 million in merger, acquisition, investment-related costs and stock-based compensation charges, Amazon.com lost $85.8 million during its third quarter.

Sales for the third quarter, meanwhile, rose to $355.8 million - up from $153.7 million a year earlier. For the first three quarters, sales were $963.8 million - significantly higher than the same period last year. The company says that its ongoing losses are caused by the massive costs of expansion it is undergoing.

The online retailer points out that this summer has seen the company add a range of toys and electronics to its Web site, as well as tapping a number of third party companies to offer products through its zShops program.

In addition, Amazon.com says that it now expects its US book mail- order operation on the Internet to break into the black during the fourth quarter of this year. This will not appreciably affect the losses situation, since the division earns around 45 percent of the company's revenues.

-- CAMERON GEIGER

NOTES...NEWS...NONSENSE

The intuitive mind will tell the thinking mind where to look next.
-- DR. JONAS SALK

Intuition involves knowing something without the conscious use of direct reasoning. It is the gut feeling or flash of inspiration that often leads us to better solutions. Often intuition is subtle. We have lost our keys and have looked everywhere for them. Then suddenly we have a fleeting mental image of being out in the garden. A walk to the back yard reveals the keys laying in the dirt.

We are experiencing intuition when we get a picture, word or physical sensation that contains an insight. Great thinkers and leaders such as Albert Einstein, Peter Senge, and Buckminster Fuller attest to the value of intuition as a tool for innovation. So how do we boost our intuitive abilities?

Get quiet. One way is to spend at least 20 minutes each day where we quiet our racing minds. Once the noise has died down, our intuition can be more clearly heard. When we are clear about our focus and are operating with integrity, we are likely to get clear guidance from our intuitive side. Getting quiet can also help us process whatever emotions are at work within us. Once these have been acknowledged and addressed, the channels for more productive thinking are freed up. Ed McCracken, CEO, Silicon Graphics commented: "The mind, when it is quiet, delivers up phenomenal intuition which can then be focused to design a next generation product or to understand what's driving particular clients."

Note how it happens. As mentioned, some people see pictures or words. Others get a physical sensation. Look for patterns. It will help you recognize intuition when it is present. Also, learn to distinguish between fear and intuition. That strong urge to avoid an encounter might be fear instead of intuition. Sit with the sensation for a few minutes and see how it feels. It might dissipate or shift to a useable idea.

Clear away biases. Step outside your normal beliefs, opinions, and ways of doing things. Put your internal critic on hold for awhile. That will lead to openness to new possibilities.

Trust it. When you get a strong intuitive message, listen to it. Use your instincts about timing, risk taking, and people. We have all made a decision out of nowhere that leads to a breakthrough (e.g., you decide to take a later flight and end up running into a client or long lost friend.) Use logic, information, *and* intuition, to guide decisions. Peter Senge says, "(We) cannot afford to choose between reason and intuition, or head and heart, any more than (we) would choose to walk on one leg or see with one eye."

-- PAM BECKERMAN

TRAVEL TIPS

AIRPORTS ACHIEVE Y2K COMPLIANCE
(Business Travel News, November 4, 1999)

The U.S. Department of Transportation announced that all 565 U.S. airports regulated by the Federal Aviation Administration on safety and security matters have achieved Y2K compliance in these areas. The safety regulations covered in the airport review, which is posted on DOT's Web site (www.y2ktransport.dot.gov/fly2k/), included airfield operations, such as lighting and aircraft rescue and firefighting response.

FAA staff members conducted site visits and interviews with officials at the 565 certified airports on safety issues such as the airport's ability to limit access to secure areas of the airfield and terminal. DOT pointed out that terminal operations managed by each airport, such as baggage handling and parking, are not under FAA regulation.

FAA now is completing a Y2K review of about 3,000 airlines, and regularly updated information from this evaluation will be posted on the Web site by mid-month. In addition, DOT said the information already provided on the Y2K status of foreign destinations has been updated and information on an additional 45 foreign destinations will be posted later this month. DOT noted that its own operations, including FAA's air traffic control operations, already have achieved Y2K compliance.

HAPPY BIRTHDAY

JuJuan Timberlake	11/10
Brad Jenkins	11/11
Comer Shuford	11/11

Note: If your Birthday/Anniversary information was not listed or is inaccurate, please contact the HotSheet publisher.
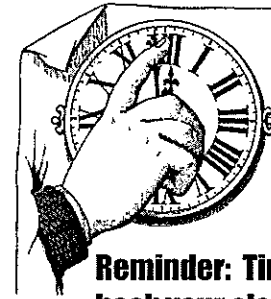
Reminder: Time to turn back your clocks on Sunday, October 31.

QUOTE OF THE WEEK:

"AIRLINE TRAVEL IS HOURS OF BOREDOM

INTERRUPTED BY MOMENTS OF STARK TERROR."

-- *AL BOLISKA*

PROJECT POSTCARDS

CLUETT PROJECT TEAM BIDS FAREWELL TO MOOF

This week the Cluett project team in Atlanta (J.D. Densmore, Chuck Easley, Sharon Gavron, Whitney Herrin, Mark Messinger, and Tammy Vehar) bids farewell to Mufaddal Moosabhoy. Moof has been a crucial member of our team for the past three months. He has played a major role in implementing the Kenneth Cole/Career Apparel incentive program, led the re-layout of the receiving dock, and led the implementation of the direct stocking incentive program.

Memorable moments from Moof's first project:

- Don't be fooled when your project lead recruits you for a job he calls "playtime in the grid." What you'll really be doing is writing down every style in every location in the grid reserve area. Playtime, indeed!

- Learning that proper use of voicemail is both an art and a science, requiring intense focus and determination.

- Fashioning a flawless Tomahawk Chop technique at Game 1 of the Braves-Mets series (note: ineffective against New York Yankees).

- Bursting out of a giant carton with a Santa hat on his head and "direct stockings" in his hands to kick off the direct stocking standard.

- Playing Atlanta Office football in the rain soaked mud bog of Piedmont Park.

While we will miss Moof's sense of humor and the great work he has done, we are also very excited for him - Moof leaves Monday to begin a month-long leave of absence for his wedding. He will be marrying Joharatussharaf ("Jo") in Surat, India, then proceeding to Jo's home in Sri Lanka for the week-long reception. (Apparently, Sri Lankans know how to party!) Upon his return from Sri Lanka, where he goes, nobody knows.... (except maybe an RSD or two).

Great job on the project Moof! Congratulations and best of luck in married life!

-- MARK MESSINGER

INDUSTRY INSIGHTS

FDX AND KPMG JOIN FORCES TO DELIVER THE NEXT GENERATION OF GLOBAL SUPPLY-CHAIN SERVICES; ALLIANCE WILL PROVIDE CUSTOMERS WITH FASTER, MORE RELIABLE SERVICE *(Busines Wire, October 25, 1999)*

FDX Corp., a $17-billion global supply-chain powerhouse, and KPMG LLP, a worldwide professional services firm, have formed a strategic alliance to deliver complete supply-chain solutions to large and mid-sized companies competing in the vast business-to-business global marketplace.

As more companies adopt fast-cycle distribution methods to gain competitive advantage, orchestrating the daily movement of thousands of packages from suppliers to end-users on a global scale requires unique solutions. This alliance will deliver solutions aimed at companies interested in revamping their supply-chain planning and execution processes that connect suppliers and manufacturers with their end-customers across all industries.

This alliance brings together two of the leading players in supply-chain management: FDX, with its industry-leading, supply-chain-focused consulting, information-management systems and transportation and logistics expertise; and KPMG, which provides world-class supply-chain consulting and e-integration services.

The two companies will bring to market a complete, end-to-end solution, thereby alleviating the complexity of managing multiple providers for the design, implementation, and execution of supply-chain solutions. Businesses will be able to deploy customized solutions more rapidly, with greater reliability and accountability by using a single source provider who can develop the most appropriate solution for their respective needs.

FDX and KPMG will offer the following consulting and integration services:

- Integrated supply-chain consulting services to help customers optimize their business processes;

- Supply-chain planning and visibility that will integrate Internet-enabled asset planning and monitoring services;

- Supply-chain execution and management services that will integrate information services and operations coordination capabilities to provide global, synchronized distribution of products and services. Other services include just-in-time facility management and global order management.

Initially, the alliance will combine the existing services of both companies to bring added value to shared customers. FDX and KPMG will further develop new capabilities by early next year, including solutions for global trade, reverse logistics and single point of access for supply-chain visibility.

-- CAMERON GEIGER

THE UNSALEABLES QUESTION
(GD Grocery Distribution Magazine, October 1999)

The issue of unsaleables, now a $4 billion problem continues to plague the grocery industry. New survey results show a rise that continues an annual compounded growth of 9.5% since 1994 (see Chart 1).

Chart 1

With numerous solutions within the industry's reach, why does the rate of unsaleables continue to rise? This is especially perplexing given the number of companies that have successfully associated with efficient consumer response (ECR).
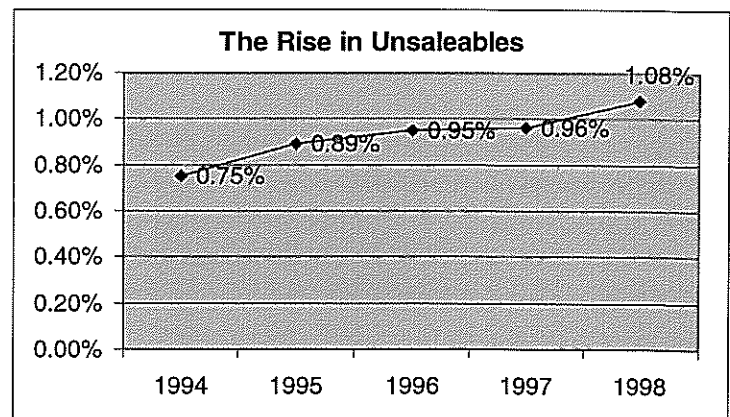
While the overall industry unsaleables rate has gone up, it is important to note that this is not the case for all companies. In fact, 20 companies responding to a 1999 unsaleables report published

The Rise in Unsaleables

	1994	1995	1996	1997	1998
	0.75%	0.89%	0.95%	0.96%	1.08%

by the Grocery Manufacturers of America (GMA) saw declining rates vs. the prior year. However, four roadblocks to success loom large for many suppliers and distributors.

1. Management data vanish.
"GMA 1999 Industry Benchmark Survey" reveals that more manufacturers have actively participated each year; yet fewer possess key management data need to successfully manage unsaleables. The percentage of surveyed manufacturers able to provide product level data on unsaleables has dropped to 14% (see Chart 2).

Chart 2

Chart 2

The scary thing is that this is a big ship to turn. It takes considerable time for companies to acquire data and additional time for them to take actions before they can see results.

The situation could be worse. In fact, it is for foodservice distributors, where the specter of dead inventory haunts warehouses aisles but isn't allowed to sit at the conference room table. This column has previously labeled senior management indifference as a cause of unsaleables. Maybe it's really ignorance.

Management Data Drops

Values: 1994: 27%, 1995: 30%, 1996: 20%, 1997: 16%, 1998: 14%

2. Guidelines are voluntary, case packs frozen.
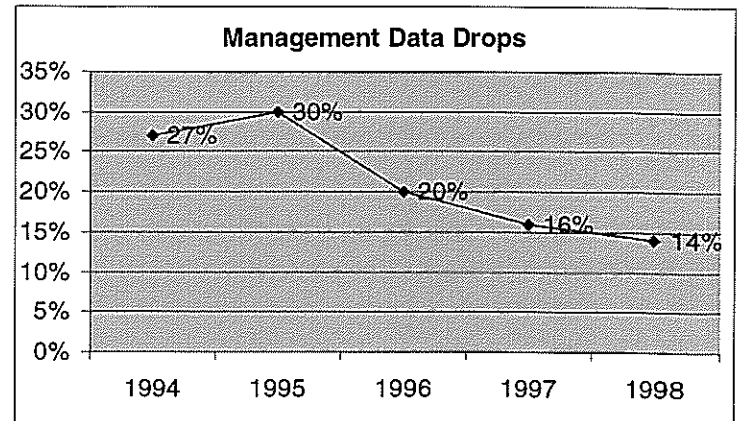
For years, the packaged good industry has proudly pointed to palletization as possibly the biggest operational improvement since the Garvey band stamper. However, a walk down the aisles of any food distributor's warehouse reveals that many products don't exactly fit on standard 40x48 pallets.

The problem is product damage from pallet overhang. But other effects also follow poor pallet fit, including lost productivity and even ergonomics liabilities. In an effort to alleviate these problems, the industry has published guidelines for efficiently using pallets – guidelines that must be voluntary in order to comply with the Robinson-Patman Act. As a result, other considerations often drive product and shipping container design, with pallet fit almost an after-thought.

Another contributor is the number of items in the case. For many products, case count has not changed since those Garvies were used. The frequently cited reason to maintain case-pack quo is that it would cost too much to change. But how many items are the same as they were 20 or 30 years ago? Packaging materials and even case design have changed.

3. Weather forecasters are more accurate.

From the introduction of sophisticated computer applications of real-time satellite data, weather forecasting has improved. The food industry uses forecasting too, and we have real-time data that could be beamed from thousands of beeping scanners. However, we have not connected these dots. As a result, sales and production forecasts continue to be buffered with safety stock, and forecasts are based on historic gross sales.

Real-life data such as unsaleables, returns and inventory shrink are sparsely used in forecasting applications. If the industry could adopt net sales in place of gross sales in forecasting models, it stands to reason that product control would improve. In fact, companies involved in vendor managed inventory programs with their trading partners report that the net sales approach improves forecasting accuracy and reduces unsaleables.

4. In-store product care deteriorates.

Many people are concerned about in-store coverage. Discussions will continue for some time, because the industry has significantly changed the labor supply for many important activities.

While most discussions focus on category management and its labor requirements for activities such as planogram resets, the mundane parts of store coverage often get overlooked. Taking care of product on the shelf means rotating and dusting caps so that consumers are not turned off by aged inventory; cleaning the shelf so that consumers are not turned off by poor conditions; replacing lost shelf tags so that consumers are not turned off by out-of-stock items. With manufacturers expecting retailers to perform these functions and retailers expecting manufacturers or their agents to perform these functions, it's not surprising that consumers are easily turned off by what they see at the shelf.

While we may never be able to return to abandoned practices, the effect of this abandonment can be seen in the stream of products that are pulled from store shelves and sent to product reclamation centers. That's today's easy solution to dirty caps and lack of rotation.

Without proper care of products on the shelf, it is difficult to be confident that the system can keep shelves full, even in a high-tech environment such as computer-assisted ordering. We still need human intervention in the stores. Without prevention care and maintenance, problems in this part of the pipeline continue and compound.

CLIENT-SERVER-BASED SYSTEM MARKS ADVANCE FOR LABOR SCHEDULING SOFTWARE
BON TON EXPECTED THIS FALL TO COMPLETE INSTALLATION OF AUTOMATED SYSTEM DEVELOPED ESPECIALLY FOR RETAIL
(Stores Magazine, October 1999)

Bon Ton had been testing the new Workforce Smart Scheduler offered by Waltham, Mass.-based Kronos and plans to complete rollout to its 65 stores and 5,000 employees this fall, marking a major step forward in the use of computers to schedule store employees.

Bon Ton's move could represent the start of a trend, at least toward client-server-based labor scheduling systems. Kronos' Workforce Smart Scheduler is the first to hit the market and they have just closed deals with three other retailers last quarter, with more in the works.

Many store managers today continue to build labor schedules manually, spending anywhere from two hours to a full day to create and manage a schedule, depending on the size of the store. Now schedules can be produced in five minutes or less, and managed with an hour's worth of work.

System Architecture. Bon Ton was attracted to Workforce Smart Schedule, says Ed Evans, vice president of the retail systems division of Kronos and developer of the software, because of its client-server architecture. The multi-tiered product can be web-interfaced. Competing products still need to be installed store by store, which means data needs to be pulled up nightly and sent to headquarters.

With Workforce Smart Scheduler, the database and the rules physically reside centrally, but users can access them locally through the client server or even the Internet. Using the executive reporting capability, managers at every level have the ability to view and analyze labor costs, and benchmark the performance of individual stores and departments. Updates to the data are instantaneous.

Evans says the ideal customer that can benefit from this software has 50 or more stores and at least 15 employees per store. The software is completely parameter driven. For example, a retailer may choose to use a lowest cost schedule in one store and a highest customer service schedule in another. If a new store is added, it can be assigned the rules of another store or have new rules developed.

Evans says that managers like the software "because for each and every function, whether it's forecasting, work load generation, or automated scheduling, the editors all have graphical and tabular views and they can make edits where they feel comfortable." An audit trail shows which manager made what changes to the schedule.

Workforce Smart Scheduler's scheduling process can forecast business volumes as it generates a historical record. By using data from any information source within a corporation, such as point of sale, budgeting or inventory application, Workforce Smart Scheduler can create an accurate forecast of business volumes, while considering retail-specific drivers such as seasonal volumes, events, and promotions.

Workforce Smart Scheduler then determines how many employees are needed by job function and task, using the retailer's labor standards. Factors such as store characteristics, job type and specific tasks are considered. Individual users can place more weight on particular variables such as labor budgets or customer service standards, enabling them to meet business objectives.

Then, using these forecasts and labor standards variables, Workforce generates a schedule, balancing business objectives and customer demographics with employee skills and work hour preferences, and taking into consideration factors such as holidays, local school calendars, etc.

After the system is up and running, most of the maintenance revolves around employee data. Kronos has created templates to make management easier. Evans says, "When you hire a new person you could have profiles by job, whether it's a cashier or sales associate, and you can just assign that template to an employee instead of putting in every piece of information."

Return on Investment. Workforce costs around $35 and $40 per employee, depending on the options, and Kronos charges an annual maintenance fee for around-the-clock and web-based support and training. Evans claims there is a reduced cost of ownership by purchasing and maintaining one system company-wide, rather than stand-alone systems on a store by store basis.

Most of the return on investment is linked to a few key areas. After using Workforce, retailers may find that they need less staff to do the same amount of work, which realizes hard dollar savings. A better reallocation of labor dollars helps drive customer service which typically

results in higher average transactions. In addition, proper scheduling can reduce employee turnover. Accommodating employee work preferences is a big area of concern for retailers nowadays, especially in an era when people can easily get other jobs. Furthermore, the software enables cross-utilization of employees.

NOTES...NEWS...NONSENSE:

KEEP THOSE CREATIVE JUICES FLOWING

Roger von Oesh, an author on creativity, has a new tool for stimulating innovation. Called the *Creative Whack Pack,* it is a deck of cards with 64 ideas for *whacking us* out of our established patterns. Here is a quick summary of some of von Oech's suggestions:

1. *Jolt your routine.* Sleep on the other side of the bed. Write a poem in the middle of the night. Wear red sox.

2. *Ask "Why?".* Ask probing questions about the origin of events and outcomes. Leonardi DaVinci spent his lifetime asking questions like "Why does thunder last longer than that which causes it?" and "How does a bird suspend itself in the air?" His questions lead him to many innovations.

3. *See the Big Picture.* An Iowan farmer in 1866 complained that railroads were just about tracks and trains. He overlooked their impact on trade, mobility, and the exchange of ideas. Explore the larger consequences at hand.

4. *Drop an assumption.* What unnecessary limitations are being imposed? What can you let go of?

5. *Look to nature.* Bell created the telephone by imitating an ear. The maple seed served as a model for helicopters. What can nature teach us about our possibilities?

6. *Think like a kid.* A kindergarten teacher drew a dot on a black board. Her students thought of 50 things it could be (e.g., a squashed bug, an owl's eye). What would a six year old say if he looked at your project?

7. *Make a metaphor.* What similarities does your project have with cooking a meal? Conducting an orchestra? Waging a war? Raising a child? What can you compare your idea to?

8. *Reverse.* Look at the sky opposite the sunset. If you are male, think of how a female might see it. Reverse your focus or look at what you normally leave in the background.

9. *Solve the right problem.* Count Basie left his piano to be tuned. When he went to pick it up, it had only been repainted. Make sure you are solving the most pertinent problem.

10. *Flex your risk muscle.* Bull's eye every time? Perhaps you are standing too close to your target. If you never fail, you may not be experimenting enough.

-- PAM BECKERMAN

TRAVEL TIPS

FLIGHTS OF TERROR
(Frequent Flyer, November 1999)

What did frequent flyers really fear from the summer skies? A survey commissioned by MCI WorldCom Teleconferencing found that 17% were frightened by the idea of sitting next to child, 15% worried about having enough overhead bin space, and 5.7% didn't like the prospect of sharing the airplane with inexperienced travelers.

HAPPY BIRTHDAY

Nicole DiStasio   11/4

HAPPY ANNIVERSARY

Dan Purefoy   11/4/96
Torre Crupie   11/5/79

RELOCATOR ROUNDUP AS OF 10-29-99:

Note: *Please contact Laurie Crankshaw with corrections.*

GT Interactive
Lancaster, PA
BSteele
DTyson

Coldwater Creek
Parkersburg, WV
TSoller

Princeton Office
MMaddox
DUlicny
LDigulla
AEisa

Kmart
Greensboro, NC
DTPurefoy
FLeggio
JBao
JTimberlake

Cornerstone
Cincinnati, OH
JTownsend
VLevy
BAnderson
ASmolensky

eToys
Danville, VA
JRaines

Manhattan Associates
Atlanta, GA
JWatschke
TCopland
AJohnson

United Kingdom
SADeaton
EBDayton

Kmart
Detroit, MI
IChang

Atlanta Office
SDencker
JBJenkins
JLykens
DMiddlebrooks
BSampson

Guess?
Louisville, KY
BEhlenberg
BTaylor
ATodd
JMays
JChristos

Bestform
Johnson, PA
SVanags
GRDugger

BonTon
York, PA
SOsburn
MThomas

Cluett
Atlanta, GA
JDDensmore
MMessinger
WHerrin
TVehar

Coldwater Creek
Sand Point, ID
WWosilius
JPicken

800.com
Portland, OR
Abrunson
TAMitchell

Blockbuster
Dallas, TX
JCDowd
CRettig
CMcGraw
ABall

Mars
Atlanta, GA
BGriffith

eToys
Provo, Utah
EMorales
ASambar
LGiles
MKellog
TFong
SOlds

etoys
Santa Monica, CA
BEhlers

Tokyo Office
KRSwensen
DBruce
BRoge

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Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"USE THE WORD IMPOSSIBLE WITH GREAT CAUTION."

-- *WERNHER VON BRAUN*
ONE OF THE WORLD'S FOREMOST SPACE SCIENTISTS

PROJECT POSTCARDS

BASEPLUS® IMPLEMENTATION AT CONSOLIDATED STORES

As the dog days of the summer finally come to an end so to does our Base Plus (P.O.W.E.R.) project here at Consolidated Stores. Gone are the days of 100 degrees temperature combined with 90% humidity. Now the days are getting cooler and the nights are just perfect, therefore it's time to relocate everyone out of Alabama and send them to some frozen tundra far, far away (Torre, please do not interpret this as a request).

We first started this project back in November of 1998 with Methods and Procedures Improvements for the entire DC. During this "cart in the ditch" era, as Tony affectionately referred to it, the DC was running at about a 12 UPH. Later on during the final stages of the project the baseline UPH for the DC was determined to be 17. Now as we leave the project the current UPH of the entire building is 20. One might think an improvement of only 3 units per hour doesn't sound like a knockout punch, but when it's carried out over 12 million units it produces savings of $1,028,426 for the current year. The projected UPH for the end of the fiscal year 1999 looks like it's going to be 22 which gives Consolidated Stores a grand savings of just under $2 MILLION DOLLARS. That one is always funnier in the Austin Powers movies.

One of the most satisfying weeks of this year long project occurred in September when the DC shipped out it's biggest week in history. In just 5 days, Consolidated Stores shipped out nearly 457,000 units and obtained a building UPH of 25. This week was truly amazing considering that at this same time last year it took them around 8-10 days to ship around 250,000 to 300,000 units. Now that's a knockout punch!

SPORTCENTER HIGHLIGHTS OF THE PROJECT:

Departments put on Standard
> Receiving
> Stock
> Selection (conveyable and non-conveyable picking)
> Shipping

Percent of Associates in the DC affected - 81% (390 of 480)
Total Bonus Payout to all Associates – $70,452 (since May 3rd, 1999)
Highest single week payout for one associate - $143.09 (that's around a 40% raise!!!)

THINGS WE NEVER THOUGHT WE WOULD SEE ... BUT WE DID

1) A fork lift operator who left the DC on a stretcher because he crashed through a break-room-retaining wall and gored himself in the crotch with a broken 2x4.
2) A bomb threat in the DC that caused a 2 hour unavoidable delay in our time studies.

THE TOP 10 THINGS TO DO IN MONTGOMERY, ALABAMA

1. The Dog Track.
2. Go to Atlanta.
3. Go gamble in Biloxi, Mississippi.
4. Go to Atlanta.
5. Play Golf on one of the impossible Robert Trent Jones courses in the area.
6. Go to Atlanta.
7. Eat BBQ at DJ's Old Post Office
8. Dance the night away at Sharky's nightclub.
9. Enjoy a play at the Shakespeare Festival (Shakespearean dialogue done in southern accents, what could be better).
10. Go to Atlanta!!!

One other event that was actually fun - playing on the Consolidated softball team (season stats below).

Team Name: No Limit Ballers
Current Record: 2-9 (one win was by forfeit)
Average runs scored/game: 8
Average runs allowed/game: 20
Season Highlights/Lowlights:
- The team has not completed an entire game (slaughter rule every time)
- Lost to the Softball National Champions 39-1
- The team had their first real win during the KSA players last game, what a great going away present.

-- BRAD SAMPSON

LACK OF CUSTOMER SERVICE TO COST USD6 BILLION
(NUA Internet Surveys)

According to a new report, a basic lack of customer service and site functionality could end up costing online retailers USD6 billion in lost revenue this season. In a study of the Net's top ten retail sites, 39% of attempts to buy something failed and 56% of search attempts failed.

Sites should concentrate on improving functionality and customer service on their sites rather than pouring money into advertising, according to Mark Hurst, author of the report.

The study, "Holiday '99 E-Commerce", found that a dollar spent on advertising during the holiday season in 1998 yielded USD5 in return while a dollar spent on customer service yielded USD60 in return.

Participants in the study abandoned their shopping attempts due to repeated errors and confusion over navigation. The monitored sites were: **etoys.com**, godiva.com, **llbean.com**, beyond.com, sharperimage.com, **wal-mart.com**, avon.com, **disney.com**, **petsmart.com** and buybooks.com.

-- CAMERON GEIGER

IS SPIEGEL IRONING OUT THE WRINKLES?
(Crain's Communications, October 18, 1999)

Seven consecutive quarters of earnings increases fueled by cost-cutting as well as improvements at its **Eddie Bauer** division have helped boost **Spiegel Inc.** stock to a 52-week high this month. But as Speigel prepares to report what's expected to be an eighth quarter of increased earnings this week, observers are wondering what the company will do beyond cost-cutting to sustain the growth.

And a crucial test of the company's new strategic efforts will begin soon, as the all-important holiday shopping season approaches. "One of the problems that Spiegel is dealing with now is that they kind of lost their way for a while," says Maxwell Sroge, president of Evanston-based catalog consultancy Maxwell Sroge Co. "Who are they? That's the real question. They trimmed overhead, circulation and made improvements in the cost area. Now, they need to set a new course."

Since 1997, Spiegel has reduced its headquarters staff about 20% to about 900 employees and closed two call centers, eliminating an additional 775 full- and part-time jobs. Spiegel's stock, trading as low as $2.44 last October, has slowly climbed, hitting a 52-week high of $12.81 last Wednesday. Analysts anticipate a 1-cent-per-share increase in net income for the third quarter, compared with a loss of 3 cents in the year-earlier period.

Jeffrey Klinefelter, an equities analyst with U.S. Bancorp Piper Jaffray Inc. in Minneapolis, predicts the stock will hit $17 by the end of next year. As for the coming holiday season, Mr.

Klinefelter believes fourth-quarter sales will increase about 10% from the 1998 fourth quarter's $941 million. But he notes that fourth-quarter sales last year were down 8% from the same

period in 1997. "After concentrating on fixing what was wrong with our company for the last few years, we now have shifted our focus to growing (Spiegel) by driving sales and gross margins," Michael R. Moran, chairman of the office of the president, said at a recent analysts conference.

In addition to cost-cutting, the company says results from new initiatives at Spiegel's catalog operation and Eddie Bauer have helped boost the bottom line. (Spiegel posted a profit of $3.3 million last year on $2.9 billion in revenues, after three consecutive years of mounting losses.) At the Eddie Bauer unit, which accounts for about 65% of Spiegel's sales, the stores have pulled back from youthful trends in an attempt to stay true to Bauer's older, more affluent customers. Through September, sales at stores open at least a year were up 7% from the same period last year, when same-store sales fell 10%.

Bauer also is scrapping its AKA Eddie Bauer store-within-a-store concept, which confused shoppers. Eddie Bauer Home is decreasing its upholstered-furniture business to focus on linens and furnishings for the bedroom and bathroom. Spiegel, which scored in the 1980s by catering to professional women with career apparel, slashed circulation of its big-book catalog in 1997 and 1998. This year, the company will send out slightly more than the 112 million catalogs than it did in 1998 to prospective and former customers. The catalog also is attempting to tap into trends such as increasing travel by women and "outdoor living," with garden decorations and hammocks. Through September, catalog sales were up 19% from last year.

Mark A. Boyar, president of Boyar Asset Management Inc., a New York-based money management and research firm, is a longtime Spiegel booster, contends that the strength of the company resides in Eddie Bauer and Spiegel's mail-order capabilities, which should allow for a quick transition into online retailing.

AVOIDING THE 'GENESIS EFFECT'
(Editor's Page, Catalog Age, October 1999)

The fall of Genesis Direct, a.k.a. Proteam.com, was a story waiting to happen for at least the past year. Funded initially by $60 million from GE Capital and later by $132 million in public money, Genesis/Proteam.com built up a huge stable of more than 24 catalogs. Management promised success via economies of scale and a consolidation of operations. But despite reaching $252 million in sales in 1998, the company recorded a fatal $156 million loss. And as many observers predicted, in August, Genesis/Proteam.com filed for Chapter 11 bankruptcy protection.

It's always unfortunate when any company fails. But in this case, we have more to worry about than the fate of the Genesis/Proteam.com franchise. Its blunder has likely damaged the catalog industry as a whole, and could scare off many investors already skittish about putting money into catalog companies -- which are viewed by those unfamiliar with mail order as an abstruse category of businesses distinguished by high operating costs, low margins, and intangible assets (customer lists).

Indeed, at least one analyst blames Genesis -- as well as Hanover Direct, another struggling multititle marketer (whose stock has failed to climb above 313/16 over the past year) -- for last year's postponement of multititle cataloger **International Cornerstone Group's** IPO. Genesis and Hanover Direct "are a black eye on the industry," Mike Petsky, CEO of New York-based investment bank Petsky Prunier LLC, said recently to Catalog Age. "Their strategies -- of paying too much for acquisitions, and [in Genesis's case] of building a much larger distribution center than it needed -- have not worked in cataloging."

