

the HOT SHEET

vol 9 no 44

December 8, 2000

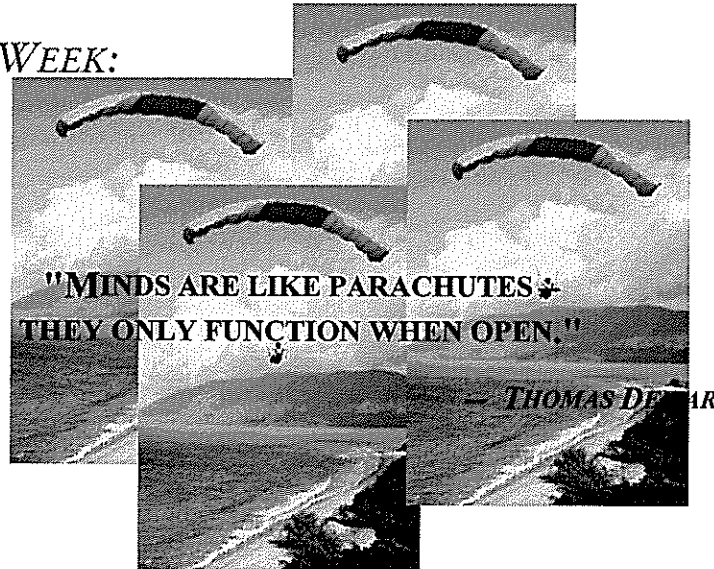
Publisher: Laurie Crankshaw

Published by KSA Chicago

Editor: Suzanne Judd

Fulfillment Services Group

QUOTE OF THE WEEK:



CONSULTANT SPOTLIGHT

SEAN WHITEHOUSE

Sean was born in Quincy, Massachusetts (near Boston). He attended Villanova University, where he received a BA in Political Science, and then went on to receive his Masters in International Relations from the United States International University. Sean was an officer in the Marine Corps from 1993-2000, and departed as a Captain this past May. One of Sean's most memorable places he has visited was when he was in the Ecuadorian Marine Corps on the coast of Ecuador.

Sean enjoys exercising, especially running and lifting weights, and when he gets a chance he can be found surfing or kayaking. Dave Matthews Band ranks as one of his favorite music groups and, although he likes all sports teams from Boston, he keeps track of the Celtics and Red Sox the most.

Recommendations for his favorite restaurant? *Rudios* in San Diego. Claims they have the best fish tacos.

Sean is married and has two sons.

Currently, Sean is working with Coldwater Creek in Parkersburg, WV.

INDUSTRY HIGHLIGHTS

ANN TAYLOR GOES CYBER

(RED HERRING, DECEMBER 5, 2000) CONTRIBUTED BY NOAM PARANSKY

The clothing retailer last month opened its first online store, making the New York company unfashionably late to e-commerce. Other fashion retailers already have been playing dress-up on the Web -- some have been online for over two years. Early participants include **Gap**, **Macy's** (a unit of **Federated Department Stores**), and **J. Crew**. Last year, **Neiman Marcus and J. Jill** opened their Web stores.

Whatever the timetable, all of these merchandisers are pioneering new ground, for they must figure out how to hawk fashion in cyberspace to a notoriously fickle market. Unlike the poster children of e-commerce -- books, CDs, electronic equipment, and other easy-to-sell and easy-to-qualify items -- clothes are subject to intensely personal feelings, especially because a wrong choice could make you look fat.

Shopping online for clothes raises challenging issues, says Gomez Advisors analyst Barrett Ladd. How do you answer questions like, "How does this fit me, what does this material feel like?" Ms. Ladd asks. "If you see a picture of black pants, you can't touch it and flip it around to look at the back."

DOES IT FIT?

I asked Andra Ehrenkranz, a senior vice president at Anntaylor.com, about how her company designed its Web business. She says Ann Taylor, with help from the Boston Consulting Group, conducted extensive research by polling existing store customers in their homes, and in some cases, watching them surf the Web for a couple of hours.

Consequently, the Web site tries to provide many of the elements of an in-store experience, albeit in a virtual way. Click for a close-up of an item, for example, to see stitching on a handbag. Ask a virtual wardrobe advisor to see party dresses. Visit a "wardrobe room" to view different combinations of items, such as skirts, tops, and shoes. Customers can use tag numbers from Ann Taylor stores and mailings to order items on the Web.

A Web shopper can "look at any item and change it to the color of her choice," Ms. Ehrenkranz tells me. "On top of that, she can click on a zoom function and get details of any item. It's almost like looking at and touching a garment in a store."

Well, not really. Images on my PC looked flat and colors appeared muted. It was hard to imagine how the "Silver Beaded Camisole" (\$118) and "Long Silver Ball Skirt" (\$128) would look on someone, when my only real guide was a 3-inch-high image on a headless, armless mannequin.

It's not that fashion e-tail is doomed to fail. It's just that we don't really know yet in what form it'll succeed. One glimpse was provided by Ms. Ehrenkranz, who described a woman who browsed the online store, noted the clothes she liked, then went to her neighborhood Ann Taylor store to try them on. She eventually bought "hundreds of dollars" worth of merchandise, Ms. Ehrenkranz

cheerfully informed me.

WORTH TRYING ON

For Ann Taylor and other retailers, the Web now is a big cauldron of experimentation, where they'll learn what works and what flops. Some early evidence of winners points to standard wardrobe items, such as jeans, T-shirts, and shoes from name-brand manufacturers that consumers trust for size and quality. Nordstrom.com sees its parent's reputation for quality helping to generate an expected \$300 million in sales this year.

Retailers must continue rearranging their online storefronts to attract customers or risk being left behind. For Ann Taylor, that means juggling a finicky brick-and-mortar business with investing in a Web operation. Ann Taylor shares this year have been on a roller-coaster ride, and sales appear to be softening, which means the company must keep a tight rein on Internet-related expenses.

Consequently, Ann Taylor's Internet division consists of a modest 25 employees. By comparison, the company's 478 stores, which generated more than \$1 billion in sales last year, employ 9,750 people. Many of Anntaylor.com's functions are outsourced. For example, JC Penney's JCP Logistics unit handles order processing and shipping, Digitas designed the Web site, and Convergys manages customer service and sales.

WRAP IT UP

(WAREHOUSE MAGAZINE, NOVEMBER, 2000)

Santa Monica, CA-based eToys, knows about the value of packaging materials. With a good portion of the company's orders destined for small children and infants, eToys' packaging materials need to protect not only the products the company ships, but the customer's interests as well. With that goal in mind, the company selected a biostarch loosefill product to cushion the toys and other products it sends along to young children and infants. The loosefill is a biodegradable, edible "peanut." The selection of such dunnage has been a hit with the parents who purchase through eToys.

"We chose the biostarch peanuts because of their protective qualities, ease of use, the safety factor for children, and the excellent relationship we have with our vendor," says Richard Tannenbaum, director at eToys. "We recognize that it's a bit more expensive than traditional peanuts, but we know moms and dads appreciate the extra care and attention we give to children and their safety."

When selecting the right packaging materials, there are several key criteria to keep in mind. Probably at the top of the list is the protection factor. "You want packaging that can protect your products from drops, the atmosphere and all types of handling," says Diana Twede, an associate professor at the School of Packaging, Michigan State University, East Lansing.

Also important is the "utility" of the packaging, according to Twede. "It should be inexpensive to handle, easy to palletize, and as small and lightweight as possible," she says. "It should also be ergonomically correct."

Also, cost comes into play. Ideally, packaging materials will be inexpensive to ship, and also be inexpensive for the customer to discard once it has reached its destination. However, nailing down the cost efficiency quotient isn't always easy. One cost issue that many warehouses struggle with is the variety of box sizes and cartons to keep on hand. It's an issue that leaves many warehouses in a "catch-22" situation.

"You may try to save money by using just one box size," says Matt Croson, director of communications at the Packaging Machinery Manufacturer's Institute, Arlington, VA. "But then you take on added cost because you must then buy dunnage to fill in the extra space when the box is too big. You'll likely pay more for shipping a larger box also."

In today's market, there are several types of dunnage available. Redwood City, CA-based FP International, for instance, carries three types of dunnage products. In addition to its biostarch peanuts, the company offers the original polystyrene peanuts that have been popular for so long, and air bag cushions.

According to Virginia Lyle, manager of communications and environmental affairs at FP, loosefill offers the cheapest option. The downside is that peanuts are not biodegradable and can be harmful to the environment. Another issue is the sheer inconvenience after a product has arrived. "Some people just get annoyed with the mess from peanuts and the hassle of handling their disposal," says Twede.

The biodegradable peanuts, like those used by eToys, are the environmentally correct answer to the original peanut issue. Still, the biodegradables have their drawbacks - cost is one issue, and users need to guard against something of a "meltdown" should they become wet. "The cornstarch product can also crumble in hot weather," admits Lyle. "But, there is customer demand for an environmentally friendly product, and this is it."

Another type of dunnage that is growing in popularity is air cushions. "They're lightweight, easy to pack and unpack, and don't leave a mess behind," says Lyle. "They're also attractive - many of our high-tech customers like the look." The air cushions are used by eToys for shipping products designed for children older than infants. "We use the cello airbags with products like toys, books, video games, music and videos," says Tannenbaum.

Cushioning the blow

To use the cushions, warehouses usually lease equipment from a vendor and buy the film that forms the cushions. Shippers can make the cushions in a variety of sizes and based on demand. At eToys, Tannenbaum describes the process as a "two-step, centralized dunnage-filling operation. The air cushions are part of an integrated and automated packaging process," he says.

After you've selected the right boxes and dunnage, your packaging tasks come down to palletizing and unitizing. This is often the final step in ensuring your packages make the trip in top shape. Handled poorly, damage can be the end result.

One tool to consider is palletizing software. "These programs can help you plan the ideal pallet load," says Twede. "They can even tell you what size container would work best to optimize your pallet." Another high-tech tool available is robotics. "I've seen a big increase in the use of robots that unitize and palletize products," says Packaging Machinery Manufacturer's Institute's Croson. "In fact, about 40 percent of the exhibits at Pack Expo this year involved robots."

The robotic unitizers, while sometimes big and space consuming, can handle unitizing quickly and effectively. And, says Croson, they are quite sophisticated, able in some cases to determine if something on a load is slightly askew so that it can be corrected prior to shipping.

There's also an increase in any of the machines or tools that can move large numbers of products quickly, says Croson. "This is driven by ergonomics and labor savings," he says. "Machines that shrinkwrap, palletize and depalletize are all growing in popularity."

When it comes to selecting the stretchwrapping that you use to secure your pallet loads, Twede emphasizes the importance of looking for high quality materials. "There's a lot of variance between films and machines," she says. "It's important not to buy the cheapest of each. A cheap stretchwrap that tears easily and shuts the machine down, for instance, is costly"

The bottom line, say the experts, is that your customers will thank you for your packaging investment. That's certainly been the case for eToys.

NOTES... NEWS... NONSENSE

14 WORDS THAT'LL NEVER FAIL YOU

(Economics Press, Online Success, December 5, 2000)

The list below was given by a successful business man in his retirement speech. It was passed down from his previous boss 45 years ago.

In his speech this is what he said, "My boss told me that whenever I had an important decision to make, I should think of all my options, and then read this list of 14 words. My boss told me that one of the words would always pop out at me. That word would steer me in the direction I should head. My boss told me that for over 45 years in business that list had never failed him, and I'm here to tell you that the list had never failed me for my last 45 years."

1. Prepare.
2. Listen.
3. Smile.
4. Choose.
5. Focus.
6. Relax.
7. Act.

8. Forgive.
9. Trust.
10. Change.
11. Persist.
12. Accept.
13. Risk.
14. Wait.

HAPPY BIRTHDAY WISHES

Andrea Etwaroo	12/15
Alberto Benavides	12/19
Mike Gregory	12/20
Brad Griffith	12/20
Mohamed Amer	12/25
Adam Mikulka	12/30

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

the HOT SHEET

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December 1, 2000

Publisher: Laurie Crankshaw

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Fulfillment Services Group

QUOTE OF THE WEEK:

"IT'S NOT THAT I'M SO SMART,
IT'S JUST THAT I STAY WITH PROBLEMS LONGER."

— ALBERT EINSTEIN
(CONTRIBUTED BY HAN NGUYEN)

VENDOR VITTLES

DESIGN/IMPLEMENTATION HELP ONLINE

— MIKE GREGORY

Below is a web-site that can help on our design/implementation projects. There is the ability to perform bids on-line, view layouts, schedule/track projects and many other functions. There is also on-line community news about the construction industry. Gary Frederick at Pannatoni recommended the web site and says that they are using it for their projects.
<http://www.buzzsaw.com/default.asp>

INDUSTRY HIGHLIGHTS

FTC WARNS E-RETAILERS ABOUT SHIPPING CLAIMS

(THE STANDARD, NOVEMBER 17, 2000) CONTRIBUTED BY NICOLE DiSTASIO

The Federal Trade Commission is warning more than 100 online retailers that they'd better not make holiday shipping promises they can't keep. To avoid the spate of consumer complaints about late deliveries it received last holiday season, the FTC is sending letters to e-retailers telling them they should not make "quick ship" promises they can't keep to entice consumers to their sites.

As a result of consumer complaints about late deliveries last year, the FTC sued seven companies for violating its Mail or Telephone Order Merchandise Rule. The rule, which applies to merchandise ordered over the Internet, as well as by telephone, fax or mail, spells out the

requirements for making promises about shipment delivery times, notifying customers and making refunds.

FTC spokesman Eric London said the agency conducted a "surf" of more than 200 Web sites for the shipping promises made to consumers this holiday season. The FTC found that more than 100 of them made "quick-ship" claims, assuring consumers that in-stock items usually ship within 24 to 48 hours after an order is placed.

Under the rule, merchants must base shipment claims on facts, not on hopes. If a retailer makes a good-faith claim that he is unable to fulfill, he must notify the consumer of the delay within the original shipment time. In addition, retailers must give their customers a revised shipping date as well as give them the right to cancel a transaction and get a "full and prompt refund" if they are not satisfied with the new shipping date.

London said the FTC will be monitoring selected Web sites to see whether they are in compliance.

REPLACING THE DOT-COM SPIN-OFF STRATEGY

SEPARATE ONLINE UNITS MAY NO LONGER MAKE SENSE FOR TRADITIONAL RETAILERS. NOW THE AIM SHOULD BE TO MAKE THE WHOLE COMPANY WEBSMART.

(BUSINESS WEEK, NOVEMBER 13, 2000) CONTRIBUTED BY NOAM PARANSKY

The new era of clicks-and-bricks supremacy has done more than prompt a reassessment of the Net's promise. The dismal valuations of pure-play e-tailers and the changed assumptions about who will be able to dominate raise questions, too, about what happens to traditional retailers' carveouts, such as Nordstrom.com and Toysrus.com. Should more companies follow the same tactic of creating separate units? Are these spin-offs futilely waiting for the chance to go public? It's hard to come up with compelling reasons why many of these businesses would remain stand-alone companies in the changed online environment.

Before, there were reasons for creating carveouts. For one thing, during the 1998-99 e-tail funding frenzy, companies needed to be agile and independent to grow quickly. Corporate management was a drag on that nimbleness and growth, and the shock troops of the New Economy had to freed from it. But now more companies understand the Net, and the fear of getting Amazoned is subsiding, so that there's less need to barrel ahead at all costs. That doesn't mean traditional retailers can now forget selling on the Net. Consumers continue to shop online because they like the convenience, choice, and variety. So to grab new customers and keep existing ones, traditional retailers still have to master e-tailing.

But retailers need to go about it in a new way. That's mainly because the cast of players in this online drama has changed. The struggle for e-tail customers and market share will now take place, for the most part, among bricks-and-clicks companies. When traditional companies set up separate cyber units in the past, the intellectual capital those units might have brought to the whole corporation was sacrificed to win the battle against fast-evolving, heavily funded pure plays. The important thing now is to make a company Web-smart across the entire corporation. So, wouldn't

it make sense for these companies to pull their Net teams in-house? That way they can share the wealth of knowledge. As bricks-and-clicks battle, close integration between online and traditional stores is key.

Some companies are already moving in that direction. In October, Barnes & Noble announced plans to align more tightly with its online spin-off. The company will install Internet Service Counters in its superstores to let customers order from the Web site and pay using cash, check, or credit card. Barnes & Noble will also let online customers return books in the stores and receive store credit. Returns are the most basic of the advantages a store-based retailer has when selling online. But up till now, the fierce price competition fueled by venture-capital money meant that many online arms of traditional companies couldn't afford to take returns. Why? Because legally, in order to take returns, they had to charge sales tax.

The Net's benefit for traditional e-tailers isn't solely revenues from online purchases. It also helps them learn a great deal about their customers. The benefits of tracking consumer behavior online, including immediate reaction to sales by demographics, geography, and income, are real. Since consumers online buy at one central virtual storefront, it's much easier to spot purchasing patterns and trends. Toysrus.com, for instance, spotted the scooter craze online last spring before the stores took notice. One of the main concerns about pursuing a Net strategy internally has been that no one within a corporation will really advocate selling online. The argument goes that without a smart group of geeks acting as the vanguard, a stodgy corporation won't ever push the envelope. That was probably true four, three, or even two years ago in times of rapid, uncertain change. Now, the benefits may look clearer inside corporations: throwing money around heedlessly is no longer in vogue, the Net makes it easier to get an early read on competitors, and there's now little doubt that the Web is something people like and want to use.

Of course, another big reason for creating a spin-off was bringing in venture capitalists. That way, corporations didn't have to pay for investments by themselves and could get a part of the losses off their books. By partnering with a VC, traditional companies shared the risk. And when e-tailing valuations went through the roof, traditional retailers were eager to cash in.

Nowadays, unless an entirely new business model is being developed, it's hard to imagine that many VCs will be willing to pony up funds for a carveout that will have a hard time going public. Without tons of money funding huge, expansionist e-tailing bids, the amount of market share a new company is able to grab quickly -- and the payoff to investors -- is much reduced. And the demand for a path to profitability is hitting the spin-offs just as it did the pure plays. So until feeling about the e-tailing sector improves, it's hard to make a case for most of these carve-out IPOs. Given this, and the change in the players battling it out, there seem to be plenty of strategic reasons why traditional companies should bring their Net ventures home.

IF THE SOAP FLOATS, GO WITH IT.

(ECONOMICS PRESS, DECEMBER 1, 2000)

Have you heard the Ivory Soap story? Ivory Soap is known as the "the soap that floats." The lesson of how the floating soap came to be is one that has success implications worth heeding. Here's how the floating soap originated: A worker went out to lunch and forgot to turn off the machine that mixed the solution of pre-soap renderings. Upon his return, he and others decided the frothy mixture was acceptable enough to continue in the manufacturing process. So bars of soap were made from the over-mixed batch.

Soon afterward, excited customers wrote asking for more of the "floating soap." The company reenacted the worker's mistake and found that beating air into the mixture produced the buoyant bar. And thus a classic product and advertising campaign was born.

What can we learn from the Ivory Soap story?

First, that we all make mistakes. We all get to be human. And sometimes the slight variation that comes from the human process, even mistakenly, can prove to be beneficial.

Second, we can learn to look at our mistakes with both eyes wide open. One view should be with a critical eye, focused on finding what went wrong and putting out the word so that surprises resulting from the mistake are kept to a minimum. The other view, encouraged by the lesson of the soap that floats, is to look carefully at the results of a mistake and ask some important questions. Here are a few:

- ⌘ This is not the result I had planned, but will it work just as well as (maybe even better than) the outcome I originally expected?
- ⌘ I can't use this idea now, but should I document it for some time in the future when it might become useful?
- ⌘ This is a really crazy result. Who else might be able to use it? I'm not sure what's going on. Who can help me understand what's up and if it's worthwhile?

Others have made the observation but time and time again history proves it true: Real difficulties can be overcome. It's only the imaginary ones that are unconquerable. Thus the saying, "Everything Happens For The Best, For Those Who Make It Happen."

RELOCATOR ROUNDUP

Note: Please contact Laurie Crankshaw with corrections.

UNITED STATES		
Allen, Peter	Museum Company	Princeton Office
Ayala, Jose Gerardo	DJ Manufacturing	Caguas, Puerto Rico
Baird, Kevin	Bestform	Johnstown, PA
Bao, Johnny		LA Office
Barrett, Ron	Nike	Memphis, TN
Benton, Josh	Appleseed's	Boston, MA
Bolton, Richard	Petals	Princeton Office
Brunson, Andrea	Federated Stores	San Francisco
Burke, Joni	Nike	Memphis, TN
Burkland, Nate	eToys	Danville, VA
Cascio, Dave	Ross Stores	Carlisle, PA
Chang, Iris	Walmart*.com	Atlanta Office
Chinnan, Vikas	Appleseed's	Boston, MA
Copland, Tim	eToys	Danville, VA
Davis, Seth	Ross Stores	Carlisle, PA
Dencker, Suzanne	eToys	Atlanta Office
Densmore, JD	PVH	Jonesville, NC
Dietz, Erich	Walmart*.com	Princeton Office
Digulla, Lori	Walmart*.com	Princeton Office
Duque, Max	Bear Creek Corporation	Medford, OR
Ehlenberg, Brian		Atlanta Office
Ehlers, Barry		Los Angeles Office
Eisa, Ashraf	Walmart*.com	Atlanta Office
Fiore, Barry	Ross Stores	Carlisle, PA
Fong, Terrance	eToys	Danville, VA
Garrett, Jim	Ann Taylor	Louisville, KY
Giles, Laura	eToys	Danville, VA
Griffith, Brad	Staples	Boston, MA
Head, Dan	Appleseed's	Boston, MA
Johnson, Andy	Staples	Atlanta Office
Kellogg, Michael	eToys	Danville, VA
Kincaid, Mike	Federated Stores	Los Angeles, CA
La Vecchia, Marianna	eToys	Danville, VA
Lefkowitz, Steve	Newport News	Hampton, VA
Leggio, Frank	KBkids.com	Danville, KY
Levy, Val	Ann Taylor	Louisville, KY
McGraw, Colleen	Appleseed's	Boston, MA
Messinger, Mark	Ross Stores	Carlisle, PA
Mokotoff, Benjamin	Walmart*.com	Atlanta Office
Moosabhoy, Mufaddel	Consolidated Stores	Rancho Cucamonga, CA
Morales, Enrique	eToys	Danville, VA
Morin, Craig	Walmart*.com	Carrollton, GA
Nguyen, Han	Consolidated Stores	Rancho Cucamonga, CA
Olivares, Felipe	Renfro	Pulaski, VA
Osburn, Steve	Newport News	Hampton, VA
Paransky, Noam	Appleseed's	Boston, MA
Picken, Jeff	Coldwater Creek	Sandpoint, ID
Raines, Joe	J Crew	Princeton Office

UNITED STATES - CONTINUED		
Rockman, Jason	Dillard's	Little Rock, AR
Ryan, Sean	Appleseed's	Boston, MA
Sampson, Brad	Nike	Memphis, TN
Sauls, Jeffrey	Bear Creek Corporation	Medford, OR
Soller, Todd	Federated Stores	Los Angeles, CA
Taylor, Brad	Walmart*.com	Atlanta Office
Thomas, Mark	Charlotte Russ	LA Office
Timberlake, Jajuan	Federated	Atlanta, GA
Todd, Aaron	Newport News	Hampton, VA
Trevino, Roberto	Ramtex	Miami Office
Ulicny, Dan	Global Sports	Louisville, KY
Vanags, Scott	Thomas Nelson, Inc.	Atlanta Office
Venator, Shannon	DJ Manufacturing	Caguas, Puerto Rico
Watterson, Eric	Federated Stores	Los Angeles
Webster, Jack	eToys	Danville, VA
Wilson, Ken	Nike	Memphis, TN
MEXICO		
Benavides, Alberto	Ramtex	Cuidad de Mexico
Caldera, Jesus	Vanity Fair Intimates	Reynosa
Felix, Ignacio	Vanity Fair Intimates	Reynosa
Hernandez, Sergio	Vanity Fair Intimates	Lagos De Moreno
Lopez, Rodrigo		Monterrey Office
Lozano, Alfredo	Vanity Fair Intimates	Fresnillo
Martinez, Andres	Vanity Fair Intimates	Fresnillo
UNITED KINGDOM		
Anderson, Brad	MFI	London, England
Dayton, Britt		England Office
Deaton, Ashley		England Office
CENTRAL AMERICA-HONDURAS		
Jaramillo, Alberto	Vanity Fair Intimates	San Pedro Sula
Rodriguez, Gustavo	Vanity Fair Intimates	San Pedro Sula
JAPAN		
Bruce, Dan	Jusco	Tokyo Office
Roge, Bob	Jusco	Tokyo Office
Swensen, Karl		Tokyo Office
SUPPORT STAFF		
Andresen, Megan	Miami	
Andros, Vanessa	Atlanta	
Crankshaw, Laurie	Chicago	
Hamrick, Debbie	Atlanta	
Judd, Suzanne	Princeton	
Kolm, Rachel	Princeton	
Lannon, Nicole	Atlanta	
McPhail, Melissa	Atlanta	
Rosales, Irma	Miami	
Salazar, Olivia	Los Angeles	
Scola, Anne	Princeton	
Senior, Lynn	Los Angeles	

HAPPY BIRTHDAY WISHES

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



Debra Hamrick	12/11/1997
Steve Roberson	12/14/1998

the HOT SHEET

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November 17, 2000

Publisher: Laurie Crankshaw

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Fulfillment Services Group

QUOTE OF THE WEEK:

"SUCCESS IS NOT MEASURED
BY THE POSITION ONE HAS REACHED IN LIFE,
RATHER BY THE OBSTACLES
OVERCOME WHILE TRYING TO SUCCEED."

-- BOOKER T. WASHINGTON

PROJECT POSTCARDS

CONSOLIDATED STORES – SHINING ON

-- MUFADDAL MOOSABHOY & HAN NGUYEN

KSA Project Team- Tony DeMaria, Troy Van Wormer, Han Nguyen, Mufaddal Moosabhoy, Roberto Trevino, Carol De Zwarte, Mike Kincaid, and Denise Trostle.

Consolidated Stores - Mike Burlingame (Project Lead), Maria Statton, and Maria Jokovich.

At the Consolidated Base Plus Project in Rancho Cucamonga, CA, we kicked-off our second department – stock – in our fifth month on-site. The stock department began with about 14 known standards; at kick-off, there were 23 standards in place with 2-3 left to complete at a later date because certain operations were not seen during the time-study period. Time study and pre-follow up were performed for 6 weeks and were followed up with 2 weeks of post-follow up after kick-off.

We overcame several hurdles to kick-off the Stock Department on Oct 2 (if you recall from the previous Hotsheet Article in the October 13 issue, we kicked-off the first department –Receiving on July 17th). We were faced with four major challenges:

Challenge #1: Provide system declaration instead of manual tracking using production sheets.

SOLUTION: Since Consolidated uses an AS400 system and radio frequency (RF) scanners to track movement activities within the warehouse, the engineering team worked with the client

programmers and designed system generated production reports to track productivity. Every time an associate scans a barcode and initiates a movement, the AS400 identifies the move type and logs the equivalent standard allowed minute (SAM) values for that particular move. At the end of the shift, the supervisor prints a production report for each associate, thus eliminating manual tracking (self-declaration).

Challenge #2: Minimize the amount of time for changing equipment batteries.

SOLUTION: Again, we leveraged the AS400 and the RF scanner to reduce unproductive time at the battery room. Instead of showing up at the battery room when a battery change is required, associates are now required to notify the battery room, using the "limited" capability of the AS400, when their battery level reaches 50%. Using the AS400 workstation, the battery room attendant schedules an appointment and sends a message back to the requestor. The appointment system has reduced battery change time from over 26 minutes to approximately 13 minutes. With an average of 600 battery changes per week, we have eliminated 130 hours of unproductive time. The project was so successful that the department is now reducing battery change intervals from the original goal (15 minutes per change) to 11 minutes. The new goal is 10 minutes.

