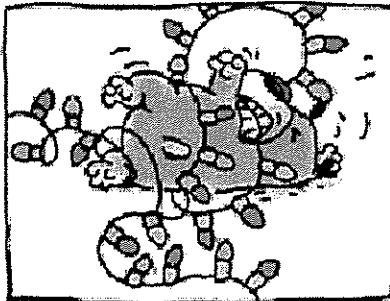


## **GOLD AND SILVER AWARDS**

**WITH THANKS TO LAURA LEGG**

<u>Type</u>	<u>Client</u>	<u>Client #</u>	<u>Project #</u>	<u>Project Description</u>
Gold	Alice Mfg. Co.	1886	4362	Strategy Phase I
Silver	Applied Information Marketing	5831	4249	Trademax Impl. For Hillshire Farms
Gold	ARA Services	2996	4906	Evaluate Byte System Implementation
Silver	Aramark Uniform Services	2996	4847	Manufacturing Management Assistance
Silver	Bear Creek Corporation	4517	6353	Cost Tracking Improvement
Silver	Coldwater Creek, Inc.	5443	3144	Base Plus
Silver	Cutter & Buck	5777	4831	IT Strategy
Gold	Essentus	5858	5035	Essentus Pre-sales Assistance
Silver	eToys	5646	3752	EDC Design & Implementation
Gold	Government of El Salvador	5894	2790	Marketing Assistance
Gold	Hamilton Beach Proctor Silex	4853	4529	Strategy
Silver	Johnston Industries	5897	8959	Review Business Plan & Corporate Finance
Gold	Jones New York	4433	2372	Application Architecture
Silver	MadeToOrder.com	5793	4379	3PL selection for company stores
Silver	Milliken & Co.	2802	7700	Encasing Fabric Study
Gold	National Geographic	4435	4562	Ngstore.com Web-site Integration
Gold	National Geographic	4435	5025	Project Management Assistance for Site Transition
Gold	Publix Super Markets	5908	5721	Supply Chain Strategy
Gold	Supervalu, Inc.	5589	2511	Enterprise Advantage Phase I Deployment
Gold	Supervalu, Inc.	5589	2426	PMO Implementation & Execution
Gold	Supervalu, Inc.	5589	2430	Test Implementation & Execution
Gold	VF Corporation	1402	5720	Logistics Strategy



## ALUMNI IN THE NEWS

### ARMY MOVE TO KUWAIT MAY SIGNAL WIDER WAR

(BY RON MARTZ — DECEMBER 13, 2001)

-- MIKE GREGORY --

In what may be an indication that the war on terrorism is about to widen, an Atlanta-based headquarters unit to oversee conventional U.S. Army ground troops has been deployed to Kuwait.

Headquarters for the U.S. 3rd Army, based at Fort McPherson, is in the process of finalizing relocation to the Persian Gulf nation, a spokeswoman for the unit said Wednesday. The relocation should be complete within a week.

"Being there will make the headquarters much more flexible to what's going on in the region," **Maj. Leanne Smullen** said. "The 3rd Army is the ground component of the U.S. Central Command, which oversees American military operations in 26 countries in the region, including Afghanistan. During the Persian Gulf War, the 3rd Army had more than 500,000 coalition soldiers under its control."

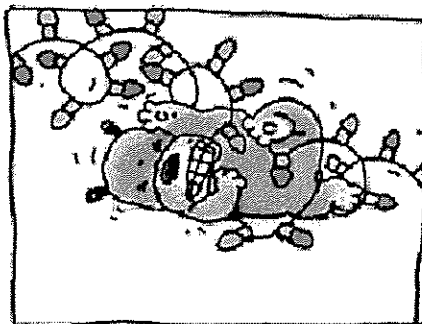
Most of the Army's ground troops currently in Afghanistan are Special Operations commandos, who answer to the U.S. Special Operations Command. It is based at MacDill Air Force Base in Tampa, as is the U.S. Central Command.

About 1,000 members of the 10th Mountain Division from Fort Drum, N.Y., are in Uzbekistan and Afghanistan. They generally are considered conventional forces. Paratroopers from the 101st or 82nd airborne divisions probably would be under the command of the 3rd Army if they were deployed to the region, as would armored units and mechanized infantry.

Smullen said she could not comment further on the reasons the headquarters was being moved.

But the deployment could indicate additional ground forces could be used either in Afghanistan or in some other country in the region. There has been speculation that Iraq could be the next target in the war on terrorism, but Pentagon and White House officials have consistently downplayed that.

The United States already has some Army, Air Force and Navy forces in Saudi Arabia, Kuwait and Qatar and stocks of equipment for an armored unit in Kuwait. It has held training exercises in the region since the end of the Gulf War.