Certainly, Genesis can serve as a lesson in what not to do. First, it acquired unprofitable or marginally profitable small books. Except for Carol Wright and several others, the Genesis titles were narrowly defined, with limited appeal. Making matters worse, Genesis's three founders had minimal catalog expertise. (Here's a dead giveaway: They invested nearly $700,000 in J. Peterman not long before it fell apart.)

But please, let's remember that the ill-fated Genesis/Proteam.com is an isolated, not representative, example of the catalog industry. In view of this, there will be no I-told-you-so claims from this camp. In fact, I'm praying that any hoopla surrounding this unfortunate company's plight dies down quickly, so that the better catalogers -- such as International Cornerstone -- aren't further damaged by the "Genesis effect."

CATALOG DELIVERY SUFFERS
(Catalog Age, October 14, 1999)

Christmas is still two months away, but David Hauser, Executive VP of mail tracking service/list firm, The Hauser Group, cautions catalogers to plan on seven-day delivery windows for their fall/holiday mailings rather than the standard three- to five-day windows. Catalog delivery "has been off at times," Hauser says, "but it's not overly disastrous." He attributes the lag in delivery to a lack of postal staff. Catalog mail volume is up 10%-15% over last year, but the U.S. Postal Service hasn't hired enough staff to handle the extra volume, he contends.

"It's a hard thing [for the USPS] to project," Hauser says, "because a lot of catalogers based their fall/holiday circulation increases on the strong response they got from their spring/summer mailings." Last year the USPS hired more temporary holiday workers as mailers added circulation later in the year in anticipation of a Jan. 15 postal rate increase.

NOTES...NEWS...NONSENSE:

Congratulations to Chris Mazzei for being designated a Stern Scholar at New York University's Executive MBA Program. The Stern Scholar is awarded to all first year students who achieve a grade point average of 3.70 or higher.

-- STEVE RIEPENHOFF

HOW TO CONTROL MEETINGS
(The Economics Press, Office Hours, October 28, 1999)

SYMPTOMS: Meetings stray from their objective, last too long, or fail to cover the entire agenda.

DIAGNOSIS: Lack of control.

PRESCRIPTION: Manage the meetings with the same skills you use to manage your work.

When people call a meeting, they are generally optimistic about the results they hope to achieve. But the meeting can get out of control. As a result, attendees may view meetings as a time-consuming minefield. Meeting leaders don't manage the meeting: the meeting manages them.

Apply the following skills you use daily to manage meetings:

Set Objectives. Set a specific goal and communicate it before the meeting begins. When attendees know exactly where they are going, they are more likely to get there.

Plan. Look at a meeting as a "product" and participants as "customers." Seek ways to stimulate and maintain interest the way a salesperson would. Prepare some background information to refresh people's memories and a statement that will stimulate discussion. Consider methods to add value for the "customers," such as showing charts or graphs.

Organize and Direct. Increase quality participation during the meeting by building questions to stimulate discussion into your meeting plan as you prepare it. Avoid questions that people can answer with a simple yes or no. Questions that generate a quality response usually being with *how:* for example, "How can we best accomplish this?"

Control. Take charge from the out-set. Set a specific amount of time for each topic of discussion. Here's how:
1. Estimate the number of minutes you'll need to introduce the topic.
1. Add the amount of discussion time you want to devote to each item.

Write down the time limit for each agenda item on the memo you distribute announcing the meeting, and you'll avoid one of the most typical meeting syndromes: spending too much time on the first and second topics, then rushing through the others during the balance of the meeting.

If ending meetings on time always seems a problem, try scheduling them shortly before lunch or quitting time. It's almost guaranteed that participants will stick to the topic of discussion and keep their comments short.

TRAVEL TIPS
LESS FLIGHT AVAILABILITY DURING JAN 1 ROLLOVER
(Travelnews, October 5, 99)

American Airlines said it and its American Eagle unit will cut its normal flight schedule during the rollover to Jan. 1, 2000. About 20 percent of all flights on Dec. 31 and 5 percent on Jan. 1 will be shelved. The carrier said the decision resulted from light demand and that "the lack of bookings is not directly related to customer concerns about Y2K."

American said it will spend a total of $220 million to ensure Y2K compliance and that some New Year's Eve flights will operate, "when it makes economic sense." Other airlines have said that schedule reductions could be in order, while Lot Polish Airlines and Virgin Atlantic have completely suspended service during the millennium rollover.

HAPPY BIRTHDAY

Randy Unger	**10/27**
Aaron Todd	**10/29**

Note: If your Birthday/Anniversary information was not listed or is inaccurate, please contact the HotSheet publisher.

QUOTE OF THE WEEK:

"PUTTING YOUR BEST FOOT FORWARD KEEPS IT OUT OF YOUR MOUTH."

-- ANONYMOUS

INDUSTRY INSIGHTS

INTERBIZ SUPPLY CHAIN GROUP DELIVERS ENHANCED WAREHOUSING CAPABILITIES FOR E-BUSINESS

(PRNewswire, October 11, 1999)

Addressing the growing warehouse management and logistics needs of the e-business world, interBiz Supply Chain Group today announced the availability of the newest release of its Warehouse BOSS solution. interBiz Supply Chain Group is a business unit of Computer Associates International, Inc.

Warehouse BOSS is a complete warehouse management system, covering all aspects of receiving, locating, putaway, order management, picking, packing and shipping. The newest release of Warehouse BOSS addresses the shift in warehousing and logistics requirements that have resulted from the proliferation of e-commerce outlets.

"There's a dichotomy in the warehouse management market today," said Ken Ramoutar, vice president of product marketing for interBiz Supply Chain Group. "On one hand, the e-business companies have brought pressure on the warehouse and logistics operations to deliver higher volumes of small quantity orders. On the other hand, distributors still need the flexibility to efficiently deliver pallet-sized orders to traditional wholesale markets. Our warehouse management solution handles both business models."

For example, consumer goods manufacturers continue to handle large volume shipments to the retailers in case and pallet quantities. At the same time, many now offer a direct-to-consumer Internet "store" which requires the ability to select and ship products to serve the individual consumer.

In book publishing, perhaps the market segment that has seen the greatest shift in business models as result of the Internet, warehousing operations continue to ship high-volume, case quantity orders to retail bookstores, universities and school districts. There is also a need to ship hundreds of thousands of single-book orders, whether to consumers who have placed orders online, or to school administrators, teachers and professors with sample editions of new textbooks.

Warehouse BOSS provides the flexibility to handle everything from full- pallet, full-case volume picking down to individual book orders. In addition, Warehouse BOSS enables school districts to specify how they want textbooks to be packaged and shipped, be it by grade level, subject level or combined in whichever method is the most cost-efficient.

Warehouse Solution For E-business
In addition to the increased flexibility in the selection and shipping processing of order fulfillment, the newest release of Warehouse BOSS also provides enhancements that will help companies organize their warehouse space more effectively. Those include:

- Location Capacity Manager to help reduce the number of partially filled warehouse locations;
- Co-mingling, that allows for mixed SKUs to be stored in the same location; and
- Proactive Replenishment Planning so that warehouse and logistics operations can proactively generate, modify and commit replenishment plans based on user-defined inventory levels and/or shipping histories.

The enhancements to Warehouse BOSS are among the recent e-business initiatives announced recently by interBiz Solutions. In August, interBiz announced:

- The general availability of interBiz WebTrade, a business-to-business e-commerce solution that allows companies to create an online product catalogue and accept sales orders via the Internet, and
- The beta program of BizWorks, the division's innovative business management framework, enabling secure intra- and inter-business collaboration over the Web.

With the Internet providing the ultimate platform for customer-focused e-business applications and business-to-business services, organizations face the need for complete view of the supply chain. CA's interBiz Solutions and its business units; interBiz Supply Chain Group, interBiz Financial Group, interBiz Banking Group and ACCPAC International, are focused on providing solutions that help worldwide clients, suppliers, and partners capitalize on e-commerce business opportunities.

TALK CITY, INC. LAUNCHES INTERACTIVE, EVENT-BASED E-COMMERCE SERVICE - THE FIRST EVER LIVE, HOSTED INTERNET SHOPPING VENUE
(PRNewswire, October 13, 1999)

First came e-commerce firms like Amazon, making shopping for books on the 'Net personal and convenient. Next came online auction companies like eBay, allowing individual buyers and sellers to hook up on the 'Net. And today, thanks to leading community provider, Talk City, the evolution of e-commerce takes another big step forward with the announcement of the Talk City Shopping Network. Unveiled today at Upside magazine's LAUNCH! show, the new e-commerce venue lets vendors and shoppers recapture the art of traditional merchandising with vibrant, interactive, real-time online events. Combining multimedia presentation technology with chat-based event technology, the Talk City Shopping Network allows vendors to demonstrate and explain their products in real-time to thousands of potential customers -- and allows customers to ask questions and interact with vendors, experts, and other online shoppers before they buy.

Here's How a Talk City Shopping Event Works:

- Vendors choose products to offer a group of consumers, and can recruit an expert, celebrity, or salesperson to host the event.
- A multimedia slide show offers different views -- even animations -- of the product at the top of the web page during the event.
- In a chat "auditorium" room -- which holds up to 10,000 people -- vendor hosts can present and demonstrate, in text and slide-show format, the benefits and value of their product.
- Participants can ask questions of the experts or celebrities, and chat amongst themselves about the products.
- Consumers can simply press a "Buy Now" button and order the product immediately on the web with a credit card.

"Through the years, online shopping has brought a lot of convenience to people, but it hasn't been able to bring the fun, trust, and thrill of great retail and merchandising experiences to the Web -- until today," said Peter Friedman, CEO and Chairman of Talk City, Inc. "We're aiming to give businesses a more personal and instructive way to interact with their customers in an online selling environment. We also hope to give consumers a more fun and educational way to shop online. If early shopping events are any indication, the Talk City Shopping Network could do for participatory online shopping what Amazon did for books and what eBay did for auctions."

Transactions, Fulfillment and Schedule Guaranteed secure transactions are being handled by E.C. Direct, a privately held Web-centric e-commerce company headquartered in Seattle. Fulfillment is being handled by Zenging, Inc., a new proprietary infrastructure technology and services company specializing in the integration of complete e-commerce applications. The Talk City Shopping Network plans to offers regularly scheduled, hour-long events twice weekly.

Talk City is a provider of online communities and interactive services for businesses and consumers. Talk City offers businesses a wide range of services that help them develop and

expand online relationships with customers, suppliers and employees. These services include designing fully integrated, customized communities, producing online events, conducting online market research and facilitating online meetings.

WAL-MART EXPANSION INCLUDES BROADER OFFERINGS
(Stores Magazine, October 12, 1999)

Wal-Mart plans to open, remodel or relocate as many as 340 domestic stores next year, including 160 to 165 supercenters. In addition, the Bentonville, Ark., retailer said its redesigned e-commerce website will offer more than 600,000 items, including prescription drug refills, reservations on airline flights and expanded selections of traditional store merchandise. Of the store expansions, 100 of the new supercenters will be conversions from traditional discount stores; 40 new units will be discount stores and 20 to 25 new Sam's Club units will be built, half of them relocations.

Overseas, Wal-Mart said it is building a 172,000-sq.-ft.store near Hanover, Germany, next year as it continues to revamp its operations in that country. "Our planned growth represents approximately 34 million sq. ft. of additional retail space, or an percent growth in square footage," said David Glass, Wal-Mart's CEO. "Additionally, this year's international acquisitions added 303 units and 25 sq. ft. of retail space."

NOTES...NEWS...NONSENSE:

GLOBAL POPULATION REACHES A MILESTONE
(InformationWeek, September, 1999)

Take a look around, because it may seem a bit more crowded. On October 12, or thereabouts, the Earth's population reached six billion. Although no one knows exactly when baby number six billion arrived, the United Nations picked October 12 to mark the event, which is almost certain to occur before the end of 1999.

"Six billion is a benchmark," says Carl Haub, senior demographer at the Population reference Bureau in Washington, D.C. The 20th century began with world population under two billion. "We've added the last billion people in 12 years. That's phenomenal."

Most of the increase these days takes place in the developing world. "Birthrates have stabilized at low levels in Europe and North America," says Haub. "In the developing world the overall rate of increase is 1.7% a year, which would double its population in 40 years.

TRAVEL TIPS

SOME HOT SITES TO HIT WHEN RELOCATING (OR JUST VISITING)

If you're looking for a "snapshot" of a city or region, visit Virtual Relocation
http://www.virtualrelocation.com. This site is supposedly for people who are moving, but you'll find it useful even if you aren't moving. If you're researching a city, Virtual Relocation will give you statistics for its basic demographics, housing, industry, education, school district information, transportation, commuting, cost of living, crime rates-even weekly pollen counts! The site doesn't have as much information for non-U.S. cities, but you can still find some useful data on international cities (real estate and rental guides, maps, restaurants, etc.).

Another good resource for information about U.S. cities is the USA CityLink Project http://usacitylink.com, which also has tons of data about states.

HAPPY BIRTHDAY

Scott Vanags	10/19
Michael Barnes	10/21
Ashraf Eisa	10/23

HAPPY ANNIVERSARY

| Bill Cobb | 10/20/69 |

QUOTE OF THE WEEK:

"THE GREATEST OAK WAS ONCE

A LITTLE OAK WHO HELD IT'S GROUND."

-- ANONYMOUS

INDUSTRY INSIGHTS

CATALYST UNVEILS CATALYSTCOMPLETE

At its recent user conference, Catalyst unveiled CatalystComplete, its blueprint to become the dominant force in WMS. CatalystComplete includes software functionality, business services, and system collaboration. Catalyst is committed to providing functionality beyond the traditional areas of receive, put-away, pick, pack, and ship. Current functional enhancements include vendor quality management, advanced returns processing, parcel manifesting, and improved decision-support capability. The vendor is also expanding its service offerings to include ROI studies, benchmarking, computer-based training, and application hosting. The final component of CatalystComplete is the CatalystCollaborator, the vendor's messaging and integration backbone layer that will facilitate integration between CatalystWMS and third-party products such as ERP and supply chain applications and material handling equipment. This is an area where Catalyst has lagged its competition.

-- CAMERON GEIGER

THE MODERN CALL CENTER
(Article Excerpts from Information Week, October 4, 1999)

For many enterprises, a call center provides the first, and sometimes only, direct contact with customers. But increasingly sophisticated customers expect more out of a call center than simply to press 1 for accounting, 2 for product support, etc. They want to make contact with someone who can answer their questions and resolve their problems.

That's why today's call center is being asked to do much more than simply field telephone inquiries. The modern call center is being integrated with other IT systems, letting agents cull information from a variety of databases, Web servers, and legacy systems. The modern call center is also becoming a nexus for complex customer interaction, with the ability to respond to customers with whatever form of communication they prefer. And the modern call center is evolving into a knowledge center, a repository of best practices and customer feedback used throughout a company to improve its products and services.

It isn't always easy to integrate E-mail, Web chat, and other media and technology into call centers that normally handle only phone calls. But companies have found they can cut call-center costs, improve customer service, and boost sales by integrating call-center systems with customer-relationship management platforms, knowledge-management software, and other business and IT systems.

Instead of merely sending incoming calls to call-center agents, automatic call-distribution systems are integrated with back-end databases so that data about a caller arrives on the agent's monitor at the same time the call arrives on the phone.

Systems can also respond to telephone keypad tones and to a caller's voice prompt using speech-recognition technology. The system routes calls to the proper agent based on information provided by the caller. When agents don't have to ask for a caller for identification because it's automatically provided by the system, they can cut about 10 seconds off each call. Ten seconds might not sound like much, but to a call center, time is-literally-money. One US based company has the potential to save a half-million dollars a year if it can shave one second off every call.

Who's Best?
Intelligent call routing can not only determine the center most available to take a call, it can determine the agent best qualified to answer a specific set of questions. J.D. Edwards & Co., a developer of enterprise resource planning software, uses skills-based routing software from Siemens AG to reduce the time it takes to get newly hired call-center agents working on the phone.

New agents starting work at J.D. Edwards' Denver call center are usually required to complete a six-month training program before they're allowed to staff the phones. With Siemens' ResumeRouting, J.D. Edwards is able to put agents to work after only two weeks of training because the software sends them only those calls involving issues they've been trained to handle. ResumeRouting is integrated with Siemens' Hicome 300E communications server; prices start at $45,500 for up to 150 agents.

Calls come into an InterVoice-Brite Inc. interactive voice-response system, which costs $1,500 to $5,000 per port, depending on the size and features of the system. It prompts callers to press one button for accounts payable, another for human resources, and yet another for technical support. When a selection is made, the system queries a Windows NT server running Siemens database software, which contains profiles of each agent, details on which types of issues they have been trained to handle, and even which languages they speak.

Modern call centers must also be able to handle the many different ways that customers contact them. In 1997, about 97% of all business-customer interaction took place over the phone. This year, that figure will be 60% and will continue to fall to 5% by 2003, according to Forrester Research. The main replacements are E-mail and the Web. Forrester says E-mail interactions were 2% in 1997, will hit 23% this year, and rise to 30% in 2003. Web customer interactions are growing faster: 1% in 1997, 14% this year, and 56% in 2003.

Changes In Customer Contact
Percent of customer interaction by contact type

Web 1%
E-mail 2%
Telephone 97%
1997

Cross channel 9%
Telephone 5%
E-mail 30%
Web 56%
2003

DATA: FORRESTER RESEARCH AND *INFORMATIONWEEK*
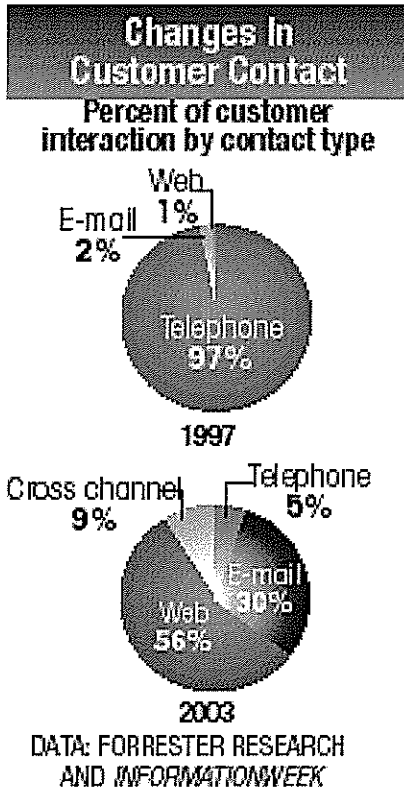
"Voice is only one way that a customer is going to want to deal with you," says William Blackstone, VP of call-center strategy at MediaOne Inc., a large operator of cable television systems that next year plans to integrate E-mail and chat over the Web into its call centers. "If you can't deliver the same quality and pace of service over the Internet as you do over voice, your company probably won't compete well."

The costs of integrating E-mail and Web communications into call centers that now handle only phone calls range from $1,000 to $5,000 per seat, about a 15% increase over the $30,000 per-seat cost of initially setting up a call center, according to Purdue University.

E-mail integration is a common feature offered by call-center systems vendors such as Aspect Telecommunications, Lucent Technologies, and Nortel Networks. And the financial benefits of E-mail integration can be substantial, according to call-center managers. "When you're selling a $20 or $40 product, a couple of phone calls can quickly eat into your margins," says Linn Brown, manager of MacAfee support at Network Associates Inc. in Santa Clara, Calif.

Network Associates outsources its call center to Sento Corp. Brown estimates it costs an average of $7.50 to field a support phone call from a customer of its utilities and security products. By contrast, he says, it costs only about 50 cents to respond to a typical E-mail query. Network Associates this month plans to launch customer-service chat sessions on the Web. Brown estimates that customer queries fielded via Web chat will cost less than $1.00 per customer if an agent can interact with three or four customers simultaneously. " While one customer [in a chat session] is gathering more information for the agent, the agent can be providing someone else with answers," Brown says. That's one reason why Network Associates is trying to increase awareness of its E-mail and Web customer-support operation, stamping information about it on products and mentioning it on the recording that customers hear when they call the support line. Currently, 14% of customer inquiries come in via E-mail, a figure Brown hopes to increase to 40% by the end of the year and perhaps to 80% later on.

Divergence of Opinion
Still, not everyone agrees that E-mail can cut call-center costs to the extent cited by Network

Associates and others. Anton at Purdue estimates that fielding a customer's phone call costs an average of $3 and responding to a written letter costs about $25, while answering an E-mail message costs somewhere in between. Meanwhile, Lucent Technologies places the average cost of handling an E-mail at $17 or $18, especially when a carefully worded reply is required.

With the advent of Internet communications, however, customer interaction will not necessarily be restricted to one form of communication. Internet telephony, which is in the initial stages of being integrated into call-center systems and services, is blurring the line between standard telephone calls and the Web sites that companies use to provide customers with information. Convergys, Innofone, Nortel, and other vendors have developed software that lets customers initiate an Internet telephony call simply by clicking a button on a Web site.

Combining the Web and voice calls can make sense for companies that need both visuals and the human touch to sell-and the combination can boost sales. Outrigger Hotels & Resorts, for example, has a Web site that lets customers review 400 pages of photos and travel information. Visitors can connect to a customer-service agent with a simple click on a "Call Me" icon. Then AT&T, which sells this service as interActive Answers, dials up an Outrigger agent and the customer via regular phone lines, and connects the two. The service costs $40 per month for 15 transactions and has a $195 setup fee. Once connected, agents can talk with the customer and push Web pages-such as ones showing a particular resort or type of hotel room-out to them. This eliminates the need for customers to search the Web site themselves. Outrigger receives 200 to 300 more calls a day as a result of the Web-telephone connection, says Bill Peters, Outrigger's VP of reservation services in Denver, adding that about half of the Web customers actually book a room after talking to an agent.

Voice-over-IP can also be used to reduce the total cost of call-center ownership. Companies can use the data network that already links distributed call centers to carry voice traffic that is transferred from one center to another and reduce long-distance and WAN line costs by 10% to 40%, Lucent's Taylor says.

Organizational Challenges
While technology exists to integrate E-mail and other forms of Internet communication into call-center systems, companies can face an organizational challenge when trying to integrate new media. One key question is whether the customer-service representatives who answer phone inquiries should also handle E-mail messages, chat sessions, and other new forms of communication.

"Good talkers are not necessarily good letter writers," says Purdue's Anton. "People who are very articulate on the phone are not going to want to take a break to answer E-mail." Blackstone at MediaOne agrees. "Many people who can carry on a good conversation on the phone could not put a cogent thought down in writing if they tried," he says.

So MediaOne plans to set up a separate team of agents to interact with customers' queries from the Internet. "When you get an E-mail response from us, you want it to be concise and

professional. So that group has to have a level of expertise that we don't expect from most of our other advisers," says Blackstone.

DecisionOne Corp., a provider of computer maintenance and technology support services, is taking the opposite tack. The company is in the initial stages of implementing E-mail and Web customer interaction capabilities in its call centers, and plans to have the technicians who staff its call center specialize in supporting a specific set of customers or applications, not a specific medium.

Access to Back-End Information

The modern call center, however, needs access to more than just a knowledge-management system with best-practices data. Some companies are finding that agents need access to multiple back-end systems to provide the best service to customers. The way this is usually done is via computer-telephony integration, a common-but not always implemented-feature in call-center systems. As a customer's call is routed to an agent, computer-telephony integration software lets the automatic call distributor connect to an accounting or other type of database and let the agent see all the customer information he or she needs on-screen

It is this type of tight integration with existing back-end systems that IT managers will have to incorporate into their call centers. No longer isolated departments within the enterprise, modern call centers are becoming the focal point for customer service and interaction. Agents must have quick and easy access to the servers, mainframes, and legacy systems that contain accounting, billing, product, and other information. They must also be able to communicate with each other, drawing from a common knowledge repository that helps them provide better service to customers. And they will need the ability to communicate with customers using whatever medium the customer wants. Together, these capabilities define the new modern call center in the Internet Age.

STOCK SLIDE SHOWS SEARS' SOFTEST SIDE: MARKET CAP
(by Eddie Baeb, Crain's Communications, Inc., October 4, 1999)

The Big Store seems a bit small these days. Consider that **Sears, Roebuck and Co.** shares have lost nearly a quarter of their value in just the past five weeks — shaving $3.3 billion off its market capitalization. Once the king of retailers, Hoffman Estates-based Sears now finds itself a middle-tier player in terms of its Wall Street valuation. And with the low valuation comes a once unthinkable consideration: Could Sears be vulnerable to a takeover?

At the very least, some observers expect Sears to bolster its takeover defenses. The company instituted a staggered board of directors in 1988 (amid takeover concerns), but does not have a "poison pill" defense.

Though analysts who follow Sears consider a takeover remote — its appeal as a retail property is limited — a creative financial player might find value in breaking up Sears' lucrative credit card business, its valuable real estate holdings and its still-thriving hardware and appliance business.

Regardless, Sears' plummeting market value — shares traded in the $31 range late last week — is heightening the pressure on Chairman and CEO Arthur Martinez, who shocked analysts Sept. 2 when he announced that Sears would miss third-quarter earnings targets. With his turnaround plan on the ropes, he now finds himself in the biggest management crisis since his arrival at Sears seven years ago.

"I think investors have basically just washed their hands of this company," says Asma Usmani, an analyst with Edward Jones in St. Louis.

NOT SO BIG ANYMORE
(figures in billions)

	Market Cap*	Annual Revenue
Wal-Mart Stores Inc.	$211.6	$137.6
Home Depot Inc.	$101.8	$30.2
Gap Inc.	$27.4	$9.1
Dayton Hudson Corp.	$26.5	$31.0
Best Buy Co.	$12.6	$10.1
May Dept. Stores Co.	$12.1	$13.4
Sears, Roebuck and Co.	$11.9	$41.3
Kohl's Corp.	$10.8	$3.7
Federated Dept. Stores Inc.	$9.2	$15.8
J. C. Penney Co.	$9.0	$30.7
Kmart Corp.	$5.8	$33.7

* Based on 9/30 closing stock price
Source: Bloomberg News

Sears would neither confirm nor deny a rumor that the company is considering a takeover defense mechanism such as a poison pill. A Sears spokeswoman would only say: "As a matter of course, we conduct periodic reviews designed to ensure that the company is in the best position to protect the interest of its shareholders." Shareholders these days feel anything but protected. Retail stocks in general have had the flu, but Sears has pneumonia. In the past six months, the Standard & Poor's index of general merchants has fallen nearly 4%. Even some high-flying apparel firms such as **Gap Inc.**, have seen their share price drop more than 30%.

Pressure building
Sears shares have had an even tougher ride, declining 31% amid fears that Mr. Martinez's merchandising strategies have failed. New marketing and merchandising efforts are now under way. The company's stock price is now at its lowest level since mid-1995 and less than half its $63.50-a-share price in May 1998.

"I think (pressure from investors) is building," says Donald Brown, equities analyst with the Ohio Public Employees Retirement System in Columbus, Ohio, which holds 170,000 shares. "We

want to see customers in the store, people with shopping bags — and you don't seem to see that now. They're over at Target." And at Wal-Mart, Home Depot, Kohl's and scores of other rivals that are eating into Sears' marketshare — and commanding higher valuations by investors. Consider:

> • Bentonville, Ark.-based **Wal-Mart Stores, Inc.** has grown to three times the size of Sears in revenues. But its market value is outpacing Sears' by a much wider margin. At about $211 billion, its market cap is nearly *18 times* that of Sears.
> • Atlanta-based **Home Depot Inc.**, which opened its first store in 1979, is smaller than Sears in revenues ($30.2 billion in 1998), but has a market capitalization of about $102 billion, more than eight times greater.
> • Minneapolis-based **Dayton Hudson Corp.**, which owns Target Stores as well as department stores such as Marshall Field's, has a market cap of about $26 billion, more than twice that of Sears.
> • In perhaps the most humbling comparison, Kohl's Corp. of Menomonee Falls, Wis., had sales of $3.7 billion last year compared with Sears' $41.3 billion and has about 250 moderate-priced department stores vs. Sears' nearly 850. Yet Kohl's market value approaches that of its larger rival — $10.8 billion vs. Sears' $11.9 billion.

If misery loves company, Sears can take some comfort in the fact that rival **J. C. Penney Co.** still lags Sears in both revenues ($30.7 billion) and market value (about $9.0 billion). Whether Sears — which as of July 3 had $397 million in cash on its books and in March announced a plan to buy back $1.5 billion in stock — would be attractive to a suitor is an open question.

Mall problem
The real value of the company is found in its prime store locations at major regional malls, its hard-line brands — such as Craftsman tools and Kenmore appliances — and its credit card business. But the credit card business, while a massive portfolio, is intertwined with the store operations. And with the rise of online shopping, the future of mall-based real estate is another open question. Sears' mall locations are most ideally suited to selling soft goods such as apparel — an area in which the retailer is weakest.

Still, some expect Sears to review its takeover defenses and perhaps adopt a poison pill — a measure that inflates the cost that a suitor would have to pay in the case of a hostile takeover. "Poison pills are never meant to be triggered; it's the threat," says Thomas Lys, a professor at Northwestern University's J. L. Kellogg Graduate School of Management. "One of the best (takeover) defense mechanisms is a high stock price. Obviously, Sears does not have that. And a low stock price does invite interest."

KMART BEEFS UP GROCERY DISTRIBUTION
(Stores Magazine, September, 1999)

After reportedly trying without success to arrange a partnership with a major national supermarket chain, Troy, Michigan-based **Kmart** has entered into supply agreements with two of the nation's largest food distributors, Minneapolis-based SuperValu and Oklahoma-based Fleming Cos.

Under the agreement, the two distributors will stock an estimated $4 billion a year worth of groceries at the discounter's 2,151 stores. Although not as ambitious as the arrangement previously sought by the nation's third-largest retailer, the agreements will enable Kmart to expand its supermarket offerings without the cost of building up its distribution infrastructure.

Kmart executives estimated that the agreements would enable it to reduce capital expenditures by roughly $50 million, and inventory levels by $150 million.

ANDERSEN CONSULTING CEO GOES TO STARTUP
(InformationWeek, September, 1999)

Web startups continue to attract leaders from established companies with the promise of getting rich through an initial public offering. George Shaheen, who had been CEO for Andersen Consulting for 10 years left to become CEO of online grocer Webvan Group, Inc. He was given a stake in the startup that could be worth tens of millions of dollars – if it has a successful public stock offering.

Christine Ferruse Ross, an analyst at Forrester Research, says Webvan was a likely choice for Shaheen, a big Web advocate at Andersen. Rudy Pruyear, CEO of Lante Corp. and former head of Andersen's E-commerce division, agrees. "This will move him from being at the helm of a complex process-intensive organization with layers of management and force him to roll up his sleeves and be a more hands-on leader."

Andersen selected another partner John Kelly as acting CEO. Ross says Andersen will likely choose a partner with strategic influence within the firm as a permanent replacement adding, "It's possible they'll pick someone who's working on a strategic direction internally that isn't visible to us."