Challenge #3: Reduce equipment congestion during replenishment operations.

SOLUTION: During our investigation stage, we saw up to four swing reach machines in an aisle. Every time this happened, the first person that entered the aisle had to wait for last person to drop off the pallet before he or she could leave the aisle -- similar to the LIFO (last in, first out) inventory system (we call it the SYBS, or screw-your-buddy system). To eliminate this SYBS system, we created "traffic drop" locations at the entrance of every aisle. For example, if Charlie sees Angel in the aisle, instead of using the SYBS, Charlie performs a traffic drop and returns to work. Before leaving the aisle, Angel completes Charlie's work by performing a "traffic pickup." Charlie gets part of the credit, and Angel gets the other part for the work performed (with extra-handling time added to each associate).

Using lessons learned from our previous department, we conducted remedial training on filling out time cards with all associates in the Stock Department two weeks before kick-off. To ensure consistency and illustrate the democratic system, the remedial training session was mandatory for every associate. Four weeks after kick-off, we are happy to report that the Stock Department is performing at 84% on-standard at 99% performance. The department has seen over 20% in productivity improvement.

There were a few lessons that we learned from our implementation in the receiving department that helped us through the stock implementation:

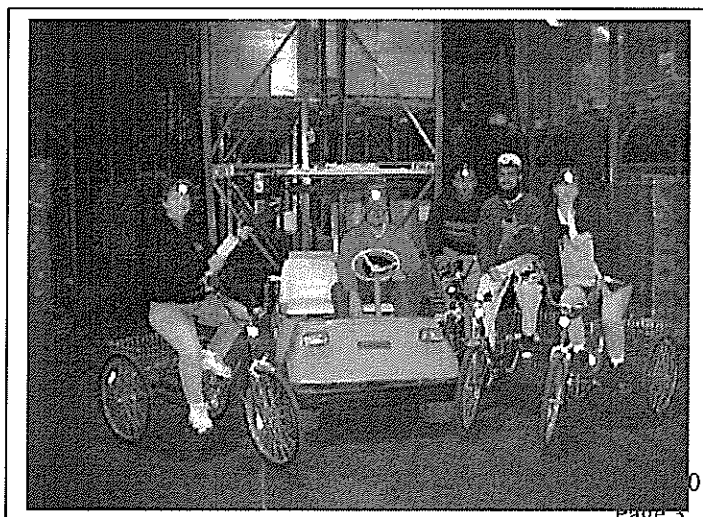
Receiving Issue (Lesson)	Stock Solution
Training associates to fill out production sheets is very time consuming and should be avoided whenever possible.	System declaration was implemented to track all associate production via RF scanners and AS400.
When associates are not properly trained to fill in timecards correctly, it drastically affects their performance and tracking of hours.	Advanced training sessions set-up with associates to train them in proper timecard entry and its importance.
Associates felt that the program was optional.	The 75% minimum performance rule was emphasized in advance at the kick-off meetings.
Last minute changes of supervisor and production sheets cause a lot of confusion at kick-off.	New rule was made: No changes 2 weeks prior to kick-off.
Management did not have faith in the program.	Managers and supervisors were involved and coached at an early stage in order to give them more responsibility in the program.

A positive note from Receiving: In the past HotSheet article (10/13), we told you that our first implementation in the Receiving Department was a difficult one to say the least. Performances and on-standard percentages started out very low and training all the way down the line continued on 3 weeks after kick-off. I am very happy to say that in the week ending October 14, the receiving department as a whole showed a performance topping 83% and has shown a savings for the past 3 weeks!

One last challenge that we faced in the stock department:

Challenge #4: How do you follow a swing reach?...with a timestudy board?...into a narrow aisle?...at night?...without ceiling lights?... out of shape?

SOLUTION:



RCDC Engineering Team (left to right): Maru Statton (CNS), Mike Burlingame (CNS), Han Nguyen (KSA), Mufaddal Moosabhoy (KSA), Maria Jockovich (CNS)

INDUSTRY HIGHLIGHTS

TMS TO THE RESCUE

(MODERN MATERIAL HANDLING, OCTOBER 10, 2000) CONTRIBUTED BY ANDY JOHNSON

In an increasingly virtual economy, where B2B and B2C customers alike may place orders without actually speaking to their supplier, getting the order to the customer when it's promised—and at a price that still allows you to turn a profit—has never been more important. Unfortunately, the shipping departments of many companies today operate more like a MASH unit than a big city operating room when it comes to managing the shipment and transportation process. That's where transportation management systems (TMS) fit into the picture.

At the shipping department level, this software evaluates carrier options, costs, and services while managing all shipment documentation. Its post-shipment processing capabilities include order tracking, confirmation of delivery, and auditing of the delivery for payment processing. A TMS can also build routing and scheduling scenarios to maximize use of a fleet of delivery vehicles.

A company implementing its first TMS can expect to save from 10% - 40% on their transportation dollars. Given that transportation may account for up to 60% of materials handling related costs, it is no wonder that TMS is moving higher on the list of must-have execution software applications.

This is further driven by the fact that the delivery man is often the only real contact some customers have with certain companies they buy from. And these customers are deciding that customer service, response time, and delivery are becoming the competitive differentiators between one company (and its supply chain) and the next.

As if that's not enough, the complex nature of business today greatly compounds the challenge of getting it right. Thanks to partnerships, alliances, and outsourcing, bringing the different pieces of an order together in one delivery is, well, a logistical nightmare.

This is where the higher level capabilities of TMS come into play. Beyond the stand-alone shipping department, some packages support transportation operations in large, complex shipping environments. These systems interface with an enterprise resource planning (ERP) system to support the transportation of inbound materials delivery, outbound customer order deliveries, and interplant materials movement. At the highest level, the software provides decision-support for tactical and strategic supply chain management of transportation activities.

To continue reading about the six trends currently changing TMS, click on:

<http://www.manufacturing.net/magazine/mmh/archives/2000/mmh1001.00/mmh001001itreport.htm>

THE SEVEN FLAVORS OF TMS

(MODERN MATERIAL HANDLING, OCTOBER 2000 IT REPORT) CONTRIBUTED BY ANDY JOHNSON

In the broadest sense, transportation management systems (TMS) plan, schedule and manage transportation activities across an enterprise. Web-deployable solutions can even manage transportation across a supply chain, as enterprises outsource their logistics, and trading partners compete as a group rather than as individual enterprises.

More specifically, AMR Research in Boston, Mass., breaks transportation software into seven different solutions that address specific needs.

1. Supply Chain Analysis and Design provides decision-support tools to address strategic and tactical decision making. Like supply chain planning, SCAD takes a broad, long-term view of the enterprise, and evaluates whether to supply a new market with existing sources, production points, and transportation carriers, or whether to build new facilities and rely on different carriers.

2. Enterprise Transportation Planning applications bring tactical planning and operational decision support to the large, complex shipping operations of manufacturers, distribution companies, and third-party logistics providers. ETP typically creates solutions for a specific operating period, and includes the ability to create what-if scenarios.

3. Enterprise Transportation Management software supports transportation operations in large, complex shipping environments. These systems interface with an ERP system to support the transportation of inbound materials delivery, outbound customer-order delivery, and interplant materials movement.

4. International Trade Logistics modules meet the international trade and transportation needs of global manufacturers and distributors. Users can calculate a total landed cost for shipping or importing goods, create the documents needed for cross-border trade, and identify trade restrictions on products, countries, companies, and individuals.

5. Carrier Bid Optimization applications help shippers manage the process of requesting carrier bids and awarding contracts. These solutions support requests for proposal, contract awards, and analysis of business objectives like customer service and carrier performance.

6. Routing and Scheduling builds the best daily routes for over-the-road delivery fleets by running drop-off and pickup appointments, planning activities at each stop, and analyzing street-level geographic data. It also has the ability to evaluate cost, service, and profitability tradeoffs.

7. Shipment Management Tools support carrier and mode shopping for each shipment. Typically, they calculate shipping charges based on weight, cube, and destination for services offered by the carrier, select the type of service, print out shipping labels, and record charges for later use in the payables process and in any internal charge-back activity.

LOGISTICS GETS A LITTLE RESPECT -- DELIVERING THE GOODS ON TIME IS SUDDENLY A SEXY BUSINESS

(BUSINESS WEEK, NOVEMBER 10, 2000 IT REPORT) CONTRIBUTED BY DAN STONAKER

Suddenly, logistics is sexy. Online companies that used to focus on creating a slick Web site and spent tens of millions on advertising to try to build a brand are now turning their attention and dollars to the more mundane business of delivering the goods--from knowing what's in stock to how fast it can get out the door.

Like the dot-coms, Old Economy companies are paying more attention to making the trucks run on time, too. Many of them have well-established warehousing and shipping systems in place, but now, thanks to the Web, they're coming up with ways to get things delivered to customers faster and cheaper. The newest thing: collaborative logistics. Using the Web to hook up manufacturers, retailers, and truckers, companies can easily pass along the information they need to share trucks and warehouse space with others.

Logistics is no easy chore. It involves more intertwined pieces than a Rubic's cube. A single global shipment of toys, for example, requires an average of 27 parties to complete, according to Forrester Research Inc. Along that path, anything can happen. A recent Forrester survey showed that 76% of logistics managers at major companies couldn't trace the products en route or get updates. That data gap can delay deliveries and potentially cost retailers and manufacturers millions of dollars in lost sales or wasted resources.

The Web opens up new channels of communication so companies can anticipate problems or shortages and respond quickly. This holiday season, the smart dot-coms will be using sophisticated software to link their Web sites with warehouses. **EToys**, for one, has spent \$43 million to set up its own distribution network. After a customer clicks the buy button, the order reaches an eToys warehouse within two hours. Those couple of hours allow for a fraud check and for a customer to cancel the order. What a change from last year, when it took 24 hours for an eToys order to get to the warehouse floor where a worker would pick and pack a toy. EToys had hired Fingerhut Business Services to handle its deliveries, and that added a step to the process: The order would go to eToys and then have to be placed in Fingerhut's processing system, along with orders from other clients. Because of that setup, eToys struggled to meet the holiday surge in volume. And that's why it took the whole process in-house this year.

Other dot-coms hope they've done enough trouble-shooting to avoid those mishaps. Kmart Corp.'s BlueLight.com is tackling its first season online with SubmitOrder.com Inc., a new fulfillment company in Dublin, Ohio. When a customer clicks on the site to order a Razor scooter, that order goes immediately to SubmitOrder. Within an hour, the order moves to a picker to pull the scooter off a shelf and send it on its way to an UPS truck. Also every hour, SubmitOrder's computers send an update to BlueLight so it knows what's in the warehouse and can either replenish an item or yank it off the Web site if it runs out.

This season, many e-tailers have picked the logistics help they expect will be able to respond in a flash to spikes in demand. This year, Bluefly, for example, switched to National Catalog Corp. in Virginia because it agreed to do whatever is necessary to ship orders in one day. National Catalog

added a second shift of workers and allowed Bluefly to place employees at its warehouse to monitor and help manage the process. "It's very important for us in an age when everything is expected to happen instantaneously to be able to transmit that order, have a pick-ticket printed, have a worker go find it, and ship it out the same day," says Morris. Of the 133,582 orders shipped in the second quarter, 90% went out the same day, he says.

The logistics problems are just as complex for old-line companies--and the potential rewards for harnessing the Web are just as alluring. For them, logistics is no longer simply a matter of getting from Point A to Point B. It's now about wiring every point in the supply chain--the sales office, manufacturing plant, warehouse, and the truckers. The Web allows everyone in the chain to share information and coordinate their movements simultaneously, making quick adjustments possible without a snafu.

Better collaboration. For Ace Hardware in Oak Brook, Ill., the savings are pouring in. The company persuaded its retailers and suppliers to feed forecasts and orders into an online system. With everyone hooked to the Net, suppliers might respond to an order by sending an e-mail suggesting that Ace order 210 cases of wrenches rather than 200 because the larger amount means a full pallet and a lower price. That saves time at the warehouse because the supplier doesn't have to break up a pallet, pull out 10 cases, and then shrink-wrap the short pallet again for storage. At the delivery site, there's less chance for loose cases to be lost. That saves Ace the trouble of redoing the paperwork so it's not charged for the lost or misplaced items. The result of all this: Ace's transportation costs are down 18%, and warehouse costs have been slashed 28%.

In the latest advance in logistics, some companies are sharing transportation information and resources with other, unrelated companies. Companies share trucks, in some cases, with others shipping goods in the same direction, or use somebody else's truck on a return trip. Why share? For many manufacturers, transportation costs run up to 6% of revenue on average and make up the largest chunk of logistics expenses. So there are lots of potential savings. General Mills Inc., for instance, has been testing an online transportation exchange since July and expects to save \$800,000 in its first year by sharing a truck route with Fort James Corp., which makes paper towels and Dixie cups.

The next logical step is teaming up with competitors. Take the auto business. Once a car is unloaded from a train, it can sit for days waiting for more cars to fill a truck. Subaru's Morel says the company is talking to another carmaker that imports vehicles about sharing rail and truck space and getting cars to dealers more quickly. Sorel says he could save up to two weeks on deliveries.

This collaboration won't be easy, though. Companies may not be able to overcome incompatibilities in their computer systems and production schedules. A bigger hurdle: Competitors may not want to play along. That's the dilemma for CNH Global, a maker of farm and construction equipment based in Racine, Wis. It asked several companies in the Midwest--Deere Caterpillar, and Komatsu combine equipment bound for overseas on a nonstop train from Chicago to Baltimore. The potential savings: up to 8 days of travel time. But Deere is holding back. It thinks it can achieve savings by handling logistics on its own.

Sooner or later, though, as more companies learn to share via the Net, the competitive advantage may shift to team players. And loners could end up being derailed.

STUDY: TECHNOLOGY ADOPTION STILL AN OBSTACLE TO ELOGISTICS

(NEW YORK TIMES, NOVEMBER 14) CONTRIBUTED BY NICOLE DiSTASIO

Companies that use and provide transportation and distribution services have been slow to take full advantage of the Net, according to the ninth annual "Trends and Issues in Logistics and Transportation" study released today by Cap Gemini Ernst & Young, the University of Tennessee and Georgia Southern University.

New web-enabled services for ordering, tracking and billing and other technologies such as mobile commerce and other innovative supply chain applications offer new opportunities for profitable growth as well as efficiency and cost reduction. But the study found that many companies and service providers have yet to adopt back-office software for inventory management, fulfillment, monitoring and ordering.

"Based on the results of the study, and our own experience in the field, it is clear that a large number of companies are still managing their fulfillment process using software developed in-house or even manual spreadsheets. It does not appear as though many companies are enabled to truly operate at Internet speed," said Rich Thompson, vice president with Cap Gemini Ernst & Young's global supply chain practice. "Companies that embrace change and the new supply chain related tools and technologies will transform their industries and create a sustaining competitive advantage for themselves."

Business-to-business e-commerce, which is driven in large part by supply chain and logistics activities, is expected to grow to anywhere from \$2.7 to \$5.7 trillion by 2004. Analysts predict logistics trade exchanges will play a pivotal role in this growth and account for a market space of \$2.5 to \$3 billion annually. Although these figures are only predictions, the numbers indicate the incredible opportunities and challenges ahead for companies that use and provide transportation and distribution services in the new, connected economy.

According to the survey, a majority of respondents still use either manual methods, spreadsheets, or software developed in-house to manage transportation and distribution activities.

"Companies that have begun to offer products over the web are experiencing the difference from operating in a more predictable, scheduled, logistics operating environment to a more real-time, demand driven eFulfillment model that will drive significant change and complexity in their logistics operations," said Rich Thompson, vice president with Cap Gemini Ernst & Young's global supply chain practice. "The linear supply chain of today will be replaced by a demand-driven, customer-centric model."

"To prosper in the new economy, it is imperative that companies focus on building more than an interactive Web site," said Dr. Karl Manrodt, who was responsible for directing the survey, was the executive director of the University of Tennessee's Department of Marketing, Logistics and Transportation. "Companies need to drive change throughout the organization. Logistics has been an area that thus far has been reluctant to change and change must come from the top down, which is one of the reasons so few companies have gotten it right."

The survey also indicates that integration is a major supply chain issue. Rather than simply embracing new technologies, companies will need to integrate their IT systems. Most respondents stated that their information systems are only "somewhat integrated."

"When manufacturers, shippers, distributors and retailers fail to share information they are forced to maintain higher inventories to accommodate uncertainty," added Thompson. "Companies that manage the flow of information and have visibility to global inventories are reaping significant benefits through the reduction of inventory, cycle times and improved customer service."

The ninth annual "Trends and Issues in Logistics and Transportation" was led by Cap Gemini Ernst & Young and the University of Tennessee to better understand the level of technology integration within today's supply chains and its future direction. The study surveyed 434 logistics professionals from a pool of 2,550 potential participants in the manufacturing, transportation and retail/consumer products industries. Electronic copies of the study can be downloaded by visiting <http://www.capgemini.com/>.

NEWS... NOTES... NONSENSE

KEY STATS FOR HOLIDAY SEASON 2000

(BIZRATE.COM, NOVEMBER 13, 2000) CONTRIBUTED BY CAMERON GIEGER

Did You Know...?

- Online sales during the 2000 holiday shopping season are expected to exceed \$6 billion.
- Online sales for 2000 are expected to more than double from \$16.2 billion in 1999 to \$33.9 billion.
- 36% of this year's online sales are forecasted to occur in the fourth quarter.
- Convenience and avoidance of crowds are the top reasons people shop online during the holiday season.
- Apparel, Food & Wine, and Home & Garden will experience the greatest holiday season increase over last year.
- Females are expected to make up just over 50% of online sales this holiday season.
- Late delivery and lack of product availability dominate pre-holiday concerns among online shoppers.
- One in four online orders were delivered late during the 1999 holiday season.
- The peak buying day for online shopping during the holiday season and the entire year is December 14.
- Toys will reach sales of more than \$240 million per day between November 26 and December 26, 2000.
- The majority of online buyers use the Internet for pre-purchase research and know what they want to purchase before going online.

HAPPY BIRTHDAY WISHES

Faith Cox	11/23
Arlene Ialacci	11/28
Ron Barrett	12/6



Robert Fulghum	11/29/1999
Bob Smith	12/02/1996

the HOT SHEET

vol 9 no 41

November 10, 2000

Publisher: Laurie Crankshaw

Published by KSA Chicago

Editor: Suzanne Judd

Fulfillment Services Group

QUOTE OF THE WEEK:

"THERE IS ONLY ONE ENDEAVOR
IN WHICH YOU CAN START AT THE TOP,
AND THAT'S DIGGING A HOLE. "

-- ANONYMOUS

PROJECT POSTCARDS

TEAM SETTING UP ETOYS FOR SUCCESS

-- JON WATSCHKE

Toys' Ontario, CA distribution center and North Carolina bulk facility have successfully launched their reengineered WMS. The project team of **Tony DeMaria, Priscilla Jorgensen, Sharon Gavron, Steve Knapik, Johnny Bao, Jon Watschke, Adam Gellis, and Kirk Mensch** worked together through many stages of the project.

First, Sharon, Priscilla, Steve, Jon, and Adam worked with eToys operations and technical staff to design functional enhancements to the existing WMS. The lofty goal was to "identify 20% of the changes to the WMS that would result in 80% of the productivity and accuracy improvements." With this goal in mind, the team set out to understand how the current system worked. Since no software manual or documentation existed for the in-house WMS, it was time to hit the floor. Extensive study in eToys' original Commerce, CA warehouse, interviews with supervisors and managers, and meetings with technology, operations, and internal quality teams yielded a deep functional knowledge of their unique WMS.

At the same time the team was learning about the WMS, they were listening to the users describe its shortcomings. Processes involving extensive data entry and manual paperwork were the "low hanging fruit"—candidates for streamlining, simplification and automation. After brainstorming, the team created a long wish list of WMS enhancements. The next step was developing functional specifications for each software enhancement. The specifications went through a rigorous internal review before being presented to the user community on the East and West coasts and in Europe. Before any specification was considered complete it had to be approved by representatives from each DC as well as the technology group.

Once the functional specifications were complete, eToys began the technical design and the KSA team began documenting procedures. The new enhancements would be put into place at eToys' new Ontario DC, which was still under construction at that time.

The team of Johnny Bao, Jon Watschke, and Kirk Mensch began their effort documenting procedures in the Commerce DC with the existing WMS. Since the new enhancements would not be rolled out to the Commerce DC, it was important to document the existing procedures. The team was creating a software manual and a procedures manual in one, where only word of mouth learning had existed before. Our documents could be used to train incoming staff before the busy season.

Once the existing procedures were documented, the team headed "back east" to Ontario, where they changed their focus to the new building and the newly enhanced WMS (dubbed WMS2000). Johnny and Kirk's procedures for operating with WMS2000 became the foundation for eToys' training effort, and also served as the software manual for operations.

Finally it was time to go-live. Johnny and Jon hit the floor each day to troubleshoot the system, help train managers and associates on the fly, and identify issues for the development team. The hard work paid off and the go-live was a success. By the third day of production, the replenishment team was finishing what had been an entire shift's workload in an hour and a half.

Soon after go-live our project with eToys was over. We look forward to a successful peak season!

INDUSTRY HIGHLIGHTS

ACCU-SORT FOUNDER HAD FAITH IN BAR CODES

(PHILADELPHIA DAILY NEWS, NOVEMBER 6, 2000)

Accu-Sort has supplied the Postal Service with scanning equipment for many years. Last fall, it won contracts totaling \$63 million to install systems in mail processing centers in North Carolina, Ohio and Florida.

In winning those contracts, the little-known suburban firm beat out giant corporations such as Lockheed Martin Corp. and Siemens Corp. Its work with the Postal Service has helped Accu-Sort expand from about \$100,000 in sales in 1972 to a projected \$120 million this year.

The Business Section of Philly.com profiled Accu-Sort. To read about more about the world's largest manufacturer of fixed-position industrial bar-code scanners, click on the following icon:



Accu-Sort founder had
faith in...

WALMART.COM'S NO AMAZON.COM
(RED HERRING, NOVEMBER 9, 2000)

A different perception of Walmart.com -- *Noam Paransky*

It's not exactly Walmart.com's first year, but Jeanne Jackson, Walmart.com CEO, feels that way. She was recruited after Walmart.com made two dismal starts, coming on board last spring to pump life into the four-year-old general merchandise Web site.

Ms. Jackson insists she's building Walmart.com for the long-haul. She knows what it takes to build a successful, old-fashioned retail operation, and that knowledge has been sorely lacking among so many fly-by-night e-tailers.

"I find it absolutely amusing that people were bashing us for closing our doors," Ms. Jackson says. "We could have turned the Web site on, that's not the problem. Having the Web site link to inventory, the inventory link to customer service (and so forth)... That's hard."

Walmart.com's goal this holiday season is proving to customers that it's a reliable, efficient operation that provides good customer service. I believe those qualities are what create a long-lasting brand, and that's the thinking Wal-Mart must pursue at this point.

"Every time I read one of these articles where somebody comes out and says, 'We're going to be the next Amazon.com this holiday,' I just want to say: 'What are you thinking?'" Ms. Jackson says. "They're going to do over a billion dollars this holiday. If we try to ramp a billion dollars worth of volume that fast, I think [it] would be irresponsible."

Full story at: <http://www.redherring.com/industries/2000/1107/ind-shoptalk110700.html>

NEWS... NOTES... NONSENSE

NEW BOOKS FROM CLM

— *NICOLE DISTASIO*

The Fulfillment Services BOK has recently added three new books from the Council of Logistics Management (CLM).

These include

- *21st Century Logistics: Making Supply chain Integration a Reality*
- *Logistics Outsourcing - A Management Guide and The Growth*
- *Development of Logistics Personnel.*

These hard cover books are available for your perusal and can be signed out from the Fulfillment Services Analyst Office in Atlanta. Contact Nicole DiStasio or Robert Fulghum in Atlanta for further details.

13 REAL-WORLD TIPS

(CELEBRATE YOUR MISTAKES, IRWIN PROFESSIONAL PUBLISHING)

Addressing a class of university graduates, the governor of Maine, Angus S. King, Jr., gave this advice:

- 1) Take more chances with your future.
- 2) Don't limit yourself.
- 3) Don't be afraid to make mistakes. If you're not making mistakes, you're not trying hard enough.
- 4) Listen to yourself and don't take your cues from others.
- 5) Learn to write an outline. Figure out how to say things in a logical way and go forward.
- 6) Be honest even when it hurts.
- 7) Treat each job and task as if it's the most important you've ever had.
- 8) Value each day and take advantage of what life gives you, and don't waste a lot of time worrying.
- 9) Don't look for happiness in places and things. Happiness is in your head.
- 10) Value friends and never let them down.
- 11) Believe in something.
- 12) Always round off the cents in your checkbook to the nearest dollar. It will save aggravation and addition/subtraction.
- 13) Always have \$10 tucked away. The day will come when you need it.

HAPPY BIRTHDAY WISHES

Jeff Picken

11/16

Peter Allen

11/19

the HOT SHEET

vol 9 no 40

November 3, 2000

Publisher: Laurie Crankshaw

Published by KSA Chicago

Editor: Suzanne Judd

Fulfillment Services Group

QUOTE OF THE WEEK:

"THE MOST REVOLUTIONARY ACT

ONE CAN COMMIT IN OUR WORLD IS TO BE HAPPY."

-- HUNTER "PATCH" ADAMS, PHYSICIAN

ROAD WARRIORS

KSAER IN THE WALL STREET JOURNAL

-- RANDY MOORE

It's one thing to be quoted in the Wall Street Journal. Many prominent people go their entire lives without having their name in the Journal.

It's another thing to have a pencil sketch of your face appear in the Journal. There are about 2-3 of these in every issue.

What about having your *photograph* in the Journal? Extremely rare. In fact, let's think about this...Have you ever seen Bill Gates' photo in the Journal? No. What about Warren Buffett? No. Jack Welch? No. **Joe Raines?** YES!!

In case you missed it, on page B-1 of the Oct. 27 issue of the Journal, Joe Raines stands prominently with his full image from head to toe in a photograph in the WSJ! In an article titled, "With Labor Market Barren, Employers Tempt Help With Cars, Cheese Balls", there is a photo of the KSA-designed eToys DC in Blairs, VA. It's an interesting article about attracting workers during the holiday season (see story at below).

OK, OK...so it's really a 5x5 inch panoramic view of the inside of the e-Toys DC and Joe is in the distant background about 1/4" tall. Nonetheless, it really is Joe (at least he swears it is!). Oh, and also, did you notice those cartons whirling around the conveyor in the foreground? Don't tell anyone at the Journal, but that's the 'jackpot' lane that ideally should have no cartons on it at all!

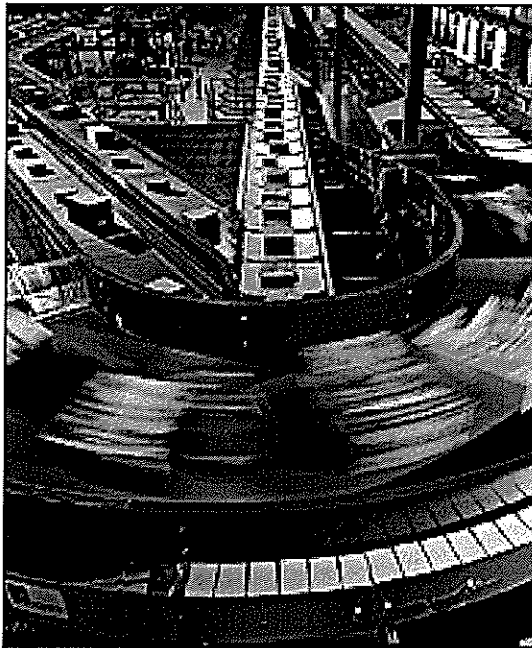
INDUSTRY HIGHLIGHTS

WITH LABOR MARKET BARREN, EMPLOYERS TEMPT HELP WITH CARS, CHEESE BALLS

(WALL STREET JOURNAL, OCTOBER 27, 2000)

When eToys decided to open a new DC in this tiny town nestled in the hills of southeast Virginia, the biggest draw wasn't the area's well-maintained highways, proximity to three airports, or tax incentives. It was the sky-high unemployment rate.