## **ANALYST DESK**

### **NEW HAZMAT LEGISLATION**

*(BY LAWRENCE W. BIERLEIN - FROM TRANSPORTATION & DISTRIBUTION MAGAZINE - DEC. 2001)*

#### **Q: What is in the new hazmat legislation the Department of Transportation (DOT) has introduced?**

DOT has introduced a bill in Congress to strengthen hazmat regulatory programs. In the current climate, quick passage is deemed likely. Much of this bill was seen in previous requests to reauthorize DOT's law. Changes proposed earlier referenced the ValuJet experience to expand DOT enforcement powers. The new bill includes those proposals, as well as pertinent adjustments in the wake of the September 11 terrorist attacks. Proposals of major interest include:

- Y Clearer pairing of security with more traditional hazardous materials safety concerns. In the past, DOT's regulatory program was aimed at commercial hazmat shipments. Rules will apply to traditional shippers, carriers, and makers of hazmat packaging as well as to any person who "represents" that he/she is or is not engaged in these transport functions.
- Y The regulations would apply to carriers who "reject" hazardous material for transportation. Until now, carriers who did not offer hazmat services may have believed they were not subject to the regulations. "Will-not-carry" airlines today must have hazmat awareness programs for their employees to know what to reject. DOT is likely to propose such broader training requirements for all carriers.
- Y A "hazmat employee" would be defined to include anyone "used by a hazmat employer" to perform a hazmat function. Until now, the term only encompassed employees. Watch for new requirements compelling companies to assure training and keep records for employees of contractors "used" to handle hazardous materials.
- Y An unintended overlap between the Occupational Safety and Health Administration (OSHA) and DOT would be fixed, finally.
- Y Shipping paper retention would be expanded from one to three years.
- Y DOT inspectors would be authorized to "gain access to, open, and examine" a hazmat package "except for the packaging immediately adjacent to its hazardous materials contents." DOT could open a vehicle or freight container and outer packaging, but not the inner receptacle actually holding the hazardous material. This authority would be limited to occasions when the inspector has a reasonable and "articulable" belief that hazmat is in the package. Packages could be removed from transportation when the inspector believes they pose an imminent hazard. The inspector could gather information to ascertain the contents and, "as necessary, under terms and conditions specified by the Secretary, order the offeror, carrier, packaging manufacturer, retester, or other person responsible for the package or packages to have the package or packages transported to, opened, and the contents examined and analyzed at a facility appropriate for the conduct of this activity."
- Y DOT would be authorized to issue "emergency restrictions, prohibitions, recalls, or out-of-service orders, without notice or the opportunity for a hearing," but only to the extent necessary to abate an imminent hazard. New authority to stop and open shipments and to issue emergency orders would be implemented only after notice-and-comment rulemaking.
- Y The current civil penalty ceiling of \$27,500 per violation would be increased to \$100,000. Criminal "aggravated violations" that cause the release of a hazardous material would be punished by huge fines and up to 20 years imprisonment.
- Y The US Postal Service, which has not been subject to the DOT regulations for many years, would receive parallel civil penalty authority to punish violation of its hazmat regulations.

This legislation is aimed explicitly at undeclared hazmat shipments and is prompted by new security concerns. It is likely to move quickly through the process and will provide statutory support to significant new DOT hazmat regulatory programs in the coming years.

*Mr. Bierlein is a partner with McCarthy, Sweeney & Harkaway, P.C. in Washington, DC, whose practice is devoted to issues involving the transportation of hazardous materials. Reach him at 202-393-5710; Fax 202-393-5721.*

## **BRAIN TEASER ANSWER**

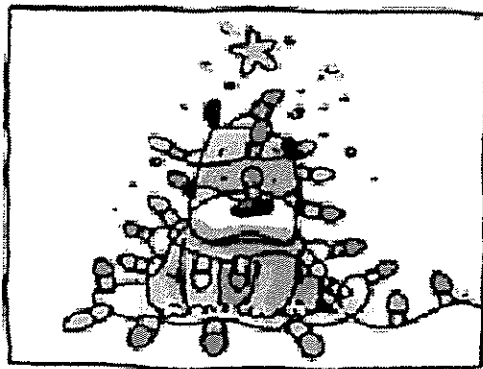
Solution:  $50,123 - 49,876 = 247$ .