NOTES...NEWS...NONSENSE:

NEWSPAPER HEADLINES --- SOME OF THE BEST

- Something Went Wrong in the Jet Crash, Experts Say
- Include Your Children When Baking Cookies
- Police Begin Campaign to Run Down Jaywalkers
- Drunks Get Nine Month in Violin Case
- Iraqi Head Seeks Arms
- British Left Waffles on Falklands Islands
- Teacher Strikes Idle Kids
- Clinton Wins Budget; More Lies Ahead
- Plane Too Close to Ground, Crash Probe Told
- Miners Refuse to Work After Death

- Two Sisters Reunited After 18 Years in Checkout Counter
- If Strike Isn't Settled Quickly, It May Last Awhile
- Man Struck by Lighting Faces Battery Charges
- New Study of Obesity Looks for Larger Test Group
- Astronaut Takes Blame for Gas in Space
- Kids Make Nutritious Snacks
- Local High School Dropouts Cut in Half

 TRAVEL TIPS

RADISSON MAKES CONNECTION – VIDEOCONFERENCING TO HIT SITES
(BTNOnline, October 1999)

Radisson Hotels Worldwide, banking on the hope that videoconferencing eventually will be considered a mandatory hotel amenity by business travelers, is doubling the number of properties that offer the service.

While the decision to offer videoconferencing is being left to the management of the individual properties, the Minneapolis-based chain expects that 100 properties will offer access to VirtuaLINC Corp.'s PC-based videoconferencing network by the end of 1999. Currently, 45 properties have the system. Dallas-based VirtuaLINC enables users to link to other high-speed public and private networks, officials said. Radisson Hotels will offer the service for about $75 per hour.

HAPPY BIRTHDAY

Charles Adadevoh	10/9
Brenda Steele	10/10
Arthur Smolensky	10/11
Torre Crupie	10/12
Todd Soller	10/13
Dan Bruce	10/16
Jennette Townsend	10/17
Rod West	10/17

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"THE MOST DAMAGING PHRASE IN THE LANGUAGE IS 'IT'S ALWAYS BEEN DONE THAT WAY.'"

GRACE HOPPER, PH.D. (1906-1992)
U.S. ADMIRAL AND COMPUTER SCIENTIST

PROJECT POSTCARDS

MILESTONE MET AT CLUETT -- STAR WARS STYLE

Once upon a time, in a galaxy far, far away (Atlanta Office, 1970)......

Young KSA jedi-in-training Tony DeMaria, along with his fellow KSA colleagues, did the material handling and operational design for a new distribution center for Cluett, Peabody, & Co., the manufacturers of Arrow (and now Kenneth Cole) shirts.

Now, a new group of young jedi hopefuls have been assembled at the same facility. Our task: to help the facility adapt to the changes that have occurred in Cluett's business over the last several years, and implement operational changes to ensure the facility's success in peak season 1999 and beyond. This involves everything from changing the layout and processes on the receiving and shipping docks, to implementing team and individual standards to reward good performance.

Last week marked a big milestone for us, as our first incentive program kicked off in the Kenneth Cole/Career Apparel module. And what a whopper of a program it is – this area is a "DC within a DC", where a team of 10 employees is responsible for stocking, picking, packing, and everything in between. This means 9 separate standards that combine to form one team productivity percentage, which combines with their accuracy and timeliness percentages to form their overall team performance – whew! This monumental effort has been led by JD "Don't come back without milkshakes" Densmore and Whitney "Is everyone excited? I'm excited!" Herrin. The kickoff was a great success, complete with balloons, a giant cookie, video clips, and the Rocky theme song, with JD and Whitney shadow boxing through the cafeteria (pictures soon to follow).

Mufaddal (Moof) "The maid forgot to wash my dishes again" Moosabhoy and Mark "Cooking is a waste of valuable time" Messinger have been leading efforts to improve efficiency on the receiving dock with swift and significant results. Tammy "C'mon, super size it – what are you, a sissy?" Vehar is leading the effort to maximize throughput on the shipping dock. She has come up with many great ideas which will be put into place beginning this week.

This group of jedis is led by Chuck Easley (our Yoda), and Sharon Gavron (our Obi-Wan Kenobi).

Top 6 things the Cluett team does to keep ourselves entertained on site:
1) Trying to get at least one measly minute of time study from the mouse that is occasionally sighted in the engineering office.
2) Marveling at the amazing similarities between the lives of Whitney Herrin and Whitney Houston (ask her sometime – it's freaky.)
3) Discovering new and exciting functions on Moof's Palm Pilot:
   Moof: "I'm pretty disappointed in it, actually. Sometimes I just can't see the screen well at all."
   Mark: "Oh, so your contrast dial doesn't work?"
   Moof: "Contrast dial?" (Moof has had the Palm Pilot for 1.5 years.)
4) Watching JD skip down the hall towards the mezzanine.
5) Observing the results when you combine one part Tammy, one part caffeine, and three parts sugary Krispy Kreme donuts.
6) Taking bets on what the builders will screw up on Sharon's house each day.

-- MARK MESSINGER

INDUSTRY INSIGHTS

GROUNDBREAKING CONSUMER SURVEY TRACKS NATION'S BIGGEST ON-LINE MERCHANTS
VERIFONE TOP 100 INTERNET RETAILERS
(Stores Magazine, by Susan Reda, Senior Editor, September 1999)

Top 20 In-Line Merchants

Rank	Website	Core Offerings	Primary Channel	Percent of Web Buyers	Mean Customer Expenditure (12 months)	Est. Consumer Sales (8/98-7/99)	Shopping Experience *	Website *
1	eBay.com*	Auction venue	E-commerce	12.5%	$492	$1.1-1.3B	7.9	7.8
2	Amazon.com	Books/media	E-commerce	33.0	158	1.0-1.1B	8.3	8.2
3	Dell.com*	Computers	Manufacturer	1.0	2,535	500-600M	7.9	7.6
4	Buy.com	Computers/media	E-commerce	3.5	554	350-400M	7.2	7.2
5	On-Sale.com	Computers/software	E-commerce	2.2	791	300-350M	7.9	7.5
6	Gateway.com*	Computers	Manufacturer	0.7	1,623	250-300M	7.9	6.6

7	Egghead.com	Computers/ software	E-commerce	3.3	333	150-200M	7.6	7.6
8	Barnesandnoble.com	Books/media	Stores	10.2	126	125-175M	8.0	7.9
9	CDNow.com	Music CD's/movies	E-commerce	8.7	115	125-175M	8.0	7.8
10	AOL.com	Broad selection	E-commerce	3.7	201	100-150M	7.8	7.6
11	UBid.com	Auction venue	E-commerce	1.0	654	100-150M	7.0	7.6
12	Yahoo.com	Broad selection	E-commerce	1.5	453	100-150M	7.8	7.1
13	FirstAuction.com	Auction venue	E-commerce	0.6	1,159	100-150M	7.5	7.7
14	Outpost.com	Computers/ software	E-commerce	0.9	608	100-125M	7.8	7.8
15	Shopping.com	Broad selection	E-commerce	0.8	661	100-125M	6.4	7.8
16	LandsEnd.com	Apparel	Catalog	2.4	207	90-110M	8.4	7.8
17	Columbia House.com	Music CD's	Direct Mail	3.7	134	90-110M	8.0	7.5
18	Adobe.com	Software	Manufacturer	0.3	1,667	90-110M	9.0	7.0
19	Gap.com	Apparel	Stores	1.2	375	80-100M	8.3	7.7
20	Walmart.com	Broad selection	Stores	1.0	454	80-100M	7.7	6.9

The Internet has forever altered retailing. Its reach is global, and its influence on business and consumers is undeniable. Until recently, however, it has remained largely uncharted. The dizzying pace at which e-tailing has grown and changed over the past five years has made it difficult for even the most careful industry-watchers to keep track. Only a handful of Internet-only retailers, commonly referred to as "pure plays," report their sales publicly, while most bricks-and-mortar retailers that have gone on-line don't segment their e-tailing business. The most illuminating way to measure the impact of Internet retailing on traditional stores and direct marketers, it turns out, is to talk directly to mouse-click shoppers. So STORES Magazine, with support from VeriFone, recently commissioned a groundbreaking survey designed to compile a list of the top 100 largest e-tailers, and to measure their impact on total retail business. The statistics on e-tailers cited here are based on information provided by those in the best position to know - their customers.

Over a four-week period in July and August 1999, Leo J. Shapiro & Associates, a Chicago-based market research firm, surveyed more than 1,300 on-line shoppers, who identified more than 700 websites they had shopped at in the past 12 months. A nationwide cross-section of Internet users was interviewed by phone, and on-line surveys were conducted with buyers via the fastWEB database. The survey is intended to measure where on-line shoppers have actually made purchases in the last year, how much they spent over a 12-month period and how pleased they were with the experience. The websites are ranked according to estimated consumer sales, a figure compiled from a national survey of Internet buyers.

It's important to keep in mind that the estimated consumer sales represents that amount of business taken from traditional bricks-and-mortar and catalog merchants - *not the total sales of the company*. Total estimated consumer sales for the top 100 retailers amounts to $7.6 billion.

In all, this one-of-a-kind survey produced some eye-opening findings.

PURE PLAYERS
An enormous concentration the Internet Retailers were born and raised exclusively on the Internet, including No. 1 eBay, an on-line auction site. Nearly half of the companies ranked on the list consider e-commerce their primary channel, and all can chronicle their brief selling history in five years or less. The implications of that finding reflect not only the growth of this digital medium, but also the ease of entry and the desire to circumvent traditional retailing paths.

Among the Internet pure play businesses, one-third sell computer hardware, software or both. The remainder have ventured into a broad array of product categories, including books, music, groceries, toys, garden supplies and fragrances. Industry observers advise that this is only the beginning. They predict that any item a customer can purchase today by walking into a store, picking up a telephone or manually filling out an order form will ultimately be available to on-line shoppers.

There are no diamond retailers or furniture-selling sites in the current Top 100 Internet Retailers, for example, but e-commerce aficionados are already purchasing engagement rings and bedroom furniture using the click-and-shop method.

George Rosenbaum, chief executive officer of Leo J. Shapiro & Associates, credits the Internet with reinventing American business and reviving the American dream. "Anyone big or small can go into business via the Internet - and they are," says Rosenbaum, who had to whittle down a list of more than 700 websites mentioned by shoppers. "America was once a nation of small retailers, but over the last 20 years in particular this industry has become dominated by multi-billion dollar retail corporations building multi-million dollar stores. "The Internet provides an opportunity for those with an irrepressible entrepreneurial sense to get in on the ground floor of something that will grow to be quite large," Rosenbaum continues. "It's extremely difficult to start out as a bricks-and-mortar retailer today and it takes years to build the critical mass and the broad exposure that e-commerce retailers can potentially achieve on-line in a matter of months."

The fact that anyone with a dream and a modicum of ingenuity can start an e-commerce business in a very short period of time implies that this Top 100 list could look very different six months from now. While the Top 10 may be reasonably well entrenched, the world of electronic commerce is changing faster than any other major part of the economy. Some of the retailers on the current list will be weeded out, the victims of sloppy customer service, poor fulfillment or lack of interest, while others will grow exponentially.

Drugstore.com is a perfect example. Although drugstore.com is only seven months old, it is ranked No. 80 on the list. While the backing of several Internet heavyweights has helped to propel the meteoric rise of this website, which is 45 percent owned by Amazon.com, it remains an impressive achievement given the brand recognition of established drug store retailers, such as Walgreen, that are also engaged in e-commerce.

Another substantial finding of the study is that the death of bricks-and-mortar retailers at the hands of click-and-mouse competitors has been exaggerated. Twenty-one of the websites ranked in the Top 100 are traditional retailers at heart, while 25 of the sites cited earned their stripes as catalog and direct mail operators. Several of the traditional merchants that won kudos from on-line shoppers are relatively new players in the digital world. **Gap, Wal-Mart, JCPenney, Sears** and **Nordstrom** quickly realized that by marshalling their fundamental strengths, including merchandising expertise, precise inventory management, efficient distribution and strong brand recognition, they could become a force to be reckoned with on the Internet.

Traditional merchants also have a powerful trump card, which they've learned to play deftly. In their stores, on their shopping bags and sprinkled liberally on direct mail communications, bricks-and-mortar retailers have stamped their Internet addresses. Although there is no way to measure the impact of that exposure, it's clear that messages that get reinforced regularly get attention.

Bricks-and-mortar retailers, catalogers and multi-channel store operators are also well equipped to provide customer service and attention throughout the purchase. Catalog operators and some of the large chains that have entered the fray, including **Macys**.com, **Eddie Bauer** and Nordstrom, already have established call centers and sophisticated fulfillment systems. Meanwhile, customer service and fulfillment remain hurdles for many of the pure plays that cut their teeth on the web.

AUCTION APPEAL
e-Bay sits at the zenith of the Top 100, with 12.5 percent of web buyers and $1.1 billion to $1.3 billion in estimated consumer sales of goods that could be purchased from a retail store or catalog, for the 12 months from August 1998 through July 1999. Ubid is ranked No. 11 on the list and First Auction holds the No. 13 spot. In all, there are six on-line auction sites counted in the Top 100, and the on-line shoppers surveyed claim to have spent heavily over the last year. (Those six do not include sites where auction venues are secondary, such as Amazon.)

At eBay, customers report spending an average of $492 from August to July; Ubid shoppers plunked down an average of $654 over the same time period. In all, customer sales at auction venues are estimated to be in the range of $1.4 billion to $1.7 billion. To put that figure in perspective, estimated spending is $1.1 billion to $1.3 billion for the four book retailers on the list and $400 million to $545 million among the nine apparel sites ranked.

Once dismissed as a passing fad, on-line auctions are clearly not a trend that will fade with time. Auctions have become positive drivers of e-commerce and a new vehicle for conducting global business. The sales figures imply that consumers see auctions largely as an alternative to retail stores. These sites have quickly established a new medium and are reshaping the price/value equation in the mind of the consumer.

With auctions driving competitive pricing, retailers will find it harder and harder to hold fast to an everyday price - low or otherwise. Rosenbaum sees it as part of the evolutionary shift in pricing. "Go back 30 or 40 years and you'll find that the price the merchant put on a product was

the price it sold for. In the '60s and '70s, discounting and off-price retailing came into vogue and systems were set up to sell items for less. Today, on-line auctions are removing price altogether. The price has to be discovered through collective bidding. Now the game is fair market value, and retailers are going to have to learn how to play."

There is a sociological factor in play here as well. While retailing tends to be interactive and social, on-line auctions are conducted in total anonymity, and shoppers appear to be increasingly comfortable with that idea. They're using the Internet to gather information and whether they make a purchase on-line or not, they are often more knowledgeable about a product than a sales associate on the selling floor. On-line auction shoppers are anonymous and empowered by knowledge - a powerful combination for the buyer and a potentially intimidating one for the seller.

Retailing has shifted from a time many years ago, when interaction was essential, to a self-service model that dominates most of the industry today. Retailers have been preparing consumers for the prospect of not receiving any help for some time now, for example, in the case of supermarkets that are experimenting with shopper self-scanning. Viewed from that standpoint, it is not surprising to see three auction sites among the top 13.

WORDS AND MUSIC
Books and music, which have been counted among the top selling products sold via the Internet in numerous surveys, continue to be an enticing draw for on-line shoppers. The Leo J. Shapiro study finds, for example, that four of the six websites attracting the highest percentage of web buyers designate books and CDs as their core offering.

One-third of all web buyers surveyed report shopping at Amazon, while 10 percent have made a purchase at BarnesandNoble.com. Among music retailers, CDNow is shopped by the greatest percentage of on-line shoppers, 8.7 percent, vs. 3.7 percent at Columbia House and 2.6 percent at BMGMusic.

Although books and music are obviously much lower ticket items than the computer hardware and software and collectibles sold by several of the other websites that lead the list, on-line shoppers' combined spending for books and music is estimated to be between $1.4 billion and $1.7 billion.

Judging from figures compiled here, the highly publicized battle between Amazon.com and Barnesandnoble.com is little more than a heated skirmish, with Amazon clearly holding the upper hand. Still, the Internet efforts of Barnes & Noble, the nation's largest bricks-and-mortar bookseller, cannot be underestimated. In price and service, B&N has attempted to go toe to toe with its chief competitor and made tremendous strides with its e-commerce initiative, especially considering that Amazon had a two-year jump on the digital channel.

While Amazon would appear to be the runaway leader among booksellers on-line, there's a real horse race going on among music merchants, three of which are ranked in the top 25. CDNow (including recently acquired Music Boulevard) leads the pack in terms of percentage of web

buyers and estimated consumer sales, with 8.7 percent of shoppers ringing up sales of between $125 million and $175 million.

Jockeying for position just a few paces back are Columbia House and BMG Music. Although the two competitors have a smaller percentage of buyers, those who do make purchases are spending more yearly than on-line shoppers at CDNow. The annual customer expenditure of Columbia House shoppers is $134; at BMGMusic it is $156, compared with $115 at CDNow.

COMPUTERS AND CLOTHING

Computers and related products remain the most sought-after product categories on the Internet. Dell, Buy.com, Onsale.com, Gateway and Egghead, stacked one on top of the other in the rankings, are obvious frontrunners. But some interesting differences surface.

More on-line shoppers mentioned Buy.com as a website where they have made a purchase, but customers who frequented the site actually spent less there. Not surprisingly, Dell and Gateway are high on the Top 100 list in terms of mean customer expenditures, with Dell customers spending a mean of $2,535 and Gateway shoppers ringing up a bill of $1,623 over 12 months. Onsale.com may be the dark horse worth watching. With more shopper mentions than Dell and Gateway and a mean yearly expenditure of $791, Onsale.com could plunder market share while attention is focused elsewhere.

It appears that Egghead executives made the right call when they elected to close their physical stores and focus their attention on web selling. Egghead, ranked No. 7, lured 3.3 percent of the on-line shoppers surveyed to its site and rang up estimated consumer sales of $150 million to $200 million. The figures hold even more weight because Egghead sells primarily software, which is a lower cost item than computer hardware.

The strong showing posted by e-commerce computer resources is not surprising. They were the first to stake a claim on-line, and they've remained leaders in the digital world. The fact that consumers need a computer to access the Internet will continue to stoke sales in the category, but dramatic growth may be a thing of the past for this mature group.

Meanwhile, apparel and broad selection-type retailers are showing that they can successfully make the transition to the Internet channel. Three major retailers that traditionally rely on real estate to grow their business appear in the top third of the list, with Gap No. 19, Wal-Mart No. 20 and JCPenney No. 28. The research clearly shows that on-line shoppers gravitate to recognizable and trusted brand names and that traditional stores with established brands, such as Macy's and Nordstrom, have a key advantage when they go on-line.

Though Gap merchants aren't saying just how well www.gap.com is performing, Zona Research recently reported that the Gap website produces more volume than all but one of the company's bricks-and-mortar units. The STORES survey found that on-line shoppers spent an average of $375 at Gap over the last year, in part because of the site's interactive technology, which invites web shoppers to mix and match outfits with a click.

Companies that made a name by selling apparel through catalogs appear to be very successful thus far at transitioning their business to the web. Lands' End, **Spiegel**, Eddie Bauer and **L.L. Bean** all rank in the top third of the chart, with Lands' End leading the pack. Ranked No. 16, Lands' End attracted 2.4 percent of the web buyers surveyed and tallied estimated consumer sales of $90 million to $110 million.

Missing from the chart, however, are any web-only apparel players. Unlike books, music, toys or groceries, where one or more entrepreneurs have been able to refashion the category into a successful e-commerce business, apparel remains a product for which brand recognition and trust are the tickets to entry on the web. The start-up barrier is greater for unbranded apparel than for other product categories.

Widely held opinions about shoppers' reluctance to purchase career apparel, tailored clothing, social occasion garb, swimwear and other difficult-to-fit items appear to have some validity, according to the STORES findings. Looking at the apparel retailers that made the chart, virtually all are known for selling looser-fitting casual sportswear. The need to touch the fabric, feel the quality and check the fit before buying remain key components of the shopping experience that cannot be replicated on-line.

The success of traditional retailers and catalog operators on the web will be measured to some degree by their ability to integrate the various channels in which they sell product. In the mind of the consumer, www.jcpenney.com is no different from the JCPenney's at the mall, and shoppers expect to be able to return something purchased on the web to the store.

POTATO CHIPS AND PORTALS

Among the more surprising findings in Top 100 Internet Retailers survey was the solid showing by on-line groceries sellers. Peapod came in at No. 22, while NetGrocer is No. 81. While skeptics have questioned whether shoppers will want to click their way through the weekly food list, many consumers appear to be willing participants. The first attempt at switching from pushing a cart down a grocery aisle to clicking a mouse through a virtual grocery store is time-consuming, but it tends to be a one-time event. Perks such as having that list saved and being able to reuse it for future orders offer time-saving dividends that appeal to consumers. The survey findings indicate that the monthly on-line order at Peapod is $171, or $2,056 over a 12-month period. At NetGrocer, shoppers claim to have spent $373 over a 12-month period, but may not have been signed up for the full year.

While many shoppers may prefer to pick their own melons or steaks, the click-and-shop method works just fine for cereal or paper towels. The trick for these on-line grocers may be to get enough loyal shoppers to spend $2,056 a year with them. Then it won't matter if old habits - like stopping at the local grocery store for dinner and fresh milk on the way home from work - are hard to change, because on-line grocers will have gotten their piece of the action.

Another factor in play is the role of demographic changes. As the proportion of Americans age 65 and older continues to swell, so too will the profits of businesses that find ways to serve this savvy group, with its tremendous purchasing power.

Internet portals know a thing or two about power. Defined as a website or service that offers a broad array of resources such as e-mail, forums, search engines and an on-line shopping mall, portals have been the objects of a great deal of attention this year. Only two genuine portals are ranked in the Top 100: AOL (No. 10) and Yahoo! (No. 12). AOL boasts a higher percentage of web buyers, 3.7 percent, vs. 1.5 percent for Yahoo! Even so, estimated consumer sales for both portals range from $100 million to $150 million. Comparing shoppers on a one to one basis, those who made purchases at Yahoo! in the last 12 months actually spent more than AOL shoppers.

SHOPPING EXPERIENCE

Shopping on-line is still a relatively new experience, with its own developing set of criteria. Shoppers judge their on-line shopping experience by whether or not items are in stock, if they receive an order confirmation, if the items are delivered when promised, and if they feel good about the price. They tend to evaluate the website a bit differently. Was the site easy to navigate? Were the photos easy to view or enlarge? Was the payment process and credit approval a simple procedure or a major headache?

On-line shoppers gave Compaq, Nordstrom, Lands' End and Drugstore.com high marks when asked to evaluate their shopping experience. Apple, 1-800-Flowers, Beyond.com and Hammacher Schlemmer, by contrast, are near the bottom of the list with ratings of 6.9 and below. Websites that received high marks from on-line shoppers included Godiva, Peapod and Nordstrom. E-commerce sites given poor ratings (6.9 and below) included Wal-Mart, Beyond.com, **Fingerhut** and Microsoft.

An overview of the shopping and web experience ratings produces some interesting findings. For starters, on-line shoppers seem happier with their shopping experiences at pure play e-commerce sites. Six of the top sites are pure plays and five are manufacturer sites. The success of manufacturers may be closely tied to their typically keen understanding of their customers and what they want to buy.

Websites visited by a higher proportion of shoppers received somewhat lower grades, which may be due to the fact that multiple shopping experiences translate into more chances for something to go wrong. Amazon, which is routinely praised by shoppers, received a rating of 8.3 for the shopping experience and 8.2 for the web experience. Other e-tailers that ranked near the peak of the Top 100 chart but also received mediocre ratings included eBay, which garnered a rating of 7.9 for the shopping experience and 7.8 for the website, and Dell, which received ratings of 7.9 and 7.6, respectively.

It's interesting to note that bricks-and-mortar retailers have additional resources to draw on over pure play e-tailers when it comes to website presentation and the overall shopping experience. With years of experience in in-store merchandising and store design, at least some of that expertise can be tapped as they develop their websites. But computer manufacturers generally have less merchandising experience, which may explain how a company like Gateway ends up with a mean website rating of 6.6.

NOTABLE ABSENCES

Another significant aspect of the Top 100 Internet Retailers survey is the conspicuous absence of a number of e-tailers that have received considerable media attention. There are, for example, no greeting card companies on the list, and both office supply merchants and electronics retailers are in short supply. Part of the explanation for this might be that the survey measures on-line purchasing, rather than site visits. In the case of an e-tailer like www.bluemountainarts.com, the site might receive thousands of hits per day, but how many visitors are actually buying, and how many are taking advantage of free e-cards? Staples and **Office Depot** are making names for themselves on the web, but a sizable share of the business to this point is coming from business to business sales, which were not taken into account in this survey.

Electronics merchants such as Best Buy and Circuit City also didn't make the Top 100 listing, suggesting that the electronics-heavy on-line auction sites are nibbling at their business. Others are encroaching on that territory as well, including Amazon. Unless electronics retailers find a way to jump start their e-commerce efforts today, they run the risk of finding that there's no room for them tomorrow.

The Internet Top 100, the first of its kind, is a list that is likely to be totally transformed within six months. Virtually every analyst who follows this burgeoning channel is predicting that the upcoming holiday season will be a watershed for Internet commerce. Shoppers who never bought before will dabble in this new medium, while those who have had positive shopping experiences will spend more freely and be more experimental than they were a year - or even six months - ago.

> *You can find the complete listing of the 100 Top On-Line Merchants*
> *and other survey information at: www.stores.org*

ETOYS READIES $20 MILLION ADVERTISING BLITZ TO HIT HOMES FOR THE HOLIDAYS
(Wall Street Journal, September 27, 1999)

Online retailer **eToys** is launching a splashy $20 million national television and print campaign this week, positioning itself for what promises to be a brutal shakeout this holiday season for a growing list of Web-based toy companies. The price tag is especially significant because it represents nearly 70% of the company's total revenue last year, and 16% of its estimated 1999 revenue of $125 million.

The ads, produced by San Francisco's Publicist & Hal Riney, aim to build eToys' brand and do far more than many Internet ads that simply introduce their site to consumers to build name recognition. eToys is seeking to move away from the characteristically flip tone that pervades most "dot-com" advertising.

NOTES...NEWS...NONSENSE:

FUN THINGS TO DO IN AN ELEVATOR
»   Make race car noises when anyone gets on or off.
»   Whistle the first seven notes of It's a Small World incessantly.
»   Crack open your briefcase or purse, and while peering inside ask: Got enough air in there?
»   Offer name tags to everyone getting on the elevator. Wear yours upside down.
»   Stand silent and motionless in the corner, facing the wall, without getting off.
»   On the highest floor, hold the door open and demand that it stay open until you hear the penny you dropped down the shaft go plink at the bottom.
»   Stare, grinning, at another passenger for a while, and then announce: I've got new socks on!
»   Meow occasionally.
»   Holler "Chutes away! whenever the elevator descends.
»   Ask each passenger getting on if you can push the button for them.
»   Wear a puppet on your hand and talk to other passengers through it.
»   Start a sing-along
»   Say "Ding!" at each floor.
»   Draw a little square on the floor with chalk and announce to the other passengers that this is your personal space.

TRAVEL TIPS

HUNGRY FOR A QUICK FIX?
(Frequent Flyer, September 1999)

McDonald's will help you find it – providing what you want is a Big Mac or the like. A new trip planner and restaurant locator on the McDonald's Web site asks for a street address and state or zip code. It will quickly produce a map showing all McDonald's restaurants in the area and give detailed directions on how to get there from the specified address. (www.mcdonalds.com)

HAPPY BIRTHDAY   Melisa Olson   10/8

HAPPY ANNIVERSARY

Todd Soller   **10/6**
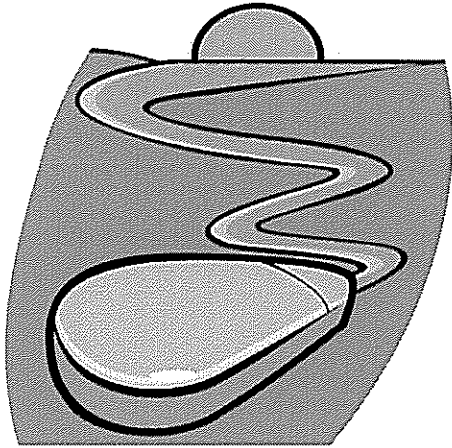
QUOTE OF THE WEEK:

"I THINK THERE IS A WORLD MARKET FOR

MAYBE FIVE COMPUTERS."

-- *THOMAS WATSON, CHAIRMAN OF IBM, 1943*

"640 K OUGHT TO BE ENOUGH FOR ANYBODY. "

-- *BILL GATES, 1981*

INDUSTRY INSIGHTS
CATEGORY KILLERS - GIANTS OF THE 20TH CENTURY
THEY LEFT THEIR COMPETITORS WITH NOWHERE TO HIDE.
(by Patricia Sellers Fortune, September 27, 1999)

Lest you think the Internet spawned this consumer-friendly age of direct, hassle-free retailing, consider the legendary General Robert Wood. Director of Construction for the Panama Canal, he was the U.S. Army's chief supply officer during World War I. A born strategist (and oddball hobbyist – his favorite reading was *Statistical Abstract of the United States*), Wood studied population flows and foresaw the postwar economic boom in and around America's big cities. When he went to work for catalog merchant Montgomery Ward in 1919, he pestered his bosses about how selling direct – in those days, by mail order – was an outmoded way of doing business. To be modern, Wood contended, Ward needed to physically set up ship where the consumer was: on the expanding network of highways, with big, easy-to-shop stores. Ward's CEO rejected the notion and fired Wood. But **Sears and Roebuck** hired the pesky general, embraced his strategy, and took the leap from direct mail into bricks and mortar. Before long Sears was an icon of innovation and the largest retailer in the world.

No one defied the conventional wisdom more consistently than Sam Walton. While Sears and other renowned merchants plunked their big stores in the cities and the suburbs, Walton saw his opportunity in rural America. In retrospect, the insight seems inevitable: Major retailers hadn't yet located there. But the man who would eventually build the world's fourth-largest corporation was neither an obvious nor an overnight success. Walton was a 44-year old variety-store

operator in 1962 when he opened his first Wal-Mart in Rogers, Arkansas. And he didn't even invent discounting (buying direct from manufacturers and displaying stuff in bulk): **Kmart**, F.W. Woolworth's Woolco, and **Dayton Hudson's** Target all started that year.

So what made Walton the merchant king? He chose his sites more skillfully, by buzzing his airplane low over the crossroads between small towns. He also delivered his merchandise more smoothly, by investing heavily in high-tech logistic systems. Like a stealth flier eluding enemy radar, Walton went unnoticed by his rivals well into the '80s; in fact, Sears' neglect of Wal-Mart was a major reason for its decline. Yet the revolution that "Mr. Sam" began was no less than the democratization of the economy. Following an era in which suppliers told retailers what to buy and merchants spoon-fed consumers, Walton squeezed suppliers' profit margins and funneled the savings to the public. He paved the way for a new breed of retailer – the category killer.