EToys hopes the move will help it deal with one of the biggest problems facing the nation's retailers and manufacturers as they gear up for this holiday season: finding enough temporary workers amid the tightest labor market in recent U.S. history. Nationally, the unemployment rate is just 3.9%, the lowest level in nearly three decades. Though the job market was also crunched in late 1999, this year's squeeze is even more severe, forcing everyone from **J.C. Penney** to **Williams Sonoma** to be more generous -- and creative -- with their referral bonuses, job perks and recruiting tactics such as car raffles and bus fare.



For eToys, the upcoming holiday season has the potential to make or break the company. Although the online toy retailer finished last year's holiday season as the Web's third-most-visited retail site, its stock plummeted in the days after Christmas as skittish investors fretted about customer-service problems that plagued many online retailers. As a result, the company hopes to improve this year's delivery schedule -- a goal that helped spur its decision to build the new East Coast facility in Blairs, Va., where the jobless rate ranges from 5.6% to 9%, making it easier to quintuple the center's work force during the holiday season.

Though employers have struggled throughout 2000 to recruit and retain workers, the labor shortage is becoming particularly acute now, when companies rely on an army of temporary help such as retirees, college students and stay-at-home parents, to help

survive the holiday crush.

As early as May, recruiters from catalog-retailer **Land's End** began dropping bowls of free cheese balls and chocolate at college fraternity and sorority houses with recruitment signs urging "Come have a ball with us."

Some employers aren't wasting time with perks and going straight for workers' wallets instead. SubmitOrder, based in Columbus, Ohio, which handles distribution for companies like **Kmart** subsidiary BlueLight.com, has raised wages for its seasonal workers to between \$10 to \$11 an hour, up 10% from last year. Workers who stay on from October to December get a \$250 bonus.

It wasn't always this way. As recently as the mid-90s, many companies were able to find seasonal workers relatively easily, simply hanging up a "Help Wanted" sign and waiting for would-be employees to walk through the front door. But now, the nexus of workers who fill holiday slots have their pick of positions. The unemployment rate for college-age students, for example, was 6.4% in September, down from 7.2% a year earlier, according to the Labor Department. And the jobless rate for elderly Americans, including many who are semi-retired, was just 2.8%, only a notch higher than its level a year earlier.

Those types of numbers are what drew eToys to Blairs, a small town just over the state's border with North Carolina. The area job market was once dominated by the textile plants that are still visible from the highway, but many of the plants closed their doors and moved jobs overseas in recent years, laying off tens of thousands of workers. The cutbacks left eToys with a ready pool of labor and unused buildings.

Currently, the DC typically employs about 300 people, ranging from workers manning tables of wrapping paper to security guards charged with ensuring that other employees don't smuggle any X-Men action figures home with them. By December, however, the facility's work force will have swollen to more than 1,500, and eToys will keep the buildings open 24 hours a day, seven days a week, to keep up with a flood of preholiday orders.

DIRECTOR'S DEPARTMENT

KSA HAS HAD AN OUTSTANDING YEAR IN KEY AREAS

— LYNN SPUHLER

Today, we thought it would be appropriate to let everyone know how performance for the year has gone so far in three key areas - quality, recruiting, and fee performance.

On perhaps the most important front, the quality of work continues to receive rave reviews. This is not only reflected in the EOS reviews from our clients, but is further reflected by getting major extensions and add-on sales as a result of current project work. Congratulations to all of you on your ability to continually deliver high-value and exceed client expectations.

We were off to a fast start in recruiting this year and as a result, stretched our goals by increasing our in-take and overall growth objectives in mid-year. We continue to attract the most qualified people to join KSA and have been very pleased with our overall results. As you become aware of individuals who are qualified to meet KSA standards and have an interest in a consulting career, please let us know. Our future literally depends on it.

Looking at some basic performance numbers, Y-T-D the Fulfillment group is running approximately 3% above budget in hours billed and 1.5% above budget in fees billed. The difference, of course, indicates we have fallen behind on our hourly budgets. Our key challenge

here is to fully implement the new rates which were put into place in P-9 to fully realize our revenue potential.

Another key challenge is that in the two most recent periods (P-9 and P-10) our performance in both areas has slipped behind budget. We incurred some softness in business development during the summer and that began to catch up to us in the last two periods. Hence, we have some catching up to do.

The good news is that our sales and business development flow has picked up, our backlog of work sold but not yet delivered is growing, and our new proposal flow also is relatively good right now. Therefore, the forward indicators look relatively good.

Bottom line, we are in position to have an outstanding year, however, we need to have a strong push these last two months. We appreciate everyone's help to finish with record results.

NEWS... NOTES... NONSENSE NEW ROLES FOR FULGHUM / DISTASIO

There are some changes underway in Atlanta's Fulfillment Services Analyst office! **Robert Fulghum**, who came to KSA with both CAD skills and analyst skills, will be assuming more Analyst responsibilities as **Nicole DiStasio** begins transitioning into a reduced work schedule and telecommuting arrangement from her new home in Chattanooga, TN. Nicole and Robert will be working as a team to respond to consultants' research questions, analysis requests and queries. One or both of them will work on requests and get back to you in a timely manner. Nicole will spend more of her time maintaining and enhancing the Fulfillment Intranet site, working down the backlog of submissions and soliciting additional files to fill gaps and include more recent material. Robert is available in the Atlanta office at extension #7223 and Nicole will still be reachable at her extension #7884. Join us in welcoming Robert to his expanded CAD/Analyst role and in saying, "See you soon" to Nicole, who will continue to spend one day every 2-3 weeks in the Atlanta office.

(INAUGURAL FULFILLMENT TRAINING CLASS, SEPTEMBER 25-30

-- Mufaddal Moosabhoy

For the first time logistics training and operations training were smashed together in one action packed week. All the different project types from both fields were covered and there were great opportunities to discuss questions and issues with people like **Tony De Maria** and **Jim Giddings**, who have spent more time at KSA than a lot of us have spent on this planet. It was definitely a lot to take in one week. Thanks to all of the speakers/teachers who took time from their busy schedules.



After soaking in 5 days worth of information and completing the preparation for our early morning sales call, it was time to let loose, and **Gabrielle Pyle** had a wonderful dinner cruise set-up for just that. The night included everything from a battle of the AGES trivia match, where youth clobbered wisdom, to line dancing.

September 2000 Training Class taking a break to cruise the New York harbor.

RELOCATOR ROUND-UP

Note: Please contact Laurie Crankshaw with corrections.

CALIFORNIA	Moosabhoy, Mufaddel	Consolidated Stores	Rancho Cucamonga
	Nguyen, Han	Consolidated Stores	Rancho Cucamonga
	Kincaid, Mike	Federated Stores	Los Angeles
	Brunson, Andrea	Federated Stores	San Francisco
	Soller, Todd	Federated Stores	Los Angeles
	Watterson, Eric	Federated Stores	Los Angeles
	Picken, Jeff	Coldwater Creek	Sandpoint
	Ehlers, Barry	eToys	Santa Monica
	Sauls, Jeffrey	Mattel	El Segundo
	Thomas, Mark	Charlotte Russ	LA Office
	Watschke, Jon	Staples	LA Office
Bao, Johnny		LA Office	
Steele, Brenda		LA Office	
Georgia	Ehlenberg, Brian		Atlanta Office
	Purefoy, Dan	Nike	Atlanta Office
	Timberlake, Jajuan	Federated	Atlanta
	Rockman, Jason	Federated	Atlanta
	Johnson, Andy	Staples	Atlanta Office
	Taylor, Brad	Walmart*.com	Atlanta Office
	Benjamin Mokotoff	Walmart*.com	Atlanta Office
	Eisa, Ashraf	Walmart*.com	Atlanta Office
	Chang, Iris	Walmart*.com	Atlanta Office
	Dencker, Suzanne	eToys	Atlanta Office
Vanaqs, Scott	Thomas Nelson, Inc.	Atlanta Office	
Idaho	Picken, Jeff	Goldwater Creek	Sandpoint
Kentucky	Val Levy	Ann Taylor	Louisville
	Jim Garrett	Ann Taylor	Louisville
	Ulicny, Dan	Global Sports	Louisville
	Lopez, Rodrigo	KBkids.com	Danville
	Morin, Craig	KBkids.com	Danville
	Leggio, Frank	KBkids.com	Danville
Maryland	Allen, Peter	Lippincott Williams Wilkins	Hagerstown
Massachusetts	Chinnan, Vikas	Appleseed's	Boston
	McGraw, Colleen	Appleseed's	Boston
	Ryan, Sean	Appleseed's	Boston
	Paransky, Noam	Appleseed's	Boston
	Benton, Josh	Appleseed's	Boston
	Griffith, Brad	Staples	Boston
New Jersey	Bolton, Richard	Petals	Princeton Office
	Digulla, Lori	Walmart*.com	Princeton Office
	Dietz, Erich	Walmart*.com	Princeton Office

United States(continued)

	Consultant	Project	Location
North Carolina	Densmore, JD	PVH	Jonesville
Oregon	Duque, Max	Bear Creek Corporation	Medford
Pennsylvania	Davis, Seth	Ross Stores	Carlisle
	Baird, Kevin	Bestform	Johnstown
	Fiore, Barry	Ross Stores	Carlisle
	Messinger, Mark	Ross Stores	Carlisle
Puerto Rico	Ayala, Jose Gerardo	DJ Manufacturing	Caguas
	Venator , Shannon	DJ Manufacturing	Caguas
Tennessee	Sampson, Brad	Nike	Memphis
	Barrett, Ron	Nike	Memphis
	Burke, Joni	Nike	Memphis
Virginia	Benton, Josh	eToys	Danville
	Burkland, Nate	eToys	Danville
	Fong, Terrance	eToys	Danville
	Giles, Laura	eToys	Danville
	Kellogg, Michael	eToys	Danville
	Morales, Enrique	eToys	Danville
	Webster, Jack	eToys	Danville
	Copland, Tim	eToys	Danville
	La Vecchia, Marianna	eToys	Danville
	Olivares, Felipe	Renfro	Pulaski
	Osburn, Steve	Newport News	Hampton
	Todd, Aaron	Newport News	Hampton
	Lefkowitz, Steve	Newport News	Hampton
West Virginia	Whitehouse, Sean	Coldwater Creek	Parkersburg

Mexico

	Consultant	Project	Location
Jalisco	Hernandez, Sergio	Vanity Fair Intimates	Lagos De Moreno
Mexico DF	Trevino, Roberto	Ramtex	Cuidad de Mexico
	Benavides, Alberto	Ramtex	Cuidad de Mexico
Zacatecas	Lozano, Alfredo	Vanity Fair Intimates	Fresnillo
	Martinez, Andres	Vanity Fair Intimates	Fresnillo
Tamaulipas	Caldera, Jesus	Vanity Fair Intimates	Reynosa
	Felix, Ignacio	Vanity Fair Intimates	Reynosa

United Kingdom

	Consultant	Project	Location
<i>England</i>	Dayton, Britt		England Office
	Deaton, Ashley		England Office
	Anderson, Brad	MFI	London, England

Central America – Honduras

	Consultant	Project	Location
<i>Cortes</i>	Jaramillo, Alberto	Vanity Fair Intimates	San Pedro Sula
	Rodriguez, Gustavo	Vanity Fair Intimates	San Pedro Sula

Japan

	Consultant	Project	Location
<i>Tokyo</i>	Bruce, Dan	Jusco	Tokyo Office
	Roge, Bob	Jusco	Tokyo Office
	Swensen, Karl		Tokyo Office

HAPPY BIRTHDAY WISHES

JuJuan Timerlake	11/10
Sean Whitehouse	11/11
Comer Shuford	11/11
Shannon (Peacock) Venator	11/12



John Webster	11/15/1999
Steven Lefkowitz	11/18/1999

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HAPPY
HALLOWEEN

QUOTE OF THE WEEK:

"WE LIVE IN A MOMENT OF HISTORY WHERE CHANGE
IS SO SPEEDED UP THAT WE BEGIN TO SEE THE PRESENT
ONLY WHEN IT IS ALREADY DISAPPEARING."

-- R.D. LAING, AUTHOR, *THE POLITICS OF EXPERIENCE*

ROAD WARRIORS

AND THEN THERE WAS ONE

-- SEAN WHITEHOUSE

The consultant count at the Coldwater Creek Base Plus project has dropped to one as our esteemed leader, **Brenda** "I run 10 miles before 6AM" **Steele**, has departed. Brenda will miss the local West Virginians (especially the "nose-blower"), animal crackers for breakfast/lunch, and her weekly flights from the nation's worst airport. I will miss our Monday morning conversations:

Sean: Brenda, what did you do this week-end?

Brenda: I biked from Atlanta to the NC border then ran back to Atlanta, stopping along the way to swim a few lakes. What did you do?

Sean: I drank beer and watched the Red Sox and Patriots lose.

Brenda is taking a few weeks off to spend time with her family and run the Florida Triathlon before heading to her next project.

Thanks, Brenda, for teaching me the ropes.

INDUSTRY HIGHLIGHTS

FULFILLMENT, IT'S WHAT'S NEEDED TO DELIVER THE GOODS

(ABBREVIATED FROM NETCOMMERCE MAGAZINE, OCTOBER 2000)

The bad news: Poor customer service is going to cost online retailers \$3.2 billion this holiday season and last year, businesses lost \$1.6 billion online by failing to Web-enable their customer service operations, according to research conducted by Datamonitor.

The good news: it is possible for companies to meet the demands of online selling if they invest the energy in developing fulfillment systems that deliver end-to-end logistics, which Forrester defines as package visibility and service continuity from the buy bottom to final destination. Such end-to-end logistics, according to Forrester, follow 3 clear imperatives – empower customers, focus on parcels, and deliver to the customer's doorstep. Merchants must keep customers informed with up-to-date information about order arrival and provide them with self-service solutions that address common fulfillment problems.

Online consumers want to know what's going on with their order(s) -- Ernst & Young estimates that 70-80% of online shoppers make more than one inquiry about the status of their order. Empowering them with a means to look up the status can be almost as important as delivering the goods.

Mastering the issue of fulfillment is essential to survival of every online merchant. With residential deliveries expected to exceed 2.1 billion by 2003, a strategic battle over the consumer doorstep is under way," Forrester's McCullough said.

Although a few fulfillment vendors like **Fingerhut** and Valley Media have the infrastructure in place to service the largest e-commerce sites, most online sellers' ship less than 400 orders a day. Over the next 2 years, however, Forrester predicts that new outsource fulfillment services will evolve to deliver end-to-end solutions to smaller online players. These companies will provide improved drop-ship services along with a range of residential delivery options.

Forrester interviewed 40 vice presidents of operations from retail, Internet, and manufacturing companies that have an online presence. The respondents indicated that their companies are easing into online selling, and they are also shipping a median of 400 online orders per day. However, less than half make a profit on each shipped package, and most fail to accurately measure the total cost of fulfillment.

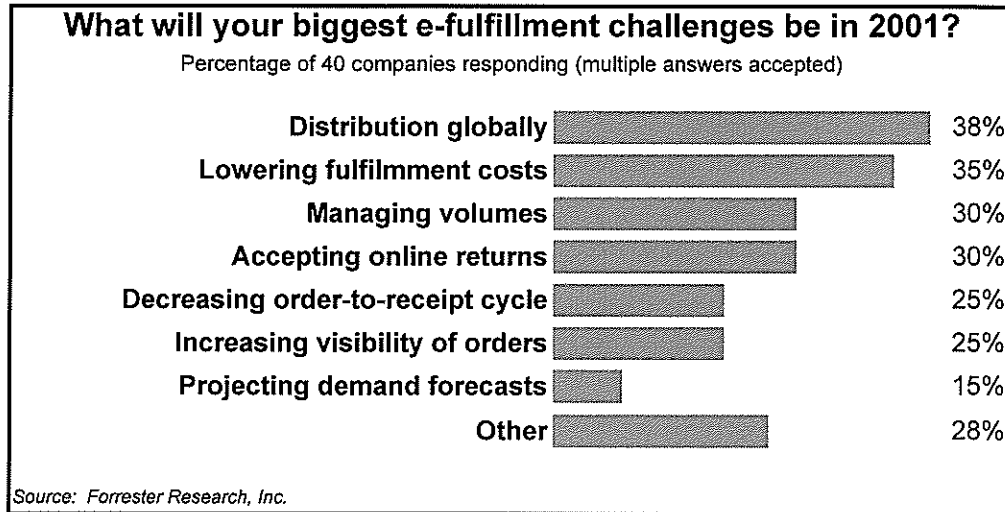
In their research, Forrester also found that 85% of the respondents still couldn't fill international orders because of the complexities of shipping across borders. Of the globally incapacitated, 75% cite their systems' inability to register international addresses accurately or price total delivery costs.

One solution is for e-commerce sites to redefine their relationships with packaged goods manufacturers, computer manufactures, publishers, distributors, etc. They can seek to have their suppliers shift their focus from shipping pallets to stores to delivering packages to individual

consumers. This would expedite delivery to consumers, reduce handling costs and minimize supply chain distribution bottlenecks.

To view a short list of some of the companies that are offering fulfillment solutions along with a brief description of their services click on <http://www.netcommercemag.com/issue.htm> .

THE PHYSICAL CHALLENGES OF THE VIRTUAL SALE
(LOGISTICS.MGMT.COM, OCTOBER 2000)



NEWS... NOTES... NONSENSE

MONTERREY OFFICE PICNIC



The Monterrey office picnic took place Saturday, October 14. It was held at the Hotel Chipinque which is located in the Sierra Madre Oriental at an altitude of 5,000 feet. Usually, the mountainous view overlooking the city is spectacular, but this day was hazy and cold. But that didn't stop this crowd from having fun.

Kneeling: Ignacio and Maria Felix, Marcos Corminas, Alfredo Lozano, Felipe, Flavia, & Felipe Olivares, Gerson Coto

Standing: Jilma Felix, Andres Martinez , Sandra, Rodrigo Lopez, Irma Rosales, Jose Luis & Yolanda Gomez, Juan & Ana Maria Echeverry, Carolina Coto, Sergio Hernandez, Victoria & Roberto Pensado.

SOUND ADVICE FROM YOGI BERRA
(*ECONOMICS PRESS, OCTOBER 2000*)

Yogi Berra, the master craftsman of such malapropos as "Nobody goes there anymore, it's too crowded," is the living embodiment of the Yankees/Mets Subway Series. Often overshadowed by his lighthearted humor, it's been easy to forget what a quality baseball player and team leader he was during his active years.

This year Yogi threw the honorary first pitch in Game #1 of the Subway Series, celebrating his history as a Yankee player as well as his managerial stint for the Mets.

Berra played in more World Series (14) and won more (10) than anyone in baseball history. In reaching that milestone, he played in more Subway Series (7) than any New Yorker. Even the archival Brooklyn Dodgers haven't forgotten what made Berra such a success.

Although the Yankee team that Berra led won 5 of the 6 Subway Series contests played between them, a little more than a year ago the Dodgers inducted Berra into their Hall of Fame.

The ceremony took place at the Yogi Berra Museum and Learning Center near Berra's home here in New Jersey. A local newspaper pictured a smiling Yogi and several old Dodger opponents standing in front of a sepia-colored poster of a determined young Berra defending home plate against an equally determined and aggressively sliding Dodger opponent.

The caption on the poster is a not-funny Yogi-ism. It is the essence of the qualities that made Berra successful.

It reads: "Stand your ground and take your lumps." --Yogi Berra.

HAPPY BIRTHDAY WISHES

Nort Eberly	10/31
Nicole DiStasio	11/4



Erich Dietz	11/01/1999
Han Nguyen	11/03/1999
Dan Purefoy	11/04/1999
Torre Crunie	11/05/1979

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Fulfillment Services Group

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

QUOTE OF THE WEEK:

"WE ARE NOT HERE TO DO WHAT HAS ALREADY BEEN DONE."

-- ROBERT HENRI (1865-1929) ARTIST

PROJECT POSTCARDS

SEAN RYAN

Sean spent 6 ½ years as a Lieutenant in the U.S. Navy. Three of those years he was stationed on the USS Alexandria SSN-757 (a fast-attack submarine). He worked on land at a defense agency in the Washington DC area for two years.

He was born in Knoxville, TN, and attended the University of Notre Dame (1993) where he obtained his BSE in Chemical Engineering. From there, he attended the Catholic University of America (2000) where he received a MSE, Engineering Management.

Sean has been involved in teaching youth sports. He also enjoys playing basketball and soccer. His passions include the "Fighting Irish," reading, and his two St. Bernard "puppies": Bob and Max.

Sean joined KSA in May and is currently working on the East Coast in the Boston area.

PROJECT POSTCARDS

CONSOLIDATED STORES (BASE PLUS®) PROJECT: BREAKING DOWN LANGUAGE BARRIERS
— MUFADDAL MOOSABHOY

Project Team

Kurt Salmon Associates: **Tony DeMaria** (Principal and KSA War Story Historian), **Troy Van Wormer** (Manager), **Han Nguyen** (Consultant), **Mufaddal Moosabhoy** (Consultant), **Roberto Trevino** (Consultant), **Carol De Zwarte** (Consultant), **Mike Kincaid** (Consultant), and **Denise Trostle** (Control Plus).

Consolidated Stores: Mike Burlingame (Project Lead), Maria Statton, and Maria Jokovich.

“Prepping” for the task at Hand

The Consolidated Stores Base Plus RCDC (Rancho Cucamonga Distribution Center) Project began in April, with three men (Han Nguyen, Mufaddal Moosabhoy, and Mike Burlingame from Consolidated) venturing off to Antigua, Guatemala, for Spanish Immersion classes. Overall, the two weeks spent there were a lot of fun, even though we each had issues to deal with. Mike “gringo grande cuello rojo” (“big American red neck”) Burlingame spent his time just trying to fit in. Just picture a 6’ Southerner with a bright red farmer’s tan. Han spent his time getting intimate with some tequila. I will leave that story for Han to tell. Finally, call me Mr. Machismo Moosabhoy, because I spent most of my time getting Antigua used to my beard and me. The locals would stare so long that it almost caused a few car accidents. It seems that the longer the beard, the more manly or macho you are to the locals. Well, I wasn’t about to argue.

The daily routine in Antigua was really quite excruciating. Class went from 8 AM until 4:30 PM with a 2 hour lunch siesta. Of course, not all days were this difficult. One day was spent in the hot sun at the beach. Another day was spent climbing to the top of active Volcan de Fuego. Other trips were taken to see ruins, churches and markets. After all this hard work, I am glad to say, “Hablamos un poco espanol.” We learned enough Spanish in order to communicate with the Hispanic associates without offending them or sending them into fits of laughter.

The Real work begins

The siestas ended on April 18th, our first day of on-site work. We began with 2 weeks of in-depth research into all departments and determined that Receiving would be the best place to start for a big win. During the time study of Receiving we were visited by Roberto Trevino from KSA Americas, who traded time study minutes for Base Plus® knowledge. The implementation in receiving was a difficult one to say the least. We had to work through many issues after kick-off in order to achieve our published goals, and some of the issues include:

1. Associate illiteracy led to many errors in recording production sheets and time cards.
2. Associates misunderstood that in order to earn a bonus, they should be on-standard as long as possible, regardless of how they perform while being on-standard.
3. Many associates viewed the program as optional because the 75% minimum performance was not communicated early.

4. Supervisors had trouble recognizing when conditions on the dock were breaking down and taking associates off-standard.

However, the biggest factors affecting the success in the Receiving Department were:

- Lack of management sponsorship early in the program.
- Last minute changes (changing supervisors in the Receiving Department the week prior to kick-off and combining the Inventory Control Department with the Receiving Department)
- English-speaking supervisors had trouble communicating with Spanish-speaking associates.

Four weeks after the kick-off meeting, RCDC management held a “post kick-off” meeting with their associates to explain the correlation between performance and time spent working on-standard. Additionally, the Director of Distribution and managers took this opportunity to emphasize that the incentive program is not optional and to explain some of the consequences of not achieving the minimum acceptable performance of 75%.

In order to maintain the positive attitude of the program, managers and supervisors used time during the post kick-off meeting to give additional training to the associates in recording production and time cards. Management also showed a 10-minute videotape of two RCDC’s associates working at 100% pace to affirm that earning a bonus is easily achievable.

After the post kick-off meeting, supervisors received additional training on which off-standard codes to use and how to recognize when to switch between on-and off-standard. Additionally, supervisors and associates were teamed up based on their language ability.

The additional time spent in the Receiving Department and the post-kick-off meeting helped the RCDC management and the project team achieved its initial goals. Three days after the meeting, 10% of the associates had performance of over 100%, over half the department had performance of greater than 80%, and the majority of the associates were on-standard at least 80%.

Moving Ahead

We have recently moved to the next department (Stock) and will kick-off the area next week. We gained valuable experience and learned a few new things from working with people in the Receiving Department, and we plan to apply some (not all) of the lessons learned to the rest of our project. We would like to think that we are now wiser than before (as evident by the recently discovered gray hair/beard and newly acquired wrinkles). On the other hand, the wrinkles could be the result of spending too much time on the beach (Did you know that California has the sixth, fifth, or fourth top beaches in the country? I can’t recall the exact number). Fortunately, we have acquired some help from new-hires Carol De Zwarte and Mike Kincaid, who have been instrumental in getting time study minutes and bringing Krispy Kreme donuts for the team!

And Now...By the Numbers:

10.....Number of Consolidated war stories Troy has told.

- 9... .. Number of names that Moof has (Mohammed, Mustafa, Muff, Mosque, Muslim, The Guy with the Beard, Moof Nguyen, The-Other-Guy-Not-Han, and sometimes Moof).
- 8... .. Number of times Troy has repeated the same story.
- 7... .. Number of times Han says: "Alfredo [Inbound Manager], we can't work like this."
- 6... .. Number of tic-tacs boxes Tony eats per visit.
- 5... .. Number of admirers Carol has (If you get a chance, ask her about her Universal Studio trip or her experience at In-N-Out).
- 4... .. Number of times Mike Burlingame (Big Time Operator) visits Las Vegas per month.
- 3... .. Number of times Troy has revised this article (likely to change).
- 2... .. Number of security guards Roberto has swept off their feet during his 3 weeks (we think he still emails Elsa).
- 1... .. Number of Spanish words Mike Kincaid learns while he drives (1 hour each way!).

INDUSTRY HIGHLIGHTS

WAL-MART SET TO MAKE 18-MILLION-DOLLAR STORE ACQUISITION IN MEXICO (REFORMA/INFOLATINA, MEXICO CITY, OCTOBER 11, 2000)

Wal-Mart of Mexico will pay around 18 million dollars for two De Todo stores located in Mexico City, Grupo Financiero Banamex-Accival (Banacci) analysts said. They said the estimate was based on the price per square meter of retail sale floor in the capital. Wal-Mart had practically confirmed that the acquisition is a fact, they said. Analysts said the reason behind the acquisition is the strategic location of the two De Todo Stores in Mexico City's southern suburbs, in areas consider to be populated by relatively high-income earners. Salomon Smith Barney analysts said the price Wal-Mart is to pay was virtually irrelevant. What is important about the deal, they said, is that it shows the retail chain is looking to adopt an aggressive growth strategy.

NOTES... NEWS... NONSENSE

INFLUENCING PEOPLE

Courtesy can go along way. Authors John C. Maxwell includes the following list in his book "*The Power of Influence*."