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### **Quote of the week...**

*"Since you get more joy  
out of giving joy to others,  
you should put a good deal of  
thought into the happiness that you  
are able to give."*

**Eleanor Roosevelt**



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DEADLINES FOR SUBMISSIONS TO THE HOTSHEET  
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

EDITOR:  
CONTRIBUTING  
PUBLISHER:  
PUBLISHED BY:

IRMA M. ROSALES  
NICOLE DISTASIO  
KSA MIAMI



A FULFILLMENT PUBLICATION | DECEMBER 14, 2001, VOL. 10, No. 44

## **ANALYST DESK**

**WITH THANKS TO THE KRC**

**-- NICOLE DISTASIO --**

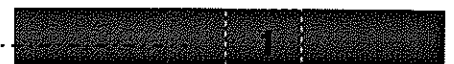
### ***What is a "White Paper, anyway?"***

A white paper is a 10 to 20 page piece whose production values fall between a manual and a brochure. A white paper's modest appearance leads the reader to expect an informational piece. White papers may be produced as downloadable PDF files as well as on paper. It's even possible to "charge admission" for PDF white papers by requiring prospective readers to fill out a contact form as a prerequisite to downloading.

The white paper is a versatile vehicle. It can address any subject that can be covered in 30-60 minutes of reading time. (A good white paper begins with a summary or introduction that helps managers decide whether to read the rest of the paper or pass it to a colleague or subordinate.) A white paper may take a horizontal slice across a product, cutting deeper into each feature than a brochure can. Or it may expose the details of new features or specialized subjects such as security. Several white papers may describe a product from different points of views: developer, user, and administrator, for example. Incidentally, multiple white papers for a product are often a good idea, especially for products that appeal in different ways to different users. Targeted papers meet reader needs better than "one size fits all," and new papers give sales people a rationale for revisiting prospects.

Whatever it's subject, a white paper describes a product or technology as an articulate and market-savvy developer might. With 10 or 20 pages to work with, it can explain features in enough detail to make readers comfortable with a product's or feature's fundamental design. A white paper illuminates not only design features but design decisions: not just what the Bifurcated Encrypto-widget does, but why it's there and why it's valuable. In tone, a white paper is like quality popular science writing, balancing accessibility and accuracy while telling a good story.

Although a white paper portrays a product positively, paradoxically, it may sometimes admit product weaknesses, especially those that will be obvious to a substantial number of readers. Admitting a patent shortcoming can build credibility and demonstrate that the company understands the product domain--while preemptively answering the reader's half-formed objection in the most advantageous way. Note that this approach is viable only if the product's positive attributes far outweigh the negatives; it can be effective with superior but immature products that compete against feature-rich "dinosaurs."



## **IMRA RESEARCH REPORT**

### **NEXT GENERATION PRODUCT ID MAKES PROGRESS**

*(NEWS@IMRA - VOLUME 2, NUMBER 44 12/7/2001)*

For 25 years, identifying products with a "bar code" or Universal Product Code (UPC) has helped global businesses reduce costs, increase efficiency, and drive innovation for the benefit of consumers, manufacturers, and retailers. However, as even the founders of the UPC acknowledge, the Code has its limits. For that reason, the leaders of the Uniform Code Council helped establish the Auto-ID Center at the Massachusetts Institute of Technology.

The Center is charged with building the next generation of the Bar Code, dubbed the "electronic product code" (ePC), which will link everyday objects (like bottles of shampoo and cartons of milk) to the Internet. If ePCs develop as planned, they will allow for individual products to be tracked throughout the entire supply chain - potentially revolutionizing retailing, as we know it. That's why IMRA is an original member of the ePC Alliance, the advisory board for MIT's Auto-ID Center.

The first phase of testing on the new ePC has progressed well enough that phase two is set to move forward. Brooke Peterson, Associate Director of MIT's Auto-ID center, reports that the Center will take what's been learned from phase one testing to improve the program and move on to phase two, set to begin in February 2002. The first phase of testing involved using embedded computer chips in pallets, while phase two will put the chips in cases of products, as well as the pallets they travel on. If testing continues to show promise, the Auto-ID center has plans to put the chips into individual products.

The efforts of the Auto-ID Center promise to deliver great benefits to corporations and consumers alike in areas such as product authenticity and availability and in the creation of greater efficiencies in the supply chain. Britt Wood, IMRA's Vice President of Research, Technology and Education and member of the ePC Alliance, stresses the importance of this effort to IMRA members: "All of this adds up to a technology that mass retailers and their suppliers need to pay attention to and get involved with." For more information please visit the Auto-ID Center's Web site at <http://auto-id.mit.edu> or contact Britt Wood at [bwood@imra.org](mailto:bwood@imra.org).

## **INSIDE THE INTRANET**

-- NICOLE DISTASIO --

### **Now Available**

After sorting out some technical difficulties with Intranet postings, you can now find the International Cornerstone Group's Base Plus Implementation documentation in the Archives under Cornerstone Consolidated Services Group (CCSG).

Now also available in the KSA Archives is the Oriental Trading Co.'s Assessment of Distribution Capacity and Operation documentation. Select documents from the OTC project can also be found in Tools of the Trade.

Thanks to Val Levy and Dan Stonaker for their submissions.