Following Wal-Mart's success, a slew of high-volume niche operators – Toy's "R" Us, Circuit City, Barnes & Nobel, Blockbuster – blew into America's suburbs, putting less efficient merchants out of business. But it was **Home Depot**, the *Über*-killer with the lethal mix of low prices and topnotch service, that really buzz-cut the competition. As it happened, Bernie Marcus, a former pharmacist, and Arthur Blank, an accountant, were fired from their first big jobs in retailing. Soon after, when they found a wealthy financier to back their own chain of big-box hardware stores, the voluble Marcus got into such a squabble with the investor that he and Blank decided to pass on the guy's money. Too bad for Ross Perot: The $2 million stake he almost invested in Home Depot in 1978 would be worth $60 billion today.

Only a few years ago, a new figure wandered into this land of unlikely retail giants: a scawny 30-year-old former hedge fund manager who drove west to open a store where the consumer was moving – on line. He's a hardscrabble entrepreneur and a shrewd CEO who recruited information-systems pros from none other than Wal-Mart. In fact, Jeff Bezos' bodysnatching got Amazon sued by Wal-Mart for stealing trade secrets. (The parties settled.)

Bezos has weathered the usual derision. Since Amazon opened it "doors" in 1995, "we've been called Amazon.con, Amazon.bomb, and Amazon.org – which is clearly because we're a not-for-profit company," he says. But in building the leading e-retailer, with revenues of $610 million last year and current stock-market of $22 billion, Bezos has more than survived. Beginning with books, then CDs and videos, he has lately branched out into toys, consumer electronics, and online auctions. Now he's determined what Amazon will ultimately be. The Wal-Mart of the web? Not quite: "We want to be the most customer-centric company in the world."

HEWLETT-PACKARD'S OPENVIEW OBSERVER LETS COMPANIES TRACK CONSUMERS' HABITS ON THE INTERNET
(by Beth Bacheldor, Information Week, September 14, 1999)

Hewlett-Packard unveiled software designed to help companies optimize their Web sites by tracking customer experiences. OpenView Observer, part of HP's OpenView line of network and systems-management products, captures a variety of data, such as how long a customer spends in an online order-entry application.

The idea is to help businesses track situations in which customers abort online purchases, or determine how long customers will wait before leaving a site. Armed with that kind of information, companies can determine the best design content and layout for their Web sites, says Maureen Mellon, OpenView E-Services Management business manager. Rick Ptak, an analyst with Hurwitz Group, says that although OpenView Observer's functionality is not particularly unique, integrating it with all of HP's OpenView products adds value. "You could adapt the behavior of the application to improve the service that particular client is getting," he says.

OpenView Observer can capture information such as every time a customer hits the "back" key or cancels a transaction on a Web site. It can also collect data such as the visitor's Internet service provider, modem speed, connection type, and time zone. "It gives you the ability to create, in essence, a technical profile of customers," says Barb Goldworm, a director at consulting firm Enterprise Management Associates. "It is real data, real experiences, real connections – and I can make some intelligent decisions on what kind of experience I want to create for them and how much I'm willing to invest."

Getting customers to download the necessary lightweight plug-in for their browsers could be difficult, analysts say. But, "since the ultimate objective is to improve the customer's experience," Ptak says, customers may be willing.

OpenView Observer is set to ship by the end of October. Pricing starts at $4,995.

BRIDAL-REGISTRY SITE DELLA & JAMES TO GET $45 MILLION FROM INVESTORS
(By GEORGE ANDERS, Staff reporter, THE WALL STREET JOURNAL)

Della & James Inc., a bridal-registry site on the Internet that started operations just three months ago, is getting $45 million in equity from investors led by four big-league retailers, including Amazon.com Inc., and **The Neiman Marcus Group, Inc.**

The investment comes as more than a dozen Internet start-ups are battling for leadership in the bridal-registry business. Rivals now include TheKnot Inc., WeddingChannel Inc., AffairNet Inc. and WedNet Inc. Most are tiny businesses, but they have attracted keen investor interest on the belief that some day, much of the $17 billion a year in registry orders of U.S. wedding gifts will be placed over the Internet.

Rebecca Patton, chief executive of Della & James, declined to specify how much business her company is doing, except to say that "we've shipped thousands of gifts." She added that the equity investment "takes us a long way toward being able to go public."

Overall, the new investors are buying little more than 35% of Della & James. The largest stake, 20%, is being purchased by Amazon.com, the Seattle-based online merchant. The next largest stake, about 10%, is being bought by Neiman Marcus, Chestnut Hill, Mass.

Both Amazon and Neiman Marcus are getting board seats on Della & James. Amazon hasn't yet decided which executive will serve on the board. Ms. Patton said Neiman Marcus will have its co-chief executive, Robert Smith, join the board.

Crate & Barrel, Inc. and **Williams-Sonoma,Inc.** also are taking smaller stakes in Della & James. Also, two venture-capital firms that provided the company with seed money earlier this year are making additional investments. They are Trinity Ventures and Kleiner Perkins Caufield & Byers, both based in Menlo Park, California.

Della & James already helps couples register at Neiman Marcus, Crate & Barrel and Williams-Sonoma. In return, it gets a share of dollars wedding guests spend ordering gifts from those stores.

Ms. Patton wouldn't disclose the precise revenue split but said it is in line with other affiliate-merchant programs on the Internet. Those often pay 10% to the organization that brought in the sales referral. Ms. Patton also said Della & James plans to expand into an all-occasion gift registry. A major effort will go toward setting up family shopping lists for Christmas, she said. The company hopes to work closely with Amazon to develop such a service for Amazon's nearly 11 million registered users.

WHY MORE INTERNET USERS AREN'T MAKING ONLINE PURCHASES
(Business Wire, September23, 1999)

Only one-in-three Internet users so far have actually made a purchase online, according to data reported by The Internet Commerce Briefing.

Approximately two-thirds (64 percent) have used the Internet to research purchases, but why aren't more taking the final step and completing those purchases online? The barriers most frequently cited by individuals include product pricing (77 percent), potential return hassles (67 percent), concerns about credit card security (65 percent), and personal privacy issues such as worries about junk e-mail (58 percent).

Difficulties in navigating merchant sites were cited as a barrier by 35 percent of individuals who have yet to make an online purchase and, somewhat surprisingly, by 48 percent of those who have purchased something online. One-in-four buyers also complained about the amount of time it took to receive their orders.

While a sizable gap exists between the number of online shoppers and buyers, the average visitor/buyer conversion rate of 2.7 percent among leading online merchants approximates the conversion rates of their offline direct response competitors. A majority (61 percent) of these online merchants reported conversion rates of 2 percent or less while 5 percent reported rates in excess of 6 percent.

Among publicly-held online merchants, Intermarket estimates that the companies most effective at converting shoppers into buyers during the first quarter of 1999, along with the approximate amount invested to acquire each new customer, are as follows:

» Autobytel.com $20.40
» Amazon.com $27.60
» Beyond.com $29.30
» Priceline.com $32.30
» BarnesandNoble.com $42.00

NOTES...NEWS...NONSENSE:

To be Productive or not to be Productive, that is the choice...

DO		DON'T	
C	reate a sense of team among your colleagues	W	ait for someone to involve you
O	wn your responsibilities. Honor commitments	H	old back good ideas
N	etwork within KSA	I	gnore the fact that to the client, you ARE KSA
T	each client staff to be self sufficient	N	egate what you are learning
R	esolve emerging issues promptly	E	ngage people in unproductive gossip
I	nvest time in learning practice methodologies		
B	uild credibility		
U	nderstand your client's needs		
T	ry creative approaches when faced with obstacles		
E	njoy yourself		

-- Pam Beckerman

 TRAVEL TIPS

HOTELS BEGIN OFFERING COMPUTERS IN THE GUEST ROOM
(by: Cheryl Rosen, BTN Online, September 1999)

Choice Hotels International Inc., is installing computers in 1,000 guestrooms in four hotels, and will add as many as 50,000 more by year-end. Meanwhile, Solar Communications Group Inc. of Millville, N.J., last month completed three weeks of testing its PCRoomLink system at the Holiday Inn in Runnemede, N.J., and last week began installations in 76 rooms at The Houstonian in Houston. Next on the delivery schedule are the Trump International and Excelsior hotels in New York, and the Admiral Fell Inn in Baltimore.

Industry reaction to the in-room computer concept runs the gamut from fascination to dismay. "It's the future," said an enthusiastic Robert Daykin, T&E business manager for Europe and Africa at Halliburton Co. in England. "Laptops are expensive to purchase and maintain, and they have an unfortunate tendency to go AWOL and disappear. Here, you don't have to carry a PC and can still have access to your work and your e-mail." But the hospitality industry, burned once or twice by large investments in technologies that never took off (think "in-room fax machines"), remains for the most part skeptical, asserting that the cost is too high and the security issues too complex.

Still, said PricewaterhouseCoopers director of hospitality information technology Bob Bennett, "The skepticism I have is how productive travelers can be without their files, or even with having only 20 megabytes of memory to work with. It'll work for some, but I'm skeptical about the volume they're going to get unless companies allow them access to their internal networks, or move from internal to Internet-based e-mail systems." The key to success, all agreed, surely will lie in gaining enough critical mass of computers in hotel rooms so that travelers begin to consider the possibility of not bringing their own.

For Michael Murphy, IS support services director at Carlson Hospitality Corp., security is another key issue. "As a business traveler in a very competitive world, you, the hotelier, want me to transfer 20 megabytes of my business data onto your Internet server? I don't think so," he said. "The issue of liability concerning files being infected by a virus really concerns me in this configuration. Who's responsible if data gets stolen, deleted or infected with a virus? Is the hotel indemnified against legal action in such an event?"

Corporations will not be happy to have travelers access their internal network "using a non-company-owned asset, that wasn't tested or certified by the company and that has an unknown level of antivirus protection or system security. The more reasonable approach, and the safest, is for guests to use their own laptop computers (with their company's security, antivirus software and VPN solution already installed by their own technology support group) and the hotel simply provide network connectivity."

But TravelTech Consulting president Norm Rose in Belmont, Calif., was more hopeful. "There's a piece of this that makes a lot of sense, as far as having equipment in the room, and a part that doesn't seem to make much sense, when we talk about transferring data to someone else's computer. This will materialize when wide-band connectivity is a lot more ubiquitous, so basically you can plug in any place with any device and get your information. We're getting there, though it's still some time away. This may not be the total solution, but it's a step in the right direction."

RELOCATOR ROUNDUP AS OF 9-24-99:

Note: *Please contact Laurie Crankshaw with corrections.*

GT Interactive
Lancaster, PA
BSteele
DTyson

Coldwater Creek
Parkersburg, WV
TSoller
AEisa
BGriffith

Princeton Office
MMaddox
DUlicny
LDigulla
LGiles
JPicken

Kmart
Greensboro, NC
DTPurefoy
FLeggio
JBao
JTimberlake

Cornerstone
Cincinnati, OH
SVanags
JTownsend
VLevy
BAnderson
ASmolensky

Kmart
Detroit, MI
IChang

eToys
Danville, VA
JRaines
TFong
EMorales

Manhattan Associates
Atlanta, GA
JWatschke
TCopland
AJohnson

United Kingdom
SADeaton
EBDayton

Guess?
Louisville, KY
BEhlenberg
BTaylor
ATodd
JMays
IChristos

BonTon
York, PA
SOsburn
MThomas

Cluett
Atlanta, GA
JDDensmore
KAcosta
DMiddlebrooks

Consolidated Stores
Montgomery, AL
WWosilius
BSampson

Atlanta Office
SDencker
JBJenkins
MVMessinger
MMoosabhoy
TVehar
Wherrin
JLykens

Blockbuster
Dallas, TX
JCDowd
CRettig
CMcGraw
ABall

800.com
Portland, OR
ABrunson
TAMitchell

eToys
Santa Monica, CA
BEhlers
SOlds
MKellogg

Tokyo Office
KRSwensen
GRDugger
DBruce
BRoge

September 24, 1999 Hotshed
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HAPPY BIRTHDAY

Tony DeMaria	9/29
Jack Horst	9/30
Dallas Middlebrooks	10/1

HAPPY ANNIVERSARY

Suzanne Judd	10/1/84

QUOTE OF THE WEEK:

"BEWARE OF SMALL EXPENSES;
A SMALL LEAK WILL SINK A GREAT SHIP. "

-- BENJAMIN FRANKLIN

INDUSTRY INSIGHTS

FAMILY DOLLAR REPORTS SALES
(PRNewswire, September 1999)

Family Dollar Stores, Inc. a discount store chain operating 3,328 stores in 39 states, reported sales for the four week period ended August 28, 1999, of approximately $206.5 million, or 14.2% above sales of $180.8 million for the similar period in the prior fiscal year. Sales in existing stores for the four week period ended August 28, 1999, increased approximately 4.8% above existing store sales for the similar period in the prior fiscal year. The increase in sales in the four week period ended August 28, 1999, was achieved despite the fact that the Company eliminated an advertising circular that was distributed last year in the last week of July and first week of August.

For the thirteen week period ended August 28, 1999, sales were approximately $692.1 million, or 14.9% above sales of $602.6 million for the similar period in the prior fiscal year. Sales in existing stores for the thirteen week period ended August 28, 1999, increased approximately 5.9% above existing store sales for the similar period in the prior fiscal year.

For the fifty-two week period ended August 28, 1999, sales were approximately $2,751.2 million, or 16.3% above sales of $2,366.5 million for the similar period in the prior fiscal year. Sales in existing stores for the fifty-two week period ended August 28, 1999, increased approximately 7.8% above existing store sales for the similar period in the prior fiscal year.

WEDDINGCHANNEL.COM AND FEDERATED LAUNCH INTEGRATED REGISTRY
(Business Wire, September 14, 1999)

W eddingChannel.com, the Internet's most comprehensive wedding planning resource, and **Federated Department Stores, Inc.,** the nation's leading department store retailer, announce the launch of their groundbreaking integrated online and off-line bridal registry.

The alliance between these premier bridal retail destinations represents the debut of one of the industry's largest and most extensive registries, which brings thousands of products and unmatched bridal planning tools, exclusive content, and personalized features to more than 330,000 engaged couples at launch.

This first-of-its-kind, fully integrated bridal registry revolutionizes the registry process for couples by combining the in-store registry experience, with the convenience of monitoring registry selections from home and allowing guests to purchase gifts online. As opposed to linking out to other retailers' sites, WeddingChannel.com's partnership with Federated provides couples nationwide with a fully integrated and comprehensive online registry and wedding planning service. The registry combines all the features of WeddingChannel.com with Federated's premier stores: **Macy's, Bloomingdale's**, The Bon Marche, Burdines, Goldsmith's, Lazarus, Rich's and Stern's.

"The integration of Federated's bridal registry with WeddingChannel.com offers couples and attendees alike a completely streamlined registry and e-commerce opportunity with hassle-free customer service and in-store returns," explained Adam Berger, President of WeddingChannel.com. "By partnering with one of the most extensive bridal registries in the world we have enhanced our standing as the premier online bridal resource. Our continued commitment to selecting only a limited number of the highest quality retail partners will clearly differentiate WeddingChannel.com as the only place couples need to register."

"Federated's integration with WeddingChannel.com is a great opportunity to intensify our national in-store and online registry position by creating a full service wedding resource on the Web," commented Ronald Tysoe, vice chairman of Federated. "This further integration of e-commerce with our stores will continue to enhance both shopping experiences for brides and grooms as well as their guests." This alliance provides unparalleled service and accessibility for today's engaged couples, as the integrated registry accommodates both cyber-savvy attendees and guests who prefer the in-store experience. Engaged couples simply register at one of Federated's 403 department stores, and their selections are posted online through both the WeddingChannel.com site and each of the co-branded Federated/WeddingChannel.com online shopping sites.

In addition to the registries, WeddingChannel.com's services also will be accessible through the Federated Web site (www.federated-fds.com) and each of the individual store Web sites such as Macysbridal.com, and Richsbridal.com. Wedding guests who log on to any one of these sites

are provided with the couple's gift choices and are able to select, purchase, and ship any gift item in a matter of minutes. In addition, at WeddingChannel.com, visitors can access details regarding the couple's forthcoming ceremony and reception, as well as travel logistics.

TOP TWENTY RETAILERS
(Source: National Retail Federation, 1999)

Rank	Company (Head-quarters)	Volume (000) 1997	1996	Change	Earnings (loss) (000) 1997	1996	Change	Units 1997	1996	Change	Comments
1	Wal-Mart Bentonville, Ark.	$117,958,000	$104,859,000	+12.5%	$3,526,000	$3,056,000	+15.4%	3,408	3,054	+11.6%	International stores now more than 600 strong.
2	Sears, Roebuck Hoffman Estates, Ill.	41,469,000	38,236,000	+8.5	1,188,000	1,271,000	-6.5	3,530	3,371	+4.7	Credit concerns continued into'98, but business is solid.
3	Kmart Troy, Mich.	32,183,000	31,437,000	+2.4	249,000	(220,000)	--	2,136	2,419	-11.7	Looking better every quarter; ex-Venture stores will help.
4	JCPenney Plano, Texas	30,546,000	23,471,000	+30.1	566,000	565,000	+0.2	3,927	1,883	+108.6	Drug stores account for about 35% of the volume.
5	Dayton Hudson Minneapolis	27,757,000	25,371,000	+9.4	751,000	463,000	+62.2	1,130	1,100	+2.7	Dept. stores rebound, but Target carries the scoring load.
6	Kroger Cincinnati	26,567,348	25,170,909	+5.5	411,657	349,873	+17.7	2,198	2,187	--	Has more major competition than any other grocery chain.
7	Home Depot Atlanta	24,155,746	19,535,503	+23.7	1,159,960	937,739	+23.7	624	512	+21.9	Profits grow, despite special charges; looking to diversify.
8	Safeway Pleasanton, Calif.	22,483,800	17,269,000	+30.2	621,500	460,600	+34.9	1,368	1,052	+30.0	Vons in house, more acquisitions in store?
9	Costco Issaquah, Wash.	21,874,404	19,566,456	+11.8	312,197	248,793	+25.5	269	252	+6.7	Spending $100 million in Korean joint venture.
10	American Stores Salt Lake City	19,138,880	18,678,129	+2.5	280,620	287,221	-2.3	1,557	1,529	+1.8	Working on drug store profitability.
11	Federated Cincinnati	15,668,312	15,228,999	+2.9	535,950	265,864	+101.6	555	554	+0.2	Selling off Aeropostale, Charter Club specialty chains.
12	Albertsons Boise, Idaho	14,689,511	13,776,678	+6.6	516,814	493,779	+4.7	892	826	+8.0	Expanding eastward via acquisition, including Buttrey
13	Walgreen Deerfield, Ill.	13,363,000	11,778,000	+13.5	436,000	372,000	+17.2	2,405	2,193	+9.7	Growth strategy eschews acquisitions.
14	Winn-Dixie Jacksonville, Fla.	13,218,715	12,955,488	+2.0	204,443	255,634	-20.0	1,176	1,178	-0.2	Atlanta stores in fierce battle for market share.
15	CVS Woonsocket, R.I.	12,738,200	10,944,800	+16.4	37,700	176,600	-78.7	3,888	1,431	+171.7	Battling with Walgreen for No. 1.
16	May St. Louis	12,352,000	11,546,000	+7.0	775	755	+2.6	369	365	+1.1	Plans call for 21 new units this year.
17	Rite Aid Camp Hill, Pa.	11,375,105	6,970,201	+63.2	316,435	115,377	+174.3	2,774	2,759	--	Consolidating of acquisitions paying off this year.
18	Ahold USA Atlanta	11,200,000	8,335,800	+34.4	354,200	222,000	+59.5	895	655	+36.6	Stop & Shop has been real winner.
19	Publix Lakeland, Fla.	11,200,000	10,400,000	+7.7	354,600	265,200	+33.7	560	534	+4.9	High ratings from consumers, trade.
20	Toys "R" Us Paramus, N.J.	11,037,800	9,932,400	+11.1	490,100	427,400	+14.7	1,454	1,372	+6.0	Cutting back store openings in '98.

NOTES...NEWS...NONSENSE:

TRUST: A KEY INGREDIENT OF MANAGERIAL SUCCESS
(Women as Managers, Issue No. 256 (October 26, 1998), © 1998, by Mitchell Uscher)

"TRUST is an essential ingredient not only for improving the performance of employees but also for sustaining it," says Victor R. Buzzotta, an international management consultant and co-author of the book *Making Common Sense Common Practice.*

"Trust is fragile," Buzzotta says. "Whatever level of trust exists in a company can be lost if care isn't taken to nurture it. Common sense says that the more trust a manager can build among their staff members, the more committed those employees will be to their goals and results."

According to Buzzotta, trust is an elusive quality that cannot necessarily be taught because it is based on feelings. However, he does believe that trust can be increased by specific actions and behaviors. "As a leader, it is not merely the actions you take but also the behaviors you exhibit that engender trust," he says. "A high level of trust generated by a manager can create such a strong affinity that employees not only believe in their boss but may also regard them as a model to emulate."

While there is no recipe or formula to guarantee trust, Buzzotta points out that there are some specific qualities that can be emphasized to inspire an increased level of trust in employees:

1. Integrity. "Integrity is the cornerstone of trust. This means being honest and open, meeting commitments, and keeping promises."
2. Reliability. "People who are unreliable are not trustworthy. Reliable managers do what they say they will do when they say they will do it. Since they are not only responsible for their own actions but for those of their staff members, managers should show that they can be counted on."
3. Consistency. "There should be an implicit trust between a manager and an employee at the start of a working relationship. The policies of a manager should suggest a core set of principles; however, if workers see actions that are not consistent with what they believe to be the values of the company, trust can dissolve quickly."
4. Interdependence. "Interdependence can be the strongest component of trust and has been described as a 'shared bond.' For managers, interdependence in work situations requires a willingness to be open with people and to include them in the decision-making process. A manager should understand that their own success is in part due to their ability to marshal the abilities and talents of their staff. You should allow employees to feel comfortable in stating their ideas and opinions openly, without fear of being reprimanded. Seek the 'right solution' instead of a 'who is right' situation."

Buzzotta has some other tips to help managers increase trust among their workers:

• **Be sure to communicate goals and achievements to employees clearly and often.** "Openness builds trust. Help your employees see where they can make meaningful contributions to reach company goals. This makes them partners in the future of the organization and helps you achieve your goals by tapping into their energy and enthusiasm."

• **Don't say one thing and do another.** "Trust is produced when the actions of leaders like yourself truly demonstrate what they believe as well as the principles that you and your company espouse."

• **Put procedures in place that produce desired behaviors.** "Set high expectations, demonstrate excitement and confidence, and show personal support, interest, and confidence in your workers. Define their roles clearly and accurately. Make sure you measure employee performance in ways that really reflect what needs to be accomplished. Provide staff members with additional training so that they can improve their abilities. Encourage workers to take more responsibility for their actions. Be sure to provide rewards that encourage employees to work at their optimum level.

"Managers must be visible and vocal," he says. "There is nothing like sincere signals coming from leaders to generate an atmosphere of trust that can set the tone for your entire workforce." In addition, Buzzotta emphasizes that managers need to build a history of trust. "You can't gain trust instantly," he says. "It takes time. Managers who begin building a history of being trustworthy develop a reputation that attracts the kind of people who keep that culture of trust rolling."

 TRAVEL TIPS

CARRIERS TO PROPOSE NEW PASSENGER RIGHTS PLANS
(BTN Online, September 15, 1999)

Airlines in the U.S. are expected to file with the U.S. Department of Transportation their new consumer rights policies to implement the industry's voluntary passenger bill of rights, known as Customers First, which is intended to respond to traveler complaints and negate the need for new legislation. The plans are to be fully implemented by Dec. 15 of this year.

Customers First, which was announced by the Air Transport Association on June 17, provides that each airline will implement individual policies that: inform passengers via the airline's telephone reservations system of the lowest fare for which the customer is eligible for the flight and class of service requested; notify customers of known flight delays, cancellations and diversions; assign a customer service representative to be responsible for handling passenger complaints and ensure that all written complaints are responded to within 60 days; meet customers' essential needs during long on-aircraft delays; disclose cancellation policies resulting from a traveler's failure to use each flight coupon; provide rules and restrictions on frequent flyer programs, and, upon request, distribute information regarding airline seat size and pitch.

Separately, the General Accounting Office issued a review of the Customers First initiative in response to a request from Sen. Ron Wyden (D-Ore.), who has supported new legislation to

ensure passenger rights. GAO concluded that the airline plan extends the industry's commitment beyond the current contracts of carriage on file at DOT by either adding new provisions or enhancing existing ones. GAO noted, however, that some of the provisions in the plan would be enforceable only if published as part of the contracts of carriage. GAO also noted that, under current law, DOT could bring an enforcement action against an airline that engages in what it considers an unfair or deceptive trade practice, such as "an airline's failure to follow through on promises that would be made in an airline's customer service plan."

HAPPY BIRTHDAY

Diallo Tyson   9/25

Priscilla Jorgensen   9/20/93
Chuck Easley   9/22/86
Ralph Wear   9/19/94
Dennis Blankenship   9/19/94

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE
OF THE
WEEK:

"LIFE IS MY COLLEGE.
MAY I GRADUATE WELL,
AND EARN SOME HONOURS!"

-- *LOUISA MAY ALCOTT*

PROJECT POSTCARDS

ANOTHER SUCCESS AT NGS

This summer brought about the completion of another National Geographic Society project. Over the past decade, many KSAers have had the honor and privilege to provide value to such a time-honored corporation known throughout KSA simply as NGS.

Led by Chris Merritt, Ralph Wear, Brad Anderson, and a cameo appearance by Diallo Tyson, the team facilitated the transition and reconciliation of over 1.5 million units of inventory. Focusing on National Geographic's book, catalog, and educational products, the inventory was moved from third-party logistics provider RR Donnelley in Dunmore (Scranton), PA, to facilities in both Louisville, KY, and Hanover, PA. KSA assisted NGS in the selection of the new fulfillment providers and in the creation of the inventory transition plan. National Geographic's catalog and educational product inventory was moved to Keystone Fulfillment in Hanover. Keystone Fulfillment had not provided third-party logistics services in the past, and KSA helped to ensure that the implementation was a success. NGS' book inventory was moved to a new RR Donnelley facility in Louisville. RR Donnelley is synonymous with the book industry, allowing this transition to go very smoothly.
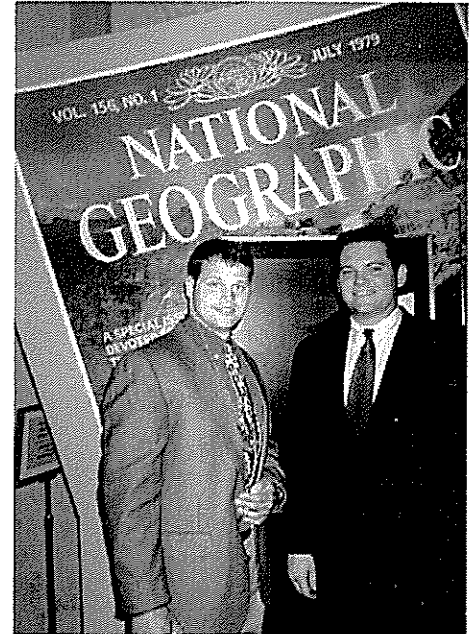
*Ralph Wear & Brad Anderson at NGS'
headquarters, Washington D.C.*

The project protected National Geographic's membership from service problems during the transition, provided for a smooth exit out of the Dunmore facility, and took into account the

following five areas of concern:

- Systems requirements
- Inventory movement needs
- Facility start-up activities
- Financial control requirements
- Business issues and activities

Braving the cold Northeast Pennsylvania winter was a new and exciting challenge for native Southern Californian, Brad Anderson. He quickly learned that a credit card or a kitchen spatula works fantastic to scrape layers of ice off of a car windshield. Constant travel between Atlanta, Dunmore, and NGS' headquarters in Washington D.C. made Ralph Wear even more resilient to small airports and hotel dry cleaning services. Chris Merritt and Diallo Tyson added significant support, direction, and value which brought about the completion of another successful project!

-- BRAD ANDERSON

AROUND THE WORLD (KMART'S DC WORLD) IN 30 DAYS!!

They said it couldn't be done! The magnificent Guppy Team has proven the skeptics wrong! We have recently completed the process of implementing our Audits and Reports Standardization Program to all 14 Kmart DCs throughout the United States. The rollout has taken the team to the following cities:

-Los Angeles, CA	-Atlanta, GA
-Denver, CO	-Greensboro, NC
-Minneapolis, MN	-Kansas City, MO
-Dallas, TX	-Chicago, IL
-Boston, MA	-Warren, OH
-Orlando, FL	-Reno, NV
-Philadelphia, PA	-Canton, MI

Guppies? That's right! The term Guppies originates from the members of the team working in an area that is commonly referred to in Kmart's Corporate Headquarters as "The Fishbowl."

The team includes the following members of Logistics:
- Stealth Guppy - a.k.a. Diallo Tyson known for his efficiency in completing work without making a sound. Now also known as: I've Fallen and I Can't Get Up Guppy, because of his recent broken ankle.
- Warm and Fuzzy Guppy - a.k.a. Enrique Morales known for his tendency to ask other guppies how they are feeling multiple times throughout the day.
- Myself - Guppy name not provided citing rights entitled by writing this hotsheet article.

We have also had the privilege of working with a member of our Supply Chain Practice:
- Baby Guppy - a.k.a. Melissa Thompson known for her propensity as never failing to drop particles of food on her clothing at every meal, thus necessitating a bib.

Now that you know the members, here is a summary of our project:

Problem:
This past year, Kmart realized the need to dramatically improve upon inventory accuracy as a result of physical inventories. As a result, inventory accuracy, and the functions that effect accuracy within the DCs became a top priority. This was no small undertaking considering that Kmart, the sixth largest employer in the country, has almost 500 employees in the Inventory Control department alone, with a total of over 10,000 throughout their DC network!! Upon reviewing current practices within the DCs, it was apparent that audits and reports were either not being performed, or they were being performed at different frequencies with different considerations as to what represents an error.

KSA's Purpose:
The purpose of the project is to standardize the Audits and Reports the Inventory Control and Quality Department is performing on Operations. Additionally, we have been asked to develop a scorecard on which the DCs will report the results of the audits and reports, to allow corporate the ability to identify opportunities for improvement across the DC network. The information garnered from the audits and reports, coupled with feedback to the associate level, will result in improved accuracy throughout operations.

Status:
We've completed the implementation portion of the project; we are now beginning follow-up and have started transitioning ownership of the program to Kmart.

Lessons Learned:
1. Licking your finger and placing it in the ear of the consultant next to you who is sleeping, when he is tasked with supplying directions to your hotel, often motivates him to do so.
2. Always grab the Delta Sky Deli packet before boarding a Delta flight, even if you have already eaten. The small brownie it contains can be used as a tool for luring small children from the aisle seat into the middle seat. (This works, trust me!!)
3. No flight departs on schedule, especially in Detroit.
4. Having chocolate smeared on your shirt by a four year-old who thought it was "funny" entitles you to 500 bonus miles from a sympathetic Northwest stewardess.
5. Principals and Managers have undue stress from travel that relocators will never understand until they experience it.
6. Travel complications can happen when you least expect them.
7. Detroit roads resemble the surface of the moon.
8. Modify future centroid models to produce Reno, Nevada as the recommended DC location.