1. Speak to people.
2. Smile at people.
3. Call people by name.
4. Be friendly and helpful.
5. Be cordial.
6. Have a genuine interest in people.
7. Be generous with praise.
8. Be considerate of the feelings of others.
9. Be thoughtful of the opinions of others.
10. Be alert to give service.

HAPPY BIRTHDAY WISHES

Dan Bruce	10/16
Roberto Trevino	10/16
Rodrigo Lopez	10/17
Rod West	10/17
Nicole Lannon	10/17
Andres Martinez	10/19
Scott Vanags	10/19
Jason Rockman	10/19
Sergio Hernandez	10/20
Michael Barnes	10/21
Tom Barts	10/22



Barry Fiore	10/25/1999
Tom Barts	10/25/1999

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Fulfillment Services Group

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

QUOTE OF THE WEEK:

**"ONE MACHINE CAN DO THE WORK OF FIFTY ORDINARY MEN.
NO MACHINE CAN DO THE WORK OF ONE EXTRAORDINARY MAN."**

-- ELBERT HUBBARD,

ROAD WARRIORS

CALIFORNIA DREAMIN'

-- JEFF PICKEN

Under the watchful eyes of Lynn Spuhler and Ken Walker, the Fulfillment group's West Coast practice is growing steadily. With the current customer base, including Bear Creek, eToys, DFS Galleria, Consolidated Stores, Charlotte Russe, and a few Federated Big-Ticket Base Plus® jobs in the pipeline, the future is looking good for work on the West Coast. And that suits this consultant just fine.

Having always been an "East Coast" guy, I have been pleasantly surprised by just how nice Los Angeles is (maybe that is why so many people live here...). My L.A. experience has been even better due to so many KSAers in the area that are always up for fun.

Two weeks ago, I tagged along with Bob King and Andrea "The Trunk is Open" Brunson to a Bangles' concert at the House of Blues. And last weekend we had a whole gaggle of Fulfillment consultants out for trouble on the town. The venue was Manhattan Beach and the players were Mark "I can't drive 55 (let alone 40)" Thomas, Todd Soller, Eric Watterson, Andrea Brunson, and myself. As referred to in last week's HotSheet, Mark Thomas proved that he *could* get digits -- even on the West Coast. Unfortunately, he only get four digits: "60 in a 40", and they were from a ChiPs officer. After this first incident, we continued on for some Sushi. Topping off the evening, the negligent Designated Driver forgot to feed the parking meter, and I became the proud recipient of a Manhattan Beach Parking ticket (maybe this article should be titled *L.A. Law*).

A certain consultant who managed to lock her keys in the car, but leave the trunk open highlighted the following night. After flagging down the closest MBPD officer (who had no idea how to jimmy a lock), a tow truck was dispatched to aid us in regaining access to the still-running vehicle (with Wisconsin plates).

My design project with Troy “Plagiarize the HotSheet for Free Tickets” Van Wormer and Ken “Redondo” Walker is going well. We have our fingers crossed that our client Duty Free Shoppers will be in their new building by 1/1/01.

In all, Los Angeles is fantastic. My weekends consist of waking up by 9 a.m. to catch the morning Football games, then riding my bike to the beach at noon. Swimming and sunning ‘til 4pm, then getting ready for a night on the town. Where I am off to next is not known yet, but relocating has been kind, and I can only hope that my next stop is as good as my last two have been.

If you are out West, please swing by the always jumpin’ L.A. office and say “Hey!” to Lynn “Gourmet Chef” Senior, and get a tour from Olivia “Hollywood” Salazar.

INDUSTRY HIGHLIGHTS

*APPLYING TOYOTA PRODUCTION SYSTEM TO SEWING - TOYOTA SEWING SYSTEM MAY EASE CUSTOMIZATION, REDUCE WASTE AND PROMOTE TEAMWORK
(ADAPTED FROM APICS, SEPTEMBER 2000)*

The Toyota Sewing System, not widely known, involves application of the principles of the Toyota Production System (TPS) to sewing operations and processes. The root idea behind TPS is that the market determines the price at which a product can be sold, and profit is what remains after costs are deducted. This view, *price – cost = profit*, places great emphasis on cost reduction via waste elimination, the basis of the other TPS principles.

The first waste to be attacked is inventory. Practicing Just-in-Time (JIT) production (to order) reduces work in process and finished goods. Producing in small batches, as small as one unit, reduces lot size inventory. This is enabled by setup reduction, which reduces the cost of changeovers, justifying the smaller lots. Synchronizing flows of upstream operations to the pace of the assembly line (pull production) deploys the benefits of JIT and small lot production to other stages of the system, creating an overall, integrated flow operation.

Eliminating breakdowns and defects improves the stability of the production system. These improvements require excellent maintenance and quality at the source, with production stopped whenever a process error or defect is discovered. The workforce is trained and empowered to identify and solve problems.

Reduction of inventory – that is, running lean—removes a shock absorber between production operations and demand fluctuations. This vulnerability is minimized by leveling the schedule and by producing a mixed mode. Together these actions smooth the load considerably, preempting the “whipsaw effect” known to occur in multistage, dependent systems subject to significant variation. Further integration of material flows is achieved by combining equipment and processes, formerly located in separate functional units, into related set of equipment and processes necessary for synchronized production of parts in feeder lines or cells –produce one, use one – as an integral part of a larger cycle of production.

The elimination of wastes associated with labor decreases labor costs. Three principles are at work: improve work motions, combine marginal allowances, and transfer human motions to machines. Individual motions are made more efficient. Then working at the micromotion level, labor motions are squeezed into small available time slots within equipment cycles. Routine motions also are automated, but the equipment must be able to sense erroneous conditions and the end of work, shutting itself off. Otherwise, the equipment is not dependent of the workers and the waste of defects and/or overproduction can occur. Standard operations are developed for each step and institutionalized in the process for all to see and use.

Scott Roy wrote "*Real vs Expected Results of Toyota Sewing System Implementation: Case Study*", which describes the experience of K-Products in implementing the system. He indicated that the system is a highly engineered form of modular or cellular manufacturing, which moves a single garment through a U-shaped cell. Typically, the sewers stand up while sewing and also change positions, moving upstream in the process, pulling product through the system. This differs from sit-down, bundle-related (that is batch) sewing used in traditional sewing operations. K-Products achieved some unexpected, favorable results from this implementation in the areas of reduction in minimum order size, ease of proving custom products, and significant inventory reductions. However, there were more added costs, including employee training and capital investment for additional machines.

A key aspect of the Toyota Sewing System is the promotion of teamwork. Operators are cross-trained in each sewing module and, with group incentives in place, absenteeism has significantly decreased and things get done faster and better.

The process of an operator moving upstream once a product has been completed has been coined "bucket brigades" and has been described as a way of organizing workers on a flow line so the line balances itself. Because of the self-balancing aspect, this approach is asserted to be superior to the Toyota Sewing System.

(Publisher's note: If you would like more information on this topic or related subjects, contact Laurie Crankshaw for a list of resources.)

CRUISING WITH CAROUSELS

(WAREHOUSING MANAGEMENT, SEPTEMBER 2000)

Undoubtedly, one of the biggest changes the industry has made is a transition from traditional pallet- and case-load shipping to smaller shipments of "eaches," or just a few items at a time. However, to do so often requires re-evaluating the equipment and handling methods utilized in the warehouse.

One of the natural choices for fulfilling today's smaller orders is a carousel, which promotes high throughput and flexibility. By bringing items for picking to the picker, carousels cut down on the time required to pick, making the process far more efficient. Generally designed to carry products rather than cases or pallets, carousels have become the workhorse of today's e-commerce fulfillment centers.

The following link describes how carousels are playing a role in today's operations.

<http://www.warehousemag.com/>

NOTES... NEWS... NONSENSE

JIM GARRETT'S STANDARDS

— SEAN WHITEHOUSE & BRENDA STEELE

After 4 months at Coldwater Creek, Jim “I went to West Point because I couldn’t be a Marine” Garrett is departing to work on the Ann Taylor project in Louisville. Jim, the 1990 winner of the Ohio state history contest, has been an instrumental part of the Coldwater Creek base plus project. His innate ability to develop standards in which employees perform at 300+% leads credence to his motto, “Everyone makes money on a Jim Garrett standard.” Jim is excited to be heading to Louisville and being closer to the home state of his boyhood hero, Vice President Gore.

We will greatly miss Jim and his daily Ohio state history quips. Thanks for all the hard work!

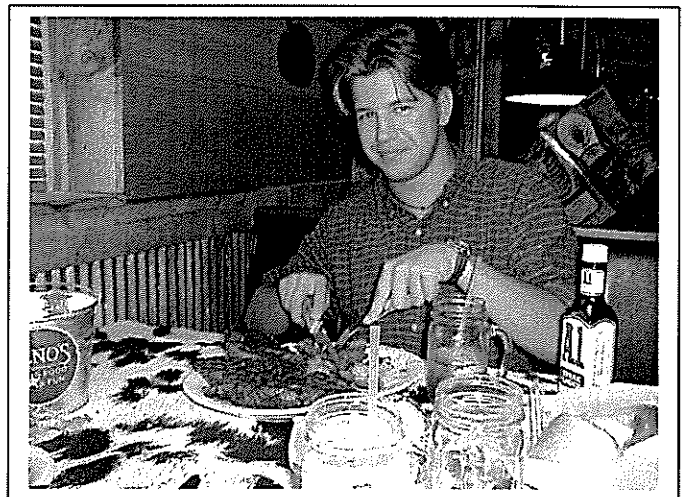
SURVIVING IN DANVILLE, KENTUCKY

(CONTRIBUTED BY FRANK LEGGIO)

If you have spent any time in Danville, Kentucky, you know it isn’t a “social metropolis.” Considering it is a dry county, some may take to climbing the walls. Frank Leggio is taking to climbing Mount Everest.

He has been visiting a local activity center using Treadwall rock-climbing equipment, which keeps track of the lofty heights he has reached. To date, he has accumulated 10,750 feet (hopefully he won't be needing oxygen until next week) and has climbed for over 5.5 hours. His goal is to be the first KSAer to climb Mt. Everest (29,028 feet) in Danville, KY. He is a 1/3 of the way to the summit.

Craig Morin (*right*) has recently relocated to Danville, and has been known to pass the time by trying to accomplish another KSAer goal – eating a 64-oz. steak in one sitting. Craig managed to wrestle-down 32 oz. at Reno's restaurant in Danville.



RELOCATOR ROUND-UP

Note: Please contact Laurie Crankshaw with corrections.

California	Moosabhoy, Mufaddel	Consolidated Stores	Rancho Cucamonga
	Nguyen, Han	Consolidated Stores	Rancho Cucamonga
	DeZwarte, Carol	Consolidated Stores	Rancho Cucamonga
	Kincaid, Mike	Federated Stores	Rancho Cucamonga
	Brunson, Andrea	Federated Stores	Los Angeles
	Soller, Todd	Federated Stores	Los Angeles
	Watterson, Eric	Federated Stores	Los Angeles
	Picken, Jeff	Duty Free Shoppers	Los Angeles
	Watschke, Jon	eToys	Santa Monica
	Ehlers, Barry	eToys	Santa Monica
	Bao, Johnny	eToys	Ontario
	Thomas, Mark	Charlotte Russ	LA Office
	Peacock, Shannon	Mattel	El Segundo
	Sauls, Jeffrey	Mattel	El Segundo
Georgia	Chang, Iris	Walmart*.com	Atlanta Office
	Dencker, Suzanne	eToys	Atlanta Office
	Ehlenberg, Brian	Walmart*.com	Atlanta Office
	Purefoy, Dan	Nike	Atlanta Office
	Timberlake, Jajuan	Federated	Atlanta
	Rockman, Jason	Federated	Atlanta
	Johnson, Andy	Staples	Atlanta Office
	Taylor, Brad	Walmart*.com	Atlanta Office
	Benjamin Mokotoff	Walmart*.com	Atlanta Office
	Todd, Aaron	Smile-Makers	Atlanta Office
Vanags, Scott	Block Sportswear	Atlanta Office	
Illinois	Bolduc, Patrick	Sears	Chicago
Kentucky	Val Levy	Ann Taylor	Louisville
	Jim Garrett	Ann Taylor	Louisville
	Ulicny, Dan	Global Sports	Louisville
	Lopez, Rodrigo	KBkids.com	Danville
	Morin, Craig	KBkids.com	Danville
	Leggio, Frank	KBkids.com	Danville
Maryland	Allen, Peter	Lippincott Williams Wilkins	Hagerstown
Massachusetts	Chinnan, Vikas	Appleseed's	Boston
	Osburn, Steve	Appleseed's	Boston
	McGraw, Colleen	Appleseed's	Boston
	Ryan, Sean	Appleseed's	Boston
	Paransky, Noam	Appleseed's	Boston

United States(continued)

	Consultant	Project	Location
New Jersey	Bolton, Richard	Petals	Princeton Office
	Digulla, Lori	Walmart*com	Princeton Office
	Dietz, Erich	Home Shopping Network	Princeton Office
	Eisa, Ashraf	Walmart*com	Princeton Office
	Lefkowitz, Steve		Princeton Office
	Raines, Joe	J.Crew	Princeton Office
North Carolina	Densmore, JD	PVH	Jonesville
Ohio	Anderson, Brad	Cornerstone	Cincinnati
Oregon	Duque, Max	Bear Creek Corporation	Medford
Pennsylvania	Davis, Seth	Ross Stores	Carlisle
	Baird, Kevin	Bestform	Johnstown
	Fiore, Barry	Ross Stores	Carlisle
	Messinger, Mark	Ross Stores	Carlisle
Puerto Rico	Ayala, Jose Gerardo	DJ Manufacturing	Caguas
Tennessee	Christos, Jason	Nike	Memphis
	Sampson, Brad	Nike	Memphis
	Burke, Joni	Nike	Memphis
Virginia	Benton, Josh	eToys	Danville
	Fong, Terrance	eToys	Danville
	Giles, Laura	eToys	Danville
	Kellogg, Michael	eToys	Danville
	Morales, Enrique	eToys	Danville
	Webster, Jack	eToys	Danville
	Copland, Tim	eToys	Danville
	La Vecchia, Marianna	eToys	Danville
Olivares, Felipe	Renfro	Pulaski	
West Virginia	Steele, Brenda	Coldwater Creek	Parkersburg
	Whitehouse, Sean	Coldwater Creek	Parkersburg

Mexico

	Consultant	Project	Location
<i>Jalisco</i>	Hernandez, Sergio	Vanity Fair Intimates	Lagos De Moreno
<i>Mexico DF</i>	Trevino, Roberto	Ramtex	Cuidad de Mexico
<i>Nuevo Leon</i>	Benavides, Alberto	Santista Textile	Monterrey
	Olivares, Felipe		Monterrey Office
	Trevino, Roberto	Seminis	Monterrey
<i>Zacatecas</i>	Lozano, Alfredo	Vanity Fair Intimates	Fresnillo
	Martinez, Andres	Vanity Fair Intimates	Fresnillo
<i>Tamaulipas</i>	Ayala, Jose Gerardo	Vanity Fair Intimates	Reynosa
	Felix, Ignacio	Vanity Fair Intimates	Reynosa

United Kingdom

	Consultant	Project	Location
<i>England</i>	Dayton, Britt		England Office
	Deaton, Ashley		England Office

Central America – Honduras

	Consultant	Project	Location
<i>Cortes</i>	Jaramillo, Alberto	Vanity Fair Intimates	San Pedro Sula
	Rodriguez, Gustavo	Vanity Fair Intimates	San Pedro Sula, Honduras

Japan

	onsultant	Project	Location
<i>Tokyo</i>	Bruce, Dan	Jusco	Tokyo Office
	Roge, Bob	Jusco	Tokyo Office
	Swensen, Karl		Tokyo Office

HAPPY BIRTHDAY WISHES

Brenda Steele	10/10
Torre Crupie	10/12
Irma Rosales	10/13
Todd Soller	10/13
Barry Fiore	10/13



Bill Cobb

10/20/1969

the HOT SHEET

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Published by KSA Chicago

Editor: Suzanne Judd

Fulfillment Services Group

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

QUOTE OF THE WEEK:

"THE ONLY WAY TO DISCOVER THE LIMITS OF THE POSSIBLE
IS TO GO BEYOND THEM INTO THE IMPOSSIBLE."

— ARTHUR C. CLARKE

(SUBMITTED BY NICOLE DISTASIO)

PROJECT POSTCARDS

CORNERSTONE BIDS VAL LEVY FAREWELL

— DAN STONAKER

After two years of successful project work at Cornerstone, Val Levy will be departing Cornerstone and heading to the Ann Taylor project.

In her first year in Cincinnati, Val helped Cornerstone achieve their goal of starting up a new million square-foot facility. In the past nine months Val has led the on-site team in implementing Base Plus. The all-STAR team included **Brad Anderson, Denise Trostle, Kevin Baird** and **Jason Christos**. The team's effort has been effective in changing the culture and blowing away all the cost savings estimates.

We wish Val well in Louisville.

WALMART*COM GEARING-UP

— ASHRAF EISA & BRAD TAYLOR

The WMS selection and facility design phase of the Wal-Mart.com project is coming to a close. KSA has recently been commissioned by Wal-Mart.com to begin working on the MHE and systems implementation for the new 650,000 sq. ft. Carrollton, GA, facility. Go-live is currently scheduled for August 1, 2001. In the meantime, Wal-Mart.com is re-launching its website this fall, and is using the Fingerhut facility in Utah and Airborne Logistics Services as 3PL providers.

Wal-Mart began their newly recharged web initiative in early 2000 by spinning off the dot-com arm as a separate business, using money from several venture capitalists to finance most of the effort. Wal-Mart also recently purchased the assets of HomeWarehouse.com, mainly for their homegrown business system and more than 40 experienced programmers.

Since the project's inception in April of this year, the KSA Fulfillment team of **John Champion, Brian Ehlenberg, Ashraf Eisa, Cameron Geiger, John Karonis, Benjamin Mokotoff, Brad Taylor, Mark Thomas, Scott Vifquain, and Kirk Ziehm** have made numerous trips to Wal-Mart's Home Office in Bentonville, Arkansas. Before you pity us on having to travel to such a small town, you must realize that Bentonville has, in some respects, more to offer than Atlanta. For example, Bentonville has two Sonic restaurants - much to John Karonis's delight (he's got two words for you - "Mmmm mmmm").

The WMS selection process was a new one for Wal-Mart. In the past, they have coded every OMS and WMS running their business, and as a result have rarely been through a software selection of this magnitude. After a series of three-hour interviews with several vendors, the WMS selection boiled down to two finalists: Retek, Inc. and Manhattan Associates. The team then spent three days at each finalist's offices to conduct an extremely detailed gap analysis. Wal-Mart.com will announce their final decision in a few days.

The team has been working hard to finalize the building design and operating approaches by the end of September. The driving factor in the design is flexibility. The layout, MHE and WMS are designed to respond to changes in Wal-Mart.com's business. The direct to consumer fulfillment center is designed for a peak day capacity of 60,000 packages and will use automated sorting equipment like tilt trays and cross belt sorters.

Carol Evans is leading a parallel project helping Wal-Mart.com get ready for the re-launch of their website. Carol (IT), **Iris Chang** (Fulfill.), **Richard Machan** (IT), **Tom McVeigh** (IT), **Steve Nevill** (Merch.), **Sean Payne** (IT), **Palak Solanki** (IT), **Rick Sanqui** (IT), and **Robert Wong** (IT) have been evaluating the ability of Wal-Mart.com's 3PL partners to handle the peak volumes estimated for H2K. 'H2K' is the e-commerce buzzword for 'Holiday 2000'. It's not the name of a new "boy band" or WWF wrestler.

Over 20 KSAers are working on various projects for Wal-Mart, helping them manage these business changes. The team has a great relationship with the people at Wal-Mart; one that will hopefully foster many more future engagements.

Here are a few tidbits that we've discovered about some of our teammates during the last few months to give you something to talk about at lunch:

- Cameron Geiger has an insatiable need for 'cured meat and rendered fat' every morning for breakfast.
- Scott Vifquain has a secret desire to own a gold Ford Mustang and use it for evil to run over armadillos
- Mark Thomas has an uncanny ability to get digits at any DC in Spanish Fork, Utah.

- Benjamin Mokotoff's last name can be substituted for almost any word – verb or noun.
- Kirk Ziehm's favorite movie is "Mickey Blue Eyes" (and admits to it).
- Brad Taylor has discovered that something as small as a print driver can bring the Wal-Mart juggernaut to a screeching halt.
- Ash has been dubbed the 'Turkish Titan' by the Wal-Mart team, even though his roots are Egyptian.

HOT PIZZA!

(JEFFREY SAULS)

In honor of football season and pizza delivery on Sunday afternoons, KSA began a short engagement with Vesture, Inc., to assist them in setting up their production line for the new Papa John's pizza warmer delivery bag. This was our chance to help mankind by curing the dreaded problem of pizza delivered cold.

Our great relationship with RG Barry, fostered by **Jerry Armfield** and **Michael Rice** (not to mention Mike's in depth knowledge of electronics manufacturing), allowed us to extend our consulting services into their Asheboro, NC, subsidiary Vesture, Inc.

Over 2 ½ weeks, Mike, **Curt Clark**, **Shannon Peacock**, **Roberto Trevino**, and I worked with Vesture in a number of activities that helped them establish an efficient production line for this new carrier bag. Our activities included measuring the labor content (approximately 13 total SAM, in case you're curious) and balancing the operations to support their production goal of 1,000 units per day. We also helped redesign individual work cells during this process. We then used the collected labor data to redesign the overall production layout into a more efficient and flexible environment.

After we had the production line sorted out, we then took on the task of controlling the amount of inventory between work cells. To do this, we utilized the Push/Pull Game which gives class attendees a better understanding of lean manufacturing practices. We included both production workers and production management in the classes to ensure the concepts were understood and supported by everyone in the organization. We instructed four total sessions of the game, including one session in Spanish taught by Shannon and Roberto. This is another example of KSA using our diverse skills to enhance the benefits that we provide clients. After everyone had been through a training session, we then applied these concepts to the production floor by establishing Kanban controls between each operation.

We packed a lot of work into 2 ½ weeks, but we took full advantage of the opportunity to apply our skills to another industry and provide quality results to another client. So, the next time you receive a pizza delivered hot, remember that KSA had a part in keeping it warm.

INDUSTRY HIGHLIGHTS

EMERY, USPS PARTNERING IN DOCK-TO-HOME DELIVERY

(LOGISTICS MANAGEMENT, SEPTEMBER 2000)

The U.S. Postal Service and Emery Worldwide, the global heavyweight air cargo subsidiary of CNF, Inc., are partnering in the "Parcel@Home" dock-to-residence service aimed at shippers of high-value computers and home electronics. The service will specialize in home delivery of multiple-piece shipments whose pieces weigh up to 70 pounds.

Parcel@Home combines Emery's heavyweight air cargo fleet with the Postal Service's reach. Emery expects the business-to-residence delivery market to experience substantial growth as more consumers buy goods online and through catalogs.

Emery is not the first air carrier to forge an alliance with the Postal Service for this type of business. Rival Airborne Express launched its @home service in July 1999, targeting new business from e-tailers and catalog-fulfillment providers.

The partnership calls for Emery to pick up palletized shipments from a customer's distribution center or factory, then fly them to its Global Sortation Center in Dayton, Ohio, for processing. The shipments are then delivered to regional USPS facilities for ZIP code sorting en route to home delivery through USPS's extensive residential network, which serves 130 million homes. Shippers can choose two-, three-, or four-day residential delivery. Electronic delivery confirmation and full traceability are among the services offered.

The new delivery service is getting a mixed reception in the marketplace. An analyst report from Bear Stearns of New York praises Emery for coming up with a plan that gets Emery into the fast-growing business-to-consumer (B-to-C) market by using a structure that the company already has in place. But the report also notes that Emery's B-to-C market is negligible, and it is critical of the deal because of the carrier's dispute with the USPS over a contract to deliver Priority Mail. Emery spokesman says the confusion over the new USPS deal stems from two misunderstandings. First, the Emery contract for delivery of Priority Mail is between the USPS and Emery Worldwide Airlines, a separate operating company. And the new deal between the Postal Service and Emery Worldwide is a partnership, not a contract, with the cargo carrier providing service on an as-needed basis. Parcel@Home is designed to benefit shippers who want to use the USPS bulk-rate discount without having to pay the Postal Service up front for each delivery - an accounting nightmare. Under the new service, shippers can contract with Emery, then piggyback on the USPS delivery system.

The dispute between the USPS and Emery Worldwide Airlines stems from a 58-month, \$1.7 billion contract signed in April 1997 to sort and transport Priority Mail. "It's a dispute over pricing," Emery spokes person Rocco Sacci says. "How it's going to be resolved remains to be seen." Other Emery companies also provide services to the USPS, he says, including overnight air transport of express mail and transport of first-class mail on a space-available basis.

UNIFI WEAVES A TIGHT SYSTEM

(MODERN MATERIALS HANDLING, SEPTEMBER 2000)

Automatic guided vehicles and a power- and-free conveyor let this leading textile manufacturer spin a good yarn.

Textiles is a hands-off business. While the old materials handling adage of "the less handling, the better" clearly applies, textiles require the added guideline that no human contact is even better, eliminating sources of contamination for in-process yarns.

With this in mind, Unifi, Inc., developed a materials handling system at its new extrusion and texturing facility in Yadkinville, N.C. that eliminates almost all human interaction with the product. The system additionally provides consistent quality of outgoing yarns, eliminates manual handling processes, improves ergonomics, optimizes run time, and adds flexibility.

Automatic guided vehicles (AGVs) and a power-and-free conveyor line are the heart of the handling system. To learn more about how this manufacturing plant is set up, follow this link: <http://www.manufacturing.net/magazine/mmh/>, click on the red dot, and scroll down to find the article.

NOTES... NEWS... NONSENSE

CLAIRBORNE LOOKS TO THE MIDWEST

(CONTRIBUTED BY NEIL BUCK)

Clairborne Inc. is considering two sites in the Greater Cincinnati area for their 11th distribution center. The facility is planned to be 675,000 square feet with the potential to expand to 900,000. The distribution center will have an investment of \$55 million in real estate and equipment. About 300 jobs (forklift drivers, stockers, pickers, packers and sorters) paying \$8.50 - \$9.10 per hour will be created.

OH, BABY, BABY!



Ron Quintos is the proud father of a baby girl. Emily Rose Quintos was born September 15, at 11:53 AM. She weighed 5 lbs., 7.5 oz. Pictured here with his wife Cathy, he says, "Things are going well."