### **A Reminder**

Please keep the following in mind while preparing documents for submission:

All links and macros must be removed from documents to be submitted before they can be posted on the intranet. Links especially become problematic in regards to any and all Excel spreadsheets. We appreciate the time put into the creation of these documents as well as the efforts made to submit them and we would like them to be posted containing as much of the original content as possible. Thank you for your consideration.

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## **NEWS, NOTES AND NONSENSE**

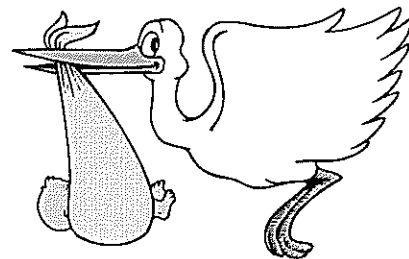
### **SPECIAL DELIVERY**

# *Congratulations!*

Rachel and Todd are the proud parents of a baby boy, Ryan Andrew Kolm!

On Thursday, December 6<sup>th</sup> after 16 grueling hours of labor, Rachel finally gave birth to a healthy... and hefty 8-lb. 12 oz boy (21 inches).

Both mommy and baby are doing extremely well!



**FUNNIES****-- IRIS CHANG --**

These are from a book called "Disorder in the Court." These are things people actually said in court, word for word, taken down and now published by court reporters. How did they keep from laughing while these were all taking place?

Judge: "Well, Sir, I have reviewed this case and I've decided to give your wife \$775 a week."

Husband: "That's fair, your honor. I'll try to send her a few bucks myself"

Q - What is your date of birth?

A - July fifteenth

Q - What year?

A - Every year

Q - What gear were you in at moment of the impact?

A - Gucci sweats and Reeboks.

Q - This myasthenia gravis, does it affect your memory at all?

A - Yes

Q - And in what ways does it affect your memory?

A - I forget

Q - You forget. Can you give us an example of something you've forgotten?

Q - How old is your son, the one living with you?

A - Thirty-eight or thirty-five, I can't remember which

Q - How long has he lived with you?

A - Forty-five years.

Q - What was the first thing your husband said to you when he woke up that morning?

A - He said, "Where am I, Cathy?"

Q - And why did that upset you?

A - My name is Susan.

Q - And where was the location of the accident?

A - Approximately milepost 499

Q - And where is milepost 499?

A - Probably between milepost 498 and 500.

Q - Sir, what is your IQ?

A - Well, I can see pretty well, I think.

Q - Did you blow your horn or anything?

A - After the accident?

Q - Before the accident.

A - Sure, I played for 10 years. I even went to school for it.

Q - Now doctor, isn't it true that when a person dies in his sleep, he doesn't know about it until the next morning?

Q - The youngest son, the 20-year old, how old is he?



Q - Were you present when your picture was taken?

Q - So the date of conception of (the baby) was August 8th?

A - Yes

Q - And what were you doing at that time?

Q - She had three children, right?

A - Yes

Q - How many were boys?

A - None

Q - Were there any girls?

Q - You say the stairs went down to the basement?

A - Yes

Q - And these stairs, did they go up also?

Q - Can you describe the individual?

A - He was about medium height and had a beard.

Q - Was this a male or a female?

Q - Is your appearance here this morning pursuant to a deposition that I sent to your attorney?

A - No, this is how I dress when I go to work.

Q - Are you qualified to give a urine sample?

Q - Doctor, how many autopsies have you performed on dead people?

A - All my autopsies are performed on dead people.

Q - All your responses must be oral, OK?

A - OK

Q - What school did you go to?

A - Oral

Q - Do you recall the time that you examined the body?

A - The autopsy started around 8:30 p.m.

Q - And Mr. Dennington was dead at the time?

A - No, he was sitting on the table wondering why I was doing an autopsy.

Q - Doctor, before you performed the autopsy, did you check for pulse? A - No.

Q - Did you check for blood pressure? A - No.

Q - Did you check for breathing? A - No.

Q - So, then it is possible that the patient was alive when you began the autopsy? A - No.

Q - How can you be so sure, Doctor?

A - Because his brain was sitting on my desk in a jar.

Q - But could the patient have still been alive nevertheless?

A - Yes, it is possible that he could have been alive and practicing law somewhere.

## **BRAIN TEASER AND ANSWER**

What is the minimum difference between two integers that between them contain each digit once?

Answer to last week's brainteaser - 29 days

Bravo to Roberto Treviño for fastest response time! Kirk Ziehm, Ignacio Felix, Bob Roge, and Mike Kincaid!