-- MARK THOMAS

GLOBAL INTERNET RETAILING CHALLENGES- A BOO.COM PERSPECTIVE...

Who is boo.com?

In a nutshell, boo.com has:

- Been voted one of the 10 coolest companies to work for by Fortune magazine,
- Managed to raise capital with stakeholders as authoritative as JPMorgan and Benetton
- Has had numerous rave reviews with a range of prestigious publications ranging from Vogue to the Wall Street Journal and the Financial Times.

Rather than attempt to enter the relative new apparel segment a region at a time, Boo have taken the hard path and are attempting to launch a "global" apparel retailing business on the internet.

boo.com are embarking on a journey that is new, exciting and very adventurous. On the road to achieving the status of a truly successful global retailer, there are a number of challenges involving both customer, supplier, and shipping issues while trying to develop local markets and the supplier buy-in needed to maintain boo's leading edge fashion level. Some of the key challenges that boo.com will face when defining their global offering include:

Defining the market and customer
1) How much will we sell?
- This will be a key factor in shortfalls or overstocking of goods. The supplier proposition of not discounting goods limits the ability to positively dispose of what may amount to a large proportion of goods that are unsold.
- With no idea of volumes or of the hit ratio, it's very difficult to plan the load carrying capacity of the site. For a standard Website, that's OK, but for a site containing a rotating images for each style and a manikin for "trying out" combinations of clothes, the site will have to be able to meet excessive peaks in demand. If the site slows down too much, it will inevitably fail to impress first time users.

2) Who will buy from the web-site?
- Ultimately, marketing will drive the initial visit, but the site itself needs to cater for both the target market of cash-rich, time-poor achievers, and also the other customers who will probably account for higher hits but a lower purchase ratio.
- Will people be prepared to spend on items they've not tried on for fit? Certainly the feel from a number of top-end fashion manufacturers and retailers interviewed as part of the Woolmark study[1] doubted that people would invest in something they hadn't tried on. And what about returns?
- What are the buying habits in this new virtual environment? How soon will people be confident enough to purchase higher cost items over this relatively new medium?

3) Will this new market channel be convenient to use?
- Part of the attractiveness to the customer is the convenience of Internet shopping. However, by definition, the target consumers are suffering time deprivation. If the final stage of getting the

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[1] The Woolmark study interviewed a number of influential visionaries in the fashion industry who collectively had an excellent perspective on the global marketplace

goods to the customers' house fails (which it probably will for the UK, where 90% of delivery firms aim for 8 a.m. – 6 p.m. deliveries with no real fall-back option) then collection of the goods could prove a major disadvantage. Unless the final delivery stage is very carefully controlled, this could prove an issue.

- If orders are placed, surely those customers that order will want to return what isn't exactly what they need. This has to be easy otherwise consumers will be much more wary next time. For a return, "convenience" means physically sending a return off with the minimum of hassle, having your money back without an argument, and not having to quibble about whether it's been received back or not. This is not at all clear when your customers may be dealing with 15 different global couriers and delivery services.

Ultimately – the question is "how much brand loyalty can this site really generate?" With the speed of technological advances making new sites more attractive it'll be difficult not to tempt users onto something new. For those customers taking the more conservative view, the potential of savings via "bots" (programs that search sales avenues on the web to find the cheapest price) could be one that destroys boo's opportunity for gaining and keeping market share.

As with any brand, the retailer itself provides a "brand" for purchasers to buy into. And, despite the hype, the "brand" will only ever be to its customers the quality of what it offers – not only in terms of the products but also in terms of:
- the smoothness of the sale
- the hassle-free shopping experience,
- getting the goods when promised, and
- the fact that the stock that you want to buy is always there.

So the question of whether boo establishes itself and then beats the opposition will come down to:
1) Can boo woo the visitors and win them over before the competition?
2) Will price competition thwart boo's plan long term and erode its share?
3) What will be the impact of returns – what will the cost of handling global returns actually be?
4) How can boo flex it's sales position to accommodate a virtually unforcastable sales future?
5) Finally, and most importantly, will they get people to buy?

Redefining supplier relationships
boo.com are pushing their suppliers to warehouse their goods for them, and when customer orders are placed, boo.com will collate them into a single supplier order involving all the different lines ordered from that supplier each day. There are 3 types of agreements boo.com has with suppliers:
- Core: The supplier owns and warehouses the inventory. Boo.com consolidates a daily shipment from the supplier to satisfy customer orders.
- Committed: Boo.com has agreed to buy product from the supplier. The supplier warehouses the merchandise and boo.com draws on the dedicated inventory on a daily basis. If there is any stock left at the end of the agreed selling period, boo.com completes payment and ships the remaining stock to their warehouse.
- Bulk: boo.com owns and stores the inventory. The product is stored and processed from their warehouse (a traditional supplier-retailer arrangement).

The establishment and development of the E-Supply chain is providing boo's suppliers with some real issues:

> First – we're talking 24-hour turnaround to get great service to our customers. If during that day turnaround period, the suppliers are being asked to provide a pick of 1 of every item in their range, day-in, day-out, then you're pushing even the suppliers who have boasted the most advanced QR systems.

> Second – the cost of miss-picking is a dissatisfied customer. That makes errors far more difficult to accept than in a traditional retailer because there's no safety stock to cover shortfalls.

> Third – being the hottest web-site means having the hottest products – this will mean that boo will be pushing suppliers for the newer designs earlier. Couple this with wildly fluctuating demand and the impact on the customer of not meeting demand, and you're looking at tighter timescales and greater flexibility within the new product development cycle.
> Fourth – the customs and tax laws differ tremendously and are particularly complex in the world of apparel.

It's not hard to see that it will be Internet retailers that will be the most demanding of partners from the manufacturer's and brand's point of view. In order to meet the needs of more discerning and fickle customers, boo.com and its competitors will continuously be looking for quicker and more effective product, process, and logistics development.

Whether it's easy to get the best possible, "hottest" site that will attract the most customers is in my opinion academic – staying ahead of the game will be nigh-on impossible as the speed of change and the number of competitors increases. It'll be the safe bet for Internet shoppers that will win out – that site that will time and again meet and exceed the expectations of its customers.

-- TAZA MOHAMMED

INDUSTRY HIGHLIGHTS

NETSHIP CEO DISCUSSES SOLUTIONS TO LOGISTICS NIGHTMARE
(Chet Dembeck, E-Commerce Times, September 3, 1999)

Netship founder and chief executive officer David G. Campbell offers a simple but not easy success formula for anyone contemplating entering the e-commerce arena. "Anyone who wants to compete must have a value-added product," Campbell told the E-Commerce Times, in an exclusive interview.

This is a concept Campbell focused on three years ago when he first decided to create a service for small to medium online merchants that not only would pack and ship their products -- but also store their inventories in virtual warehouses.

Logistics Chaos

No stranger to the packing and shipping business, Campbell founded Parcel Plus, Inc. in 1986 and grew the company to 120 franchises with annual revenue of about $25 million (US$). Campbell, along with other Internet visionaries, realized that while e-commerce would surely experience skyrocketing growth, there was no infrastructure in place to assure e-marketers would be able to deliver their products in a timely fashion all over the world, or have the space to store them.

Underscoring this reality, a recent report by industry analyst Forrester Research Inc. said that the "logistics chaos" of fulfilling online orders remains a serious liability to virtual retailers and the industry as a whole. This is especially true -- considering the approaching holiday shopping season.

Natural Evolution

For the last three years, Campbell has been recruiting members of this chain of virtual warehouses. Beginning with Parcel Plus franchises and branching out, he has put in place an infrastructure of 450 strategically located "Netship centers" throughout the country. The benefit to e-tailers is that as they expand with the new e-commerce economy, the Annapolis, Maryland-based Netship can take care of their shipping, handling and inventory headaches. "You don't have to invest in a building or a lease," Mr. Campbell explains. "You avoid fixed costs."

Typical Client

The typical Netship client is a small to medium e-marketer that's racking up 30 to 40 sales per month, with items valued at $75. In addition, the products can usually fit in a package no larger than 12 inches x 12 inches x 12 inches -- weighing 5 U.S. pounds or under. James O. Rumbaugh, president of Environmental Simulations, Inc., a software company that sells CD-ROMs worldwide, found Netship's services were the next logical step in growing his company. As with most software companies, the Pennsylvania-based business ships manuals, floppy diskettes and CD-ROMs in small quantities to many different locations. "We quickly began to spend an inordinate amount of time packaging software, figuring out what customs forms we needed and taking it to our local shipping center," Rumbaugh said. "This was obviously not efficient." The solution for Environmental Simulations was to hook up with a local Netship center in Blue Bell, Pennsylvania. The center now stores their software products and ships them worldwide via Internet orders. "It saves us countless of hours and lets us focus on what we do best," Rumbaugh added.

Import Or Export?

The problems of exporting products outside of the United States has killed many e-commerce ventures before they even start, Campbell said. This is why Netship worked for more than a year to develop an alliance with Swiss postal service Danzas. "It does revenues of $9 billion a year and has 29,000 employees," Campbell explains. But the bottom-line to Netship clients is that they can ship their products throughout the world -- hassle-free.

In addition, through Netship alliance with Danzas, smaller e-tailers can also import products. This is significant, Campbell said, because through importing e-marketers may be able to find less costly providers of the products they sell -- without having to learn the thousands of duties and regulations governing such shipments. "We have definitely put some middlemen out of business," Campbell said. Netship's Web site even has an information library where its clients can learn how

to "import intelligently" by simply pointing and clicking their mouses, Campbell added.

Big Happenings In The Works
While Campbell has 450 Netship locations lined up, just seven of them are fully operational, but he expects to have 30 rolled out within 60 days. "Quality control at the end of the day is going to make the difference," he said. Because of this, Netship plans bring each of it center's operators to one of the 30 up-and-running locations for intense training. The plan is to make sure that Netship locations become standardized, not unlike McDonalds, Campbell added. Meanwhile, Netship is in the process of negotiating the infusion of $4 million from an undisclosed venture capital firm by November. In addition, Campbell said Netship is about to close a "monster" deal with a major IT company to provide it with the latest technology and also close a deal with a major transportation company. He declined to identify either company. "We plan to take Netship public within 18 months," Campbell said.

Despite all the positive developments, Netship finds itself facing some competition. Shipper.com a company that was created by Pasadena, California-based idealab! launched a similar service this summer. But Campbell said it's light years behind Netship because it doesn't have its infrastructure in place. Moreover, there's another advantage Netship has over its competitors, Campbell said. "The key is our locations are owner operated," he explained. "If they suddenly have a surge of business at 7 p.m., they're not going to go home until it's taken care of."

BROADVISION AT CORE OF SEARS.COM
(PRNewswire, September 8, 1999)

BroadVision, Inc. the leading supplier of one-to-one e-business applications for relationship management across the extended enterprise, announced that Sears, Roebuck and Co. has chosen BroadVision to power sears.com, the link that allows Sears customers to shop and get information anytime, anywhere. Over the next year, Sears will migrate its current on-line offerings to the BroadVision platform and will incorporate additional products, services and content, as well as partners. One of sears.com's key strategies is to become the definitive on-line source for the home, providing customers solutions for maintaining and improving their home.

In May, Sears began selling more than 2,000 major appliances on-line, including the top six best-selling brands. In April, Sears introduced its PartsDirect site, featuring more than 4.2 million parts for sale from 400 manufacturers for household items such as appliances, power tools, lawn and garden equipment and home electronics, even for items not purchased or sold at Sears. The Sears PartsDirect site also includes 70,000 detailed schematics of these items to help customers identify what parts they need. In addition, Sears sells 3,500 Craftsman tools on-line via http://www.craftsman.com, which was launched last fall.

BroadVision One-To-One Enterprise is a flexible and scalable relationship management system that enables companies to extend their business operations into new interactive customer touch points. BroadVision One-To-One Commerce is an extensible and flexible electronic commerce application that helps companies sell more efficiently to their on-line customers.

NOTES...NEWS...NONSENSE:

THE POWER OF PRAISE
(taken loosely from Heart At Work by Jack Canfield and Jaqueline Miller)

Successful leaders have become so in part because they have learned the power of acknowledging others' accomplishments. Every compliment an employee receives is like a little launching pad - sending him or her up higher in attitude and performance. Here are some ideas about praise:

> I can live for two months on a good compliment.
>
> -- Mark Twain

- To praise others, you first need to be able to praise yourself; to take pride in your own work. People who are always down on themselves are not likely to recognize or praise those around them.
- Cultivate the habit of catching people doing something right. This will reinforce desired behavior and have a great impact on morale.
- Be genuine. Acknowledge real contributions. Flattery or false praise will have the reverse effect.
- Be specific. Saying *"Good job"* is better than saying nothing at all. However, if you want the desired behaviors repeated, spell out what worked (e.g., *"You made some insightful comments in that meeting with the client."* OR *"You exceeded the standard all week. Excellent!"*)
- Be immediate. Praise people close to the event being acknowledged. Also, spontaneity breeds the genuineness mentioned above.
- Be brief. You don't need to gush. A succinctly worded sentence or two is fine. Preferable even for those easily embarrassed. A quick voicemail or e-mail can have the same impact.

-- PAM BECKERMAN

 TRAVEL TIPS

THE TRAIN TO THE PLANE...CAN REALLY BE A PAIN
(Crain's Communication, Inc., September 6, 1999, Vol. 22, No. 36)

IN 2009, domestic air traffic is expected to reach 822 million flyers a year, up from 655 million on 1998, according to FAA. Worldwide, traffic is expected to double to more than 2.5 billion passengers. Airport gridlock will be a problem well before then: More than 30 U.S. airports will be seriously congested by 2002, which means that there will be that many more people fighting their way to the terminal door.

Some cities aren't waiting. San Francisco International Airport which is undergoing a major expansion, is building a link to the 95 mile (BART) Bay Area Rapid Transit System) network to be completed sometime in 2001,providing direct service for travelers from San Francisco and all over the Bay area directly to the airport.

Other Planned rail links are:

Anchorage International Airport
Cincinnati/Northern Kentucky International
Dallas Ft. Worth International Airport
John F. Kennedy International Airport
New Orleans International Airport
Newark International Airport
Pittsburgh International Airport
Portland International Airport
Providence, R.I. (T.F. Green Airport)
Raleigh-Durham International Airport
Salt Lake City International Airport
San Francisco International Airport
Seattle Tacoma International Airport
Springfield-Branson Regional Airport

HAPPY BIRTHDAY

Chris Merritt	**9/17**
Leanne Smullen	**9/17**

HAPPY ANNIVERSARY

Brian Ehlenberg	**9/15/97**
Frank Leggio	**9/15/97**
Jennette Townsend	**9/16/96**
Chris Dowd	**9/16/96**

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"THE GREATEST PLEASURE IN LIFE IS DOING WHAT PEOPLE SAY YOU CANNOT DO.

-- *WALTER BAGEHOT*

PROJECT POSTCARDS

FROM THE STAFF AT MANUFACTURING.NET

As mail-order companies prepare for the hectic holiday season, they frequently find they have to revamp their distribution center operations in order to get products out to customers faster. Foster & Gallagher's Children's Group knows this all too well. Peoria, Ill.-based Foster & Gallagher owns more than 20 catalog and direct-mail operations in 10 states. The Children's Group Division, which markets children's toys under the Learn and Play, HearthSong, and Magic Cabin Dolls titles, realizes about 80 percent of its sales during the Christmas holiday season. During that peak period, it has to fill orders quickly while managing a huge seasonal influx of workers at its distribution center in Vandalia, Ohio, a suburb of Dayton. Although Foster and Gallagher has always sought to ship customer orders within 24 hours of receipt, it sometimes fell behind in the past and shipped orders in three or even four days.

Today, however, that kind of performance is no longer acceptable. "Because of the Internet, there's increased pressure to get the order to the customer in [a short] time frame," says Nick Licht, the company's manager of information systems and inventory control.

WMS to the Rescue
To provide 24-hour order turnaround, Foster and Gallagher initiated a warehouse automation project in the fall of 1997. As part of that project, the company installed warehouse management software (WMS) from Retek Logistics Inc. of Cincinnati. That application, which runs on an IBM RS 6000 mainframe computer, supports both radio-frequency data collection (RFDC) and a voice-recognition system. "The WMS was selected because of its strong query capability," says Licht. "It recognizes the various types of orders and segregates them into batches and then puts them into waves based on order attributes such as box size."

The application employs radio-frequency data collection for putaway. Workers responsible for receiving and replenishment tasks use a portable RFDC system with real-time terminals and laser scanners. The scanned information is uploaded to the computer to maintain an up-to-the-minute inventory count.

The system also uses voice-recognition technology to direct picking activity. When workers pick items from an aisle, they receive instructions from a computer via a headset. They then confirm the task's completion by speaking into the set's microphone. The voice-directed picking leaves workers' hands and eyes free for picking and sorting products into the shipping container. In high-speed pick areas, where as many as 20,000 order lines are processed in a five-hour period, the company fills orders using the pack slips and picks directly into the shipping container.

Meeting the 24-Hour Ship Goal
The WMS proved itself during the 1998 holiday season: Foster & Gallagher's distribution center maintained its next-day shipping standard, handling 25,000 orders a day on average at the peak. Prior to the software's implementation, the company's peak order throughput was 16,000 orders day.

Now, it can handle as many as 30,000 orders with only a minor increase in labor. Besides the increased throughput, the company has witnessed a 20- to 25-percent improvement in both order and inventory accuracy. Plus, the company has been able to increase the utilization of labor, the facility, and its product transportation systems. "We now have the capability to meet higher throughput demands," says Licht. "And we can maintain our goal of shipping orders with 24 hours of receipt, which helps us meet our customers' expectations."

-- CAMERON GEIGER

ETOYS GOES LIVE!

Though the weather has been extremely nice here in lovely Santa Monica (very low humidity), we have been unable to truly enjoy it. Our time has been spent testing in a conference room named "Tigger". In other words we have been pouring over computer displays and facilitating issue resolution. After this week though it looks like our many hours spent as hermits in the testing room, drinking all the Snapple we could and occasionally ambushing each other with Nerf Machine guns, has paid off. Last week we monitored several hundred customer orders as they successfully passed through the various systems. We are LIVE!

The approach that we took at a high level includes:

1. Running a battery of tests that evaluate eToys and Fingerhut's ability to process every conceivable (or at least conceivable to us) test variation. The testing was between multiple systems found in multiple locations. There are four different locations focusing on this effort – Fingerhut Utah, Fingerhut Minneapolis, eToys corporate (Santa Monica), and eToys DC (City of Commerce).

2. Retests and regression tests to validate corrected issues and to provide robust testing.

3. Volume testing to stress the system's overall processing ability

4. Six Production Test Runs

Due to the team's hard work, it looks like it is time for a small celebration before moving onto the next phase. Celebrating at eToys consist of a 21 gun salute. Here in Santa Monica that means pulling out the Nerf machine guns (these guns fire 21 Nerf rounds in 2 seconds and produce enough noise to scare the socks off of most Navy KSA'ers and make most Air Force KSA'ers break into tears).

As the project has progressed our team has grown. While we still have the original players on the team we have added Tom Clement from Atlanta and Michael Kellogg who is new to KSA and the logistics systems practice and is based out of Princeton, NJ. Also added in separate KSA initiatives to help eToys further has been Tom McVeigh and Allison Chen.

While Tom is doing the weekly cross-country commute, Michael moved straight to Provo, Utah to help complete the testing. Michael will now work with Shawn Olds in Provo to learn the nuts and bolts of the WMS, as it is the same system that will be implemented in the East Coast DC (ECDC) which is in Danville, VA. After they finish their time in Utah they will both join the East Coast team in Danville which consists of Al Sambar, Joe Raines, and Cameron Geiger. Joe Raines has already relocated to Danville, VA to begin the operations portion of the ECDC, which is due to go live next year.

So as the holiday season approaches test our hours of work by visiting www.etoys.com and see how quickly your gift arrives to its destination.

-- SHAWN N. OLDS

INDUSTRY HIGHLIGHTS

SPECTRALINK INTRODUCES FIRST WIRELESS TELEPHONE SYSTEM FOR CALL CENTERS
(PRNewswire via COMTEX, August 30, 1999)

SpectraLink Corporation announced the immediate availability of the ccLink Wireless Telephone System(TM) (ccLink WTS) for call centers and other high-density environments. The ccLink WTS takes advantage of SpectraLink's high-capacity wireless technology and LinkPlus(TM) digital telephone system integration to give agents and supervisors mobility throughout a call center. It is the only wireless telephone system with sufficient wireless capacity to meet the traffic demands of call centers, trading floors, conference centers, and emergency response centers. The ccLink WTS makes its debut at the Incoming Call Center Management trade show, Aug. 31- Sept. 2, in Chicago.

The ccLink WTS supports the specialized administration and management functions used in automatic call distribution (ACD) telephone systems. Call center agents can log in, log out, and check ACD status from their durable, lightweight Link Wireless Telephones. In addition, the LinkPlus digital interface allows the Link Wireless Telephone to access many of the CTI applications used by call center agents. The Wireless Telephones let workers move throughout the facility in order to check files or confer with supervisors, without putting a caller on hold. This improves response time, productivity, and customer service.

"Workers who have traditionally been stationary, such as call center agents, now need to be mobile throughout their work facilities, and still be available by phone, in order to provide the best possible customer service," said Mike Cronin, vice president of sales and marketing for SpectraLink. "Because SpectraLink focuses on the on-premises mobile worker's needs, we have developed the only workplace wireless telephone system with the bandwidth and features required in today's call center environment."

ANDERSEN CONSULTING – ONLINE VENTURE MARKS STRATEGY SHIFT
(Crain's Communications Inc., August 30, 1999, Vol 22, No. 35)

Departing for the first time from its conventional consulting business, Andersen Consulting this week is expected to announce a new online venture, iFlourish.com Inc. The Web site will cater to affluent consumers between the ages of 45 and 65 years old with health and beauty products, travel packages, and financial services. The venture is headed by Jay Farmer, 39, an Andersen partner who says the consulting giant eventually intends to spin off iFlourish as a publicly traded company. This is the first time Andersen has launched its own business, putting itself in potential competition with its clients.

SEARS SIGNS LEASE FOR STATE STREET
(Crain's Communications Inc., August 30, 1999, Vol 22, No. 35)

Sears, Roebuck and Co.'s bid to return to State Street is taking a step forward, with the Hoffman Estates-based retailer signing a lease for about 300,000 square feet of space in the 84-year-old building at State and Madison Streets, sources say. But the lease is contingent upon completion of a development agreement between the city of Chicago and developer J. Paul Beitler, whose investment partner is New York-based CS First Boston Corp. The parties continue to negotiate terms of the deal, after coming to an agreement last month that would include a subsidy of about $12 million in tax-increment financing funds, sources say.

NOTES...NEWS...NONSENSE:

LABORIOUS RIDDLES
1. Take the following numbers and make the equation equal 10. Use the plus, minus, multiplication and division signs only one time each. When reading the equation from left to

right (not giving precedence to multiplication or to division, or if you wish put the parenthesis signs where ever you wish) the equation should equal 10.

2 3 4 5 6 = 10

2. And the answer is....?

I know a word of letters three. Add two, and fewer there will be.

Scroll to the end of the HotSheet for Answers.

 TRAVEL TIPS

3 WAYS TO PLAN A HURRICANE-FREE TRIP
(MSNBC.com, Robin Dalmas, Travel Editor & Producer. She has dodged hurricanes in Hawaii and Texas by sheer dumb luck.)

Every year, more than 60 hurricanes form in the tropics, and forecasters are predicting a particularly nasty season for the North Atlantic and Caribbean. If the tropics are high on your travel list, is there anything you can do to hurricane-proof your vacation? You bet your barometer.

Know the Season
One obvious way to dodge hurricanes is by planning your trip outside the hurricane season. Storms form in the Atlantic, Caribbean and Gulf of Mexico from June to November. In the Eastern Pacific basin, the season is May 15 to Nov. 30. In the Central Pacific basin, it runs from June to November. In the western Pacific, hurricanes can occur year-round. Tropical cyclones occur during May and June and from October to November in the northern Indian Ocean and in January and February in the southern Indian Ocean.

Location Is Everything
Generally, hurricanes begin their lives 5-15 degrees north or south latitude, then eventually spin away from the equator. So the equator itself is a kind of safety band. "In general, if a place is within five degrees of the equator or hasn't seen a hurricane in 100 years, chances are extremely good that you will not see one there during your two-week stay," says Steven Businger, a meteorologist at the University of Hawaii. The equatorial safety band includes such popular tourist destinations as The Galapagos Islands and the Indonesian islands of Sumatra and Borneo. The Galapagos have not been struck by a hurricane, says NOAA hurricane specialist Lixion Avila.

Two Safe Oceans

Seven oceanic regions can give birth to the "white whirls of destruction," but there are two tropical oceans that simply don't produce hurricanes. The South Atlantic (between South America and Africa) and the southeastern Pacific (west of South America) lack the right upper-air winds to kick-start a cyclone West of South America: If you stay east of about 120 longitude in the Southeast Pacific, you're unlikely to encounter a tropical cyclone. This area includes Easter Island, famed throughout the world for its colossal statues of human heads.

HAPPY BIRTHDAY

Ike Myers	9/7
Scott Vifquain	9/8
Mark Woodrow	9/9
Valerie Levy	9/10
Dana Vaccarino	9/10

HAPPY ANNIVERSARY

Raj Kumar	9/7/88
Brad Jenkins	9/7/95

Riddle Answers:	1. (2 / 3 - 4 + 5) * 6 = 10
	2. Few

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"MY INTEREST IS IN THE FUTURE BECAUSE I AM GOING TO SPEND THE REST OF MY
LIFE THERE."

-- CHARLES F. KETTERING

INDUSTRY INSIGHTS

NORDSTROM FORMS SUBSIDIARY – NORDSTROM.COM – TO ACCELERATE GROWTH OF ITS INTERNET AND CATALOG SALES BUSINESS
(Business Wire, Seattle, August 24, 1999)

Nordstrom.com will promote rapid expansion of its one-to-one retailing, which includes both its Internet and catalog businesses. The new subsidiary will carry out **Nordstrom's** strategic objective to become the leader in fashion-related e-commerce.

Nordstrom.com will be owned principally by Nordstrom, Inc., which will contribute to that subsidiary all of the assets and liabilities associated with both its present catalog and Internet businesses, as well as an additional $10 million in cash. Benchmark Capital and Madrona Investment Group will participate as minority owners, collectively investing $16 million. Benchmark is making one of its largest investments ever -- $15 million -- and will participate on Nordstrom.com's board of directors.

The subsidiary's first major effort will be focused on establishing the world's biggest shoe store, an Internet site to be named Nordstromshoes.com, which, by the 1999 holiday season, intends to offer 20 million pairs of shoes. Nordstromshoes.com is to be launched in the fall of 1999. "For some time we have been developing core expertise in one-to-one retailing. Now we are accelerating our presence and offering, and believe we are the best positioned retailer to dominate fashion-related e-commerce," said John Whitacre, chairman and chief executive officer of Nordstrom, Inc. "We will continue to look for ways to serve our customers wherever they want to be served."

"The apparel market on the Internet is projected to total billions of dollars within three years, and we intend to capture a significant share of that market," said Dan Nordstrom, chief executive officer of Nordstrom.com and co-president of Nordstrom, Inc. "Our experience in selling shoes on-line, combined with strong vendor partnerships, a well-established brand identity and our nearly 100-year heritage selling shoes, convince us this is the right initial focus. Ultimately, we

plan to replicate this experience through expanded offerings in a variety of merchandise categories, including apparel, accessories, jewelry, gifts and others."

Nordstromshoes.com currently has agreements with seven shoe vendors: Allen Edmonds, **Cole Haan**, Dr. Martens, Kenneth Cole, **New Balance**, Skechers and **Stride Rite**, in addition to Nordstrom Product Group (which provides shoes under several brand names and labels, including Callaway Golf Apparel by Nordstrom, Expert by Evergreen, Preview, 81st & Park, Baby N Collection, N-Kids, Norsport and Softwear). Through additional agreements, Nordstromshoes.com expects to offer approximately 20 million pairs of shoes by the 1999 holiday season. For comparison, Nordstrom's current Internet site offers approximately 200,000 pairs of shoes.

800.COM EXPANDS EXECUTIVE TEAM TO POSITION FOR MARKET GROWTH
(PR Newswire, August 24, 1999)

800.COM Inc., the leading online retailer of consumer electronics and home entertainment products, announced three new members of its senior management team. The new hires complete an executive team that blends internet, catalog, traditional consumer electronics retail and high technology experience, to provide the best consumer electronics shopping experience on the Web.

Executive Team Additions Timothy Zuckert, 800.COM chief marketing officer, has a proven track record in global brand development. Zuckert comes to 800.COM from the **Walt Disney Company,** where he held the position of vice president of sales and marketing at Disney Interactive. His experience in channel strategy, database marketing, product launches and brand management will bring heightened consumer awareness of 800.COM's offering.

Ken La Honta is the new chief financial officer for 800.COM. He joins the company from **Norm Thompson Outfitters**, where he was also CFO. La Honta received a B.S. in Business Administration from UC Berkeley, and has completed the Advanced Management Program/International Senior Managers Program at Harvard Business School. La Honta's fourteen years in the direct marketing and retail industries include strategic planning, financial management, cost management, system implementations and conversions, and corporate performance planning.

Randall Hargens is a key addition to the management team as chief technology officer. He brings more than 30 years of information services experience to 800.COM. Hargens' background includes system operations for manufacturing, logistics and deployment of in-store products, global networking for sales and distribution and data processing. Prior to joining 800.COM, Hargens was the chief information officer for Columbia Sportswear, an international manufacturer of sportswear and winter apparel. As CIO, Hargens was responsible for all information systems and IT strategies for the company.

Other members of the 800.COM executive team are Greg Drew (CEO), Jeanette Slepian (VP Business Development), Jason Palmer (VP Sales) and Frank Sadowski (VP Merchandising). Together, the executive members will support the growth and leadership of 800.COM.

800.COM was founded in 1997 by president and CEO Greg Drew as the premier resource for consumer electronics and home entertainment products and information. Consumers are provided with a comprehensive selection; competitive prices on popular, high-quality, brand name products; online product comparisons; and exclusive content, reviews and features. The company is based in Portland, Oregon.

SAP TO OFFER TRANSPORTATION PLANNING AND VEHICLE SCHEDULING FUNCTIONALITY
(Business Wire, August 25, 1999)

SAP, the world's leading provider of inter-enterprise software solutions announced the development of Transportation Planning and Vehicle Scheduling functionality within the SAP(TM) Advanced Planner and Optimizer(TM) (SAP APO(TM)), with the pilot shipment due in February 2000.