KSA AMERICAS -- GETTING PUBLISHED

-- JOSE LUIS GOMEZ

Consultants from KSA Americas are contributing articles to the Spanish version of Apparel Industry Magazine. The articles focus on our experience in the start-up and improvement of manufacturing operations. Two articles have been published, one by **Andres Martinez** and the other by **Jose Luis Gomez**, and there are three more already in the pipeline. You can access the English version of the articles at the follow intranet links:

Business-to-Business (B2B) Exchanges: Part I of II

<http://web1/tools/communications/publicationslib/ecommerce/reprints/b2bexchangespar-1/b2bexchangespar.pdf>

INTERNET TOOLS HELP COMPANIES SOURCE MORE EFFECTIVELY

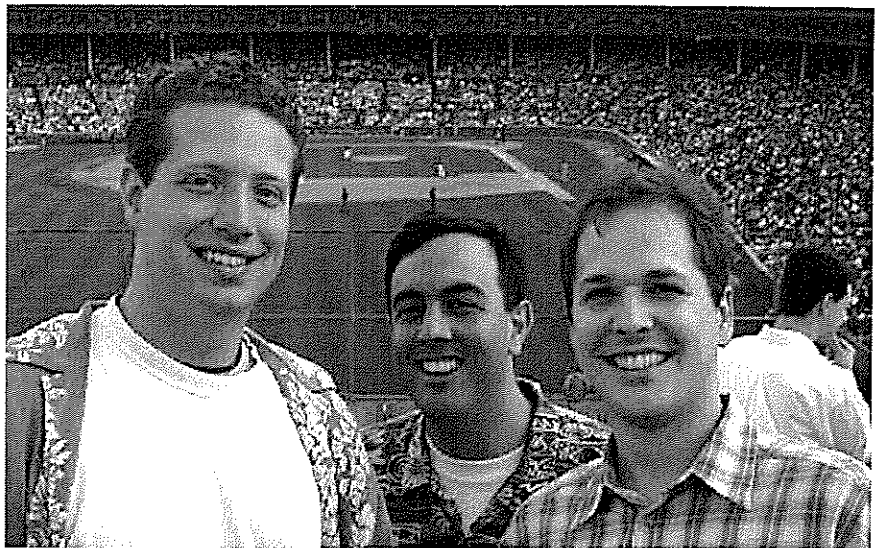
<http://web1/tools/communications/publicationslib/ecommerce/reprints/internettools/internettools.pdf>

CHICAGO'S OFFICE PICNIC HITS A HOME RUN

-- COLLEEN MCGRAW

The best seats in Chicago are on a rooftop...overlooking Wrigley Field.

The Chicago Office's 2nd annual Picnic was perched high above the action on Waveland Avenue as the Chicago Cubs battled the Houston Astros on September 9. The bleacher seating on the rooftop offered a view of the field that was perfect for watching homerun after homerun fly deep into the park. And although the Astros hit all six home runs of the game, beating the Cubs 14-4, everyone had a blast – you can't beat baseball, bratwurst, and buds!



Peter Allen, Mark Messinger and Kirk Ziehm of the Chicago Office, are looking to catch fly-balls from Wrigley Field.

HAPPY BIRTHDAY WISHES

Jack Webster	9/28
Tony DeMaria	9/29
Jack Horst	9/30
Gustavo Rodriguez	10/1
Terence Fong	10/7
Joni Burke	10/9



Suzanne Judd	10/1/1984
Max Duque	10/5/1998
Todd Soller	10/6/1997

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Published by KSA Chicago

Editor: Suzanne Judd

Fulfillment Services Group

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

QUOTE OF THE WEEK:

"YOU ARE WHAT YOU REPEATEDLY DO."

-- ARISTOTLE

(SUBMITTED BY AARON TODD)

CONSULTANT SPOTLIGHT

MIKE KINCAID LIKES A CHALLENGE

Mike Kincaid hails from Dallas, Texas. He has spent the last 23 years with the Air Force achieving some awesome and interesting accomplishments, some of the few achievements are Air Battle Manager of the Year ('99), Company Grade Officer of the Year ('99), plus Master Parachutist, USAF. Mike was a Survival Instructor for over a decade, which he considers one of his more interesting jobs. The stress and change management approach generally dealt with methods of increasing stress and rate of change-levels, which provided memorable experiences for all involved.

Married to Melanie Malone, with a daughter (Amanda), Mike enjoys spending time with his family. He mentions that the person he admires most is his mother, for making it look easy to solely raise four kids.

In his spare time, Mike likes listening to some Willie Nelson, savoring good margaritas (*Casita Jorjes* Austin, TX, has the best!), reading books and constantly learning new things. His ideal job would be working in a think-tank tackling the "impossible."

Mike enjoys mountainous areas, especially when there is a warm coast close-by (such as the Hawaiian Islands). The most interesting place he has visited so far is Death Valley, where he walked from the lowest point (Death Valley) to the highest point (Mt. Whitney) in the continental United States.

Mike is currently in California working with Consolidated Stores.

VENDOR VITTLES
CRM AND CALL CENTERS GET TOGETHER
(INFORMATION WEEK, SEPTEMBER 4, 2000)

Vendor mergers and partnerships are resulting in numerous tools that integrate customer-relationship management and call-center applications into single, software-hardware solutions--giving even large companies with multiple divisions the ability to maintain high customer-service standards.

This article discusses the call center software players and where the applications are headed. Click onto this link for the full story: <http://informationweek.com/802/call.htm>

INDUSTRY HIGHLIGHTS
TOP 100 INTERNET RETAILERS
(STORES MAGAZINE, SEPTEMBER 2000)

The STORES study, conducted by Chicago-based Leo J. Shapiro & Associates using information from both the companies themselves and an on-line consumer survey, ranks the Top 100 Internet retailers according to estimates of on-line sales to U.S. consumers.

Recognizing the role customer retention plays in the ultimate success of an on-line retailer, the study also includes a unique index of the potential for repeat purchases. The index offers insight into which websites are likely to grow or retain sales with existing customers, and which are likely to have a tougher time attracting repeat customers.

The average index across all websites is 100. An index above 100 indicates that the website is better than most in retaining and growing sales from existing customers; an index below that mark may reflect dissatisfaction among current customers or intentions to use competitive websites. An index below could also indicate a relatively long repeat-purchase cycle, which tends to be the case for big-ticket items such as computers.

Top 10 Glimpse

On-line start-ups eBay and Amazon remain the undisputed monarchs of the Internet empire, topping the list at No. 1 and No. 2, respectively. eBay, the world's largest on-line trading community, continues to set the standard for a successful Internet business. At the close of the second quarter, when most on-line balance sheets dripped with red ink, eBay posted solid growth in revenue and better than expected profits, upholding the merits of its business model. The STORES study estimates eBay sales of nearly \$4 billion and average 12-month spending of \$350 among some 10 million shoppers.

Amazon remains a darling in the eyes of most consumers, even if Wall Street has begun to tire of missed revenue projections, non-existent profits and a stock price that has endured more lows than highs of late. Shoppers are enamored by the efficiency of the bookseller and are easily swayed by

special perks, such as the delivery of the fourth installment of the Harry Potter series of children's books by overnight delivery the day it was released. While Amazon defends its decision to promise delivery of the widely popular book on the day of its release as a way to win and keep loyal customers, Wall Street saw profits flying out the window. An estimated 12 million shoppers made purchases at the Amazon site in the past year, spending nearly \$2 billion on books, music and a growing assortment of products. Judging from Amazon's repeat purchase potential index of 115, shoppers have every intention of returning to the on-line giant in the coming 12 months.

Computer, electronic and technology-related sites, led by Dell, buy.com, Egghead.com, Gateway and Cyberian Outpost, crowd the Top 10 rankings. Although on-line shoppers no longer fit neatly into the mold of computer geeks, consumers with a penchant for owning the latest equipment, electronic components and software have fueled sales in excess of \$200 million at each of the companies ranked in the Top 10. Dell shoppers lead the pack in spending, averaging \$2,000 in spending over the last 12 months and ringing up estimated sales between \$1.1 billion and \$1.3 billion.

For all of the rankings and trends in Internet Retailing, double-click on:
<http://www.stores.org/eng/cover.html>

ENABLING RETAILERS TO CONQUER THE WORLD (*INBOUND LOGISTICS, AUGUST 2000*)

A new benchmark book focuses on the relationship between information and material flow, called *Next Generation Manufacturing* by Frederick J. Michel and James A. Jordan. Michel and Jordan refer to information flow as the "knowledge supply chain" in contrast to the "material supply chain."

Here's how Michel and Jordan describe the management principles of the material and knowledge supply chains:

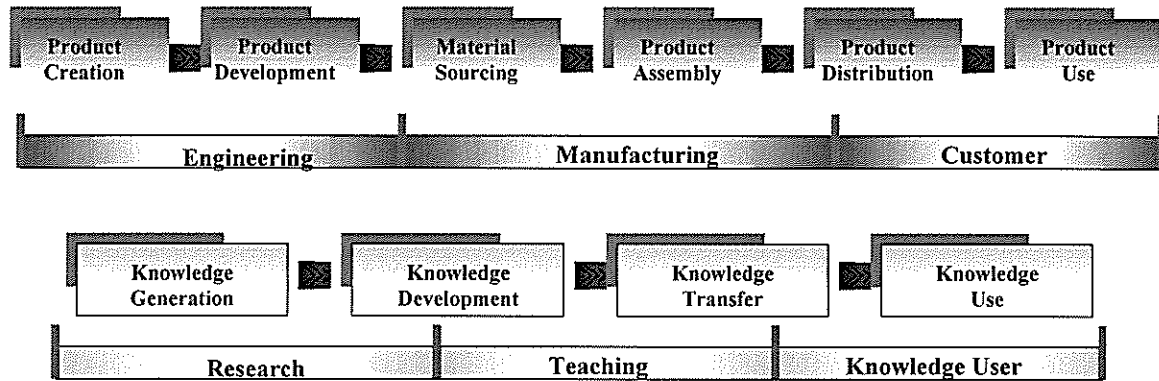
Material Supply Chain:

1. Treat the process as a continuous integrated one.
2. Operate with a purpose focused on the ultimate customer.
3. Provide benefits for all supply chain partners.
4. Ensure a free flow of information and knowledge across the entire supply chain.
5. Optimize the total process by integrating and using core competencies of each partner.
6. Measure results against clearly defined needs.

Knowledge Supply Chain:

1. The knowledge process is managed as an integrated system, with all the links of the process actively involved.
2. The partners are focused on delivering the knowledge to the ultimate user needs.
3. Each partner benefits from its participation, with rewards consistent with the partner's values and reward structure.

4. Each partner has all the information and requirement specifications it needs to maximize the value of its contribution.
5. Each partner's core competencies are recognized and utilized for the best mutual benefit of the enterprise and the partner.
6. There is a quick feedback from the user to each knowledge provider on the efficiency and effectiveness of the knowledge exchange.



Ensuring a free flow of information and knowledge across the supply chain is a tall order, for several reasons. Within an enterprise, manufacturing, for instance, generates an enormous amount of real-time information. A supervisory control system can track this information, but it is very different process to make this all available to an ERP system that may have a daily executive review.

And, as with all real material processing, things happen. Lines go down, machines fail, supervisors forget to check -- even a mere temperature change can screw up the data. Having real-time information does not mean the information describes the ideal situation. At best, it may describe the situation as recorded. We should praise Michel and Jordan for introducing the concept of the knowledge supply chain being on a par with the material supply chain. They show not only that the knowledge supply chain can be modeled in much the same way the material supply chain has been modeled, but that this can lead an enterprise to investigate its knowledge support system.

NOTES... NEWS... NONSENSE

DAWN KALE - MARRIED!

A marriage ceremony was held for **Dawn Kale** and Gary Holt Saturday, September 9, which has united the couple forevermore. Dawn will be traditionally changing her maiden name to Holt, so please congratulate Mrs. Dawn Holt the next time you talk to her!

IT'S A WINNER

Troy Van Wormer has found some inspiration from some of the quotes that have run in the HotSheet's *Quote of the Week* section and has kept a few on-hand. He decided to submit one to a local jazz radio station that runs a "Thought of the Day Contest" in the Los Angeles area. As luck would have it, Troy was driving to work when he heard his name and entry being read over the airwaves. For his effort, he won 4 tickets to a jazz concert in LA.

It pays to read the HotSheet!

INTERLAKE MATERIAL HANDLING IS EXPANDING

(CONTRIBUTED BY NEIL BUCK)

Interlake Material Handling, Inc., based in Illinois has announced plans to open the 64,000 square foot Interlake Innovative Solutions Center facility in the Louisville, KY area. Interlake, which was acquired by the British firm GKN for \$553 million in February 1999, will create around 100 high-tech jobs to the area over the next two years.



TRAVEL TIPS

WEBSITE: GATEWAY TO LATIN AMERICA

If you're interested in global business, you can't ignore Latin America. This section of the world, which comprises more than 35 countries and is home to better than 450 million people, represents an important market for many global businesses. One of the best Web gateways to Latin America is LANIC (the Latin American Network Information Center) <<http://lanic.utexas.edu/>>, a Web site from the University of Texas at Austin.

You can search for information in several ways at LANIC. If you're looking for information about a specific country, you can click on Countries on the home page. Then, if you click on, say, "Brazil," you'll get a comprehensive list of Web sites relating to Brazil-everything from government information, to travel resources, to online magazines and newspapers, to demographic databases, economic studies, and more. If you're looking for information about a subject, LANIC's home page also has a Subject Directory containing listings such as Economy, Government, Media, Science, and others.

HAPPY BIRTHDAY / BELATED WISHES

Eric Dietz	9/12
Chris Merritt	9/17
Jim Garrett	9/19
Noam Paransky	9/24



Brian Ehlenberg	9/15/1997
Frank Leggio	9/15/1997
Douglas Way	9/19/1988
Ralph Wear	9/19/1994
Priscilla Jorgensen	9/20/1993
Vanessa Andros	9/21/1999
Chuck Faslev	0/??/1986

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

the HOT SHEET

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September 1, 2000

Publisher: Laurie Crankshaw

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Fulfillment Services Group

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

QUOTE OF THE WEEK:

"WHAT COUNTS IS NOT NECESSARILY THE SIZE OF THE DOG IN THE FIGHT,
IT'S THE SIZE OF THE FIGHT IN THE DOG."

-- DWIGHT D. EISENHOWER

PROJECT POSTCARDS

CASES AND PALLETS AND TOYS... OH MY!

-- BY MARIANNA LAVECCHIA AND TIM COPLAND

The eToys distribution center in Blairs "Vegas" Virginia is off and running after a **smooooth** start! The first building, which will be used as the order processing facility, (Blairs A) had a successful "GO - LIVE" beginning July 27. The second building, reserve storage facility, (Blairs B) is really "getting their feet wet" and has recently come on-line with receiving and replenishment operations. In order to protect the innocent and avoid any conflicts of interest with other KSA projects, we cannot provide specific numbers. However, it is safe to say that no other retailer who sells toys, strictly on-line, was shipping more than we were on July 27! The transition from user acceptance testing (UAT) to our full-blown "GO - LIVE" environment was seamless enough to allow a few members of our team to retreat to the mountains of Colorado for some much needed vacation, OR to simply pack up house and home to return to Princeton. Success has come so easily that some senior members are even planning to retire.

KSA's true moment in the sun came through during a process we like to call "conversion." For those of you who enjoy performing your own root canals, this weekend "Festi-ville de Nueve Amarillo Label" would seem trivial. Thanks to our Easy Riders: **Enrique Morales, Laura Giles** and **Bill Cobb**, who orchestrated the ballet of order-picking equipment with skill and "gentle" determination, the conversion was another success. They were backed by their gang: **Suzanne Dencker, Al Sambar, Marc Bessho, Terry Fong, and Marianna LaVecchia**. The work done by **Tony DeMaria, Michael Barnes, Michael Kellogg, Josh Benton, Tanny Petchor, and Tim Copland** provided the behind-the-scenes support needed for victory.

Post "GO-LIVE", **Suzanne Dencker** and **Enrique Morales** held a "Life After Start-Up" class. This KSA event allowed the team to come together and find our Zen center. It provided us with

the tools needed to guide eToys through peak season and the changes that are occurring in daily business activities.

Of course, no start-up is without incident. Here are some of our humorous stories (or not so humorous if they happened to you):

1. Finding 2-units of a 3-unit (one SKU) order in exceptions and realizing the package was short-shipped. We pulled all the pallets out of the UPS truck at 5:55 pm (the driver wanted to leave at 6:00 pm) and frantically tore through all the parcels until we found it (how many engineers does it take to correctly ship a package...?).
2. Having a 15-unit order (all the SKUs just happened to be filled out of this single facility across 5 SKUs. Funny how that worked just perfectly - could it have been a test...hmmmm...) and realizing that 5 of the units were sitting in exceptions. We tore through the UPS pallets – again – and SUCCESS!
3. Kevin Hume (Director of Fulfillment Systems) jumping around excitedly with a cell phone connected to his ear shouting, "the host got the shipping transactions!" (As if he had doubt.)

We would like to say farewell to several people who have been instrumental in the progress that this team has had at eToys. **Joe Raines** has rolled-off this project and is now back in Princeton. We already miss him and hope that he and his family are settling back into that Jersey lifestyle. **Shawn Olds** has made the difficult choice to depart from KSA. He will be pursuing an opportunity to become a founder of a wireless technology B2B company which will be based in Los Angeles. We wish him success and happiness in his new career. **Bill Cobb**, will be retiring from KSA in the near future. We thank him for all of his support and guidance during this project.

MATTEL – A PROJECT IS BORN -- DOROTHY SADD

First, a little history...Mattel cold-called our LA office in June - Ken Walker fielded the call and gathered an IT/Merchandising/Fulfillment team (**Ken Walker, Joe Irastorza, Dorothy Sadd, Matt Katz**) to respond. This was late June. We as a group had a series of engagements and vacations that made it difficult for us to follow-up so thankfully **Ken Wilkes** and **Lynn Spuhler** jumped in to help out.

By late July, Mattel was ready for a proposal. While Ken Wilkes and I developed the proposal - I was the primary author, Ken added the quals piece - appropriate given the subject matter. Ken Walker and **Cari Bunch** joined us in the proposal presentation. We presented the document and KSA as team and successfully conveyed a breadth of knowledge. We were awarded the job within a few days.

The project has begun internally - officially the team is **Melissa Feder, Jeffrey Sauls, Christian Leard**, Cari Bunch(full time project manager), and myself (half time project director). Ken Wilkes (IT) and Ken Walker (Fulfillment) will stay involved in their respective areas to build relationships and to support the team as we weave our way through this huge organization. Our

project sponsor is CEO, Bob Eckert. He joined Mattel this year, leaving behind his CEO spot at Kraft.

The scope is quite broad - all planning functions from concept development through distribution. It is clearly focused on process and org structure. The Mattel project team members are already talking about likely additional work for KSA in IT and logistics...but also discuss the futile nature of that work without a redesigned planning function and the unbelievable difficulties we are likely to face in the redesign process.

We have a good cross-functional team put together with skills in wholesaling, manufacturing/sourcing, product development, retailing, CPFR, account management, and some fulfillment expertise. But we will need broad support within KSA to leverage our body of knowledge. We are clarifying roles and responsibilities in coming weeks so we can effectively manage the myriad of relationships we will need to build in a short period of time. I would be interested if anyone has knowledge or input from past experiences that may benefit our relationship with Mattel or the team. Please contact me.

INDUSTRY HIGHLIGHTS

**TRANSPORTATION SOFTWARE AND SERVICE VENDORS FAIL TO DIFFERENTIATE THEMSELVES
(AMR RESEARCH, AUGUST 28, 2000) (CONTRIBUTED BY MIKE GREGORY)**

As part of any new technology inflection point, existing vendors will have to transform their product, services, and brand image. Meanwhile, new entrants will try to seize the initiative with marketing messages to position them as first-in-class vendors. This has certainly been the case in the Transportation space; the number of new dot-com companies offering some form of E-Transportation Management System (e-TMS) service is staggering, as is the number of its traditional software vendors scrambling to transport their products and services to the Web.

Distinguishing one transportation service provider from another has become a challenge, even to the analyst community. Just by way of brand-name recognition, here is a sample list of transportation service providers playing off the term freight: FreightDesk, FreightGate, FreightLogic, FreightMatrix, FreightQuote, Freight-On-Line, FreightWise, GoFreight, PFreight, and RightFreight.com.

Here is a similar short list of companies whose names are a play off the term Ship: SmartShip, GoShip, Accuship, ShipLogix, iShip, ShipNet, ShipChem, ShippingAuction, and Shipper.com.

Keeping track of whom does what can get confusing. And what's in a name, anyway? A closer examination of transportation service providers shows that most are venturing out of their original core competency--be it trucking, rail, or ocean transport, and getting into other modes or channels. Others are moving from strictly asset-based transportation services and toward virtual services. At the same time, the breadth of services offered are expanding beyond the initial information bulletin boards or auctions to real marketplaces with transaction capabilities, action alerts, and event alerts, as well as to analytical data, such as performance indicators. In spite of confusion over names,

what's most important is that transportation service providers portray a core competency and a differentiated product or service to a market that can support profitable growth. Given these circumstances, the strong will survive, and the shallow will fall into the dot-com graveyard.

e-TMS is still Evolving.

AMR Research is focused on the integration of transportation management as it relates to Supply Chain Planning (SCP) and Execution (SCE). Also, Supply Chain Event Management (SCEM) components -- including monitor, notify, simulate, control, and measure -- are the next frontier that can distinguish a vendor in its particular field. e-TMS is a very dynamic space. And it will take time to evolve to the point in which any comprehensive transportation suite can address all these components. And exchanges claiming full multimodal, domestic and international capabilities aren't there yet. Don't confuse present functions with future plans. In the meantime, service providers that fail to distinguish their value proposition and vision will fail to survive in a highly competitive field.

Most of these vendors have good technology platforms, but they are thin on functionality. This makes sense since these vendors haven't been through hundreds of implementations yet. Don't expect a turnkey solution. Companies will have to work with exchanges to define and form what and who they are.

Recommendations

The following is a list of characteristics that can differentiate a company and its products and services from the competition. The differentiae must be made clear in external communications to the market:

- Distinctive competence relative to transportation management
- Quality of backing and funding--venture capital, private funding, equity stakes, or others.
- Extent to which services are Web-based, including bulletin board, auction, portal, or marketplace
- Targeted markets, like Fortune 1000, mid- or small-market.
- The types of revenue plan and pricing models
- Shipper versus carrier centricity, and (weighted) value proposition
- Extent to which activities are geared toward instantaneous or real-time transaction capabilities
- Modes of transport involved and the extent of geographic coverage, such as regional, national, or global
- Additional channels being considered and how are they offered (partnership versus development)
- Vertical industry domain expertise and vertical marketplace agreements in existence
- Technology alliances helping drive the underlying infrastructure
- Financial liquidity and anticipated positive cash-flow situation

NOTES... NEWS... NONSENSE

DISTRIBUTION CENTER DESIGN FACTOIDS:

-- **TORRE CRUPIE**

During the last half of the 1990's, KSA designed 75 distribution centers in the United States. At a likely average facility size of 250,000 square feet, this totals almost 20,000,000 square feet of distribution center space!

Almost half of our facility design work was for consumer direct facilities, with a little over a quarter for apparel wholesalers. The average size of these projects, including design and implementation, was over \$500,000 in fees.

Each of the US Fulfillment offices has copies of a recently released videotape highlighting four of these DC designs, including Guess, Nike, Hagggar, and LL Bean. Please look this over if you have a chance, and consider using the tape on future opportunities to discuss our capabilities with clients.

A GAME PLAN FOR LEARNING

-- **PAM BECKERMAN**

As we walk through our days, it is important to learn from our experiences and consciously apply that knowledge. Here are some tips for on-going development from an HR newsletter that just crossed my desk. Not rocket-science but a good reminder.

- 1. Take a daily stretch.** Implement something every day that stretches your comfort zone and builds your skills. For example, if you want to be a better listener, target one conversation each day to really focus on that. If you need to learn to be a better speaker, look for opportunities to get up in front of groups and talk. If you need to get more comfortable with senior client staff, try to set up or attend existing meetings with those folks.
- 2. Reflect on your experience.** Take a minute at the end of each day or each stretch activity to ask yourself three questions: What worked? What didn't? What do I want to do differently tomorrow?
- 3. Get and use feedback.** At least once a week, seek feedback and support for others regarding your performance. Learn from their observations.
- 4. Transfer learning to the next level.** Periodically step back and evaluate where you are. Have you mastered a new skill and is it time to set a more aggressive goal? Consider ways to integrate new skills into a wide variety of situations. Teach the skills to someone else.

LABOR DAY, MORE THAN A 3-DAY WEEKEND, WITH BACK-TO-SCHOOL SALES
(ADAPTED FROM *SUSUCCESS ONLINE, THE ECONOMIST PRESS, ISSUE 535*)

This coming Monday is Labor Day in the USA and Canada. In tribute of how far we have come, here are "Eight Rules for Office Workers" written in 1872. These rules are not invented or exaggerated. According to a Boston newspaper, they were unearthed by an office manager cleaning out in preparation for a move to a new location. The Harvard Business School confirms that plenty of offices had such working conditions. (What's KSA's policy on Spanish Cigars?)

8 Rules For Office Workers In 1872

1. Office employees each day will fill lamps, clean chimneys and trim wicks. Wash windows once a week.
2. Each clerk will bring in a bucket of water and scuttle of coal for the day's business.
3. Make your pens carefully. You may whittle nibs to your individual taste.
4. Men employees will be given an evening off each week for courting purposes, or two evenings a week if they go regularly to church.
5. After thirteen hours of labor in the office, the employee should spend the remaining time reading the Bible and other good books.
6. Every employee should lay aside from each payday a goodly sum of his earnings for his benefit during his declining years so that he will not become a burden on society.
7. Any employee who smokes Spanish cigars, uses liquor in any form, frequents pool and public halls, or gets shaved in a barber shop, will give good reason to suspect his worth, intentions, integrity and honesty.
8. The employee who has performed his labor faithfully and without fault for five years will be given an increase of five cents per day in his pay, providing profits from business permit it.

RELOCATOR ROUND-UP

Note: Please contact Laurie Crankshaw with corrections.

California	Moosabhoy, Mufaddel	Consolidated Stores	Rancho Cucamonga
	Nguyen, Han	Consolidated Stores	Rancho Cucamonga
	DeZwarte, Carol	Consolidated Stores	Rancho Cucamonga
	Kincaid, Mike	Consolidated Stores	Rancho Cucamonga
	Brunson, Andrea	Federated Stores	Los Angeles
	Soller, Todd	Federated Stores	Los Angeles
	Watterson, Eric	Federated Stores	Los Angeles
	Picken, Jeff	Duty Free Shoppers	Los Angeles
	Watschke, Jon	eToys	Santa Monica
	Ehlers, Barry	eToys	Santa Monica
	Bao, Johnny	eToys	Ontario
Mensch, Kirk	eToys	Ontario	
Sauls, Jeffrey	Mattel	El Segundo	
D.C. (Washington)	Vehar, Tammy	National Geographic	Washington
Florida	Trevino, Roberto		Miami Office
	Peacock, Shannon		Miami Office
	Duque, Max		Miami Office
Georgia	Chang, Iris	Wal-Mart.com	Atlanta Office
	Chinan, Vikas	Aramark Uniform Services	Lawrenceville
	Dencker, Suzanne	eToys	Atlanta Office
	Ehlenberg, Brian	Wal-Mart.com	Atlanta Office
	Purefoy, Dan	Nike	Atlanta Office
	Timberlake, Jajuan	Federated	Atlanta
	Rockman, Jason	Federated	Atlanta
	Johnson, Andy	Staples	Atlanta Office
	Taylor, Brad	Wal-Mart.com	Atlanta Office
	Benjamin Mokotoff	ConAgra	Atlanta Office
	Todd, Aaron	Smile-Makers	Atlanta Office
Vanags, Scott	Block Sportswear	Atlanta Office	
Illinois	Bolduc, Patrick	Sears	Chicago
Kentucky	Ulicny, Dan	Global Sports	Louisville
	Bolton, Richard	Global Sports	Louisville
	Paransky, Noam	Global Sports	Louisville
	Ryan, Sean	Smith & Hawken	Florence
	Lopez, Rodrigo	KBkids.com	Danville
	Leggio, Frank	KBkids.com	Danville
Maryland	Allen, Peter	Lippincott Williams Wilkins	Hagerstown
Massachusetts	Griffith, Brad	Staples	Boston
New Jersey	Digulla, Lori	Popular Club	Edison
	Dietz, Eric		Princeton Office
	Eisa, Ashraf	Wal-Mart.com	Princeton Office

	Raines, Joe Thomas, Mark	J Crew Wal-Mart.com	Princeton Office Princeton Office
United States(continued)			
	Consultant	Project	Location
North Carolina	Densmore, JD	PVH	Jonesville
Ohio	Anderson, Brad	Cornerstone	Cincinnati
	Levy, Val	Cornerstone	Cincinnati
Pennsylvania	Davis, Seth	Ross Stores	Carlisle
	Baird, Kevin	Bestform	Johnstown
	Dugger, Greg	Bestform	Johnstown
	Fiore, Barry	Ross Stores	Carlisle
	Messinger, Mark	Ross Stores	Carlisle
Tennessee	Christos, Jason	Nike	Memphis
	Sampson, Brad	Nike	Memphis
	Burke, Joni	Nike	Memphis
	Benton, Josh	eToys	Danville
	Fong, Terrance	eToys	Danville
	Giles, Laura	eToys	Danville
	Kellogg, Michael	eToys	Danville
	Morales, Enrique	eToys	Danville
	Webster, Jack	eToys	Danville
	Copland, Tim	eToys	Danville
	La Vecchia, Marianna	eToys	Danville
West Virginia	Steele, Brenda	Coldwater Creek	Parkersburg
	Garrett, Jim	Coldwater Creek	Parkersburg
	Whitehouse, Sean	Coldwater Creek	Parkersburg
Wisconsin	McGraw, Colleen	JC.Penny	Milwaukee

Mexico			
	Consultant	Project	Location
Jalisco	Hernandez, Sergio	Vanity Fair Intimates	Lagos De Moreno
Nuevo Leon	Benavides, Alberto	Milliken GBI	Monterrey
	Olivares, Felipe		Monterrey Office
	Trevino, Roberto	Seminis	Monterrey
Zacatecas	Martinez, Andres	Vanity Fair Intimates	Fresnillo
Tamaulipas	Ayala, Jose Gerardo	Vanity Fair Intimates	Reynosa
	Felix, Ignacio	Vanity Fair Intimates	Reynosa

United Kingdom

	Consultant	Project	Location
<i>England</i>	Dayton, Britt		England Office
	Deaton, Ashley		England Office
	Osburn, Steve	TGD Logistics	England Office

Central America

	Consultant	Project	Location
<i>Cortes</i>	Jaramillo, Alberto	Vanity Fair Intimates	San Pedro Sula, Honduras
	Rodriguez, Gustavo	Vanity Fair Intimates	San Pedro Sula, Honduras

Japan

	Consultant	Project	Location
<i>Tokyo</i>	Bruce, Dan	Jusco	Tokyo Office
	Roge, Bob	Jusco	Tokyo Office
	Swensen, Karl		Tokyo Office

Congratulations!