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### **Quote of the week...**

*"To be nobody but myself  
in a world which is doing its best,  
night and day  
to make me the same as everybody else  
means to fight the hardest battle any  
human being can fight and never stop  
fighting."*

**E.E. Cummings**  
**(1894-1962, American Poet)**

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DEADLINES FOR SUBMISSIONS TO THE HOTSHEET  
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

EDITOR: IRMA M. ROSALES  
CONTRIBUTING  
PUBLISHER: NICOLE DISTASIO  
PUBLISHED BY: KSA MIAMI



A FULFILLMENT PUBLICATION Y DECEMBER 7, 2001, VOL. 10, NO. 43

## INDUSTRY INSIGHTS

### NEW STUDY FOCUSES ON DATA CAPTURE ACCURACY

(*WAREHOUSING MANAGEMENT, DEC. 1, 2001*)

-- ROBERT FULGHUM --

As more emphasis is placed on accuracy within the warehouse, a new study reveals that almost all data capture information is inaccurate due to human input error and improper or missed scans, according to wireless supply chain visibility solutions provider WhereNet.

The problem is traceable in part to survey results that indicate a surprising number of respondents (84 percent) still rely on manual techniques to locate and track physical assets, and 100 percent of the respondents indicate that their asset management data is inaccurate due to this manual process. Respondents reported that their companies write off at least \$500,000 or more in annual losses as a result of lost assets or inventory.

"The results of this survey clearly substantiate the need for real-time visibility of supply chain assets to support lean manufacturing, synchronous material flow, enhanced operational efficiencies and bottom-line cost savings," said Tom Turner, senior vice president for WhereNet.

"This highlights the need and desire for companies to use technology and implement solutions that can make their supply chains operate more efficiently."

The survey highlights a range of concerns associated with current asset management methods, including significant labor costs and expenses incurred due to a lack of real-time information about inventory and assets in the supply chain. The survey reveals that:

- Y 100 percent of respondents admit that their data capture information is inaccurate due to human input error, improper scans or missed scans;
- Y 78 percent of respondents reported that operations personnel perform at least one search per day for inventory/assets, with 25 percent reporting more than 10 searches per day;
- Y 64 percent of respondents indicated that search times to locate each item take 30 minutes or longer;
- Y 10 percent of respondents indicated that their companies write off at least \$500,000 or more in annual losses as a result of lost assets or inventory.

Results of the survey suggest several trends. Operations and IT managers and executives agree that they could significantly streamline their operations if they had real-time connectivity to the assets that they are tasked with managing on a daily basis. Due to latency and human input error, current data collection processes and systems have proven to be bottlenecks for enterprises trying to implement lean manufacturing campaigns and optimize their supply chains.

WhereNet collected electronic responses from 146 survey participants. Respondents spanned more than a dozen industries with 56 percent of the responses coming from the automotive, aerospace and manufacturing sectors.

## **ANALYST DESK**

### **HELP FOR UNSOLD MERCHANDISE**

(*MATERIAL HANDLING MANAGEMENT ONLINE*, [www.mhesource.com](http://www.mhesource.com) DEC. 4, 2001)

Slow retail sales are all but certain this holiday shopping season. So what's a retailer to do with all its unsold merchandise?

A growing number of retailers and manufacturers are turning to a new on-line auction management service from GENCO that recovers as much as 70 percent of a product's original value, versus the traditional 15 percent to 25 percent. The new service also helps retailers respond more quickly to consumer demand, because it gives them a way to quickly clear the shelves of less popular or past-peak items and make way for fresh new goods.

The service works like this:

- Y From a load of excess inventory or returned merchandise, GENCO selects the items best suited for sale on-line, such as televisions and other consumer electronics.
- Y GENCO's partner, Slingshot Solutions, uses its proprietary software to survey what's selling on all the on-line auctions, such as E-Bay and Yahoo; to set a competitive price; and to gauge the best moment to offer the product for sale.
- Y All merchandise sold on-line is first quality, so that brand integrity is maintained. Items deemed inappropriate for on-line sale proceed through GENCO's traditional channels for redistribution or salvage.

Next year, GENCO and Slingshot plan to launch their own B2B auction site to sell much larger lots of merchandise to qualified buyers.

For more information, visit [www.genco.com](http://www.genco.com).

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## **BRAIN TEASER AND ANSWER**

The water lentil reproduces by dividing into two every day. Thus on the first day we have 1, on the second day we have 2, on the third 4, on the fourth 8, and so on. If, starting with one lentil, it takes 30 days to cover a certain area, how long will it take to cover the same area if we start with 2 lentils?

Answer to last week's brain teaser- Ann is 4 years old and her sister is 10.

Bravo to Kirk Ziehm - fastest response, Michael Marienfeld - best show of work, Terence Fong, Rob Oglesby and Bob Roge.