Transportation is a key area within supply chain management, and these two new features enable transportation planners to optimize freight consolidation, as well as mode and carrier selection, resulting in reduced logistics costs.

SAP has selected the ILOG Dispatcher software component from ILOG, Inc. of Mountain View, Calif., in conjunction with the ILOG Planner, to deliver optimization functionality for Transportation Planning to SAP APO. SAP uses the ILOG Dispatcher as a key building block in Vehicle Scheduling.

The Transportation Planning and Vehicle Scheduling functionality within SAP APO allows customers to simultaneously consider various transportation constraints to optimize and plan transportation (e.g., inbound, outbound, intracompany and intercompany) through their own or independent carriers. As part of mySAP.com, SAP APO enables manufacturers and logistics providers to leverage the Internet and collaborate on forecasting, replenishment and transportation requirements. mySAP.com delivers an open collaborative business environment of personalized solutions on demand. This enables companies of all sizes and industries to fully engage their employees, customers and partners to capitalize upon the new Internet economy.

SAP Supply Chain Management SAP Supply Chain Management provides enterprise-wide capabilities and interoperation within the entire supply chain product suite including SAP APO, SAP Logistics Execution System(TM) (SAP LES(TM)) and SAP Business Information Warehouse(TM) (SAP BW(TM)).

♦ SAP APO consists of a number of integrated applications using state-of-the-art constraint-based planning and optimization concepts: Supply Chain Cockpit, Demand Planning, Supply Network Planning & Deployment, Production Planning & Detailed Scheduling, and Global Available-to-Promise.

♦ SAP LES offers advanced warehouse management and transportation management functionality. It enables a company to improve customer service and gain a more consistent view of its hit7logistics operations.

♦ SAP BW is a preconfigured data warehouse ideal for SAP environments that provide access to internal and external information from multiple sources. It also provides sophisticated tools for reporting and analysis.

With the Transportation Planning feature, all freight movements, including inbound, outbound and interfacility shipments are fully visible to customers. This helps to avoid the trap of optimizing only one aspect of the supply chain or attempting to optimize each aspect separately, thereby reducing costs and cycle times.

The seamless integration to SAP LES leads to efficient execution of transportation plans. For example, companies can pay freight bills based on the close collaboration of the transportation requirements between manufacturer and carrier. For reporting purposes, SAP BW allows for the creation of customized reports and analysis on historical transportation data.

SAP Transportation Planning and Vehicle Scheduling Functionality
The global optimization and execution of the SAP APO Transportation Planning and Vehicle Scheduling functionality gives customers the capability of running the entire transportation organization within a single application:

-- Shipment planning and freight consolidation

-- Selection of transport mode and carrier

-- Negotiation of contracts, volumes, quotas, schedules and features of the supply network

-- Static or dynamic organization of routes

-- Multipick and multidrop capabilities

-- Round-trip capabilities

-- Fleet sizing and management

The new functionality provides optimal customer service at the lowest cost while maximizing resources. Because customer service requirements drive every decision, companies can increase customer satisfaction through on-time deliveries of the intended product to the intended destination.

NOTES...NEWS...NONSENSE:

MORE FROM DALLAS...

Well, for starters, we need to correct a gross oversight from our previous "Big 10 in Big D" entry. Denise Trostle, who has contributed immeasurably to both iterations of our Base Plus® effort,

went to Penn State. Anyone who has installed Control Plus for a client knows that it's best to stay off of Denise's "List", so please accept our apology for leaving you out of the previous entry!

We would like to welcome Anika Ball to the project. Anika is now on-site full-time here in Dallas, and is the Logistics Systems team member involved in our "Gap Analysis" project. Over the next few months, we will be analyzing Blockbuster's WMS requirements by functional area and recommending solutions. These recommendations could include modifying the existing system (JDEdwards) or moving to a new system altogether.

Oh, yeah -- Anika's a graduate of the University of Michigan, so the pattern continues!

-- CHRIS DOWD

TRAVEL TIPS

UNITED ENDS MILE EXPIRATION
(BTN Online, August, 1999)

Following American Airlines' lead, United Airlines became the last major U.S. carrier to eliminate frequent flyer mileage expiration. United's new policy requires a qualifying activity intact. A qualifying activity includes paid flights on United and United affiliated airlines; redeeming miles; using a Mileage Plus Visa/MasterCard for purchases; and earning miles with MCI WorldCom.

Current mileage is valid through December 21, 2002, and United will reinstate 1998 expired miles. To recover the lost mileage, members need to register and pay for either two domestic roundtrips or one international roundtrip.

HAPPY BIRTHDAY!

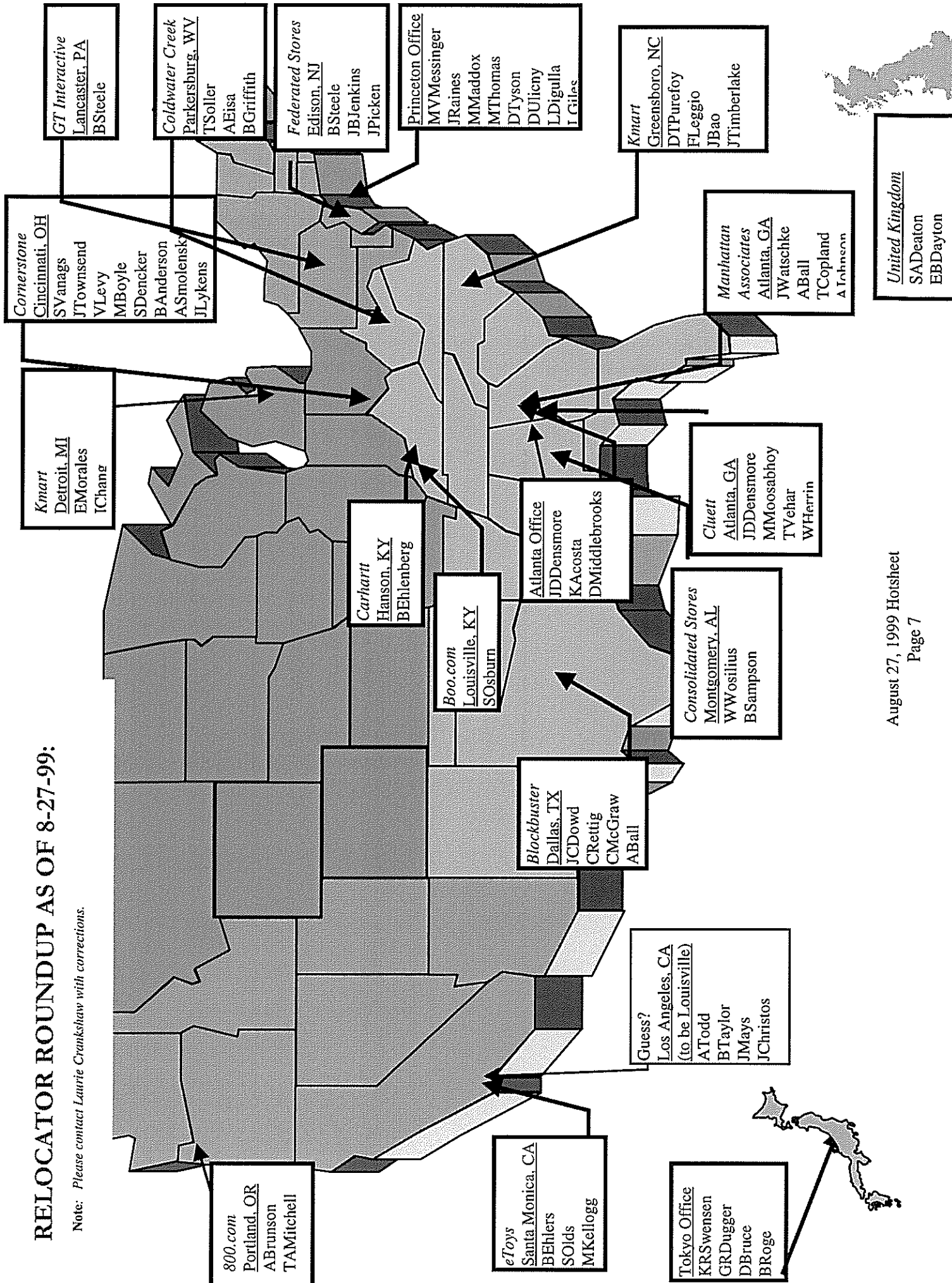|	
Joe Raines	**8/31**
Anika Ball	**9/2**

Mike Swift   8/31/83
Brenda Steele   8/31/98

RELOCATOR ROUNDUP AS OF 8-27-99:

Note: *Please contact Laurie Crankshaw with corrections.*

GT Interactive
Lancaster, PA
BSteele

Coldwater Creek
Parkersburg, WV
TSoller
AEisa
BGriffith

Federated Stores
Edison, NJ
BSteele
JBJenkins
JPicken

Princeton Office
MVMessinger
JRaines
MMaddox
MThomas
DTyson
DUjieny
LDigulla
I Giles

Kmart
Greensboro, NC
DTPurefoy
FLeggio
JBao
JTimberlake

Cornerstone
Cincinnati, OH
SVanags
JTownsend
VLevy
MBoyle
SDencker
BAnderson
ASmolenski
JLykens

Kmart
Detroit, MI
EMorales
IChang

Manhattan Associates
Atlanta, GA
JWatschke
ABall
TCopland
A Johnson

United Kingdom
SADeaton
EBDayton

Carhartt
Hanson, KY
BEhlenberg

Cluett
Atlanta, GA
JDDensmore
MMoosabhoy
TVehar
WHerrin

Atlanta Office
JDDensmore
KAcosta
DMiddlebrooks

Boo.con
Louisville, KY
SOsburn

Consolidated Stores
Montgomery, AL
WWosilius
BSampson

Blockbuster
Dallas, TX
JCDowd
CRettig
CMcGraw
ABall

800.con
Portland, OR
ABrunson
TAMitchell

Guess?
Los Angeles, CA
(to be Louisville)
ATodd
BTaylor
JMays
JChristos

eToys
Santa Monica, CA
BEhlers
SOlds
MKellogg

Tokyo Office
KRSwensen
GRDugger
DBruce
BRoge

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the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"DON'T BE CONTENT WITH AVERAGE -

IT IS AS FAR FROM THE TOP AS IT IS FROM THE BOTTOM."

-- ANONYMOUS

INDUSTRY INSIGHTS

THE FIVE NEW RULES OF WEB TECHNOLOGY
(Fortune, June 1999)

Today's internet poster boys are retail web companies like Yahoo, Amazon, and eBay. But another class of Net company - one that matters more to your business - is starting to get respect. These companies - BroadVision, Marimba, DoubleClick, and others - supply software that runs the computer systems used by eBay and its like. These companies offer customer-centric applications that will be the basis of information technology architecture for the entire economy.

Why do so many companies, old and new, have trouble building an interactive website that reflects up to date accurate information about customers? Why doesn't eBay provide current transaction history or accept payments online? Why can't **L.L.Bean's** site remember that a particular customer orders two pairs of blue jeans about the same time every year? In other words, where in the IT infrastructure is the customer? At a lot of companies, the computer systems just don't know about the customer. The truth is, until recently, IT managers designed systems to deal with everything but the customer. Who ever imagined that customers would interact directly with a company's information system through the Internet?

The Net has changed all this so dramatically that entire systems must be redesigned. The key now is to put customer data at the center of the IT infrastructure. The customer database should be the hub; around it are five spokes with systems for processing transactions, managing content, acquiring new customers, providing customer service, and marketing to customers.

> *Transaction Processing:* Unlike the other spokes, which depend on software that's been created in the past 3 or 4 years, this one consists of traditional systems that run key functions

of "brick and mortar" companies: accounting, manufacturing, distribution, etc. All these need to be integrated into programs for credit card transactions, auction management, and so on, that handle real-time buying and selling over the Internet.

Content Management: For years software for publishing content has focused on the design of pages for magazines, books, brochures or presentations. Now software is available that allows any company to display up-to-the-minute data in useful, readable, fashion on a website. Content has been redefined to include anything Web users might interact with, be it data, software, or classic content like text, audio, or video.

Customer Acquisition: For many companies this simply means buying applications that deliver adds to the customers they want to woo. But a new kind of Web software, called affiliate-management programs, can track your customer as he moves across the Web visiting other sites. If he buys something at a site your affiliated with, you'll get a cut of the purchase.

Customer Service: Some of today's enterprise-software companies supply systems for customer service. But as we all know, these services don't exactly provide customer service. What's developing now is software that truly does serve customers via e-mail, telephone, fax, and chat rooms.

Customer Marketing: This spoke will be one-to-one marketing brought to life. Technology and software will be used to customize marketing to millions of customers. Customer marketing software keeps track of customer preferences and tailors the marketing message based on those preferences.

As time passes and the Internet becomes more and more a key part of our lives and economy, every company will have to adopt these systems.

FEDEX, UPS STILL RULE THE ROOST
DOMESTIC AND INTERNATIONAL SHIPPERS HAVE LEARNED TO LOVE TRUE EXPRESS SERVICES, BUT IMITATORS NEED NOT APPLY.
(Logistics On-Line, July 1999)

The term *express* is as old as the freight industry itself. Over the years, it has been applied to many different types of service, from small-parcel shipments to overnight envelopes to any kind of premium service.

The marketplace is beginning to define the term more precisely. Today, *express* means a service that is based on predictable, published transit times; includes a service guarantee; and has tracking and tracing capability. Size or mode is no longer relevant: Express service can include guaranteed services offered by LTL carriers as well as overnight package services offered by integrated air carriers. It can mean international air transportation as well as domestic ground service.

That's one reason it is so difficult to compare FedEx and **United Parcel Service (UPS)**. Although they both are considered to be express carriers, in reality, they have held very different market positions. FedEx, the largest division of FDX Corp., focuses on the overnight domestic air-

express business, a niche that it dominates. UPS, by contrast, still depends on its domestic ground package business for more than 70 percent of its revenues. UPS controls 80 percent of that market.

1998 Financials for Leading Integrators ($ thousands)

Airfreight Integrators	1998 Revenue	1998 Operating Income	Operating Margin
Federal Express (air cargo only)*	$13,666,300	$907,300	6.64%
Airborne Freight Corp.	$3,074,525	$234,467	7.63%
BAX Global, Inc.	$1,662,338	$56,405	3.39%
DHL*	$1,348,500	$92,600	6.87%
United Parcel Serv. (air cargo)*	$1,997,200	$62,000	3.10%

Sources: BT Alex. Brown, DOT
*From DOT, Bureau of Transportation Statistics

Increasingly, customer demand for new services is leading these companies to compete with each other more directly. Both now offer a similar mix of true express services and clearly defined time-variable services.

Since its purchase of Caliber's various divisions, especially the RPS ground parcel service, FDX has been able to offer an established brand that can compete directly with UPS's ground operations. RPS, whose business is still only one-tenth the size of UPS's ground business, experienced revenue growth of 27 percent in 1998. It also increased its shipment volumes by 24 percent--despite having implemented a 3.7-percent rate increase. RPS even is experimenting with the home-delivery business, which UPS controls.

UPS, by contrast, saw its ground-shipment volumes drop slightly while airfreight volumes increased by 10.5 percent--a change that some observers believe signals a strategic move to drive more business into higher-revenue express services. UPS also appears to be recasting its traditional ground-delivery business as an express product: The company last year added on-time delivery guarantees for those services.

The two carriers compete even more directly in the international arena, where FedEx earned $3.5 billion and UPS earned $3.2 billion in 1998. Those numbers represent increases in the 10- to 12-percent range for both carriers, which helped them recover from 1997 losses in this sector. Overall, both companies enjoyed revenue gains --16 percent for FDX and 10 percent for UPS-- and both nearly doubled their operating income.

The U.S. Postal Service (USPS) also is becoming a serious player in the express market. Express Mail continues to be popular, and USPS is promoting it heavily as a low-cost alternative to international package shipments. Priority Mail, which is supported by air service provided by CNF Transportation, is gaining market share on all the integrated carriers, says Ed Wolfe, a transportation analyst in the New York office of the investment firm of BT Alex. Brown. Shippers increasingly view Priority Mail as express, he says, even though it currently lacks the service guarantees that other express products offer and doesn't provide tracking or tracing capabilities at this time. Delivery confirmation now is available, however, and a service guarantee is coming soon.

For more information link to: http://www.manufacturing.net/cgi-bin/attredit.cgi?targetpage=/lexisframe/frame_sc.html&src=/magazine/logistic/archives/1999/log0701.99/071expre.ht m

INDUSTRY Q&A

STRATEGIES FOR COMBATING STAFF TURNOVER IN A CALL CENTER
(QueueTips, Calls Management Institute. QueueTips is a free monthly interactive e-mail bulletin providing inbound call center professionals with a forum for exchanging questions and answers, problems and solutions, helpful hints and newsy tidbits. QueueTips is sponsored by Call Center Management Review.)

Question: *How Can I Combat Staff Turnover? For 18 months I had zero turnover in the call center, and now turnover is at 30 percent. How are other managers dealing with training current staff to keep them interested in their job? Some agents are leaving because they want "more money." If you pay agents the "market rate," how do you compete when they are offered more money?*

Answer: Across the call center industry, there have been 12 typical causes of call center turnover, including (in no specific order):

1. Pace of effort require
2. Sense of powerlessness/lack of control
3. Frustration of not being allowed to do a good job
4. Repetition
5. Daily physical confinement (tied to their desk)
6. Over-regimentation
7. The feeling of being spied on
8. The feeling of not being appreciated by others in the organization
9. Handling complaints & problems all day
10. Odd work hours
11. Pay
12. Better opportunities elsewhere

Of course, not all will apply in each case, but one or two are likely to be the biggest culprits. Start by asking what changed in the internal and external environments from the period of no turnover to the current situation of 30-percent turnover? Which of these 12 factors stand out?

Pay could be a problem if you're not keeping pace with the market. As the call center environment becomes more complex, I think a lot of organizations are going to have to do some soul-searching on the importance and commensurate remuneration associated with these jobs. Many managers are quick to point out that pay is just one factor, and often not the most important; true, but there's a point at which this argument gets carried too far. Reality is, there are lots of opportunity out there for competent, personable people who have both technical and communication skills.

That said, if you truly are paying market rates, there should be relatively small, incremental differences between what you and others are offering. The following have been proven time and again to have a direct, positive bearing on turnover and morale:

1. Broaden and extend the training your agents receive and the responsibilities they have (which is fundamental to addressing your second question; hierarchy must not by synonymous with career path).
2. Involve them in managing the call center -- quality improvement, forecasting, and collaboration with other teams and departments, establishing schedules, etc.
3. Ensure they have an understanding of (and involvement in) the direction and values of the organization.
4. Ensure that your call center is accessible (maintain good service levels) so that you're not burying agents in customers frustrated from the start.

■ BRAD CLEVELAND, INCOMING CALLS MANAGEMENT INSTITUTE

TRAVEL TIPS

FAA UNVEILS PLANS TO REDUCE RECENT AIRLINE DELAYS
(The Associated Press, August 1999)

After being hammered by airline executives for delays this summer, the Federal Aviation Administration has developed a plan to help reduce such inconveniences. The agency, in a letter to the airlines, said it will soon have its command center in Herndon, Virginia, start coordinating traffic flows in bad weather, eliminating conflicts between local centers spread across the country. .

In addition, the FAA will let the center minimize the use of extra buffers that are otherwise routinely established between planes in bad weather. The agency has also pledged to develop a policy in which airplanes held on the ground because of bad weather will be given a specific projected departure time. Such information can then be relayed to passengers.

Airline passengers, who have suffered through hundreds of delays this summer, should start seeing the effect of the changes within the next several weeks. Nonetheless, the FAA said a long-term improvement hinges on the continuation of the agency's $13 billion modernization program, as well as congressional approval of a plan to renew the agency for another five years. Included in that "reauthorization" bill, now stalled in the Senate, is language that would let the FAA start charging fees for some of its services. "What we and the airlines developed is a short-term program that we believe will have the effect of reducing the delays," Eliot Brenner, the agency's chief spokesman, said Thursday. "We all agree that what's needed over the longer term is the FAA's steady program modernizing the system, which is why the long-term reauthorization is so important to us," Brenner said.

NOTES...NEWS...NONSENSE:

LAWS OF GOLF

LAW 1: No matter how bad your last shot was, the worst is yet to come. This law does not expire on the 18th hole, since it has the supernatural tendency to extend over the course of a tournament, a summer and, eventually, a lifetime.

LAW 2: Your best round of golf will be followed almost immediately by your worst round ever. The probability of the latter increases with the number of people you tell about the former.

> I hate this game.
> I hate this game.
> I hate this game.
> "Nice Shot!"
> I love this game.

LAW 3: Brand new golf balls are water-magnetic. Though this cannot be proven in the lab, it is a known fact that the more expensive the golf ball, the greater its attraction to water.

LAW 4: Golf balls never bounce off of trees back into play. If one does, the tree is breaking a law of the universe and should be cut down.

LAW 5: No matter what causes a golfer to muff a shot, all his playing partners must solemnly chant "You looked up," or invoke the wrath of the universe.

LAW 6: The higher a golfer's handicap, the more qualified he deems himself as an instructor.

LAW 7: Every par-three hole in the world has a secret desire to humiliate golfers. The shorter the hole, the greater its desire.

LAW 8: Topping a 3-iron is the most painful torture known to man.

LAW 9: Palm trees eat golf balls.

LAW 10: Sand is alive. If it isn't, how do you explain the way it works against you?

LAW 11: Golf carts always run out of juice at the farthest point from the clubhouse.

LAW 12: A golfer hitting into your group will always be bigger than anyone in your group. Likewise, a group you accidentally hit into will consist of a football player, a professional wrestler, a convicted murderer and an IRS agent -- or some similar combination.

LAW 13: All 3-woods are demon-possessed.

LAW 14: Golf balls from the same "sleeve" tend to follow one another, particularly out of bounds or into the water (See Law three).

LAW 15: A severe slice is a thing of awesome power and beauty.

LAW 16: "Nice lag" can usually be translated to "lousy putt." Similarly, "tough break" can usually be translated "way to miss an easy one, sucker."

LAW 17: The person you would most hate to lose to will always be the one who beats you.

LAW 18: The last three holes of a round will automatically adjust your score to what it really should be.

LAW 19: Golf should be given up at least twice per month.

LAW 20: All vows taken on a golf course shall be valid only until sunset.
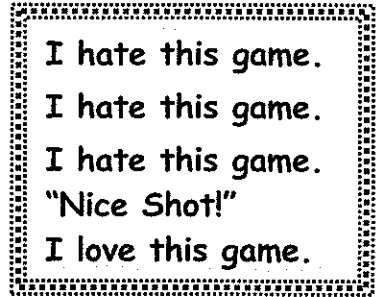
-- DANA YACCARINO

HAPPY BIRTHDAY

Priscilla Jorgensen	8/20	Tim Copland	8/25
Dan Stonaker	8/20	Lynn Spuhler	8/26
Bob Smith	8/23	Chris Rettig	8/26

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:
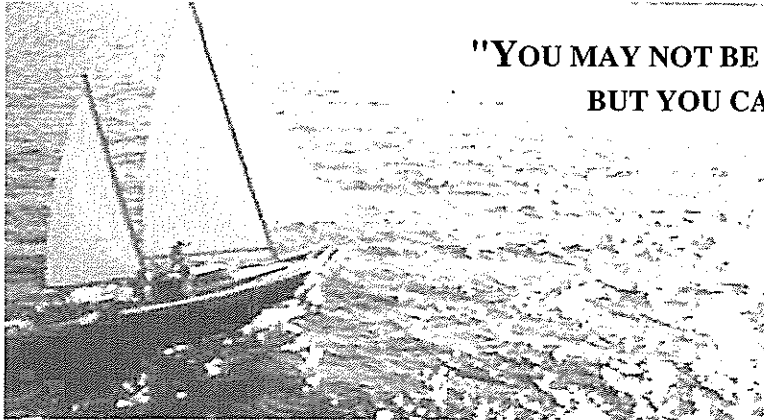
"YOU MAY NOT BE ABLE TO DIRECT THE WIND,
BUT YOU CAN ADJUST THE SAILS."

-- *ANONYMOUS*

PROJECT POSTCARDS

A FOND FAREWELL FROM AMISH COUNTRY...

The GT Interactive team of Steve Riepenhoff, Jack Horst, Chris Mazzei, and Brenda Steele would like to wish Mark Messenger a fond farewell as he leaves the booming metropolis of Lancaster, PA and heads South to Atlanta. Over the course of the project Mark seriously considered becoming Amish, which is the main reason Randy Moore decided to relocate Mark to Atlanta. The most important things he learned on this project were:

- A cow farm and hot weather make for some interesting smells in a distribution center.
- When the cows are laying under the tree, it is going to rain.
- Pennsylvania is a big state and the PA Turnpike is possibly the most boring road to drive in America.
- Do not buy White Castle burgers from a gas station convenient store! If you do, buy Pepto as well.

On a more serious note, Mark has been a vital part of the project team in assisting GT Interactive with the implementation and transition of their logistics operations to Arnold Logistics (3rd Party Provider). He played a lead role in the integration testing of all systems and equipment as well as during start-up. There have been many unique challenges on this project and Mark met each one with the knowledge and skill of a consultant beyond his years of experience. We wish him the best of luck on his next project!

-- *CHRIS MAZZEI*

INDUSTRY INSIGHTS

FEDERATED EARNINGS RISE 28 PERCENT
(AP Online via COMTEX, August 11, 1999)

Federated Department Stores Inc.'s earnings rose 28 percent in the second quarter as sales increased in virtually all merchandise categories nationwide. Earnings for the quarter ended July 31 were $137 million, or 61 cents per share, compared with $107 million and 47 cents in the same period a year ago.

The results were better than analysts had forecast. Shares of Federated rose $1.12 1/2 to $50.12 1/2 in trading on the New York Stock Exchange. Revenues rose 17 percent to $4.11 billion from $3.52 billion.

``This is the best start to a year that any of us can remember," said James Zimmerman, Federated's chairman and chief executive officer. Still, the most critical earnings time for retailers is the Christmas sales period in the fourth quarter. During the quarter, two Lazarus stores -- in Glendale, near Indianapolis, and in the Century III mall in West Mifflin, Pa. -- were closed.

The Cincinnati-based retailer operates more than 400 department stores in 33 states under the names **Bloomingdale's**, **The Bon Marche**, Burdines, Goldsmith's, **Lazarus**, **Macy's**, Rich's and Stern's. The retailer also operates the **Fingerhut** Cos., an Internet retailer, **Bloomingdale's by Mail, Macy's by Mail,** and Macys.Com catalog and electronic commerce subsidiaries.

For the first half of this year, Federated earned $224 million, or $1.02 per share, up 33 percent from $167 million and 74 cents per share in the same period last year. Revenues rose 3 percent to $7.22 billion from $6.98 billion.

AUTOTRAK(R)/AUTOSHIP(R) 6.0 OFFERS UNIQUE OUTBOUND LOGISTICS FUNCTIONALITY FOR HIGH VOLUME, COMPLEX SHIPPING CHALLENGES
(Business Wire, August 6, 1999)

Applied Automation Techniques, Inc. (AAT) announced the release of AutoTrak(R) and AutoShip(R) 6.0 with shipping management functionality that has not been offered in a commercially available software product. Making the announcement, Michael Register, the company's marketing vice president, said the release was part of a larger corporate strategy to convert highly successful custom-developed applications into commercial "best of breed" solutions.

While offering "full-featured" warehouse management functions that couple seamlessly with data collection devices and a range of ERP systems, the new release offers unique capabilities in automating shipping and manifesting. Both the warehouse management (AutoTrak) and the

pick, pack and ship applications (AutoShip) are available separately. AutoShip: unique functionality for high volume, complex shipping environments.

Among the capabilities built in to AutoShip are:

♦ A wide-ranging choice of picking and putaway methods: Directed or random; efficient routing; RF, paper or label picking methods; single order, batch, wave or interleaved picking, and wave planning.

♦ The ability to create "pack and hold" orders at the shipping location(s) through "virtual manifesting," by which several stations can concurrently work on a single order over more than one shift.

♦ Tracking by item, lot number, serial number, production date or receiving date.

♦ The ability to view inventory by item, location or warehouse in single or multiple station environments, or where multiple shipping sites exist.

♦ Built in labor tracking functionality, providing for more efficient labor utilization where large and/or multiple orders must be kept open over time. This functionality also creates an automatic audit trail.

A range of packing options, including:

♦ Best way rate selection or customer routing specification; on-line, line-item packing verification; advanced ship notices produced by carton, and the ability to flexibly customize packing to customer specification.

♦ Both standard (e.g. UCC-128) and custom labeling options.

♦ Automated carton tracking with built in interfaces to the ERP backbone and, optionally, to tracking software offered by integrated carriers like UPS or FedEx.

♦ A wide selection of standard and custom reports, allowing online, real-time management of the entire shipping operation.

♦ The system also optionally interfaces conveyor control systems.

NOTES...NEWS...NONSENSE:

IF DR. SEUSS HAD A COMPUTER...

> If a packet hits a pocket on a socket on a port,
> and the bus is interrupted as a very last resort,
> and the address of the memory makes your floppy disk abort,
> then the socket packet pocket has an error to report.
>
> If your cursor finds a menu item followed by a dash,
> and the double-clicking icon puts your window in the trash,

and your data is corrupted 'cause the index doesn't hash,
then your situation's hopeless and your system's gonna crash.

If the label on the cable on the table at your house,
says the network is connected to the button on your mouse,
but your packet wants to tunnel on another protocol,
that's rejected by the printer located down the hall,
and your screen is all distorted by the side effects of gauss,
so your icons in the window are as wavy as a souse,
then you may as well reboot and go out with a bang,
'cause as sure as I'm a poet, the sucker's gonna hang!

When the copy of your floppy's getting sloppy on the disk,
and the macro-code instructions cause unnecessary risk,
then you have to flash your memory and you'll want to RAM your ROM.
Quickly turn off the computer and be sure to tell your mom.

-- PAM BECKERMAN

Q&A

401K BENEFITS

Questions: **Can you explain the 401k benefit, and when KSA begins to match? What does matching mean and up to what percentage to they match? How long do you need to be with KSA or at what grade level does matching begin?**

Answer: *A 401K match is a contribution to your 401K account by KSA. The matching program is based on years of service, not grade level. KSA begins to match when you attain the required years of service. KSA calculates the match after each calendar year ends. You must participate in the 401K plan to the level of the match to receive the full benefit. The levels for the match are:*

0-2 years of service	*No match*
2-4 years of service	*1% match*
4-6 years of service	*2% match*
6 or more years of service	*4% match*

You must have the required years of service on the first day of the calendar year - e.g. employees with eight years of service on 1/1/99 will be entitled to a 4% match. You must participate to the level of the match - e.g. an employee with eight years service contributing 2% to the 401K plan during 1999 receive a 2%

match instead of 4% match.