Giving new meaning to "wedding party," the Benavides' reception on August 12, started at 8:30 pm and went way past 5:00 am, when the *mariachis* arrived. Even though full dinner was served, the "*tornabodas*" (normally held at bride's parents house after the wedding) was served around 4:00 am -- option of *menudo* (soup) or *chilaquiles* for those guests still remaining. Approximately 750 – 800 guests were in attendance. (Imagine planning the logistics of this event!)

Pictured above (in the early morning hours): (standing) Marcos Corminas, Alberto Benavides (groom), Rodrigo Lopez, Armando Perez (friend), Irma Rosales, & Andres Martinez
Sitting: Sandra (?), Edna Benavides (bride), Judith Lopez (Rodrigo's wife), & Jose Gerardo Ayala.

"Alberto had the biggest smile we've ever seen on him!" -- Irma Rosales

HAPPY BIRTHDAY

Ike Myers	9/7
Isaac Myers	9/7
Scott Vifquain	9/8
Sergio Cruz	9/9
Mark Woodrow	9/9
Valerie Levy	9/10

*HAPPY
ANNIVERSARY*

Raj Kumar	9/7/1988
Lisa Rosenthal	9/8/1999
Terence Fong	9/9/1990

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

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QUOTE OF THE WEEK:

"THE TRUE TEST OF A CIVILIZATION IS NOT THE CENSUS,
NOR THE SIZE OF THE CITIES, NOR THE CROPS - NO,
BUT THE KIND OF MAN THE COUNTRY TURNS OUT."

-- RALPH WALDO EMERSON (1803-1882)

PROJECT POSTCARDS

KBKIDS.COM -- A GREAT START-UP IN DANVILLE, KENTUCKY

-- MIKE SWIFT

Congratulations to **Frank Leggio**, **Neil Buck**, a great client team, and the systems folks from Intrepa for an incredibly smooth start-up of the KBkids.com Distribution Center. This has been a great example of working at "Internet speed" -- we went from project kick-off to shipping within 97 days.

On Day One, we shipped 1,098 customer orders. By the end of Day Two, we were shipping 100% of orders within the 24-hour standard and had agreed with management to increase volume through website promotions. Everyone, from Michael Wagner (COO) to the hourly staff, agreed that the start-up had been spectacular. Lots of happy faces.

Now we're fine-tuning procedures and developing Base Plus[®] standards. This facility, which had a former Base Plus[®] life as a retail DC for KBToys, will be back on standard in all core operations prior to peak season.

Rodrigo Lopez, one of our talented KSA-Americas colleagues, has joined us for several months, and was last seen chasing behind an order picker truck with a stopwatch in his hand.



Catch this! (left to right) Neil Buck, Rodrigo Lopez, and Frank Leggio take a break for dinner at the local Wal-Mart for Kentucky Sushi. and some Live Bait.

KSA POSTCARDS

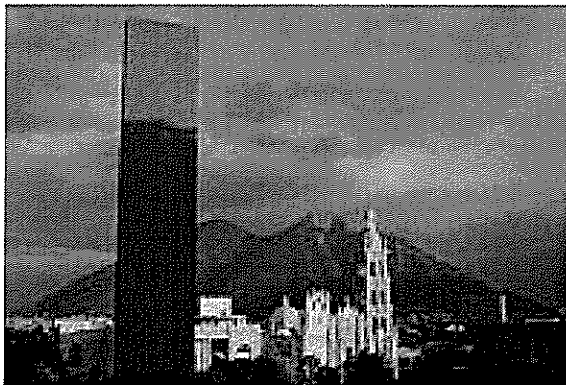
KSA Monterrey

-- JOSE GERARDO AYALA-CANTU

By now I'm sure you have heard about our newly opened KSA Monterrey Office. I'd like to take this opportunity to introduce you to the city of Monterrey...

Monterrey is a powerhouse of Mexican industry. The city and its people exude a palpable confidence, perhaps derived from the knowledge that the town and its inhabitants are a vital engine of Mexico's economy. Anyone conducting business in Mexico will likely find himself or herself in Monterrey at some point in time.

Scarcely the relaxed, colonial city that you might expect to find elsewhere in Mexico, Monterrey is Mexico's third largest city, with about 3.5 million inhabitants living in the metropolitan area (which includes six municipalities), in the center of Mexican industry. Though there are some colonial style buildings, Monterrey is one of Mexico's most modern cities. The Gran Plaza of Monterrey is the center for the state government of Nuevo León. The Plaza's modern buildings, gardens, and monuments are a reflection of the city that has fully embraced the spirit of modern industrialism rather than old-world colonialism.



Monterrey is surrounded by the Sierra Madre Mountains at an elevation of 1,800 feet above sea level. The mountain view is spectacular and is dominated by a uniquely shaped 5,700-foot peak called *Cerro de la Silla*, or Saddle Hill, which has come to be a symbol of the city. Temperatures over 80 degrees Fahrenheit are common from April through October, making you appreciate that all major hotels are air-conditioned. During the winter, nights can get very crisp and chilly, and a thick sweater or jacket is necessary. It generally rains in

August and September. Despite being nestled in such a rugged environment, there are many routes into and out of Monterrey, including excellent highways, railroads, and Monterrey's international airport which offers daily flights to and from many cities in Mexico and the United States.



Just 145 miles from the Texas border, Monterrey's strategic location near the U.S., combined with a diligent, skilled and well-educated work force, and access to key natural resources, have helped make it what it is today. -- Headquarters of the country's largest corporations (including cement giant Cemex, beer maker Cerveceria Cuauhtemoc, and leading glass manufacturer Vitro). The city is an important site for numerous other Mexican industries, including textile, trucks, buses, furniture, tile and chemicals, as well as about 100 in-bond, or *maquiladora*, plants.

While gaining many advantages by being Mexico's industrial center, the industrialization of Monterrey has had some negative side effects, primarily air and noise pollution. The city is spread out, but remains relatively crowded. It is wealthier than most other Mexican cities, and consequently, the prices here tend to be higher. Despite the minor disadvantages, Monterrey is a beautiful, modern city that has much to offer both in business and tourism.

Monterrey continues to grow every year. With continued growth and profit, Monterrey promises to be one of the most influential cities on the North American continent for a long time to come.

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INDUSTRY HIGHLIGHTS

TOP 100 SPECIALTY STORES, The Definitive Ranking of the Nation's Biggest Specialty Chains

(STORES, AUGUST 2000)

Specialty retailers are having the best of both worlds, enjoying considerable success both in the physical world and on the web, outmaneuvering the department stores and general merchandise mass merchants while often competing effectively and even outperforming "pure-play" e-tailers, which frequently lack merchandising expertise, don't own any inventory and are unfamiliar with consumer preferences.

Heading up the Top 100 Specialty Stores are:

- | | |
|-----------------|---------------|
| 1) Circuit City | 6) Limited |
| 2) Best Buy | 7) Staples |
| 3) Toys "R" Us | 8) TJX |
| 4) GAP | 9) CompUSA |
| 5) Office Depot | 10) OfficeMax |

STORES Magazine's annual survey of the Top 100 Specialty Stores, sponsored by Triversity, reveals a changing of the guard at the top of the chart, where a consumer electronics retailer heads the list for the first time in more than 15 years.

Link to the *Stores* website for the full Top 100 list and the trends found in this year's survey:
<http://www.stores.org/eng/cover.html>

NOTES... NEWS... NONSENSE

CLIENT QUOTES NEEDED

-- SHARON GAVRON

In an effort to publicize the tremendous results we get on Base Plus® projects and the recent trend of clients following a major technology implementation with Base Plus®, I am writing an article on the topic of "What next after improving the fulfillment operation with technology?"

To emphasize the benefit of leveraging the investment in new facilities, equipment, systems, or network configuration changes with an investment in people, I am looking for quotes from previous and current clients. In general, we'd like quotes on why they decided to invest in a performance program so soon after a major operational change, how Base Plus® has further enhanced the improvements obtained with technology, or why they wouldn't even consider making physical changes without the prospect of making this investment in people closely on its heels.

If your client is willing to help, please work with him/her to develop a one or two sentence quote that can be used for this article, and then forward the quote and the source to Sharon Gavron. Thanks in advance for your time and your client's time for contributing to this effort.

VOLOVIEWEXPRESS - AUTOCAD DRAWINGS ON YOUR PC

-- RICK WOLFE

{This message was email last week to some people, but due to the positive response and a request from my PM (Mr. Geiger), I am submitting it to the HotSheet to perhaps reach some others who may find it useful.}

There is a software product that I've been using in conjunction with design projects called VoloviewExpress, and it is a free download from Autodesk, the makers of AutoCad. This package enables you to load an AutoCAD drawing file (.dwg) or a generic file (.dxf) onto your PC and view, manipulate, or print it. It becomes a read-only file, so you cannot make any changes to the drawing, but it is handy for the occasional files received from vendors that you may want to look over for reference. No longer would you have to forward drawings to the graphics department and wait for them to be translated and printed.

The Wal-Mart project has been using VoloviewExpress and it has become an integral and indispensable tool. Working with team members located in Atlanta, Bentonville or Chicago, it would have been almost impossible to revise and FedEx drawings to meet all the deadlines. I have been emailing the translated AutoCAD files to **Cameron Geiger** and **Kirk Ziehm** for review and they either call, fax, or email their revisions and it is all done for the most part, in real time without waiting for or tracking FedEx deliveries. Wal-Mart has become a totally electronic project with drawing files being sent to the client in AutoCAD and plotted on-site for their meetings. KSA uses

Arris, not AutoCAD, so we have a translator to both send and receive AutoCAD (.dwg) and .dxf files.

The values of VoloviewExpress are numerous. You can: 1.) View entire drawings 2.) Zoom on specific areas, such as workstations or a packsorter 3.) Turn layers on/off to view different layouts and options in the same file 4.) Print whatever is on-screen to show the client, another consultant or to revise and fax it back to graphics for further design changes. Graphics may, schedule permitting, make the changes and send a file back to you -- possibly the same day. 6.) Consultants have the ability to read the file but not make any changes.

One downside to VoloviewExpress is when printing from to either a printer or plotter, you cannot set the scale. Your hardcopy plot is only a reference drawing and you cannot check or verify any measurements. Considering how the program has been used so far, this has not been a major problem.

Overall, this is a neat little piece of software and it's free. They even provide you with generic files (.dwg and .dxf) to test. The software size is 17M, and I would recommend downloading while in an office since doing it remotely is somewhat time-consuming and the connection might cut-out part way through, leaving you with nothing.

To download:

- 1.) Go to www.autodesk.com and click on products and services.
- 2.) Click on "Product Center"
- 3.) Click on "Volo View Express"
- 4.) Click on "Download Volo View Express"
- 5.) Type in your "Contact Information" and press "Continue"
6. Page down and press the drop down list button for "Primary Site" and select the appropriate language. A "File Download" window appears
7. Select "Save Program to Disk" and click "OK"
8. A "Save Program" window appears. Save VoloVEp.exe to your computer hard drive
9. Once download is complete, exit all programs and double click on VoloVEp.exe to install

You may not want to waste time in getting your copy -- if the website starts getting too many hits they may decide to start charging for copies. If you know of anyone who could benefit from this software please pass on this information to them. I am interested in your feedback after you have tried VoloviewExpress.

HAPPY BIRTHDAY

Lynn Spuhler	8/26
Joe Raines	8/31
Anika Ball	9/2



Mike Swift	8/31/1983
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the HOT SHEET

vol 9 no 31

August 18, 2000

Publisher: Laurie Crankshaw

Published by KSA Chicago

Editor: Suzanne Judd

Fulfillment Services Group

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

QUOTE OF THE WEEK:

"MOST FOLKS ARE ABOUT AS HAPPY AS THEY MAKE UP THEIR MINDS TO BE."

-- ABRAHAM LINCOLN

CONTRIBUTED BY RANDY MOORE

PROJECT POSTCARDS

GREETINGS FROM THE FEDERATED LOGISTICS MISSION ROAD PROJECT TEAM

-- ANDREA BRUNSON AND TODD SOLLER

The project team of **Todd** "I like the Go-Go's, but love Belinda Carlisle" **Soller**, **Andrea** "steals from 5-year olds & breaks their hearts" **Brunson**, and **Eric** "You know, I don't like the music of the Backstreet Boys or Britney Spears, but N'Sync..." **Watterson** have been on-site since early July in the southern California (although you would not know it from our tans). Our fearless leader, **Raj** (Anybody Need Shoes?) **Kumar**, has forced all of us to live in Pasadena so that he has free housing in the unlikely event that his beloved Badgers may return for a third consecutive year in the Rose Bowl. Also on our team is our daily spiritual guide, **Troy** "Sure, I'll do follow-up" **VanWormer**, **Ken** "West Coast" **Walker** and **Lynn** "the BIG Kahuna" **Spuhler**.

On Monday, we kicked off receiving, the first operation on-standard at Mission Road. Mission Road's incentive program, M.E.G.A. is being received well by the associates. M.E.G.A. stands for **More Energy Gets Awards**. In 1994, Broadway (now owned by Federated) installed a version of Base Plus[®]. Many of the associates are familiar with the program and are eager for the opportunity to earn more money. This week we are following-up with the associates in receiving and will moving into the stock department at the end of the week. Many thanks to **Steve Roberson** for his support in installing Control Plus, training the Control Plus clerk and helping us explain the reports to all the managers.

To culminate the week, the Federated Logistics Mission Road team decided to celebrate by attending an Anaheim Angels game versus the New York Yankees. Joining us on the excursion were Control Plus Guru **Steve Roberson** and **Jeff Picken** from the Duty Free Shops project. After arriving at the stadium, the group decided to hold the Second Annual **Mark Thomas Invitational** Hot Dog Eating Contest (based on his poor showing in Michigan last year, Mark was not invited). After purchasing the initial portions of food, we proceeded to the second to the last row in the

entire stadium, in a section aptly called The View (of faraway mountains, freeways -- everything but the field). We were treated to the screams of obnoxiously loud Yankees fans, second only in ferocity to **Randy Unger**. The game was an intense one, with the Angels leading the home run derby, edging out the Yankees in a 9-6 contest. The Hot Dog contest was a close one, and we need your help to decide the winner. Eric Watterson consumed seven regular hot dogs and five beers. Jeff Picken, in a bizarre protein-laden tribute to **Cameron Geiger**, consumed six super dogs sans buns. Jeff expounded on his theory that as long as you don't eat carbs during the day, the six-pack at night is totally inconsequential. After the game, the jig-dancing contest between the two yielded no conclusive results. This has led to a new nickname: Eric "Last night, I looked for new dance moves on the Internet" Watterson.

Other highlights include (in no particular order): rare sightings of the small but thorny lizards in the Angeles National Forest, **Todd Soller's** brief but intense desire to own an Angels Rally Monkey, shopping for Harley Davidson clothing and wishing **Suzanne Dencker** was around to help, exploring **Neil Buck's** theory of managers and mushrooms with our manager, learning that Eric has learned everything he knows from **Ralph Wear** and **Ash Eisa**, finding the best offices, apartments, cars, and restaurants where Feng Shui is ideal for that next relationship, determining that while crayons are neat they should not be used on wipe boards or stuck up your nose, breaking the age old stereotype that different colored push-pins can be used on the same piece of paper, exploring the new fashion trend by **JuJuan Timberlake** called *Ripped Business Casual Attire* and lastly following in **Rich Dec's** foot steps and pursuing a side career in acting. Wish us luck...as you now know we need it.

To those who we left out, we send our sincerest apologies. We wanted to include you, but **Laurie** (send your articles to me by Thursday afternoon) **Crankshaw** and Troy (please submit your entries to me by Wednesday) VanWormer both need our article.

CORNERSTONE REACHING NEW HEIGHTS (WATCH-OUT DOWN BELOW) -- VAL LEVY

New heights have been reached at the Cornerstone project as **Brad Anderson** and client engineer, Jeff, were certified to operate the Raymond SRT 589 Transtacker Cranes in the high bay storage building. The certification included "repelling" out of the crane from 65 feet while a crowd of associates gathered to watch and heckle the free fallers.

Brad described the jump as "fun," although he admits that repelling from the lofty height was not specifically required for certification - Brad and Jeff both agree that if an emergency situation did occur, they would be more likely to climb down the rack than repel to get to safer ground. This certification was in preparation for the kick-off of the STAR program (Base Plus®) in the high bay Crane operations. The Crane operations will mark the ninth standard implemented in the Cornerstone facility. The engineering team believes the STAR program will be a success in the Crane operations when the next associate to repel does so - and the crowd of associates does not appear.

INDUSTRY INSIGHTS

WHERE IN THE WORLD ARE THE BEST HUBS?

(ADOPTED FROM AREA DEVELOPMENT, AUGUST 2000)

The following article defines some of the better regions to place a warehouse. Although different industries often have different types of hubs, there are clearly centers that are well known for their high levels of mixed commerce activity. Below is a brief identification of the world's top performing warehousing/distribution hubs as identified by various economic development and trade industry experts.

United States

Some locations making the "A" list: Louisville, Chicago, the Port of New York/New Jersey, Memphis, Columbus, Jacksonville, the Port of Houston, Miami, Atlanta, Dallas, Los Angeles, and Seattle. Louisville can easily be reached by 70% of the U.S. population and the city's gentle year-round weather supports companies' operations well. Chicago is strategically located for U.S. and international trade being that it's located on Lake Michigan and its proximity to the Atlantic Ocean. Many airlines coming from points in Europe come in over the Arctic. They stop in Chicago because it's the longest distance they can fly before they have to stop to refuel for gas.

Europe

The European market provides its own set of challenges in regard to distribution. Many companies are establishing new warehousing operations on or near major air facilities. Cologne, Germany, is seen as a place to serve the continent efficiently. Amsterdam in the Netherlands (and Netherlands overall) is praised for its exemplary infrastructure and intermodal assets and the fact that it is found in a centrally located nation. Much of the same can be said for Frankfurt, Germany, however its labor market can be more expensive than Amsterdam's and there are more labor regulations. Europe's largest container handler is the Port of Rotterdam. In Southern Europe, ports on the Mediterranean have improved their efficiency and service quality in recent years.

Canada

Vancouver, Calgary, Toronto, Montreal and Halifax are the five main distribution centers across Canada. Toronto is a key part of the nation's manufacturing center, and has the largest city population. It is centrally located between extreme eastern and western parts of Canada, has a dominate airport and a well-established multimodal center.

Latin America

Comprising of Mexico, Central and South America, Monterrey is the leading hub. It's located near the U.S. border and has a quality of life surpassing Mexico City, with cheap labor, and a good transportation center. Next in line would be Tijuana, because of its close proximity to California. São Paulo in South America has a good transportation network, not to mention it is the financial and trading capital of Brazil and South America. A few notable ports on the coast of Brazil that trade mostly with Europe are Fortaleza, Suape, Salvador, Rio de Janeiro, Santos, and Rio Grande. Costa Rica, San José, is becoming another major area for warehousing. It is becoming the "Silicon Valley" of Latin America.

Africa

In Africa, DC's of prominence are only found in South Africa, with Port Elizabeth as the best DC in the continent. 90% of the population is found in areas around the cities of Johannesburg, Cape Town, Durban, Pretoria, and Port Elizabeth.

Asia

The largest container port on the planet is in Hong Kong. The city recently opened a new airport that greatly supports Hong Kong's trading activities. Another great Asian port city is Singapore, offering good water/air transportation and a highly intelligent work force. China, according to the U.S. Commerce's county guide "is not easy" to do business with due to transportation/distribution infrastructure and social/governmental restrictions.



TRAVEL TIPS

WEBSITE HELPS OUT WHILE "ON THE ROAD"

(eCompany, August 17, 2000)

When you need a quick summary of a city you are visiting, OntheRoad.com works great. The site offers up-to-date restaurant reviews, sporting events for the week, conferences/conventions, and theater/event notices for 15 cities. Located in a section called Snapshot, you'll find neatly organized cheat sheets. In the Art of the Deal section, restaurants have been divided into three categories: court a client, negotiate a deal, and celebrate a deal.

The site does not accept payment for reviews, so you can rest assured that the editor's judgment hasn't been swayed. The price for unencumbered editorial intervention is that you won't find an endless list of every restaurant in every city in the world. But what you do get is solid advice about where to eat given your particular business situation.

NOTES... NEWS... NONSENSE
WORDS STILL RING TRUE

Elbert Hubbard's Business "Credo":

- ☞ *I believe in myself.*
- ☞ *I believe in the goods I sell.*
- ☞ *I believe in the firm for whom I work.*
- ☞ *I believe in my colleagues and helpers.*
- ☞ *I believe in American business methods.*
- ☞ *I believe in producers, creators, manufacturers, distributors, and in all industrial workers of the world who have a job, and hold it down.*
- ☞ *I believe that Truth is an asset.*
- ☞ *I believe in good cheer and in good health, and I recognize the fact that the first requisite in success is not to achieve the dollar, but to confer a benefit, and that the reward will come automatically, and usually as a matter of course.*
- ☞ *I believe in sunshine, fresh air, spinach, applesauce, laughter, buttermilk, babies, bombazine and chiffon, always remembering that the greatest word in the English language is "Sufficiency."*
- ☞ *I believe that when I make a sale I make a friend.*
- ☞ *And I believe that when I part with a man I must do it in such a way that when he sees me again he will be glad - and so will I.*
- ☞ *I believe in the hands that work, in the brains that think, and in the hearts that love.*
- ☞ *Amen, and Amen.*

Elbert Hubbard (1856 – 1915) was a writer, printer, lecturer, and businessman. It has been estimated that he published more than seven million words. Influenced by William Morris and the so-called Arts & Crafts Movement which rebelled against the heavy hand of Victorian-era styles, Hubbard founded the Roycroft Shop at East Aurora, New York, to revive old handicrafts, especially artistic printing. Hubbard's life ended when he went down with the "Lusitania" in the Irish Sea in 1915.

HAPPY BIRTHDAY

Bob Smith	8/23
Tim Copland	8/25
Gerson Coto	8/26

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

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QUOTE OF THE WEEK:

"THERE IS NO SUCH THING AS A 'SELF-MADE' MAN. WE ARE MADE UP OF THOUSANDS OF OTHERS. EVERYONE WHO HAS EVER DONE A KIND DEED FOR US, OR SPOKEN ONE WORD OF ENCOURAGEMENT TO US, HAS ENTERED INTO THE MAKE-UP OF OUR CHARACTER AND OF OUR THOUGHTS."

-- GEORGE MATTHEW ADAMS

INDUSTRY INSIGHTS

AMAZON.COM TEAMS WITH TOYS R US

(Associate Press, August 10, 2000)

Amazon.com and toy store giant Toys R Us Inc. are collaborating to create a toy and video games store and a baby products store on Amazon.com's Web site. Under the alliance, Toys R Us' Internet subsidiary, toysrus.com, will buy and manage inventory, which will be housed in Amazon.com's DC's around the country. Amazon.com will create and maintain the new Web site, handle transactions, and fulfill orders.

The co-branded toy store is expected to start some time this fall. The baby store is slated to open in early 2001.

The alliance will bring much-needed cash to Amazon.com. The 10-year deal calls for Amazon.com to receive regular fixed payments from Toys R Us, a set payment for each item shipped and a percentage of the stores' overall revenues. Amazon.com will also receive warrants to acquire 5 percent of toysrus.com. The move signals Toys R Us' surrender of its own independent Internet stores - toysrus.com and babiesrus.com.

In February, toysrus.com received a \$57 million infusion of cash from Japanese venture capital firm Softbank, which it had planned to use for expansion. Recent surveys by MediaMetrix showed that toysrus.com is one of the most-visited toy stores online, though it was recently passed by eToys for the top spot in what is a very competitive market. Rival sites KBKids.com, laid off 30 percent of its staff, and Walt Disney Co.-backed Toysmart.com closed its doors earlier this year.

Other links that analyze the venture: **The Plot Thickens: Toysrus.com Pairs Up with Amazon** <http://www.ecompany.com/articles/web/1,1653,7019,00.html>, which also links to [Beware the Giraffe](#)

STAKE IN WEB BARGAIN HUNTER BOOSTS WAL-MART

(Upside Today, August 9, 2000)

Wal-Mart beefed up its European Web presence by partnering with AOL Europe and shopping comparison site ShopSmart.com to emblazon its message of low prices. Wal-Mart Europe said it is merging its UK price comparison site Valuemad with ShopSmart.com, and selling a stake in the combined company on to AOL Europe. Wal-Mart Europe and AOL Europe also struck a marketing deal, in which AOL would promote Wal-Mart's British unit ASDA as its preferred food and drinks retailer, while Wal-Mart would distribute AOL software to customers at its super stores.

"This reinforces Wal-Mart's image with the consumer in the UK and Germany as the champion of low prices," said one food-retailing analyst who declined to be named. Wal-Mart secured a European foothold by buying Britain's super store chain ASDA last year, and aims to sell its products 10 to 15 percent below competitors' prices. By teaming up with a popular site like ShopSmart, which searches the Web for the best prices, Wal-Mart expects to emerge as a discount champion in most of the product categories in which it is active.

But Wal-Mart's buying into ShopSmart would not affect the impartiality of price comparisons between on-line retailers, ShopSmart said. Nicholas Lovell, ShopSmart's finance director, told Reuters: "The contract says Wal-Mart will not be given preferential treatment (when it comes to price comparisons)."

Analysts pointed out that the deal included several other perks for Wal-Mart. By selling Valuemad in return for a minority stake in ShopSmart, Wal-Mart got round regulations in many continental European countries which prevent merchants from directly comparing prices with competitors'.