**RELOCATOR ROUNDUP**
**UNITED STATES**

ALLEN, PETER	KB KIDS	BLAIRS, VA
BAIRD, KEVIN	JONES NY	LAWRENCEBURG, TN
BALTAZAR, JESUS	BARNES & NOBLE	JAMESBURG, NJ
BRUNSON, ANDREA	PFIZER	MEMPHIS, TN
BURKE, JONI	LOA	MIAMI OFFICE
BURKLAND, NATE	NIKE	MEMPHIS, TN
CASCIO, DAVE	QVC	WEST CHESTER, PA
CHINNAN, VIKAS	FRESH EXPRESS	MONTEREY, CA
CHOATE, CASEY	JONES NY	WINSTON-SALEM, NC
CLARK, ELIZABETH	LOA	CHICAGO OFFICE
COPLAND, TIM	KB KIDS	BLAIRS, VA
DAVIS, SETH	ROSS STORES	NEWARK, CA
DENSMORE, JD	PVH	JONESVILLE, NC
DUQUE, MAX	BARNES & NOBLE	JAMESBURG, NJ
FONG, TERRANCE	KB KIDS	BLAIRS, VA
GILES, LAURA	LOA	CHICAGO OFFICE
GRIFFITH, BRAD	STAPLES	BOSTON, MA
HARMON, BRAD	LOA	CHICAGO OFFICE
KELLOGG, MICHAEL	AVON	PRINCETON OFFICE
KLISZ, KEVIN	LOA	CHICAGO OFFICE
LA VECCHIA, MARIANNA	CONTROL PLUS	ATLANTA OFFICE
LEFKOWITZ, STEVE	FEDERATED LOGISTICS	PRINCETON OFFICE
LEVY, VAL	OSHKOSH B'GOSH	PRINCETON OFFICE
LYONS, JIM	PFIZER	MEMPHIS, TN
MARTINEZ, ANDRES	LOA	MIAMI OFFICE
MCGRAW, COLLEEN	LIPPENCOTT, WILKINS	HAGERSTOWN, MD
MOOSABHOY, MUFADDAL	ROSS STORES	NEWARK, CA
MORIN, CRAIG	LOA	LOS ANGELES OFFICE
PARANSKY, NOAM	NIKE	ATLANTA OFFICE
SAMPSON, BRAD	SARA LEE	MEMPHIS, TN
SPOFFORD, SETH	WALMART*COM	ATLANTA OFFICE
TAYLOR, BRAD	NIKE	ATLANTA OFFICE
TIMBERLAKE, JUJUAN	GLOBAL SPORTS	MEMPHIS, TN
TODD, AARON	STAPLES	LOUISVILLE, KY
TREVIÑO, ROBERTO	BARNES & NOBLE	MONTGOMERY, NY
ULICNY, DAN	LOA	JAMESBURG, NJ
WATTERSON, ERIC	ROSS STORES	ATLANTA OFFICE
WEBSTER, JACK	QVC	NEWARK, CA
WHITEHOUSE, SEAN	NIKE	WEST CHESTER, PA
WILSON, KEN		MEMPHIS, TN


**RELOCATOR ROUNDUP**
**MEXICO**

AYALA, JOSE GERARDO	ALIANZA TEXTILE	ABASOLO
FELIX, IGNACIO	VF INTIMATES	REYNOSA
LOPEZ, RODRIGO	ALIANZA TEXTILE	ABASOLO

**HONDURAS**

LOZANO, ALFREDO	VF INTIMATES	SAN PEDRO SULA
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**UNITED KINGDOM**

ANDERSON, BRAD	MFI	LONDON
MOKOTOFF, BENJAMIN	WOLSELEY	LONDON

**JAPAN**

BRUCE, DAN	JUSCO	TOKYO OFFICE
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**SUPPORT STAFF**

ANDROS, VANESSA	ATLANTA
CRANKSHAW, LAURIE	CHICAGO
HAMRICK, DEBI	ATLANTA
JUDD, SUZANNE	PRINCETON
KOLM, RACHEL	PRINCETON
LANNON, NICOLE	ATLANTA
ROSALES, IRMA M.	MIAMI
SALAZAR, OLIVIA	LOS ANGELES
SENIOR, LYNN	LOS ANGELES

# December Celebrations

## ANNIVERSARIES

CASEY CHOATE	12-01-00
BOB SMITH	12-02-96
DEBI HAMRICK	12-11-97
STEVE ROBERSON	12-14-98



## BIRTHDAYS

CASEY CHOATE	12-02
BOB ROGE	12-10
ASHLEY DEATON	12-12
MIKE GREGORY	12-20
BRAD GRIFFITH	12-23

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## Quote of the week...