<div align="right">*-- WENDY RISSE*</div>

<div align="center">*Questions may be submitted to lcran@kurtsalmon.com.*</div>

TRAVEL TIPS

AMEX TAPS MARITZ

(by: Chris Davis, BTNONLINE, August 11, 1999)

American Express will outsource its large-market group and meetings travel services to St. Louis-based Maritz Travel Co. In return, Maritz will market the American Express Card as a "best-of-breed option" to its customers, two-thirds of whom already are Amex cardholders.

This isn't a joint venture and there is no equity involved, "we just want to tap into Maritz's core competency and they want to tap into ours and add value to our customers," said American Express Corporate Services president Ed Gilligan.

Small-market group and meeting travel operations, defined by American Express as smaller than $10 million of total annual travel volume, will continue to be handled by Amex. They will also continue to handle ticketing and booking for large group and meetings accounts that require air-only arrangements.

HAPPY BIRTHDAY

Scott Daughdril	**8/13**
Ralph Wear	**8/16**
Priscilla Jorgensen	**8/20**
Dan Stonaker	**8/20**

Happy Anniversary

Melissa McPhail   8/19/96

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

QUOTE OF THE WEEK:

"ONE IS ALWAYS A LONG WAY FROM SOLVING A PROBLEM UNTIL ONE ACTUALLY
HAS THE ANSWER."

                                                                                                      -- STEPHEN HAWKING

INDUSTRY INSIGHTS

SELECTING 3PL PARTNERS: SEVEN-STEP PROCESS FOR IMPLEMENTATION
(Leslie Hansen Harps, Inbound Logistics, July 1999)

*This seven-step process may be something your clients could use in determining if 3PLs are
the right solution.*

Companies no longer fight with their 3PLs for control of the supply chain. Instead, they
are channeling their attention to improving the selection and management of their 3PL
partners.

Randall M. Telfer, head of the 3PL consulting practice for The Progress Report, a supply chain
consulting firm headquartered in Roswell, Ga., has developed a seven-step methodology for
logistics outsourcing. The process is the result of Telfer's experience as a logistics professional,
most recently as general manager of global logistics for GE Plastics. Telfer developed and fine-
tuned his methodology while directing the outsourcing of numerous domestic and international
operations during the past decade.

1. **Conduct a baseline analysis.** Develop a detailed baseline of what you're outsourcing,
    including a complete description of financial and service quality elements. Spell out
    logistics costs at the site and cost-center level, and for any providers that you're currently
    using. You should be able to peg accurately all the logistics-related costs that are unique
    to a particular site.

    As part of this baselining process, update your standard operating procedures, and make
    sure they're sufficiently detailed to turn over to a 3PL.

2. **Assess risk.** To prevent an ill-advised leap into logistics outsourcing, get realistic
    answers to hard questions. Is your company really committed to outsourcing -- and to the

hard decisions that may be required to make it happen? Are the necessary dynamics in place? Is the timing right? Do you understand and perform your logistics processes well enough to outsource them? What potential barriers can prevent successful outsourcing, and how can you overcome them? For example, what happens if your people don't support the shift to outsourcing?

3. **Benchmark other operations that are managed by potential 3PLs.** When you've identified a handful of providers that appear to be candidates for your project, assemble a cross-functional team to benchmark their operations. The investment required to benchmark operations similar to yours will be paid off many times over, Telfer says. The site visit gives you the opportunity to evaluate the provider's:

   - Logistics planning ability
   - Technology
   - Culture
   - Career paths and development of managers and executives
   - Business team integration
   - Quarter- and year-end proficiency
   - Cost-effectiveness
   - Service quality focus
   - Performance against metrics

4. **Issue an RFP.** Most Requests for Proposals are too broad, and at too high a level, Telfer says. They frequently don't provide the operational detail that providers need to produce an accurate or realistic proposal. Construct the RFP so that you can readily compare the proposals you receive in response to it. As part of the RFP, ask providers to give you their implementation plan, with details as to who will run it, and how it will be done. "You can learn a lot from that," Telfer says.

5. **Select the right partner.** Following this step-by-step outsourcing methodology increases the likelihood that you'll select the right partner, Telfer says. Implicit in the selection process is a meeting of the minds between the user company and the provider's CEO. According to Telfer, it's crucial that they develop a common vision and objectives for the relationship.

6. **Contract for value.** Allow plenty of time for the contracting process, which is generally rushed. Structure the contract negotiations so that they lay the groundwork for a partnership, rather than an adversarial relationship. This may mean not bringing in the legal department until after the operational details have been worked out. As part of the negotiations, consider gain-sharing and activity-based contracting.

7. **Implement.** "Plan early and often," Telfer advises. Allow ample time for implementing the outsourcing relationship -- more than you think it will take. No matter how much pressure senior management puts on you to get results, "you have to convince them to give you time to do it right, without service degradation," he says.

Always develop contingency plans. If it's at all possible, implement on a full fiscal year calendar cycle. Doing so makes pre- and post-outsourcing financial comparisons much clearer.

MORE ON 3PLS

KSA Logistics Managers and Principals met in May to consider and prioritize the issues facing our practice. One of the top external issues was providing services to 3PL providers. The article at this web link explores this topic by challenging the value added of consulting firms in the 3PL arena.   http://www.manufacturing.net/magazine/logistic/archives/1999/log0601.99/0614pl.htm

-- *CAMERON GEIGER*

MORE LINKS

Have you ever wondered how much your client contact is making to do (or not do) their job? For more information on industry salaries at all levels of experience, check out this hyperlink. In short, adding the words "supply chain" to your title bumps up the average salary by $17,000!
http://www.manufacturing.net/cgi-bin/attredit.cgi?targetpage=/jobs/frame_default.html&src=/jobs/surveys/current.htm

-- *CAMERON GEIGER*

NOTES...NEWS...NONSENSE:

THE BIG 10 IN BIG "D"

Well, the 2-person version of the Blockbuster team lasted exactly three weeks. Chris Rettig and Chris Dowd would like to welcome Colleen McGraw to Dallas. Colleen's first day on site was August 5th. She is fresh out of orientation class, and is a graduate of the University of Michigan. Colleen becomes the 8th KSAer from a Big 10 school to work on the Blockbuster team, representing a total of 6 of the 11 schools in the conference! The breakdown goes like this:

University of Wisconsin -- Raj Kumar
University of Illinois -- Melisa Olson
Penn State -- Jon Watschke
Purdue -- Whitney Herrin, Megan DeBone
Northwestern -- Liz Goldstein, Chris Rettig
University of Michigan -- Colleen McGraw

Pretty cool, right? Well, it gets down-right weird when you consider that: (1) Melisa Olson is originally from Minnesota, home of the University of Minnesota (ironically enough!); (2) Whitney Herrin's parents went to Ohio State, and her brother went to Michigan State; (3) Chris Dowd's brother just graduated from Indiana University, and Chris went to Notre Dame, which

almost joined the Big 10; and (4) Jana Hughes is from Nebraska, which is practically Iowa! OK, the Iowa part may be a bit of a stretch, but it's like some weird six degrees of Kevin Bacon thing with all these Midwesterners in Dallas -- we've basically got the whole conference covered!

And with all the new work we're doing, the end may not be in sight. That means we've got to move on to a new conference. Let's see. . .Randy Moore went to Tennessee -- any other SEC alumni out there that want to join us?

Anyway, welcome to the team, Colleen. We look forward to working with you!

-- CHRIS DOWD

LISTENING

In the course of a day, we frequently find ourselves answering e-mail, talking on the phone, and thinking about our next meeting - all at the same time. We are so busy multi-tasking that our attention is not always on the person trying to engage us. Here are some reminders about increasing our listening effectiveness:

- Focus your attention on understanding the speaker's meaning rather than beginning to formulate your response.

- Attend to the feelings being expressed and not just the content. Observe the messages available in non-verbal behavior.

- Paraphrase to confirm the message. This is a powerful relationship building tool. People love to have their reality acknowledged.

- Don't put the caller on the speaker phone unless it is a conference call.

- Avoid interrupting people. Let them finish their points.

- When in person, make eye contact. Look interested. Typing into your computer while people are talking to you might be considered rude!

- Ask clarifying questions to draw out more information.

- If confidential topics are raised, move to a private setting.

- If you disagree with what is being said, paraphrase the other's position before stating yours.

- In intercultural situations, adapt your listening to the norms of the others' culture. Note physical distance, duration of eye contact.

- If you truly cannot be present to the conversation, reschedule it for another time.

-- PAM BECKERMAN

TRAVEL TIPS

IN THE BLINK OF AN EYE
(Frequent Flyer, August 1999)

Amtrak plans to re-invent rail travel in the Northeast Corridor between Washington and Boston with the introduction this fall of *Acela*, which it says will provide "faster trip times, comfortable amenities and highly personalized service." With the completion of work between New Haven and Boston, the entire corridor will be electrified, enabling faster trips.

Acela Express trains, replacing the current Metroliners, will cut the Boston-New York trip, now four hours and 30 minutes, to three hours and some New York-Washington expresses to less than two and a half hours, Amtrak said.

Each train will have locomotives at the front and rear with four coaches, a first-class car and a café car. Each seat will have an electrical outlet and audio entertainment. More than 30 tables will be available on each train where passengers can spread out paperwork or hold impromptu meetings. Windows will be larger, overhead storage compartments will be enclosed and bathrooms will have vanities with natural lighting.

Major station improvements are under way in New York, Wilmington and Baltimore and a new station is being built at Route 128 outside Boston.

HAPPY BIRTHDAY

| Chuck Easley | 8/1 | Cameron Geiger | 8/3 |
| Sarah Davis | 8/3 | Barry Ehlers | 8/3 |

| Scott Daughdril | 8/1/96 | Faith Cox | 8/11/87 |
| Mark Woodrow | 8/10/98 | Melisa Olson | 8/12/96 |

the HOTSHEET

Connect to the Intranet: http://webstage/intranet

A NOTE FROM   Thanks to those of you who have sent messages of support and praise, and
THE PUBLISHER most importantly – material for the Hotsheet. Keep it coming!

QUOTE OF THE WEEK:

"IF YOU WANT TO CHANGE SOME THINGS IN YOUR LIFE, YOU'VE GOT TO CHANGE
SOME THINGS IN YOUR LIFE."
                                    -- *JOHN PAUL GETTY*

INDUSTRY INSIGHTS

J. JILL GROUP ANNOUNCES TWO NEW APPOINTMENTS
(Business Wire, July 27, 1999)

The **J. Jill Group, Inc.** announced the appointment of Bradley J. Eckhart, 38, to Vice President of Retail Merchandise Operations and Faythe Shortelle, 44, to Vice President of Telemarketing and Customer Service.

Mr. Eckhart joins J. Jill after running his own retail consulting business and brings with him extensive experience in planning, distribution and merchandising. Prior to his personal endeavor, Mr. Eckhart was Vice President of Merchandise Planning and Allocation at Warner Brothers Studio Stores. In addition, he has held positions with Miller Outpost, a specialty retailer with 330 stores, as Distribution Manager and as Marketing Analyst and with **J.C. Penney** as Merchandise Planning Manager. Mr. Echkart will report to Dennis Adomaitis, President, J. Jill Stores. His responsibilities will include merchandise planning, allocation, logistics, distribution and inventory control for all J. Jill retail stores.

Ms. Shortelle comes to J. Jill from **Federated Department Stores**, where she was most recently Operating Vice President Telemarketing at their catalog division, **Federated Logistics Direct**. As OVP Telemarketing, she was responsible for all telemarketing operations related to **Bloomingdale's by Mail** and **Macy's By Mail** home furnishings and fashion catalog businesses. Prior to this position, she held the posts of Inventory Control Manager, Mail Order/Retail Operations Manager and Catalog Manager at Federated Logistics Direct. Faythe will be responsible for J. Jill's customer contact center and customer service and support and will report to Kevin Burns, Senior Vice President/General Manager. Faythe has been responsible for devising and implementing training programs, returns reduction programs, "upsell" and service driven telemarketing systems for the direct mail programs of two very reputable and successful

retailers. This experience will be greatly beneficial in helping J. Jill enhance the productivity of its call center and customer service and support activities. The appointments of Brad and Faythe to the J. Jill team underscore our commitment to building The J. Jill Group into a successful multichannel company.

NOTES...NEWS...NONSENSE:

WELCOME!

KSA's 121st Orientation class comes to a close on Friday. This class has enjoyed a fury of activity both in the classroom and in the nightlife of Atlanta! The Logistics group welcomes 12 new consultants from this Orientation! Please see the Relocator Roundup (page 7) for their first project assignments. The new consultants are:

Jason Christos	Michael Kellogg	Mufaddal Moosabhoy
Laura Giles	Jen Lykens	Arthur Smolensky
Brad Griffith	Jon Mays	JuJuan Timberlake
Whitney Herrin	Colleen McGraw	Tammy Vehar

Other Logistics consultants participating in Orientation, but who have already begun their project work earlier this year are:

Johnny Bao	Dallas Middlebrooks	Brad Sampson
Lori Digulla	Jeff Picken	Brad Taylor

-- RANDY MOORE

FOND FAREWELLS

Jana Hughes is leaving KSA so that she and her husband John can start a family. Their baby is due at the end of the year. While we are excited for Jana and John and their new challenge, we will miss her greatly at KSA. She has been an outstanding consultant during her 5 plus years and has always brought the utmost energy and enthusiasm to her projects. Both clients and colleagues have valued her dedication, her project management skills, and her practical approach to solving problems. Throughout her career, she has been dedicated to the development of junior staff through her recruiting and mentoring activities.

Jana joined KSA in early 1994 after graduating with a BS degree in Industrial Engineering. She has worked for important KSA clients including Time, Fingerhut, Disney, and Blockbuster. Over the past two years, she has commuted to her project work from Lincoln, Nebraska, where John owns a manufacturing business.

We wish Jana and her family the best in the years ahead!

-- RANDY MOORE

Mohan Komanduri and **Neysa Colizzi** are both taking a leave of absence beginning this summer to attend the Kellogg School of Business at Northwestern University. Mohan has been a vital part of our Jusco Team in Tokyo for the last 2-1/2 years. Neysa has been leading Performance Improvement Projects, most recently with Consolidated Stores in Montgomery. We wish both Neysa and Mohan the best of success as they re-enter the university life.

-- MICHAEL SWIFT

CORNERSTONE CONVEYABLE - GO-LIVE!!!

Following our successful PkMS startup in April, the KSA implementation team was ready to write the next chapter of the Cornerstone saga. The Cornerstone distribution center started operating with full PkMS functionality and conveyor systems on Monday, July, 26, 1999.

With a goal of shipping 100 packages on the outbound conveyor system (Rapistan conveyor with a Sortec tilt tray sorter), Cornerstone managers and KSAers prepped for GO-LIVE by carefully following inventory of the first conveyable cartons from its home in the active pick area, through the outbound conveyor to the trailers. The weekend was spent verifying items such as uploads, downloads, conveyability, weighing, and manifesting to make sure that everything was working correctly.

Once again, good hard work paid off. On Monday, Cornerstone shipped 950 cartons using the tilt tray and new PkMS functionality that included cartonization, picking path, and conveyor communications. A small number of closely monitored SKU's are being processed in each wave of orders, so that the pick truck setup, picking path, and cartonization can be verified and corrected in the item master when necessary. With only one member company (Ballard Designs) using the conveyor in a controlled manner, the capacity of the sorter cannot be fully appreciated. By 2001, Cornerstone will be shipping 50,000 cartons a day on the tilt tray!

Equipment installation and facility construction monitoring is winding down for the KSA operations team. The focus of the team will shift to process improvements and training in preparation for other member company move-ins. By next year, Cincinnati will be the home of six of the Cornerstone companies. By that time, KSA will have completed another successful strategy, DC and WMS implementation, and initial standards project.

On a sad note, Wednesday was Mike Boyle's last day on the Cornerstone project. Our fearless intern has been with us through thick and thin throughout the past seven months and is on his way back to Blacksburg to finish his Virginia Tech education. Fare thee well, young Boyle!

-- VALERIE LEVY

BLOCKBUSTER PROJECT CONTINUES ON

We would like to bid a very fond farewell to Jana Hughes. Jana's last day here in Dallas (and in KSA) was July 15th. Jana was the original KSAer on site at Blockbuster way back on September 9th, 1996, followed by Chris Dowd a few weeks later. Her contributions to the team speak for themselves -- starting out as project lead on the initial two Base Plus® projects for the old video and music DCs, she led the follow-on training development project for the new facility in McKinney. She made manager while on the training project, and managed the current Base Plus® project until she left KSA. Her enthusiasm, expertise, and friendship will be sorely missed, and we wish her all the best as she returns to Nebraska for her latest "project" -- motherhood!

So for the first time since October, 1996, there are only two KSAers on site at Blockbuster -- Chris Rettig and Chris Dowd. We are in the final six weeks (or so) of our year-long Base Plus® implementation. To date, we have put 12 departments and approximately 700 associates on standard, and have realized over $2 million in labor savings. We are currently focusing less on standards and more on methods improvements in the Returns area. Chris Rettig is leading this effort, along with three client engineers.

Chris Dowd is currently working on two other projects. One is an analysis of Blockbuster's DVD supply chain, determining the most streamlined method for getting this new entertainment format from studio to customer. The other is an e-commerce project, helping Blockbuster move their internet fulfillment operations in-house as quickly and efficiently as possible. We're still in the early stages of these two new projects.

With all the work Blockbuster is asking us to do, it looks like we may be here through a FOURTH Cowboys football season. That's good news for us -- Dallas is a great location, and Blockbuster is a fun and dynamic client to work with. We'll keep you posted on our progress!

-- CHRIS DOWD

KSA CONSULTANT GOES ABOVE AND BEYOND (FOLLOW THAT DOG!)

While working on the Disney Direct project in Spartanburg, SC, Steve Hescock and the client were hiking and enjoying a Saturday afternoon. A near tragedy was about to occur which required Steve to muster up all of his training and super-hero skills to take action.

The Client's dog, Athena, had became excited upon seeing a flock of geese that had landed on a nearby lake. Excited by all of the commotion, Athena rushed into the water and began chasing the geese. After 15 minutes had passed, the client began to fret about the dog. Five more minutes passed and Athena was doggy paddling more slowly through the water. She had swum nearly a mile out from the shore. The client became more anxious and Steve knew he had to do something. He stripped down to bare essentials and dove into the lake to save the troubled animal. Athena meanwhile stayed on a "sensor-like" focus of the geese. Steve maintained a steadfast pursuit of Athena. As Steve neared her, he noticed a look of panic in her eyes. Steve

reached out to grab her and Athena collapsed in his arms. Now Steve had to carry the exhausted dog back to the safety of land. It was a long way back, but the client and Athena now depended on him. Steve swam to the closest shore, the other side of the lake from where he had entered, which happen to be the 10th green of a golf course.

Steve was just catching his breath when the geese stirred up again and Athena jumped back into the water! Steve knowing the strength of the animal was low jumped back into the lake to save her. He followed her as she zigzagged through the water after the geese. Steve eventually caught up with the dog again. Athena was running only on pure adrenaline. Again the dog collapsed in his arms. He finally pulled her back to safety. Steve's legend grows with each telling of the story, and he was commonly referred to as "Hero" in the DC.

For those of you who have not heard, Steve departed KSA in mid-June to return to his native Seattle and attend school. He intends to take three quarters of biology classes to complement his chemistry/chemical engineering background and then enroll in dentistry school in the Fall of 2000. We wish him well.-- *TODD MITCHELL*

Q&A

Questions:
FLEXTIME, REDUCED WORK SCHEDULES AND TELECOMMUTING: KSA'S VIEW
As many employees in business today seek less hours and more flexible schedules, does KSA see work arrangements such as less than 100% schedules or telecommuting increasing? If so, how will that impact our business and culture?

Answer:
Reduced or flexible work schedules are a great work arrangement that KSA fully supports. We have had several requests for this type of arrangement in Logistics over the last few years, and every request that was made has been approved. Currently, we have at least 6 logistics staff working a reduced schedule. We see the number of staff on reduced schedules increasing in the future for every category of KSA'er (male or female, single or married, young or old, consultants or support staff, etc). Our younger staff have many demands on their time away from work as they juggle dual careers, raising children, etc. Older staff can also benefit from this arrangement when they wish to reduce their workload, take care of elderly parents, etc. If anyone has any questions about flexible work schedules, please see your project manager or N/RSD.

Telecommuting presents a different challenge for our consulting staff. As KSA consultants, so much of our work requires us to interact with other people - both clients and KSA'ers. Our success on projects and the quality of our work depend on us working 'arm-in-arm' with others on our KSA and client teams. As a result, telecommuting is difficult for consultants because it precludes this personal contact. There are some jobs in KSA, however, that can be conducted successfully by telecommuting. If someone has a need to telecommute, it is best to discuss this with your project manager or N/RSD.

-- ANSWER BY RANDY MOORE

REQUEST FOR ASSISTANCE

Disney Direct Marketing is currently looking into offering gift-wrapping for the fall holiday season. We are trying to determine an expected productivity (UPH) for the following process: remove poly bag, wrap with tissue paper, pack, gift wrap box, apply bow, handwritten gift card, and pack in shipping carton. Any information pertaining to this process or planning requirements for a gift-wrap process would be greatly appreciated.

-- TODD MITCHELL

 ## TRAVEL TIPS

EASING THE RELOCATORS' LOGISTICS OF RELOCATING

Here is some useful information for finding a new place to live as one moves from project to project:

When my wife and I were relocated to Atlanta, we found a tremendous resource for finding the right place to live. We contacted an apartment locating service that did all the research for us. The company (called ProMove) maintains ties with 90% of the apartment market in Atlanta (corporate, private, single-unit, as well as managed multi-unit). We called them from Tennessee, told them our apartment requirements, price range, and location preferences. They researched all the possibilities and then sent us a fact sheet (w/ color pictures) for each of the different available locations and options. Our packet had about 40 different apartment locations. We narrowed the possibilities down to about 8, and then ProMove set up appointments for us to tour them and provided us with well marked maps to get around the city. The best part about the service is that it is completely free; the apartment managers pay the service based on the successful leasing of an apartment.
This service saved us an incredible amount of time, hassle, and money during our transition to a new project. This service may not be available in smaller project locations, but most larger cities have similar services. For any new relocators moving to Atlanta, ProMove's telephone number is 1-800-948-5506. There may be other excellent services available in Atlanta too, but I know that this one definitely works well for the KSA relocator lifestyle!

-- J.D. DENSMORE

RELOCATOR ROUNDUP AS OF 7-30-99:

Note: *If you do not see your name listed, please contact Laurie Crankshaw.*

Coldwater Creek
Parkersburg, WV
TSoller
AEisa
BGriffith

Federated Stores
Edison, NJ
BSteele
JBJenkins
JPicken

Princeton Office
MVMessinger
JRaines
MMaddox
MThomas
DTyson
DUlicny
LDigulla
LGiles

Kmart
Greensboro, NC
DTPurefoy
FLeggio
JBao
AAshraf
JTimberlake

Cornerstone
Cincinnati, OH
SVanags
JTownsend
VLevy
MBoyle
SDencker
BAnderson
ASmolensky
JLykens

PVH
Jonesville, NC
DMargolit

Disney Direct
Spartanburg,SC
TAMitchell

Manhattan Associates
Atlanta, GA
JWatschke
ABall
TCopland
AJohnson

United Kingdom
SADeaton
EBDayton

Kmart
Detroit, MI
EMorales
IChang

Atlanta Office
JDDensmore
KAcosta
DMiddlebrooks

Cluett
Atlanta, GA
JDDensmore
MMoosabhoy
TVehar
WHerrin

Carhartt
Hanson, KY
BEhlenberg

Chicago Office
ABrunson

Boo.com
Louisville, KY
SOsburn

Consolidated Stores
Montgomery, AL
WWosilius
BSampson

Blockbuster
Dallas, TX
JCDowd
CRettig
CMcGraw

Guess?
Los Angeles, CA
(to be Louisville)
ATodd
BTaylor
JMays
JChristos

eToys
Santa Monica, CA
BEhlers
SOlds
MKellogg

Tokyo Office
KRSwensen
GRDugger
DBruce
BRoge

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HAPPY BIRTHDAY TODAY!

Dan Purefoy   7/30

HAPPY ANNIVERSARY

Ken Walker   7/31/81
Troy Van Wormer   7/31/95

QUOTE OF THE WEEK:

"IDEAS WON'T KEEP: SOMETHING MUST BE DONE ABOUT THEM!"

-- *ALFRED NORTH WHITEHEAD*

Note From the Editor's Desk

What can I say? Laurie and I will try to follow in Amy and Leanne's footsteps, not an easy task!! We are looking forward to all of the wonderful information that everyone will submit. Our goal is to keep the Hotsheet a source of helpful information and fun!

PROJECT POSTCARDS

Alison Chen (Supply Chain Services), Eddie Perez (PEG-IT), and I have been working on a strategy project for **Hollywood Entertainment Corp.** (HEC) in Portland, Oregon. We'd tell what the project is about, but then we would have to hunt you down and make you sing "Beat It" by Michael Jackson until you forget you read the article. So instead, we would like to share a couple things we learned while working with the folks at HEC.

Throughout our project we solicited input from many areas outside of logistics, such as finance, product, IS, and human resources. Because HEC is such a dynamic company, information and data change rapidly. Throughout the interviews, Alison did a great job of summarizing the interview in notes, then e-mailing the notes to the person she interviewed asking them to change anything that was incorrect and return the notes to her with their changes. While meeting minutes are generally geared toward the same result, Alison's approach was very successful at ensuring that the interviewee's information was accurate. Thus, the interviewee took ownership of their information which became the basis for our strategy. Her process became very helpful as information changed throughout the project. We could identify exactly when and from whom we received the information.

Eddie (the marathon man) Perez and I were able to head on a rock-n-roll road trip to 5 cities in 5 days with a management team from HEC. While we learned a lot at the different sites that we visited, we benefited the most after the site visits over dinner or a beer. The time after the site visits and away from the office hustle and bustle was when we were able to get to know the

management as people and visa versa. The rapport we gained on this trip helped us work with management when we returned to Portland.

One of the benefits of working with HEC had to be that we have been able to enjoy a moderate summer of mostly sunny, 80 degrees, and virtually no humidity (when it's not raining), while the rest of the county was experiencing heat indexes of over 100. If any of you have not ventured to the Northwest, drop everything and head there today! This time of the year is the best to visit!!!

-- *MELISA OLSON*

INDUSTRY INSIGHTS

SEARS' EARNINGS MET FORECASTS, BUT REVENUE REMAINED STALLED
(Dow Jones Newswires, July 22, 1999)

Sears, Roebuck & Co. reported second-quarter earnings that were generally in line with Wall Street's expectations, helped by the retailer's continued efforts to clean up its credit-card portfolio. But revenue stalled as the company battled more-powerful discounters such as Wal-Mart Stores Inc. and Dayton Hudson Corp.'s Target.

The Hoffman Estates, Ill.-based company said net income in the period ending July 3 totaled $331 million, or 86 cents a diluted share, compared with $336 million, or 85 cents a diluted share, a year ago. The mean estimate of 15 analysts surveyed by First Call was for per-share earnings of 85 cents in the latest second quarter. The year-ago period included an $18 million, or five cents a share, gain from an accounting adjustment. Excluding this item, Sears would have earned 80 cents a share a year ago.

Revenue in the latest quarter slipped more than 3% to $9.99 billion. Sears cited the divestiture of its HomeLife furniture and Western Auto businesses and lower revenue from its credit-card business as the main reasons behind the revenue drop. Excluding the impact of divestitures, sales would have risen 2.7% in the quarter, Sears said. But U.S. same-store sales, a key measure of retail performance, inched up just 1% at a time when some of its rivals are reporting much stronger gains.

Sears' selling and administrative expense as a percentage of total revenue was 20.5% in the second quarter, compared with 20% a year ago. The company said the increase reflected higher credit collection and systems expenses, as well as the company's expanded e-commerce initiatives.

In conjunction with the release of its earnings report, Sears introduced a new premium line of Kenmore kitchen and laundry appliances, the first of which will hit Sears stores in early August. Sears plans an advertising campaign to back the new line, including print, broadcast and online advertising.

NOTES...NEWS...NONSENSE:

WORK-LIFE BALANCE: ONE MORE TIME

Being in business in the '90s is demanding. Our travel and meeting schedules are hectic. Deadlines loom. There is a constant flow of information and communication to stay up with. Then we have personal lives that need our time and attention to stay healthy.

Keeping a healthy balance between our personal and professional lives is sometimes a challenge. Here are some quick suggestions from researchers Lombardo and Eichinger:

1. Add more eggs to your basket. Sounds counter-intuitive. However, if you feel overworked, you may need more activities that revitalize you or bring additional dimensions in to your life. It may make sense to consciously add more non-work activities to your mix. This may mean taking a class, joining a club, planting a garden or whatever might round you out or stir your creative juices.

2. Reorganize. Create efficiencies. Batch tasks, errands. Renegotiate roles. Delegate. Hire someone to take care of personal services.

3. Make plans. Put time at the gym, running trail, and with your spouse or significant other on your calendar. Take your buddy or kid to a ball game or a concert. For that matter, take your vacation. Schedule stress reducers: Make sure you spend some time each week relaxing and laughing.

4. Spend quality time. Be present to whatever you are doing and whoever you are with. Don't spend time at home worrying about work. Don't spend time with your spouse just talking about your bills and what needs to be done around the house.

5. Just say No. Have appropriate boundaries. Do not try to be super-person of the world. Have realistic expectations for yourself. Prioritize according to your values. Do things sequentially rather than trying to do them all at once. When you are on vacation, vacate.

6. Call LifeBalance (888-300-0431). Our employee assistance program offers a wide range of resources for addressing work and personal issues. Call a trained counselor 24 hours a day for advice on legal, financial, family, and everyday matters. KSAers have successfully used the EAP to plan their finances, iron out a divorce settlement, buy a car, find day care, relocate an elder parent, and counsel a child with learning disabilities. The advice offered is useful, time saving, and confidential.

7. Access the LifeBalance website (http://www.lifeworks.com/). The website, originally difficult to access, has been upgraded. The password is: ksa (lowercase now!), 3790. It contains information on a host of issues as well as childcare and elder care locators. Go check it out.
-- *Pam Beckerman*

Q&A

QUESTIONS, ANYONE?

In keeping with the Hotsheet's function as a communication link, a section will be reserved for questions and answers (no, this will not be an Ann Landers column). This is an opportunity for newcomers, relocators and others who may not be in an office much of the time to anonymously submit a question and receive an answer via the Hotsheet the following week. Topics could be about KSA's policy/procedures, culture or history. Chances are if you are wondering about something, so is someone else. Send your questions to the publisher by Tuesday afternoon (lcran@kurtsalmon.com).

TRAVEL TIPS

DELTA EASES RESTRICTIONS
(Frequent Flyer, August 1999)

Delta Air Lines now permits passengers to use cell phones on board while the plane is at the gate with the boarding door open. Laptop computers still cannot be used at the gate, but the captain can permit the use of cell phones during extended ground time away from the gate. Delta said the new policy excludes its commuter partners and code-share flights operated by other airlines. Delta members of *Crown Room Club* may now use *United's Red Carpet Clubs* in the U.S. at the point of origin and at all connection points on the day of travel when the itinerary includes at least one segment on a United-operated flight.