But analysts also pointed out that ShopSmart's price comparisons were limited to a few categories like music and videos. The rest of the site served as a catalog, creating a perfect platform for preferred suppliers such as Wal-Mart.

FROM DISTRIBUTION TO FULFILLMENT

(Grocery Distribution, July/August 2000)

In a recent report delivered to the Industrial Distribution Association (IDA), five major economic factors were identified as having an impact on traditional channels of distribution:

- Manufacturers moving from a "make-to-order" to a "just-in-time" manufacturing strategy
- Increasingly efficient logistics system in the US
- Supply chain focus on reducing transactional costs and improving over-all channel marketing efficiencies
- Vendor and channel consolidation
- The growing role of the Internet and e-commerce

All of these factors put pressure on the distribution system to change. In order to increase operational efficiencies, many distributors are re-engineering key processes in their business operations. General line distributors are focusing heavily on inventory management and order-handling processes; technical specialist distributors are examining sales support processes.

Another major factor driving change in the distribution business is consolidation. Distributors are joining alliances to manage the increasing turbulence of a changing channel system.

Distributors with non-differentiated brands face the greatest hurdles in an e-commerce supply chain environment. This makes them vulnerable to loose market share to fulfillment operations and forced to exit if they do not respond to the new realities of industrial distribution.

Changing Warehouse Practices

The issue for distributors is how to survive in an environment that will be dominated by fewer, larger and more nimble companies. While manufacturers pare down their distribution facilities networks and push for higher velocity, they are looking to the warehouse to provide supply chain flexibility. Stored inventory represents lost money to most enterprises. Warehouses are evolving into flow-through or crossdocking facilities where goods enter one side of the building, are reconfigured to customer/shipment requirements and immediately move out the other side of the building. According to a 1999 survey, high performance warehouses crossdock 50% or more of incoming goods and set targets of 25 to 50 turns per year.

The Fulfillment Business

New supply chain alternatives such as Internet retailing, consumer direct and business-to-business e-commerce are having a tremendous effect on how distributors operate. While many companies today use the Internet to reach their customers, more will begin to use the Web to manager their supply chains. As companies migrate to business-to-business e-commerce, their warehouse management system will need to become a Web-enabled tool, which will accelerate the transition from distribution to fulfillment services.

Distributors without an e-commerce infrastructure are at a disadvantage. They face higher operational cost and cannot process and ship orders as efficiently as the fulfillment facilities. For now, those costs have been recouped through negotiated "rebates" from manufacturers, and "cost plus" distribution fees. However, these revenue sources will dwindle as the manufacturers gain the option of using e-commerce and fulfillment warehouse and customers demand lower warehousing and shipping charges.

Researching New Customers

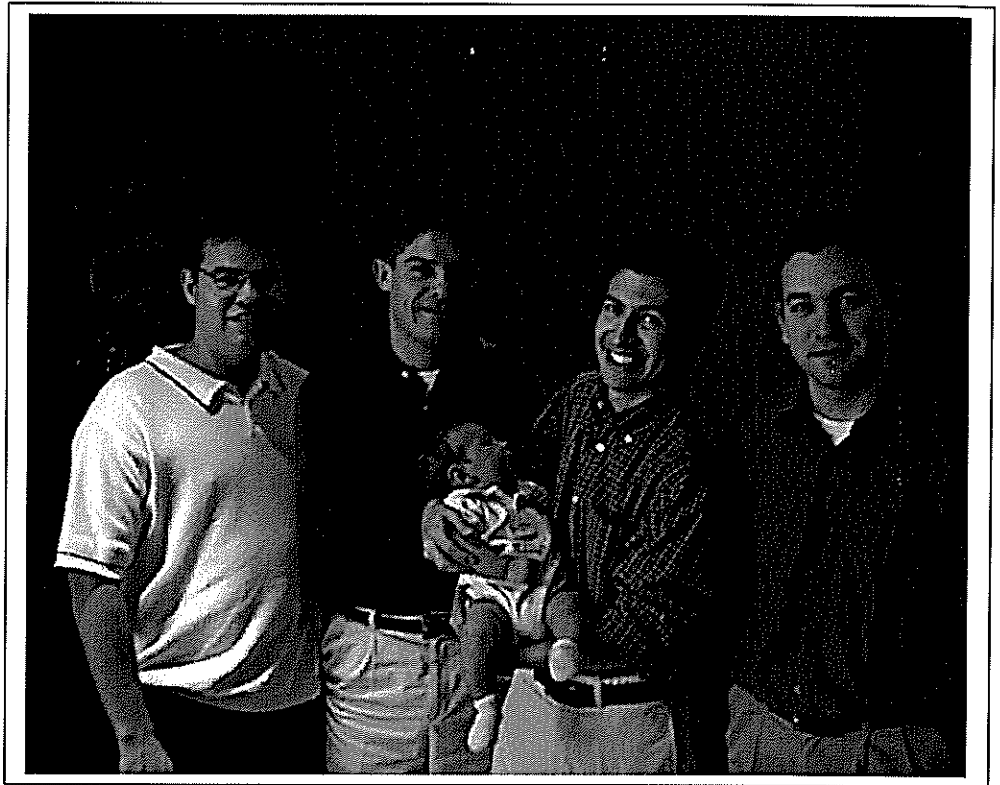
As the fulfillment business begins to replace traditional distribution, business-to-business management systems are introducing software to help distribution facilities handle orders more efficiently and let manufacturers and customers track shipments through the supply chain process.

The web-based technology and e-commerce is forcing a fundamental shift in the services distributors provide as they become even more critical links in their customers' supply chain. The net result is that distribution companies that recognize the changing business climate are beginning

to reinvent their cultures, moving quickly to reshape themselves as masters of logistics, supply-chain management, and warehousing. Transitioning to a fulfillment operation allows them to offer the value-added and cost-efficient services that help their customers remain competitive.

NOTES... NEWS... NONSENSE
OFFICE VISITOR

The Monterrey office received the visit of a newly born KSAer. From left to right, **Alberto Benavides, Marcos Cominas, Felipe Olivares and Roberto Trevino**, joined by **Felipe Olivares, IV** (in arms of the proud father).



YOU ARE MORE POWERFUL THAN YOUR PROBLEMS

(When Life Throws You a Curve Ball, Hit It, Criswell Freeman, Walnut Grove Press)

Take a moment to consider the miracle of the human brain – the most complicated creation on earth. Composed of trillions of separate yet interconnected cells, your brain allows you to live, breathe, think, hope and dream.

As you read these words, your heart continues to beat, your blood pressure and temperature are regulated, and a multitude of internal organs sustain your bodily functions. Your eyes focus and refocus as you read down the page. In addition, you have enough spare brainpower to think about the words you are reading. Amazing isn't?

Your brain never rests. Even while you sleep, it keeps working, never stopping for a single moment. It gives most of us a lifetime of service with very few mechanical problems. Though the brain contains trillions of moving parts, it's never closed for repairs – it just keeps doing the job, day after day.

Over a lifetime, your mind compiles a complicated, interwoven series of beliefs, hopes, wants, and needs. The result is your unique personality, one that is different from any other living human – past or present.

Considering it all, your brain is almost unbelievable in its miraculous powers. Possibly, you have been taking all this brainpower for granted. If so, it's time to reconsider. You have at your disposal the most powerful thinking apparatus ever created. That brain can become your best friend or your worse enemy, depending on how you use it. Given the brain's great potential, one thing seems clear: Your mind is more powerful than your problems.

HAPPY BIRTHDAY

Ralph Wear	8/16
Laurie Crankshaw	8/16
Dan Stonaker	8/20
Priscilla Jorgensen	8/20



Melissa McPhail	8/19/1996
Felipe Olivares	8/21/1995

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QUOTE OF THE WEEK:

"YOU MUST LEARN FROM THE MISTAKES OF OTHERS,
YOU CAN'T POSSIBLY LIVE LONG ENOUGH TO MAKE THEM ALL YOURSELF."

-- SAM LEVENSON

PROJECT POSTCARDS

SHOOTING STAR'S AT CORNERSTONE

-- BRAD ANDERSON

Moving into the sixth month of Base Plus implementation at Cornerstone in Cincinnati, Ohio, the STAR (Safety, Teamwork, Achievement and Recognition) program led by **Valerie Levy, Brad Anderson** and **Kevin Baird**, is in full swing. With productivity increases topping 180% and performance increases reaching 70% in some areas, KSA's core principal of providing high value services to the client is an understatement.

With 6 operations "on standard," 3 operations "in the works," and 4 operations "waiting in anticipation," the KSA team is scheduled to finish this implementation phase at the end of October. As a result of the productivity increases seen so far, all but one of the 6 operations has moved from a two-shift operation to a one-shift operation. Upcoming operations to receive the "STAR treatment" include returns processing, receiving, and replenishment-to-active.

With over 550 associates in the near-1 million square foot DC, the implementation team has learned that client education has been one of the most important factors of this project. Cornerstone's Vice President of Operations commented that a focus on staff and work balancing have been keys to their successes.

CONSULTANT SPOTLIGHT

ERIC WATTERSON, LIKES TO HIT THE SLOPES

Eric was born in Philadelphia, PA, but considers Fredericksburg, VA, his home. Eric makes it home to play polo with his family's horses in the summer time and in winter, you'll find him on the slopes whenever possible. And if you are able to make it to Blacksburg, VA, Eric recommends Mountain View Café for some absolutely fabulous Italian food.

Eric recently graduated in May from Virginia Tech with a BS in Industrial and System Engineering (Go Hokies!). During his four years of schooling and summers, he gained experience by interning at Framatome Technologies in Lynchburg, VA, and Rowe Furniture in Salem, VA.

Eric is a baseball fan, naming Oakland Athletics as his favorite team to watch. He enjoys listening to all types of music, from rock to country to classical. His favorite travel destination is Oregon, where he spent a treasured vacation with his grandparents, taking in the views that Oregon has to offer. In fact, one of Eric's ideal places to live would be somewhere in the Cascade mountain range on a horse ranch. The other option he'd like to pursue someday is being a ski bum near Taos Ski Valley in New Mexico.

Eric joined KSA in July and is working on-site at Federated Department Stores in Los Angeles. He is looking forward to the challenges and rewards that are in his future at KSA.

INDUSTRY INSIGHTS

THINKING MACHINES

(Business Week, August 7, 2000) Contributed by Noam Paransky

After years of hype and letdowns, computers are starting to acquire real factory smarts. What was called artificial intelligence (AI), is now being called automated reasoning. And it is delivering impressive results in manufacturing. Unlike traditional AI, which tried to imbue computers with top-down intelligence, the new approaches let systems develop their own smarts, from the bottom up. The field has some colorful characters, such as intelligent agents, brain-like neural networks, and Darwinian genetic algorithms. Sometimes, evolutionary techniques can find answers that elude conventional problem-solving methods. Other times, the new software can generate startling results that open the eyes of engineers.

While AI technology has made substantial progress, everything isn't hunky-dory yet. For example, engineers complain that they have trouble using some of the genetic tools aimed at optimizing manufacturing processes. One hitch with them is that the number of calculations required increases geometrically with each additional variable. Finding the best combination of just six variables would require analyzing 720 possible combinations. But with 12 variables, the possibilities explode to 479 million. Industrial problems may involve scores of variables, so even supercomputers can chug away for days, weeks, or years before coming up with the optimum answer.

But evolutionary computing has some magic up its sleeve. Because the weak solutions from each generation aren't permitted to procreate, not every possible combination gets evaluated. So the problem shrinks dramatically, as does the execution time.

For all the details, click on Business Week's technology link:

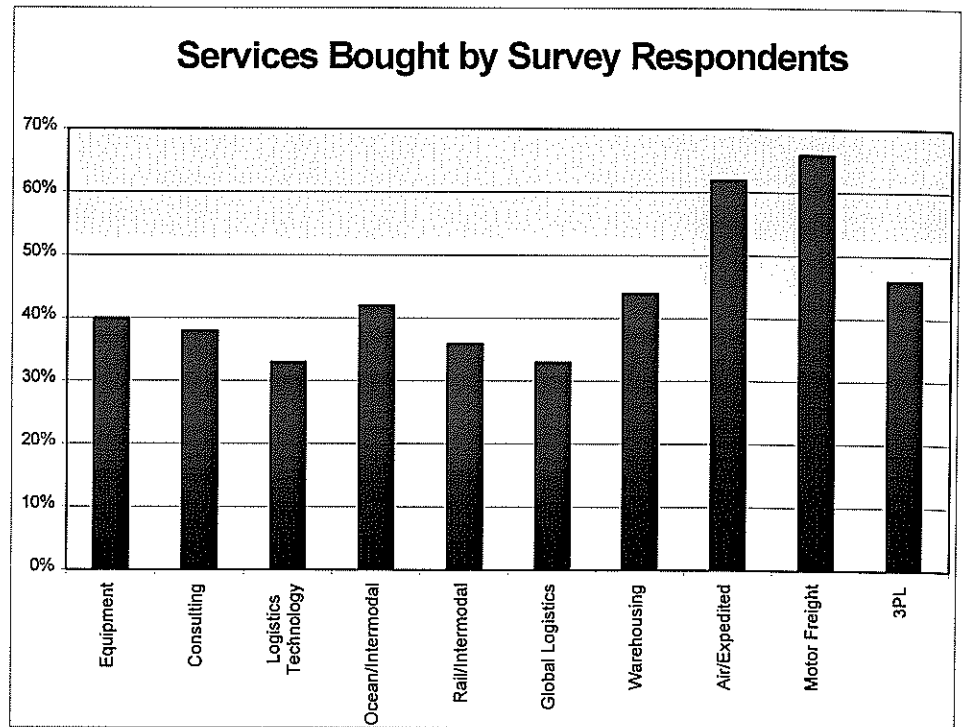
http://www.businessweek.com/2000/00_32/b3693096.htm

RECOGNIZING 3PL EXCELLENCE

(Inbound Logistics, July 2000)

For the third year running, Inbound Logistics has surveyed readers, to tap the knowledge base of outsourcing logistics experience to find which 3PLs were achieving excellence in customer service.

Who Responded: All industries were represented. Corporate management, logistics, supply chain and transportation management titles dominated again this year, accounting for almost 80% of survey respondents. 58% spend more than \$1 million a year on logistics services.



This Year's Top 10: Many companies seen last year in the top ten have a repeated appear. Ryder, for the third year, has captured the number-one slot, far outstripping the votes received by any other 3PL.

- | Top 10 3PL Excellence Survey | |
|------------------------------|--|
| 1. | Ryder Integrated Logistics |
| 2. | Menlo |
| 3. | Schneider Logistics |
| 4. | Penske |
| 5. | TIE: FedEx Supply Chain Services & UPS Logistics Group |
| 6. | EXEL |
| 7. | C.H. Robinson |
| 8. | HUB Group |
| 9. | Total Logistic Control |
| 10. | TIE: Danzas AEI & Fritz & Gatx Logistics |

TECHNOLOGY BEGINS TO MATURE
(Warehousing Management, July 2000)

The use of technology has never been greater within the warehouse environment, but some signs indicate the market may be maturing. Due to market saturation and price erosion though, vendors of WMS, barcoding, and other automatic identification tools, offer more features and warehousing-specific capabilities in efforts to differentiate themselves from each other.

As a result, the end user is getting a plethora of choices from their technology suppliers. All of which means the warehouse can be tooled for better efficiency and productivity than ever before.

Leading WMS vendors

According to Venture Development Corp., the leading suppliers of WMS software and services to the North American market in 1998 were:

- 1. EXE Technologies**
- 2. Manhattan Associates**
- 3. McHugh Software**
- 4. Summit Group**
- 5. Catalyst International**

Source: Venture Development Corp.

This article goes into more detail about WMS trends and integration issues. Click on <http://www.warehousemag.com/>



TRAVEL TIPS

WHAT'S TRAFFIC LIKE?
(Sites & Insights, #156, August 4, 2000)

You're taking a client out to lunch in the city, and you need a quick traffic report before you leave the office. No problem, just log on to TrafficStation (<http://trafficstation.com/>) where you can get real-time traffic reports for 27 cities in North America. Each city has a map showing congested areas in red. Clicking on them will give an explanation of the problem (the maps are updated every minute or so).

Other services include TransitCheck, which allows you to check on the status of public transportation systems in various cities. If you become a registered user of TrafficStation (it's free), you can get two personalized traffic routes per month; e-mail alerts about traffic problems; and support for mobile devices (cell phones, pagers, PDAs, and other wireless communication devices). TrafficStation plans to expand to more than 70 markets, so this site will be even more useful as time goes on.

HAPPY BIRTHDAY

Praful Karanth	8/6
Jose Antonio Del Angel	8/13



Mark Woodrow	8/10/1998
Patrick Bolduc	8/10/1998
Faith Cox	8/11/1987

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"IT'S ALL RIGHT TO HAVE BUTTERFLIES IN YOUR STOMACH.
JUST GET THEM TO FLY IN FORMATION. "



PROJECT POSTCARDS

IT'S A HARCOURT LIFE...FOR US

-- JEFF PICKEN

Neil Buck, the Project Manager, and myself, recently wrapped up a project with the Subscription Customer Service group of Harcourt, Inc., in Orlando, FL. The Subscription Customer Service group is the call center for Harcourt's journal divisions. They handle all the orders and cash for subscriptions for the journals.

The project was a short, 4-week, project that had a varying scope. The division was having problems with a new order entry software package (Advantage) they had just installed. The software is designed to track the subscriptions, and on a monthly basis, upload the information to the central accounting division (utilizing PeopleSoft).

The original project scope had the KSA team – me – diving headfirst into the two main operations, Cash Operations and Order Entry. The goal was to create Process Flow Diagrams of the areas to raise the level of understanding with senior management (the working assumption was that operations were OK, but management had some misunderstandings). Thus, I got to learn a new software package, Visio, to use as a tool in constructing these diagrams.

After the first week (three days on site), we discovered that there were opportunities for both operations and management to make improvements, so we shifted gears and expanded the scope to map out improvements as well.

In the end, we left Harcourt with detailed documentation on steps they should take to improve their SCS division. The main recommendation was a front-end database that would track all their orders and cash from receipt to entry into the Advantage system. This will be a Sequel Database with a

Visual Basic front end. The client is happy, and confident that they will be able to build a functional database, and follow through on the rest of the recommendations.

On a personal note, after spending almost two months on the road, I am happy to report that I will soon be reunited with my car and the rest of my belongings as I head for Los Angeles, and my next adventure with Duty Free Shoppers and their new DC.

INSIDE THE INTRANET

SUGGESTIONS WELCOME

-- NICOLE DISTASIO

A big thanks goes out to **Randy Unger** and **Janet Greer** for the recent Intranet submissions! We are working on getting those posted and hope to be able to update everyone on the newest entries next month.

In the meantime, please keep the submissions and suggestions coming in. If you are out on the Intranet and have any ideas about file structure or anything else you'd like to see out there, please drop Nicole DiStasio a line in the Atlanta office. I promise to pass along your ideas to the appropriate folks. As a reminder, any submissions can be sent my way as well!

INDUSTRY INSIGHTS

HE'S NOT PLAYING

(Business Week, July 24, 2000)

Can eToys' Toby Lenk turn around his embattled e-tailer before Christmas? Lenk will face the most stressful test of his career: delivering on all his promises. If he can, he'll have succeeded where many e-tailers haven't.

To read the Toby Lenk interview, click on: http://www.businessweek.com/2000/00_30/b3691052.htm

SOME DRASTIC DOT-COM REMEDIES AREN'T SO SMART

(Business Week, July 17, 2000) Submitted by Noam Paransky

The most frequently heard sound on the Web right now is the snip, snip, snip of companies drastically cutting budgets to conserve dwindling supplies of cash. After pouring billions into money-losing consumer Internet companies, Wall Street and venture capitalists have had enough and are now demanding results. Cost-cutting and shortening the timeline for when a company will be in the black have become absolute necessities for these out-of-fashion dot-coms.

However, businesses that start cutting before devising a fundamental strategy for growth in the new climate are bound to end up in trouble. Companies in it for the long haul should instead figure out what they have to do strategically to make themselves stand out. "In terms of adjustments, the mistake companies are still making is acting blindly without thinking out the consequences," says Rashi Glazer, professor of marketing at the Haas School of Business at the

University of California at Berkeley. "They are tacking too far in the other direction without asking themselves: 'What is my strategy?' How can I really be different in my space?"

"DOOM LOOP". Companies that don't go through this process will be facing even greater risks. Startups that rely solely on cutting could head into a downward spiral if revenue doesn't increase enough to offset low margins. That could lead to a whole new round of cost-cutting, or what Goldman Sachs analyst Anthony Noto calls a "doom loop." He expects this syndrome to begin hitting dot-coms soon.

A case in point, according to some management experts: Furniture.com. The online home-furnishings company epitomizes the reversal of fortune many dot-coms are experiencing. It went from filing for a public offering in January to pulling its IPO in June and talking with bankruptcy lawyers. Furniture.com was eventually able to raise \$27 million in venture funding, but at a lower valuation than it had gotten the last time it raised money.

In a bid for survival, Furniture.com has been furiously slashing costs. The company, which used to offer free shipping for delivery and returns, has begun charging a \$95 delivery charge. Last month it laid off 41% of its staff. But some management experts question whether the cost-cutting at Furniture.com addresses the fundamental challenge: Is there a way to sell furniture over the Web and ship it cost-effectively when you don't have a nationwide network of stores?

EXPLOITING ASSETS. Many e-tailers built their ambitious strategies on the ability to experiment at will and lose a lot of money for three or four years.

Forget those field-of-dreams scenarios now. If companies can't figure out how to deal with the underlying problems, they should sell themselves, not just try to cut back spending on an iffy model.

There are plenty of ways companies can differentiate themselves. For instance, some e-tailers are using assets they've already invested in to create revenue streams they hadn't considered before. PlanetOutdoors.com, is using its' existing infrastructure of warehouses and call centers to handle online sales for other e-tailers and content sites. The Boulder (Colo.) startup, which launched in October, expects that 40% of its revenue will come from those kinds of deals during the next two years. It wasn't until PlanetOutdoors.com had worked out these plans that it started cutting marketing budgets and staff.

Despite the need to show a path to profitability, companies shouldn't shy away from losing money. After all, it's still true that building a big business takes time. It's not that companies have to be profitable from the get-go. What companies have to do is prove that they have the insight to make themselves stand out, rather than just be skeletons of their former selves. They have to do that now, or pack it in.

NOTES... NEWS... NONSENSE

BOOST YOUR SELF-CONFIDENCE

(*Success Online, July 27, 2000*)

Scientists have helped establish that making a goal real in your mind, "visualizing" success, enhances performance and boosts self-confidence. Besides visualizing success, there are other things you can do to raise your self-esteem.

For example:

- Reach out to others. Say nice things. Lend a helping hand. By helping others, we feel more in control of our own lives.
- Avoid perfectionism. Not that you shouldn't try hard; just realize that perfectionism paralyzes and often keeps you from accomplishing your goals.
- Respect yourself. List 20 reasons why you should. If you can't think of 20, think of what people who admire you would say. (They're right, you know.)
- Act in accord with your own values. Choose the path that feels right for you.
- Be good to yourself. Do something just for you, that makes you feel good, every day.
- Challenge yourself. Pick up an encyclopedia and read one new entry at random. Take a course. Travel to a new place. Eat a new food. As you meet new challenges, you gain new confidence.
- Practice being optimistic. Fight pessimism. Think of setbacks as temporary and one of a kind, not permanent and "complete" failures.
- Don't take things so personally. Bad encounters often tell you more about how the other person feels at the moment rather than representing a failure on your part.
- Don't take things so seriously. Lighten up. Most of life's little calamities have two sides. Try to gain a balanced perspective and you'll bounce back more quickly from disappointments and embarrassing moments. And people will like you better.

Practicing these positive measures reinforces your own belief in your self-worth and increases your self-esteem. Then you'll have the master key to your own success.

RELOCATOR ROUND-UP

Note: Please contact Laurie Crankshaw with corrections

United States			
California	Moosabhoy, Mufaddel	Consolidated Stores	Rancho Cucamonga
	Nguyen, Han	Consolidated Stores	Rancho Cucamonga
	DeZwarte, Carol	Consolidated Stores	Rancho Cucamonga
	Brunson, Andrea	Federated Stores	Los Angeles
	Soller, Todd	Federated Stores	Los Angeles
	Watterson, Eric	Federated Stores	Los Angeles
	Picken, Jeff	Duty Free Shoppers	Los Angeles
	Ehlers, Barry	eToys	Santa Monica
	Bao, Johnny	eToys	Ontario
	Mensch, Kirk	eToys	Ontario
D.C. (Washington)	Vehar, Tammy	National Geographic	Washington
Florida	Kingsley, Jeff	Home Shopping Network	Miami office
	Baltazar, Jesus	Timberland	Miami office
Georgia	Chang, Iris		Atlanta Office
	Chinan, Vikas	Aramark Uniform Services	Lawrenceville
	Dencker, Suzanne		Atlanta Office
	Purefoy, Dan	Nike	Atlanta Office
	Timerlake, Jajuan	Federated	Atlanta
	Rockman, Jason	Federated	Atlanta
	Johnson, Andy	Staples	Atlanta Office
	Taylor, Brad	Wal-Mart.com	Atlanta Office
	Benjamin Mokotoff	ConAgra	Atlanta Office
	Todd, Aaron	Smile-Makers	Atlanta Office
Vanags, Scott	Block Sportwear	Atlanta Office	
Illinois	Bolduc, Patrick	Sears	Chicago
	Nadkarni, Kedar	Sears	Chicago
Kentucky	Edmonds, Lucy	Ann Taylor	Louisville
	Ehlenberg, Brian	Guess?	Louisville
	Hescock, Steve	Ann Taylor	Louisville
	Ulicny, Dan	Global Sports	Louisville
	Bolton, Richard	Global Sports	Louisville
	Paransky, Noam	Global Sports	Louisville
	Ryan, Sean	Smith & Hawken	Florence
	Leggio, Frank	KBkids.com	Danville
Maryland	Allen, Peter	Lippincott Williams Wilkins	Hagerstown
Massachusetts	Griffith, Brad	Staples	Boston
New Jersey	Digulla, Lori	Popular Club	Edison
	Dietz, Eric		Princeton Office
	Eisa, Ashraf	Wal-Mart.com	Princeton Office
	Thomas, Mark	Wal-Mart.com	Princeton Office
	Mays, Jon	Brooks Brothers	Princeton Office
North Carolina	Densmore, JD	PVH	Jonesville
Ohio	Anderson, Brad	Cornerstone	Cincinnati
	Levy, Val	Cornerstone	Cincinnati
	Baird, Kevin	Cornerstone	Cincinnati
Pennsylvania	Davis, Seth	Ross Stores	Carlisle
	Dugger, Greg	Bestform	Johnson
	Fiore, Barry	Ross Stores	Carlisle
	Messinger, Mark	Ross Stores	Carlisle
Tennessee	Christos, Jason	Nike	Memphis
	Sampson, Brad	Nike	Memphis
	Burke, Joni	Nike	Memphis
Virginia	Benton, Josh	eToys	Danville
	Fong, Terrance	eToys	Danville
	Giles, Laura	eToys	Danville
	Kellogg, Michael	eToys	Danville
	Morales, Enrique	eToys	Danville
	Olds, Shawn	eToys	Danville
	Raines, Joe	eToys	Danville
	Webster, Jack	eToys	Danville
	Copland, Tim	eToys	Danville
	La Vecchia, Marianna	eToys	Danville
West Virginia	Steele, Brenda	Coldwater Creek	Parkersburg
	Garrett, Jim	Coldwater Creek	Parkersburg
	Whitehouse, Sean	Coldwater Creek	Parkersburg
Wisconsin	McGraw, Colleen	JC Penny	Milwaukee

Mexico			
Aguascalientes	Ayala, Jose Gerardo	Vianney	Aguascalientes
Jalisco	Hernandez, Sergio	Vanity Fair Intimates	Lagos De Moreno
	Lopez, Rodrigo	Vanity Fair Intimates	Lagos De Moreno
Nuevo Leon	Benavides, Alberto	Milliken CBI	Monterrey
	Olivares, Felipe	Milliken CBI	Monterrey
	Duque, Max	Milliken CBI	Monterrey
	Trevino, Roberto	Seminis	Monterrey
Zacatecas	Martinez, Andres	Vanity Fair Intimates	Fresnillo
Tamaulipas	Felix, Ignacio	Vanity Fair Intimates	Reynosa

United Kingdom			
England	Dayton, Britt		England Office
	Deaton, Ashley		England Office
	Osburn, Steve	TGD Logistics	England Office
	Jeffrey Sauls	MRI (Project Relay 3)	London

Central America			
Cortes	Roriguez, Gustavo	Vanity Fair Intimates	San Pedro Sula, Honduras

Canada			
Quebec	Peacock, Shannon	Aerated Home Furnishings	Montreal

Japan			
Tokyo	Bruce, Dan	Jusco	Tokyo Office
	Roge, Bob	Jusco	Tokyo Office
	Swensen, Kem		Tokyo Office

HAPPY BIRTHDAY

Chuck Easley	8/1
Cameron Geiger	8/3
Brad Anderson	8/3
Barry Ehlers	8/3
Debi Hamrick	8/6

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

the HOT SHEET

19 no 26

July 14, 2000

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Editor: Suzanne Judd

Fulfillment Services Group

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

QUOTE OF THE WEEK:

"LONG-RANGE PLANNING DOES NOT DEAL WITH FUTURE DECISIONS,
BUT WITH THE FUTURE OF PRESENT DECISIONS."