*"Life is too short to waste.  
Dreams are fulfilled only through action, not  
through endless planning to take action."*

**David J. Schwartz**

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### DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

IF YOUR ANNIV/BDAY/RELOCATOR ROUNDUP INFO IS NOT LISTED OR IS INACCURRATE - PLEASE CONTACT IRMA M. ROSALES  
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
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EDITOR: IRMA M. ROSALES  
CONTRIBUTING PUBLISHER: NICOLE DISTASIO  
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A FULFILLMENT PUBLICATION NOVEMBER 30, 2001, Vol. 10, No. 42

## **ANALYST DESK**

**WHEN THE TRUCK FITS** (*MODERN MATERIALS HANDLING ONLINE – THE ENGINEER VIA NEWSEDGE CORPORATION: SOURCE: THE ENGINEER, NOV. 23, 2001*)

What's the first thing you do when you get into the car to drive after someone else has been driving it? Chances are you adjust the seat and the rear view mirror. This is an everyday example of ergonomics in action.

The birth of ergonomics can be traced back to the Second World War, when designers began to realize that products would have to take account of many human and environmental factors if they were to be used safely and effectively.

To illustrate what can go wrong if you ignore the human factor, it is only necessary to look at the statistics: work-related sickness in the UK costs industry GBP11bn every year.

Some years ago, researchers compared the relative positions of the controls of a lathe with the average size of a male worker. It was found that the lathe operator would have to stoop and move from side to side to operate the controls. An ideal-sized person to fit the machine would have to be 41e2 ft tall, 2ft across the shoulders and have an arm span of 8ft.

### **Industry progress**

This may be an extreme example, but it shows how things can go badly wrong when no account has been taken of the user of a system. In addition to looking at human physical properties, ergonomists also take into account strength, compatibility of controls, vision, sound, thermal comfort, motion, vibration and workloads.

One area in the materials handling industry where ergonomics does appear to have made major inroads is in forklift truck design. Most of the major companies boast of having some degree of ergonomic features especially within the driver's cab.

Making a forklift safe and comfortable is not as easy as it sounds. Manufacturers are caught between the constraints of volume production and the need to meet the local needs of a worldwide market.

For instance, US truck users demand a no-frills, rugged machine, putting durability before comfort. In much of the developing world, where labor is cheap, there is less emphasis on high productivity, driver-friendly equipment and its associated cost. By contrast, most European firms will probably insist that the forklift operator is involved in the selection process. Here the selling price of the truck is less important compared to the total operating costs. Also, safety is a bigger concern, especially in the light of increasing regulation and legislation.

Designers are also faced with widely varying individual demands. A male Scandinavian operator might, typically, be over 6ft tall and weigh 16 stone. By comparison, his Latin counterpart may be no more than 5ft and weigh considerably less. Add to this the fact that in many countries there is a growing number of women drivers, whose body shape, limb proportions and muscle structure are different again, and the problems the designers face become apparent.



As part of the design of its LJ/MJ counterbalanced truck range, Yale called in New York-based Ergonomics Technology Corp (ETC) to carry out a series of tests.

### ***Testing situations***

ETC's goal was to identify and quantify the ergonomic issues relating to several of the truck's design components in an aim to locate potential stresses. Tests were carried out on static mock-ups of the proposed truck cab and on functional trucks. The testers were fitted with electrodes to measure and record muscle stresses in arms, torso and legs when mounting the truck and operating the controls.

The testing procedure included evaluating functions such as lever location, seat rotation effects, and pedal layout, as well as evaluation of the overall cabin design and dynamic testing of pedal effort and anthropometric measures of the test subject's' body size.

The physical effort required to operate controls, pedals and levers was measured, and the results proved critical to the final product with brake and pedal geometry being redesigned to minimize ankle flexion and reduce effort.

For the steering wheel, further changes were made. Roger Penfound, Yale Europe's strategic products development director says: 'We looked at the comparison between the height of the steering wheel and that of the operator's shoulder, to minimize any reaching above shoulder height. The team looked at the shoulder height of the fifth percentile female and as a result improved reach by fitting a steering column with a tilt which extended downwards.'

In another piece of research for Yale, Professor Dr Hans Jurgens, head of the Anthropological Institute at the University of Kiel, tested the company's new tiller handle. This encompassed the ergonomic evaluation of components including grip, butterfly type handle, controls for operating functions, and traction reversing button, as well as the general properties of the vehicle.

'Ergonomic testing can reveal a great deal,' says Jurgens. 'Solutions arising from testing are already making life much easier for operators. The tiller handle is a promising example of the benefits that can be realized from testing.'

3D-motion tracking and measurements of independent angles were employed as test methods on small mixed groups of users. Operator feedback was sought at the prototype design stage by interviewing 70 people in the US and Europe. The group consisted of a wide range of both male and female operators, tall and short, who used forklifts in a variety of different situations.

Movement sequences on all operators were analyzed with a mock-up in the ergonomic laboratory in order to acquire a database for measures of components and the tiller handle. International anthropometry databases, pressure and force measurements and procedures for contact area analysis supplemented these.