HAPPY BIRTHDAY

Chris Paddock   7/24

the HOTSHEET

QUOTE OF THE WEEK:

"FIND SOMETHING YOU LOVE TO DO, AND YOU'LL NEVER HAVE TO WORK A DAY IN YOUR LIFE."

--HARVEY MACKAY (ENTREPRENEUR AND WRITER)

PUBLISHER'S NOTE...

If you notice that it has become a bit breezy, it's probably because you are receiving the Hotsheet from the Chicago Office. (Yes, Virginia, there is a Chicago Office!) Amy Burns and Leanne Smullen have successfully handed off the baton and I am off and running with the Hotsheet. The tradition will continue in much the same fashion.

Please send your contributions to lcran@kurtsalmon.com no later than Wednesday at noon. Since the Chicago Office is not networked, the relocators will be happy to know that I will be very conscientious about sending a large publication. In return, I hope that you will warn me whenever you have a large file to send to me. And don't be surprised when the publisher contacts you about sending material. The Hotsheet can only be successful with everyone's participation. In next week's issue, look for a note from the Editor, Suzanne Judd.

INDUSTRY INSIGHTS

AMAZON.COM TO SELL TOYS, ELECTRONICS IN EXPANSION
(PRNewswire, Jul 13, 1999)

Amazon.com, the dominant online bookseller, said on Tuesday it aimed to extend its success by selling electronics and toys over the Internet in the latest sign of intensifying online competition.

The two new "stores," Amazon.com Electronics and Amazon.com Toys & Games, go live on Tuesday, joining retailers like **Consolidated Stores, eToys.com** , Toys R Us Inc. and Best Buy Co. Inc., which have already moved to sell their wares online.

Sears to sell Nike footwear starting in 2000
(PRNewswire, Thursday, July 15, 1999)

Sears, Roebuck and Co., the second largest U.S. retailer, said Thursday it will begin selling Nike (Nyse:NKE) athletic footwear in the first quarter of 2000 as part of its strategy to add national brands to its merchandise mix.

In the next few months, the retailer plans to have a new line of apparel called Benetton USA, created by Italian clothing group Benetton, and shoes from footwear and apparel maker Timberland (Nyse:TBL) on its shelves.

Both are part of the same strategy. "Our efforts to extend excitement and focus around our apparel offerings, including the addition of private brand shops and nationally known brands like Benetton USA and Timberland are progressing well," Sears Chairman and Chief Executive Officer Arthur Martinez said last month. Offering national brands is a key part of Martinez's plan to boost sales, which have suffered for much of the year as shoppers spent most of their money at discount stores and specialty shops. Part of the strategy also includes a redesigned advertising campaign, which is scheduled to be launched in August, and a loyalty program for junior apparel buyers.

Sears, based in Hoffman Estates, Ill., said all its 850 full-line stores will offer Nike footwear for women, children and men, beginning first quarter next year.

"The Nike name is synonymous with product innovation, performance and style, and it will be a tremendous complement to the full range of national athletic brands we currently offer in footwear," Robert Mettler, president, merchandising for Sears full-line stores, said in a statement Thursday.

"With the addition of Nike, we strengthen the merchandise assortments we've built for our target customer," he said.

Other athletic footwear Sears carries includes Reebok, Adidas, New Balance, Converse and others.

In addition to its full-line stores, the company operates more than 2,100 specialized retail shops. Nike is headquartered in Beaverton, Ore.

NOTES...NEWS...NONSENSE:

ONE OF THESE DAYS

From Leadership, Issue No. 257, (February 10, 1998) Copyright © 1998, The Economics Press, Inc., Fairfield, NJ 07004 USA. All rights reserved.

We've all used the phrase, *one of these days.*

One of these days we're going write a book.

One of these days we're going to act on that great idea.

One of these days we're going to look up that old friend.

It's a familiar phrase, but invariably, *one of these days* means *none of these days.*

We're talking about a malady called *procrastination.* It's a sickness that's the same all over the world.

We keep telling ourselves that we're going to do something and instead of doing it we spend a lot of time thinking about reasons why we can't.

We wait for conditions to be ideal. We have to catch up on all our regular work. The decks have to be cleared for action.

We put off starting a task because it's difficult. Take writing, for instance. It's not easy to fill a blank page with good writing. The late, great sports writer, Red Smith, said, "You just put a blank piece of paper in the typewriter and stare at it until drops of blood appear on your forehead."

If we *do* make a start at something, we decide the task is too big or too time-consuming.

We convince ourselves that time is not important. We can push back our deadline without creating any problems. There's always tomorrow.

The ironic thing about all this is that the amount of energy we use to dodge a job is sometimes greater than the energy required to complete it. As we continue to procrastinate, a sense of guilt is created and it hangs like a cloud overhead, taking the joy out of our everyday tasks.

One way to get off this merry-go-round that's going nowhere is to sit down and make two lists. On one side of a piece of paper, list all the reasons why you are procrastinating about a particular task. Then on the other side list the benefits that could be gained by getting the task done.

You'll find that your reasons for postponing action are weak and that the list of benefits is longer and stronger. The effect can be dramatic. You'll get off this slow-motion merry-go-round you've been on and strike out in a direction that will bring you the benefits you've listed. Even if you only spend five minutes the first day taking that first step toward getting the task done and achieving your benefits, do it.

Begin. Otherwise, you'll spend the first half of your life postponing things and the second half regretting that you did.

HAPPY BIRTHDAY

Iris Chang   7/18
Jan Watson   7/18

HAPPY ANNIVERSARY

Ike Myers   7/18/97
Denise Trostle 7/20/81

the HOTSHEET

QUOTE OF THE WEEK:

" IT AIN'T OVER UNTIL IT'S OVER."

--YOGI BERRA

HOTSHEET MOVES TO THE WINDY CITY

PUBLISHER'S FINAL NOTE...

Now I lay me down to rest
I hope this Hotsheet is the best-
One that we've done.
Thanks, you guys,
It's "sure been fun."

Please join me in welcoming Laurie Crankshaw and Suzanne Judd as the new Publisher and Editor of the Logistics Hotsheet. Laurie and Suzanne will take over publication of the Hotsheet beginning with the July 16th edition. Since Laurie is running a one-person show in the Chicago Office, she has recruited Suzanne Judd from the Princeton Office to become the new Hotsheet editor. Best wishes to you both!

I would personally like to thank all of the consistent contributors of the last year and a half; you make this job so much easier. Thanks to Cameron Geiger, Tom Clement, Frank Leggio, KB Marshall and Pam Beckerman for the many contributions.

My special thanks goes out to Leanne Smullen, Editor-in-Chief. Leanne's attention to detail, continuous search for new and interesting information, and smooth writing style has made the newsletter into a publication we can all be proud of. Kudos to you!

The Hotsheet is only as great as **YOU** make it! Continue to contribute your project updates, vendor information, industry news, thoughts and comments. Later y'all!

--Amy Burns

EDITOR'S FINAL NOTE ... THANKS! SEE YA! WHERE'S THE BEER?

It's been three and a half years since I became editor of the Hotsheet, and I have a lot of fond memories of a publication that has grown and been shaped by various personalities over time. Several folks have published the Hotsheet since I took editorship: Carla Gahwiler, Dean Patterson, Sharon Anderson and currently, Amy Burns. Each has put his or her personality into the Hotsheet, and I enjoyed watching the Hotsheet develop and improve with each year. These are the folks that put the newsletter together week after week, calling for input and digging up material. Their challenge was to come up with an interesting newsletter that KSAers could learn from, share information through and have fun with; a challenge they turned into an accomplishment.

I want to thank our publisher, Amy Burns, for her diligence in getting people to contribute to our newsletter, her creativity in making the Hotsheet an enjoyable read each week and her hard work to consistently set the standard for one of the top internal newsletters in KSA. She and I leave the Hotsheet when it is the best it has ever been, and I attribute that to Amy's dedication. As timing would have it, just as the Hotsheet moves to the Chicago Office, Amy is moving to the Supply Chain practice and has been promoted to Analyst in support of Dave Rush and his group. Her professionalism, attitude and sense of humor will be sorely missed in Logistics. Amy, thanks for making it a success.

I'd also like to welcome Laurie Crankshaw in the Chicago Office to the esteemed ranks of the Hotsheet staff. Laurie and Amy have already been collaborating on next week's transition, and I know Laurie is going to do a great job on the Hotsheet. Her immediate enthusiasm for taking the position is a sure sign of success. I also welcome the new Hotsheet editor, Suzanne Judd, and wish her luck in turning drafts into final editions. You have the easy part! For all of our readers, please make Laurie's new job easy and take a minute to send her material when you can! Keep your Hotsheet informative and fun.

As for me, I am going to do what all retired editors do, and that is to hit the press club for a drink...or maybe I'll just go play some golf...either way, I look forward to reading the Hotsheet every Friday, and good luck to the new team. Signing off in Atlanta...

--Leanne Smullen

NOTES...NEWS...NONSENSE:

RELOCATION TIPS

Things to do and see in Philadelphia:
   Flyers game (I hate hockey too)
   crew races on the river
   Independence walking tour (includes Liberty Bell)

Things to do and see in Indianapolis:
Indy 500 (even if not racing fan)
Pacers game (unbelievable fans)
Some decent golf courses (can't remember names)

Things to do and see in Harrisburg, PA:
You're out of luck - I recommend hibernating

Relocating tips

- Live where you are going to spend your weekends. It is better to take a longer commute/higher rent if it means you will be closer to where you will be on weekends and people with similar interests/background.

- Ask a KSAer with similar family situations for apartment location advice. If you are single, odds are, you do not want to ask the Brady Bunch where to live (well maybe you do).

- Make friends quickly. New friends = happy outside work = good experience. The fastest way to
meet people is to start getting involved immediately with people of common interests. I highly recommend gyms and churches. Be careful about only having KSAers and clients for friends outside of work. It is good to have groups of friends away from work.

- Fly/drive up the Friday or Saturday before your first visit (usually Monday) if you want to get settled sooner. This gives you a chance to check out apartments in different areas. Use the Internet to locate different apartments. Call ahead and pre-screen for the amenities you want and availability. If you like it, setup appointments with leasing agents. This will save a lot of legwork. You can usually sign a lease that first weekend if you know what you like.

- Use PC online banking. Great for relocators.

Moving tips

- Put as much as possible in the moving van. Do not try to squeeze everything possible in your car. It is more trouble than its worth. Take a REASONABLE amount of clothes. That's it. No TVs, coffee makers, microwaves, etc. Wait until your stuff shows up, and then move out of the hotel.

-Let the movers unpack as much as possible. This is a huge timesaver. Make sure they remove ALL the trash and boxes too.

- Movers are slow with small shipments. Plan accordingly. Most relocators have less than a full truckload. This means the mover will wait to send your stuff until there is another load to combine it with. The smaller the city you are moving to, the longer it will take them to deliver. The best advice I can think of is sign a lease ASAP and notify the movers immediately.

- Its OK if you don't know exactly when you are moving / where you are moving to. Sometimes you are leaving a project, but do not know where you are going when you move out. Just tell them the city you are moving to. If you don't know that, pick the city that you are "based" out of (i.e. Atlanta, Princeton, etc)--you might end up there. They will store it there until you know where you are going. You usually find out by the last day of your ending project anyway, so you can update the movers by then.

- Inspect everything and read all paperwork before signing. Declare the value of your furniture at what it would REALLY cost you to replace and then add 25% for time and trouble. If something is damaged, it will take them forever to settle it.

- Rent washers and dryers. The biggest evil facing the world is coin operated laundries. They have burnt out lightbulbs, terrible dryers, and Igor, the laundry creature, will take your wet laundry out and leave it on the washer the exact second your washer load is done.

- Don't skimp on furniture or apartment amenities too much. Saving money is great, but you can really get burned by choosing the lowest grade furniture to rent or taking the cheapest apartment because you will save $14 a month to live by the train tracks (that's a big no-no).

- Do not tell the leasing agent that you are leaving in 6-9 months and insist on a six month rollover lease. The "KSA rule of thumb" will ruin you everytime. You might be there 2 years. Try to get a year lease with a transfer clause first. Then, consult your project manager if you are unsure about which lease to sign up for.

--GREG DUGGER

INPUT FROM A "FAMILY MAN"

- If moving to a major metro area, consider hiring a relocation company to assist you in locating housing (especially if you are in need of a single-family house). The money is well spent when compared to the time saved (both billable and personal) by not having to house hunt in an unfamiliar area.

- Expense an advance for deposits prior to securing a rental property. That way you'll have the money for the deposits and won't run the risk of losing the property due to delays.

- Secure a place in your new location prior to moving your family. Having your family live in a hotel in the new city gets old quickly and may not be possible (legally) if you have pets. Plus, your household goods don't end up going into storage, increasing the risk of damage.
- Be careful not to give a move out notice (i.e. 30 or 60 days) until you are certain of your next assignment and are confident of finding housing.

--TROY VANWORMER

ARMY STUDENTS /PHILOSOPHY - COLIN POWELL

Lesson 1

"Being responsible sometimes means pissing people off. "Good leadership involves responsibility to the welfare of the group, which means that some people will get angry at your actions and decisions. It's inevitable-if you're honorable. Trying to get everyone to like you is a sign of mediocrity: You'll avoid the tough decisions, you'll avoid confronting the people who need to be confronted, and you'll avoid offering differential rewards based on differential performance because some people might get upset. Ironically, by procrastinating on the difficult choices, by trying not to get anyone mad, and by treating everyone equally "nicely" regardless of their contributions, you'll simply ensure that the only people you'll wind up angering are the most creative and productive people in the organization.

Lesson 2

"The day soldiers stop bringing you their problems is the day you have stopped leading them. They have either lost confidence that you can help them or concluded that you do not care. Either case is a failure of leadership." If this were a litmus test, the majority of CEOs would fail. One, they build so many barriers to upward communication that the very idea of someone lower in the hierarchy looking up to the leader for help is ludicrous. Two, the corporate culture they foster often defines asking for help as weakness or failure, so people cover up their gaps, and the organization suffers accordingly. Real leaders make themselves accessible and available. They show concern for the efforts and challenges faced by underlings-even, as they demand high standards. Accordingly, they are more likely to create an environment where problem analysis replaces blame.

Lesson 3

"Don't be buffaloed by experts and elites. Experts often possess more data than judgment. Elites can become so inbred that they produce hemophiliacs who bleed to death as soon as they are nicked by the real world." Small companies and startups don't have the time for analytically detached experts. They don't have the money to subsidize lofty elites, either. The president answers the phone and drives the truck when necessary; everyone on the payroll visibly produces and contributes to bottom-line results or they're history. But as companies get bigger, they often forget who "brung them to the dance": things like all-hands involvement, egalitarianism, informality, market intimacy, daring, risk, speed, agility. Policies that emanate from ivory towers often have an adverse impact on the people out in the field who are fighting the wars or bringing in the revenues. Real leaders are vigilant-and combative-in the face of these trends.

Lesson 4

"Don't be afraid to challenge the pros, even in their own backyard." Learn from the pros, observe them, seek them out as mentors and partners. But remember that even the pros may have leveled out in terms of their learning and skills. Sometimes even the pros can become complacent and

lazy. Leadership does not emerge from blind obedience to anyone. Xerox's Barry Rand was right on target when he warned his people that if you have a yes-man working for you, one of you is redundant. Good leadership encourages everyone's evolution.

Lesson 5

"Never neglect details. When everyone's mind is dulled or distracted the leader must be doubly vigilant." Strategy equals execution. All the great ideas and visions in the world are worthless if they can't be implemented rapidly and efficiently. Good leaders delegate and empower others liberally, but they pay attention to details, every day. (Think about supreme athletic coaches like Jimmy Johnson, Pat Riley and Tony La Russa). Bad ones-even those who fancy themselves as progressive "visionaries" - think they're somehow "above" operational details. Paradoxically, good leaders understand something else: An obsessive routine in carrying out the details begets conformity and complacency, which in turn dulls everyone's mind. That is why even as they pay attention to details, they continually encourage people to challenge the process. They implicitly understand the sentiment of CEO-leaders like Quad Graphic's Harry Quadracchi, Oticon's Lars Kolind and the late Bill McGowan of MCI, who all independently asserted that the Job of a leader is not to be the chief organizer, but the chief disorganizer.

--RAJ KUMAR

ATLANTA: A TRANSLATION OF ATLANTA FOR VISITORS....

1.   Atlanta is comprised entirely of one way streets. The only way to get out of downtown Atlanta is to turn around and start over when you reach Greenville, South Carolina.

2.   All directions start with, "Go down Peachtree..."

3.   Peachtree Street has no beginning and no end.

4.   Atlanta is home of Coca-Cola. That's all we drink here, so don't ask for any other soft drink.

5.   Atlantans only know their way home and their way to work.

6.   Gate One at the Airport is 32 miles away from the main concourse.

7. It's impossible to go around a block and wind up on the street you started on. The Chamber of Commerce calls it a "scenic drive".

8. The 8 a.m. rush hour is from 6:30 to 9:30 a.m. The 5:00 p.m. rush hour is from 3:30 to 6:30 p.m. Friday's rush hour starts Thursday morning.

9.   Reversible lanes are not understood by anybody.

10.   "Sir" and "Ma'am" are used by the person speaking to you if there's a remote possibility that you're at least 30 minutes older than they are.

11. "Sugar" is a more common form of address than "Miss." So is "Honey".

11. Ponce de Leon Avenue can only be pronounced by a native, so do not attempt the Spanish pronunciation. People will simply tilt their heads to the right and stare at you.

12. The falling of one rain drop causes all traffic to immediately cease; so will daylight savings time and a girl applying eye shadow across the street, or a flat tire three lanes over.

13. If you're standing on a corner and a MARTA bus stops, you're expected to get on and go somewhere.

15. Atlanta is pronounced "Lan-A".

16. Construction on Peachtree Street is a way of life, and a permanent form of entertainment.

17. Construction crews aren't doing their job properly unless they close down all lanes except one during rush hour.

18. Atlanta's traffic is the friendliest around. The commuters spend hours mingling with each other twice a day. In fact, Atlanta's traffic is rated number 1 in the country. You will often see people parked beside the road and engaged in lively discussions.

19. Atlantans are very proud of our racetrack, known as Road Atlanta. It winds throughout the city on the Interstates, hence its name.

20. Georgia 400 is the southern equivalent of the Autobahn. You will rarely see a semi-truck on GA400, because the truck drivers are intimidated by the oversized-SUV-wielding housewives racing home after a grueling day at the salon or the tennis match to meet their children at the school bus.

HAPPY BIRTHDAY

Sharon Gavron	7/10
Melissa McPhail	7/11
Dennis Blankenship	7/13
Steve Knapik	7/15

HAPPY ANNIVERSARY

Rob Oglesby	7/9/90		Mohan Komanduri	7/12/93
John Karonis	7/10/89		Tim Copland	7/12/98
Lynn Senior	7/10/91		Anika Ball	7/13/98
Sarah Davis	7/10/95		Bill Wosilius	7/13/98
Rich Dec	7/10/95		Scott Vanags	7/13/98
Chris Mazzei	7/10/95		Diallo Tyson	7/13/98
Vic Bhargava	7/11/94		Aaron Todd	7/13/98
Scott Sangrey	7/11/94		Joe Raines	7/13/98
Randy Unger	7/11/94		Dawn Kale	7/13/98
Rod West	7/11/94		Andy Johnson	7/13/98
Lynn Spuhler	7/12/76		Iris Chang	7/14/97
Jeff DeRuiter	7/12/93		Valerie Levy	7/14/97

the HOTSHEET

QUOTE OF THE WEEK:

"IF YOU WANT TO BUILD A SHIP, DON'T DRUM UP PEOPLE TOGETHER TO COLLECT WOOD AND DON'T ASSIGN THEM TASKS AND WORK, BUT RATHER TEACH THEM TO LONG FOR THE ENDLESS IMMENSITY OF THE SEA."

-ANTOINE DE SAINT-EXUPERY

VENDOR VITTLES

MEASURING YOUR THIRD PARTY LOGISTICS PROVIDER'S PERFORMANCE

How should a client go about evaluating its third party logistics provider's (3PL's) performance to ensure its getting its money worth?

1. Set targets in advance

Before they even sign a contract, clients should determine what performance criteria are required for the outsourcing assignment and discuss the measures with the prospective provider. To do this, the client must have a clear understanding of its goals. Are your goals asset reduction, service improvement or market penetration? Define up front what it is the client is going after. This will help prevent problems down the road.

If the 3PL balks at the inclusion of performance metrics in the contract, the client should look for another vendor. The best 3PLs know they have to prove their worth. And remember, you can't manage what you can't measure.

The metrics will vary depending on the nature of the tasks that the third party will perform and the outsourcing relationship. Regardless of the type of relationship, you want the 3PL to be

proactive and innovative. If the 3PL isn't making key suggestions for improvement, it's doing the client a major disservice.

2. Rating the carriers

Generally users of 3PL services measure both service and cost. Other metrics vary according to the type of task that the contract distribution company is providing for the client.

If the 3PL provides transportation management services, a client should consider such metrics as the 3PL's percentage of on-time deliveries. Track whether carriers under the 3PL's control make deliveries on the day and at the time requested by the customer. The time of arrival would be measured at the moment the truck shows up and is prepared to be unloaded. The margin for error for measurement could be defined as plus or minus 30 minutes.

Other service metrics would include shipment-tracking accuracy and the percentage of damage-free shipments. Clients should assess transportation cost per mile is a good starting benchmark. Use cost per mile as a beginning point, then use cost per stop, and then cost per case delivered.

3. Evaluating Warehousing Service

If a 3PL has been hired to manage warehousing, a shipper should look at service measures related to order fulfillment. The client, for example can check on the percentage of orders that the 3PL ships in the exact quantity shown on the order.

A client can also compare the percentage of product lines picked completely vs. the total number of lines that were picked. This should be reported each month for each warehouse location in the client network.

Some experts suggest measuring 3PLs on whether they can move goods from "dock to stock" within eight hours. In addition, the client should monitor the 3PL's cost of operating the warehouse. Clients can rate their 3PLs on their cost of handling an order. Other standard measurements for warehousing activity include the number of cases handled per hour and the number of cases handled per employee.

Whatever the rating system used, it should measure what's important to the client. If it's a cost-driven operation, the system should focus on order accuracy and cost per case. If it's a supply production operation, the client's concern should be with orders being complete and on time and not so much on cost measures.

4. Outside Evaluation

When it comes to evaluation, the client should form a cross-functional team of executives from various departments affected by the third party's performance. Stakeholders, the beneficiaries of the service, need to be involved on the committee.

Other experts suggest that the client hire an outsider to conduct the evaluation of the 3Pl to ensure fairness and objectivity in scorecarding. It's obviously not in the client's best interest to let the 3PL undertake self-assessment.

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INDUSTRY INSIGHTS

CONSOLIDATED STORES CORPORATION COMPLETES COMBINATION WITH BRAINPLAY.COM TO FORM NEW SUBSIDIARY KBTOYS.COM LLC
(PRNewswire, 28 June 1999)

Consolidated Stores Corporation and BrainPlay.com, Inc. announced that the combination of the two companies has been completed and a new entity formed: KBToys.com LLC to operate its kbtoys.com (http://www.kbtoys.com) online retail business offering toys, video games, software and videos. The new venture will be owned 80% by Consolidated Stores and 20% by BrainPlay.com (http://www.brainplay.com). Operations of the new entity will be based in Denver, CO. at the current BrainPlay.com headquarters. BrainPlay.com is one of the leading Internet retailers of children's products.

Under terms of the agreement, Consolidated Stores will contribute $80 million to the new entity in addition to K*B Toys' buying, merchandising and other management expertise. BrainPlay.com will contribute all of its assets including its Web site, its technology infrastructure and its management team.

Srikant Srinivasan, Chief Executive Officer of KBtoys.com, stated, ``Although this transaction was just completed, the management's of BrainPlay.com and K*B Toys have been working diligently to bring these companies together. We have already made great progress on several fronts and will be making a number of announcements in the near future."

Mr. Srinivasan continued, ``This new venture heralds the beginning of the next phase of e-commerce. Both our companies firmly believe that the long- term winners will be those who combine the strengths of bricks-and-mortar retail leaders such as KB Toys with the entrepreneurial environment and Internet expertise of startups such as BrainPlay.com."

Consolidated Stores Corporation, a leading value retailer specializing in toys and closeout merchandise, operates a total of 2,490 stores in all 50 states and Puerto Rico. Stores by division consist of: 1,163 closeout stores operating as ODD LOTS, BIG LOTS, BIG LOTS FURNITURE, PIC 'N' SAVE and MAC FRUGAL'S BARGAINS*CLOSE-OUTS and 1,327 toy and close-out toy stores operating as K*B TOYS, K*B TOY WORKS, K*B TOY OUTLET and with Online Shopping at www.kbtoys.com. Wholesale operations are conducted through Consolidated International and Wisconsin Toy.

BrainPlay.com offers families a more convenient and less expensive way to shop for children's products. By combining unbiased information with a selection of thousands of products, including toys, video games, software, videos, and musical instruments, BrainPlay.com helps families make informed decisions when purchasing children's products. With tens of thousands of unique visitors every day, BrainPlay.com is a leading online resource for finding and purchasing products to help kids learn, grow and have fun. BrainPlay.com has relationships with

leading Internet companies such as AOL, Yahoo, LookSmart, Excite, Women.com, Netscape, Go.com, Netcentives and Xoom.

ETOYS COMPLETES ACQUISITION OF BABYCENTER
(PRNewswire, 1 July 1999)

eToys Inc., a leading Internet retailer of children's products, Thursday completed its acquisition of BabyCenter Inc.

BabyCenter.com is an information and commerce Web site providing content on pregnancy and baby, an interactive community for parents and parents-to-be, and a store featuring thousands of baby products and supplies.

With the acquisition of BabyCenter, eToys has combined two of the strongest online brands for families and strengthened its ability to establish a relationship with its customers from the time they are planning a pregnancy through the pre-teen years.

The combination of BabyCenter's leadership in focused content and community with eToys' expertise in children's commerce creates one of the most comprehensive children's businesses on the Internet.

It is expected that BabyCenter will operate as a wholly owned subsidiary of eToys and that BabyCenter.com will remain a separate Web site.

Based on an exchange ratio of 2.09 shares of eToys' common stock for each share of BabyCenter capital stock, eToys has issued an aggregate of approximately 16.0 million shares of its common stock in exchange for all outstanding shares of BabyCenter capital stock and has reserved approximately 2.7 million shares of its common stock for issuance upon exercise of assumed BabyCenter options.

In the aggregate, these 18.7 million shares represent approximately 14 percent of eToys outstanding shares of common stock as of July 1, 1999, assuming the issuance of the shares in the BabyCenter transaction. eToys will account for the acquisition using the purchase method of accounting, and the acquisition is intended to qualify as a tax-free reorganization for federal income tax purposes.

With the completion of the acquisition, Matthew Glickman, BabyCenter's chief executive officer, will join eToys' board of directors.

NOTES...NEWS...NONSENSE:

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I've learned that I like my teacher because she cries when we sing "Silent Night".-- Age 6

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I've learned that I still have a lot to learn.-- Age 92

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HAPPY BIRTHDAY

John Champion	7/2
Jeff DeRuiter	7/6
Enrique Morales	7/7

HAPPY ANNIVERSARY

Nancy Freitas	7/2/84
Jane Griesinger	7/8/91
Neil Buck	7/6/92

IT'S A GIRL - TWO OF THEM!

Let's all join in congratulating Dallas and Beth Middlebrooks, the new parents of two darling twin girls. Emma Elizabeth and Delaney Leah were born at 10:00am and 10:01 am on Sunday, June 27th.

Emma is 5 lbs. and Delaney is 4 lbs. 14oz.

Mother and baby girls are doing fine.

QUOTE OF THE WEEK:

"IF YOU WANT TO BUILD A SHIP, DON'T DRUM UP PEOPLE TOGETHER TO COLLECT WOOD AND DON'T ASSIGN THEM TASKS AND WORK, BUT RATHER TEACH THEM TO LONG FOR THE ENDLESS IMMENSITY OF THE SEA."

-ANTOINE DE SAINT-EXUPERY

VENDOR VITTLES

MEASURING YOUR THIRD PARTY LOGISTICS PROVIDER'S PERFORMANCE

How should a client go about evaluating its third party logistics provider's (3PL's) performance to ensure its getting its money worth?

1. Set targets in advance

Before they even sign a contract, clients should determine what performance criteria are required for the outsourcing assignment and discuss the measures with the prospective provider. To do this, the client must have a clear understanding of its goals. Are your goals asset reduction, service improvement or market penetration? Define up front what it is the client is going after. This will help prevent problems down the road.

If the 3PL balks at the inclusion of performance metrics in the contract, the client should look for another vendor. The best 3PLs know they have to prove their worth. And remember, you can't manage what you can't measure.

The metrics will vary depending on the nature of the tasks that the third party will perform and the outsourcing relationship. Regardless of the type of relationship, you want the 3PL to be

proactive and innovative. If the 3PL isn't making key suggestions for improvement, it's doing the client a major disservice.

2. Rating the carriers

Generally users of 3PL services measure both service and cost. Other metrics vary according to the type of task that the contract distribution company is providing for the client.

If the 3PL provides transportation management services, a client should consider such metrics as the 3PL's percentage of on-time deliveries. Track whether carriers under the 3PL's control make deliveries on the day and at the time requested by the customer. The time of arrival would be measured at the moment the truck shows up and is prepared to be unloaded. The margin for error for measurement could be defined as plus or minus 30 minutes.

Other service metrics would include shipment-tracking accuracy and the percentage of damage-free shipments. Clients should assess transportation cost per mile is a good starting benchmark. Use cost per mile as a beginning point, then use cost per stop, and then cost per case delivered.

3. Evaluating Warehousing Service

If a 3PL has been hired to manage warehousing, a shipper should look at service measures related to order fulfillment. The client, for example can check on the percentage of orders that the 3PL ships in the exact quantity shown on the order.

A client can also compare the percentage of product lines picked completely vs. the total number of lines that were picked. This should be reported each month for each warehouse location in the client network.

Some experts suggest measuring 3PLs on whether they can move goods from "dock to stock" within eight hours. In addition, the client should monitor the 3PL's cost of operating the warehouse. Clients can rate their 3PLs on their cost of handling an order. Other standard measurements for warehousing activity include the number of cases handled per hour and the number of cases handled per employee.

Whatever the rating system used, it should measure what's important to the client. If it's a cost-driven operation, the system should focus on order accuracy and cost per case. If it's a supply production operation, the client's concern should be with orders being complete and on time and not so much on cost measures.

4. Outside Evaluation

When it comes to evaluation, the client should form a cross-functional team of executives from various departments affected by the third party's performance. Stakeholders, the beneficiaries of the service, need to be involved on the committee.

Other experts suggest that the client hire an outsider to conduct the evaluation of the 3Pl to ensure fairness and objectivity in scorecarding. It's obviously not in the client's best interest to let the 3PL undertake self-assessment.

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