-- PETER DRUCKER

PROJECT POSTCARDS

CONGRATULATIONS TO GREG ROBINSON AND TAMMY VEHAR FOR THE "SMOOTHEST
TRANSITION EVER IN NATIONAL GEOGRAPHIC HISTORY."

-- GREG ROBINSON & TAMMY VEHAR

It all began at the end of January when **Tammy Vehar** received a phone call from **Ralph Wear** saying, "We have a 6:25 a.m. flight tomorrow morning to Washington D.C., National Geographic Society (NGS) requires formal business attire, **Chris Merritt** is going to send you about 3 MB of history on NGS which you will need to review prior to the flight, and we have a great relationship with NGS so please don't screw this up. Oh, by the way, welcome to your new project!" Fortunately for Tammy, Ann Taylor was having a sale on suits (how many logistics consultants need suits?) and that flight was cancelled due to a snow storm in D.C. giving her a little more time to review the "brief" history Chris had provided on NGS.

National Geographic Society is comprised of many different businesses, most of which are fulfilled by different vendors (providing many opportunities for KSA assistance). The mission of this project was to move the front-end operations of both their catalog business and their webstore business from CDS (a third party logistics provider) to another third party logistics provider. KSA was asked to assist in the writing of the RFP and the vendor selection process.

Keystone Internet Services (a subsidiary of Hanover Direct) has been providing distribution fulfillment for the catalog, webstore, school publishing, and retail store businesses of NGS since April 1999. Therefore, when beginning the RFP process for a front-end provider, Keystone was an appealing option for obvious reasons. However, in true KSA fashion -- exhaustive research was required. A site visit to their facility in beautiful and action-packed Hanover, PA, was conducted; interviews were conducted with current clients of Keystone (including **Brad Humphries** and **Mohan Komanduri**); a cost/benefit analysis was done to validate Keystone's proposed pricing; and a proposal analysis was done to measure the benefit of all services they offer. After conducting this thorough research, Keystone remained the best vendor available for the order

processing, customer service and inventory management aspects of the catalog and webstore businesses at NGS.

Now it was time for implementation! As the webstore was also in search of a new host for their site, it was determined that the catalog business would transition first, with a go-live date of June 13, and the webstore business would transition later in the summer. To facilitate a smooth, organized implementation, NGS and KSA resources were divided into teams, each focusing on different areas of the implementation. One team developed was the Perpetual Inventory Team. This team's purpose was to determine how NGS would continue to have shared inventory across the catalog, webstore, school publishing, and retail store businesses while orders were being taken for each of these businesses in different locations. Having had previous experience with inventory projects, KSA brought in **Greg Robinson**, a PEG IT consultant, to lead that team. Tammy focused on the business configuration and customer contact teams.

The 12 weeks of implementation included, but were not limited to, the following tasks:

- setting up the NGS business on Keystone's production systems,
- training customer service reps,
- transitioning the maintenance of perpetual inventory from CDS to Keystone,
- developing an inventory model in which all NGS businesses with distribution fulfillment at Keystone would be able to take orders at separate locations from a single unallocated inventory while equitably minimizing risks to each of NGS' businesses,
- augmenting the NGS homegrown demand forecasting system to accommodate and the additional demand and inventory reporting.

Given this scope, these weeks called for some long hours, tough meetings, and more trips to Hanover, PA. All well worth it though, for the result on June 13 was the "smoothest transition ever in NGS history" according to Donna Hasslinger, VP of Member Services at NGS.

We continue to do support for the catalog transition, as their new Fall Catalog dropped Monday, July 10. We are also furiously beginning the transition of the webstore, which is scheduled to launch August 15, to a new host. Yet another KSA consultant from a different FST, **Patrick Poon** in Merchandising, has been brought to Washington to help lead the process mapping of the webstore business transactions between, Keystone, NGS and Digital River, the vendor that has been chosen as the new host of the site. Greg initially led the business configuration efforts for the webstore transition and now Tammy is leading that effort. Greg is now leading a project just recently sold to NGS, a requirements and gap analysis for their books inventory and PeopleSoft financials. This project is generously scoped for six weeks.

All of these efforts have required the leveraging of the expertise from Fulfillment, IT and most recently, Merchandising. Special thanks go to Chris Merritt and Ralph Wear for providing the industry knowledge and management support needed for such an involved project.

DIRECTOR'S DEPARTMENT
MERGER (NOT TOO) MANIA UPDATE
-- J. LYNN SPUHLER

It has been a short two months since the formation of the Fulfillment group. What is the same, what is changed, where are we headed?

The same -- Our focus on delivering **high quality results**, placing the client interests first, and doing what it takes in order to get the job done. You are all to be congratulated on maintaining this focus. Our client feedback continues to provide rave reviews for the results being achieved. This is no small accomplishment, as many other organizations become internally focused and paralyzed when organizational change occurs. (In contrast, I doubt if KSA clients are even aware that we went through an internal organizational merger.) KSAers resilience and ability to maintain the course are important, unique aspects of our culture. Again, congratulations on this important aspect of the merger.

The changes -- To date the changes have been in two areas. The most visible has been in the area of **resource sharing** and assignments. We have already seen several projects enjoy the benefits of consultants with manufacturing, distribution, and technology backgrounds coming together in situations which may not have occurred previously. In addition, we continue to share resources with other KSA groups on a project by project basis, as well as opportunities to provide direct support. **Mike Gregory's** opportunity to join the E-Commerce Task Force led by **Glenn Hershey** and **Rod West's** opportunity to join the new Food and Grocery CST led by **Rich Miskewicz** are the most recent examples.

The second change so far has been **internal consolidation and implementation** of common policies, procedures, and administration. Frankly, to me these things always take longer than expected. However, good progress has been made (e.g., each relocater now has an initial "home" office through individual meetings with one of the service directors, the rewrite of the relocation policy is near completion, etc.) and admin tasks have been consolidated. There is still some clean-up to do in this arena, but for the most part, they are completed.

The future -- We are now beginning to focus on the most significant task, yet most important benefit of the merger: **The development of the service and market strategies which will leverage the synergies now available to us.** This includes a review of our current markets and services as well as the formation of new opportunities for KSA.

The service directors recently completed our first full day meeting devoted solely to this topic. There have been numerous meetings with practice leaders throughout KSA to solicit their vision, thoughts, and input. A methodology and framework similar to the KSA global strategy presented by Peter Brown has also been adopted. Some of you have provided your thoughts verbally or in memos regarding opportunities we have going forward and that input is part of the discussions. However, we know we are still in the embryonic stage of this task. There will be numerous sessions, meetings, etc., planned. We will try to provide periodic updates of progress. In the meantime, if you have additional thoughts, please let know us.

Overall, in my view, after two months the merger is off to a good start. Realistically, there are always things we probably could have done better, however, the transition has been relatively smooth. Most importantly, we now are in a good position to move forward and build on the new integration opportunities which frankly will simultaneously be the most fun and most challenging aspects of the new group.

I know I speak for all the service directors when I say "*Thanks for your assistance, patience, and support*". We are all looking forward to a strong second half year with your help.

FORWARD PROGRESSION

-- RANDY MOORE

Welcome to the new KSA Orientation class! Orientation Class is July 17-22 and it is always an exciting time of year as we introduce bright, new talent into KSA. Fulfillment has 14 consultants in this class! These are: **Kevin Baird, Rich Bolton, Carol DeZwarte, Jim Garrett, Prafal Karanth, Mike Kincaid, Kevin Knight, Marianna La Vecchia, Kirk Mensch, Craig Morin, Jason Rockman, Sean Ryan, Eric Watterson, and Sean Whitehouse**. Most of these are just beginning their careers next week, although several others have been working for a month or two. This new group of KSAers will be joining a project near you soon, so please welcome them aboard!

On Monday, July 10, a group of senior Fulfillment Principals met in the New York office to begin the process of identifying new services for the Fulfillment group. We have completed much of the administrative portion of combining the Logistics and Operations groups during the past two months. Now we can begin the process of understanding how we can truly synergize the skills of the groups and provide broader and more comprehensive services to our clients. It will be a time-consuming process and we began this on Monday by reviewing existing services and markets to determine our current market positioning. In the next few weeks, we will decide how to improve our market position (by extending our markets, or by expanding our services). We will determine which new services to develop and also what current services can be improved and how. We will then determine an action plan for achieving all of this. It is an exciting process to take two very strong and successful practice units and formulate plans for making them even stronger and well-positioned for the years ahead. We will keep you posted on our continued progress.

INDUSTRY INSIGHTS

CONVEYING A NEED FOR SPEED

(Warehousing Management, June 2000)

As demand for conveyors increases, vendors are responding with high-tech equipment. Higher speeds, better integration with other equipment, and faster delivery all combine to make the conveyor a popular and often necessary choice in today's warehouse. Manufacturers are designing quieter and more ergonomically friendlier conveyors, as well as having the flexibility to change speeds with demand requirements. This article highlights Lillian Vernon's distribution center in Virginia Beach, VA; a facility that moves 35,000 orders a day through more than a mile of conveyors. <http://www.warehousemag.com/>

INDIA: HOT SPOT FOR IT OUTSOURCING
(Call Center CRM Solutions, June 2000)

India, the world's largest democracy and home to nearly one billion people, has quietly but quickly emerged as a leader in the field of software development and Web-based services. India has a competitive advantage in the software business, as it is a location that offers cost-effective solutions, world-class quality, high reliability, and rapid delivery.

Having established its presence in the global software development market, India is now emerging as a preferred destination for outsourcing of IT-enabled services, which include call centers, medical transcription, back-office operations, revenue accounting, insurance claims processing, content development, animation, payroll and logistics management. For the complete article: http://www.tmcnet.com/articles/ccsmag/0700/0700ts_itt.htm

VENDOR VITTLES
CALL-CENTER UPGRADE EMBRACES ELECTRONIC INTERACTIONS
(InformationWeek, July 10, 2000)

Call-center vendor Davox Corp is trying to make sure it doesn't disappear along with the call center as more and more businesses handle customer interactions over the Web. The new version of its flagship product, Ensemble 2.0, boasts e-mail response-management technology to help businesses sort and route incoming e-mail and respond to messages more quickly.

A Web call-back feature will let customers browsing a Web site send a message asking for a customer-service rep to call them immediately. The multimedia Agent Desktop brings e-mail and telephone interactions into a single interface, while the Multimedia Management Reporting application helps managers track contact-center performance and customers across multiple channels.

Ensemble 2.0 will be available in the third quarter for \$2,000 - \$4,000 per customer-service agent.

NOTES... NEWS... NONSENSE
THE PHYSICS EXAM

The following concerns a question in a physics degree exam at the University of Copenhagen: "Describe how to determine the height of a skyscraper with a barometer."

One student replied: "You tie a long piece of string to the neck of the barometer, then lower the barometer from the roof of the skyscraper to the ground. The length of the string plus the length of the barometer will equal the height of the building." This highly original answer so incensed the examiner that the student was failed immediately. He appealed on the grounds that his answer was indisputably correct, and the university appointed an independent arbiter to decide the case. The arbiter judged that the answer was indeed correct, but did not display any noticeable

knowledge of physics. To resolve the problem it was decided to call the student in and allow him six minutes in which to provide a verbal answer which showed at least a minimal familiarity with the basic principles of physics. For five minutes the student sat in silence, forehead creased in thought. The arbiter reminded him that time was running out, to which the student replied that he had several extremely relevant answers, but couldn't make up his mind which to use.

On being advised to hurry up the student replied as follows: "Firstly, you could take the barometer up to the roof of the skyscraper, drop it over the edge, and measure the time it takes to reach the ground. The height of the building can then be worked out from the formula $H = 0.5gt^2$. But bad luck on the barometer.

Or if the sun is shining you could measure the height of the barometer, then set it on end and measure the length of its shadow. Then you measure the length of the skyscraper's shadow, and thereafter it is a simple matter of proportional arithmetic to work out the height of the skyscraper.

"But if you wanted to be highly scientific about it, you could tie a short piece of string to the barometer and swing it like a pendulum, first at ground level and then on the roof of the skyscraper. The height is worked out by the difference in the gravitational restoring force $T = 2\pi\sqrt{l/g}$.

"Or if the skyscraper has an outside emergency staircase, it would be easier to walk up it and mark off the height of the skyscraper in barometer lengths, then add them up.

"If you merely wanted to be boring and orthodox about it, of course, you could use the barometer to measure the air pressure on the roof of the skyscraper and on the ground, and convert the difference in millibars into feet to give the height of the building. But since we are constantly being exhorted to exercise independence of mind and apply scientific methods, undoubtedly the best way would be to knock on the janitor's door and say to him 'If you would like a nice new barometer, I will give you this one if you tell me the height of this skyscraper'."

The student was Niels Bohr, the only Dane to win the Nobel prize for Physics. And a great example of thinking outside of the square you live in.

HAPPY BIRTHDAY

Iris Chang	7/18
Jan Watson	7/18
Rich Bolton	7/25



Ike Myers	7/18/1977
Jason Christos	7/19/1999
Laura Giles	7/19/1999
Brad Griffith	7/19/1999
Michael Kellogg	7/19/1999
Colleen McGraw	7/19/1999
Mufadal Moosabhoy	7/19/1999
JuJuan Timberlake	7/19/1999
Tammy Vehar	7/19/1999
Comer Shuford	7/19/1999
Shannon Peacock	7/19/1999
Vikas Chinan	7/19/1999
Denise Trostle	7/20/1981
Jeff Kingsley	7/23/1998

the HOT SHEET

vol. 9 no. 25

July 7, 2000

Publisher: Laurie Crankshaw

Editor: Suzanne Judd

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Fulfillment Services Group

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

QUOTE OF THE WEEK:

"LIFE IS LIKE A LANDSCAPE. YOU LIVE IN THE MIDST OF IT,
BUT CAN DESCRIBE IT ONLY FROM THE VANTAGE POINT OF DISTANCE."

-- CHARLES A. LINDBERGH (1902-1974)

INSIDE THE INTRANET

CHECK OUT WHAT'S NEW ON THE INTRANET!

-- NICOLE DiSTASIO

If it has been a while since you've wandered out on to KSA's Intranet, now is a good time to see all of the new material that has made its way to our collective electronic body of knowledge. There is a wealth of archived documents and reference materials at your fingertips!

For those of you who might be in need of a quick refresher on the Intranet and some of the ways it can help you, here is a short synopsis and a few tips to make your life easier.

- **Document Archive**

The Document Archive provides controlled access to client documentation. The Archive is organized alphabetically by client and engagement.

Tip: This means if you already know of a project that relates well to something you are working on, you can reference the Archives directly to access a previous project's documentation.

- **Tools of the Trade**

Tools are documents that can be downloaded and reused by anyone in KSA. They have been sanitized to remove client specific information. Tools of the trade can include such items as methodologies, best practices, thought papers, standard presentations, forms, etc. Once you are in Tools, you'll see the Fulfillment folders.

Tip: To make accessing the Intranet a snap, add <http://webstage/intranet> to your list of "Favorite" web sites today!

Latest Postings

Most recently, we have added some Wave Management Training documents to the large Training Programs folder that already includes some Base Plus® Training, Goal Training, and COI Training documents, just to name a few. To have a look in the Training Programs folder, just click on the following link: <http://web1/tools/fulfillmentserv/distribution/trainingprogra/> and marvel at all the information just waiting for you!

Also new in Tools of the Trade are some great new 3PL vendor information and 3PL RFP documentation that is joining previously posted documents including “3PL Potential Negotiation Topics”, sample RFPs and a “Third Party Checklist”, among others in the 3rd Party Logistics folder. These documents and more can be accessed directly by clicking on this link:

<http://web1/tools/fulfillmentserv/distribution/strategyprojec/referencemater/3rdpartylogisti/>.

Another addition to Tools of the Trade is the entirety of the Performance Improvement BOK. The topics included in these folders include Control Plus, Engineering Manual, Project Management, Public Relations, Supervisory Incentives, and Temporary Workers among a host of others. You can investigate all of these reference files and many others by clicking on the following link: <http://web1/tools/fulfillmentserv/distribution/performanceimp/publicfolderbo/>.

Last but not least, the Made to Order project documentation has been posted in the Archives under 'M'. They can most easily be found by clicking on this link: <http://web1/archive/m/default.htm>.

Many thanks to Iris Chang and Mike Gregory for those submissions! Keep 'em coming!

If you happen to be surfing the intranet and cannot find something you need or just think it would be valuable to other KSAers, give Nicole DiStasio a call in the Atlanta office. I will do my best to hunt down your request and have it posted on the intranet in a timely manner.

VENDOR VITTLES

LOOK! NO HANDS!

(Grocery Distribution, May/June 2000)

Voice recognition systems are finding an increasing presence in distribution facilities. Companies such as Kroger and Wal-Mart find these systems are improving picking accuracy, reducing training and eliminating the need for paper-based processes.

Voice recognition systems achieve these goals in large part by freeing workers' hands so they can handle packages faster and by eliminating the need to scan barcodes, type in codes or check computer screens. Picking information is delivered through the picker's headset via a RF link from the facility's WMS. Once the picker hears the instructions (an aisle number, slot number) for picking, the picker confirms the location is correct by speaking through the headset. If the location identified is correct, the system notifies the picker as to the number of items to select. Once this is completed, the picker alerts the system that the task is finished and another pick location is provided.

Teklogix, in Canada, which recently acquired SyVox Corp., a manufacturer of e-commerce speech-directed logistics applications claim that by using voice-directed systems, workers are just ahead of the next action. "Because they know what the action is before they begin it, they're able to move as fluidly as if they were responding to their own thoughts. In short, they work as quickly as humanly possible," says Jill Tierney, product manager.

Vocollect, Inc., based in Pittsburgh, says that some users have reduced mis-picks by 80% and allows for an increase in picking productivity. Training can take only 15 to 30 minutes. Many companies have been able to reduce training time for order picking applications from 4 to 2 days.

Vocollect and EXE technologies are forming an alliance to integrate Vocollect's voice directed technology and EXE's supply chain applications. Under the alliance, EXE will integrate the voice-activated terminal with its WMS to improve fulfillment productivity through paperless processes, which can increase labor productivity by as much as 15%.

April Voxware, in Princeton, NJ, has introduced the development of a Web-based voice solution for logistics and distribution. The system, called VoiceLogistics, streamlines aspects of e-logistics with voice, increasing the effective bandwidth of the warehouse. It helps lower fulfillment costs by managing package volumes accurately and decreases the order-to-consumer receipt time. As well as having voice prompts, users can voice in responses, confirmations, product status, quality, quantity and catch weights.

INDUSTRY INSIGHTS

TOP 100 RETAILERS

(Stores, July 2000)

Stores Magazine gives an overview of this past year's retail trends and ranks the top 100 retailers. The following link takes you to the complete story and the retailers rankings <http://www.stores.org/eng/cover.html>

SOME HIGHLIGHTS: There has been, and will continue to be, consolidation in the retail industry. But there is also a countervailing fractionalization, thanks in large part to the Internet. Bricks-and-mortar may seem archaic to some, but new stores are providing current growth, even though billions more dollars are being invested in on-line ventures than on traditional stores.

Nowhere is this dichotomy better exemplified than at **Federated Department Stores**, which has performed brilliantly since acquiring direct marketer and e-commerce service provider **Fingerhut** a little more than a year ago. In addition to Fingerhut's web efforts, Federated has launched macys.com and bloomingdales.com. As changes ripple through the industry, though, there is one constant: **Wal-Mart** is the largest retailer in the world, and continues to get bigger every day.

Wal-Mart is widening the gap between itself and its closest pursuers. In addition, there is also a growing fissure between those at the top of the chart and those at the bottom. Wal-Mart is so far ahead of other retailers that the sales of its four closest competitors combined do not match the

company's revenues of \$165.4 billion for 1999. Putting another spin on it, Wal-Mart's volume equals that of all the companies ranked No. 38 through No. 100 on the STORES Top 100.

Although it is not on this listing, the second-largest retailer in worldwide sales is Carrefour/Promodes, the French conglomerate that generated sales of approximately \$60 billion last year. Wal-Mart's push into the grocery business has precipitated consolidation and reshaped the supermarket industry in the United States. Kroger has catapulted past **Sears** to become the second largest retailer in America, with total volume of \$45.4 billion to Sears' \$41.1 billion.

Albertson's, which has integrated American Stores' food and drug chains, has also leapt into the Top Five retailers, with annual sales of \$37.5 billion. **Home Depot** is another First Five newcomer, with home improvement and building supply sales of \$38.4 billion, which places the 21-year-old company between Sears and Albertson's.

Slipping down into the high single-digit ranks are **Kmart**, Target -- which earlier this year changed its corporate name from **Dayton Hudson** -- and **JCPenney**. Kmart was busily remodeling and retrofitting stores to the Big Kmart prototype, adding more "pantry" items along the way and boosting sales 6.7 percent to \$35.9 billion.

Right behind, in seventh place, rests Target, which saw total volume rise 10 percent to \$33.2 billion without much help from its Mervyn's, Dayton's, Hudson's or Marshall Field's stores. JCPenney's woes have been widely reported and well-documented, as profits plunged 43.4 percent to \$336 million in 1999, even as sales rose 6.7 percent to \$32.5 billion.

Rounding out the Top 10 are grocery chain Safeway and wholesale warehouse operator **Costco**, each slipping a notch from last year's rankings. Safeway's volume jumped 17.9 percent, thanks primarily to its acquisition of Randall's Markets in Texas. Costco, whose figures date from the end of its fiscal year last August, rang up \$27.6 billion in sales.

APPAREL

Among apparel retailers, differentiation is a buzzword heard with increasing frequency. Given the number and range of competitors in this market, differentiation has become almost an obsession.

Private label is an obvious way to stand out from the crowd. But even retailers that have succeeded in establishing their stores as brands, such as **Gap**, Banana Republic, Old Navy, Abercrombie & Fitch and American Eagle Outfitters, have found that the going can get bumpy at times.

Together with upscale competitors such as Saks Fifth Avenue, Neiman Marcus and **Nordstrom**, traditional department stores such as Dillard's and the chains operated by Federated, May, Target and Saks are the fashion-forward retailers boosting trends across the country. They still hold a 21 percent share of the women's apparel market, according to NPD Group, a research firm based in Port Washington, N.Y.

Specialty stores are the biggest channel of distribution in the apparel supply chain, with a 26 percent share. Discount chains -- not just Wal-Mart, Kmart and Target, but also Ames, **ShopKo**

and Bradlees -- get one out of every five dollars spent in the category. Mass merchants -- Sears, Wards, JCPenney, Kohl's and Mervyn's -- divvy up a 14.1 percent share.

DISCOUNTERS

In a curious symmetry, as discount store retailers' share of market has increased, the number of companies operating in this segment of retailing has been drastically reduced. Wal-Mart and Target have been the ascending stars, while ShopKo, among the regionals, has displayed surprising resilience.

Kmart lived on the financial brink for much of the '90s, and this year did not get off to the great start that Floyd Hall would have liked for his final months in office.

Among the remaining few second-tier discounters, ShopKo has been able to keep growing, adding the Pamida chain last year and acquiring the smaller, more rural J.M. Place stores in the second quarter of this year.

Among other value retailers, the dollar store giants, **Family Dollar** and Dollar General, will both be growing their store bases by about 10 percent annually until 2005. Dollar General, resting midway through the Top 100 list with \$3.9 billion in sales, has been trying to attract convenience business by adding non-perishable food to its stock while paring softlines offerings. The slightly smaller Family Dollar, \$2.8 billion volume, has also been carried by its hardlines selection, with earnings up 30 percent in the first half of the current fiscal year, which ends August 25.

Among traditional department stores, No. 12 Federated, with annual volume of \$18.2 billion, has been faring the best, based on the strength of its private label merchandise and growing strength of its direct-to-consumer selling, primarily through its Fingerhut operation.

May Department Stores, No. 17 with \$13.9 billion in sales, has been content to remain largely on the sidelines when it comes to e-commerce and catalogs, while its same-store sales have been leveling off for the past 12 months. May's volume has been bolstered by acquisitions, including some excess units when Dillard's bought Mercantile Stores two years ago, and the Salt Lake City-based ZCMI 13-store chain last year.

Non-store retailers have been included among the STORES Top 100 Retailers ever since the survey was expanded a decade ago to cover the full spectrum of the industry. Over the years, the Top 100 has included the **QVC** and **Home Shopping Network** television-based organizations, as well as **Spiegel** catalog and Fingerhut when it was an independent company.

This year marks the first appearance of an on-line retailer, Amazon.com, which generated sales of just over \$1.6 billion last year. The e-tail pioneer has the added distinction of being the first Top 100 retailer never to have turned a profit.

NOTES... NEWS... NONSENSE

LEADERSHIP

Here's a classic piece of leadership wisdom that applies to achieving success in any endeavor that requires working with others.

A leader is best
When people barely know he exists.
Not so good when people obey and acclaim him.
Worse when they despise him.
"Fail to honor people,
They fail to honor you;"
But of a good leader, who talks little,
When his work is done, his aim fulfilled,
They will say, "We did this ourselves."

-- LAO-TZE, CIRCA 565 B.C., CHINESE PHILOSOPHER

Happy Birthday

Steve Knapik	7/15
Kedar Nadkarni	7/15
Anne Scola	7/15

HAPPY ANNIVERSARY



John Karonis	7/10/1989
Millie Cruz	7/10/1989
Lynn Senior	7/10/1991
Richard Dec	7/10/1995
Kedar Nadkarni	7/10/1995
Janet Greer	7/10/1995
Vic Bhargava	7/11/1994
Scott Sangrey	7/11/1994
Randy Unger	7/11/1994
Rod West	7/11/1994
Tim Copland	7/13/1998
Anika Ball	7/13/1998
Scott Vanags	7/13/1998
Aaron Todd	7/13/1998
Joe Raines	7/13/1998
Dawn Kale	7/13/1998
Andy Johnson	7/13/1998
Brenda Steele	7/13/1998
Andres Martinez	7/13/1998
Iris Chang	7/14/1997
Val Levy	7/14/1997
Marcos Corminas	7/14/1997