Mitsubishi is currently working with Delft University of Technology to research new ways of improving ergonomics. The company is also drawing on the work of the aerospace companies within Mitsubishi Heavy Industries to find new ways of suppressing noise and vibration. This is already in evidence with the launch of fly-by-wire technology employed in the fingertip controls introduced on its IC engine trucks.

Reducing noise and vibration has two major effects: first, it reduces the stress on the operator and second, it means that the vehicle has less effect on its environment. Some trucks are so quiet that they can be used in urban areas around the clock, without disturbing the neighbors. At 55dB(A), the power steering on Mitsubishi's FBK T three-wheeled electric counterbalanced truck is quieter than that of a top-of-the-range executive car.

### ***Safe in sound***

Rogier Tonies, product manager for counterbalanced trucks of Mitsubishi Forklift Trucks, in Almere in the Netherlands, says: 'Research shows that excessive and constant noise is an important stress factor in any workplace. A warehouse or docking station is most certainly no exception. Due to the constant noise factor people aren't able to focus on what they are doing or when they need to start another activity. This causes a lack of concentration and motivation and a less productive driver.'

In Scandinavia, BT Rolatruc picked up the Fork Truck Association's Annual Award for Excellence in the ergonomics category this year for its Orion range of powered pallet trucks. The trucks feature an ergonomically designed steering arm and handle which incorporates much of the truck's technology. It is designed for one-handed operation (either right or left) and features a display, which provides information on the truck's status.

The message is: with health and safety issues becoming an ever-greater priority, ergonomics cannot be ignored.

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## **INDUSTRY INSIGHTS**

### **YARD MANAGEMENT SOLUTION HELPS GROCER MAINTAIN FLEET FROM SUPPLY CHAIN TECHNOLOGY NEWS (BY JENNIFER S. KUHEL)**

Tim Van de Merwe, internal logistics manager for Associated Food Stores Inc. ([www.afstores.com](http://www.afstores.com)), a \$1.2 billion cooperatively-owned grocery distributor, admits to a dirty little secret in his industry – sometimes trailers get lost, oftentimes in a distributor's own yard.

"For some reason – human neglect or whatever – you can end up with a \$50,000 meat load going bad in your lot," Van de Merwe says. "It's the bizarre nature of the business." That may be so, but when it comes to managing perishable products, it's not a good practice for customer relations.

So AFS recently implemented the Real-Time Locating System from WhereNet ([www.wherenet.com](http://www.wherenet.com)), a provider of wireless supply chain visibility solutions. AFS implemented the solution for its one million square-foot distribution center in Farr West, Utah. The center serves nearly 600 independently owned grocery stores in eight western states, and runs a volume of roughly 200 loads per day.

With the WhereNet system, AFS gets immediate visibility at the post-trip area, or as soon equipment moves through the distribution center's fuel island. All of AFS' trailers and distribution equipment – including dollies and trailers – have been mounted with radio frequency tags, which transmit status via a local infrastructure of antenna and location processors.

When loads enter the yard, each load is given an identification number and then the load is sent to the proper storage area within the compound. There is no reporting, as status is continually updated through the network transmissions.

"The real effort is to get 100% accurate information," says Van de Merwe. "In years past, it never mattered how aggressive we got with our input [of information] because the input side has always been manually collected – and it is such a dynamic process that we could never realize 100% accurate data."

Now that AFS has accurate data on its yard management, Van de Merwe says the company has endless possibilities for using that data. The company has reduced its reliance on leased equipment. For example, during the peak summer months of 2000, AFS increased its fleet size by using 80-120 additional leased trailers.

This year, AFS was able to run more volume through its distribution center and needed only five leased trailers for one weekend. "For the first time in the history of the company, we ran through this big case lot mostly with our own existing fleet," says Van de Merwe.

AFS' next project will be to take the information from the yard management application and deliver that visibility to its retail customers.

AFS currently has an application called StoreLink, an EDI-based retail-member service where retailers can check on everything from load status to credit to accounting. Van de Merwe says the company is not far from linking the yard management solution to StoreLink to provide that visibility to retailers.

"We want our retailers to be able to know if their load is on time, and to be able to pull up a map to show them exactly where a trailer is, along with its status," Van de Merwe says.

Eventually, Van de Merwe sees a solution that will provide over-the-road visibility at the last retail delivery point instead of at the distribution center.

## ***BRAIN TEASER ANSWER***

The first train met is pulling in as our train leaves the station. The last train met is pulling out as our train arrives at its destination. In between, we meet a train every half-hour-that is, 9 trains. Total trains met: 11.

**Bravo Mike Kincaid for the correct answer!**

**Honorable mention to Mike Swift for the most creative answer!**

## ***BRAIN TEASER***

Ann is now exactly two-fifths of her older sister's age, and two years from now she will be one-half of her older sister's age. Conversely, two years ago, Ann was only one-fourth the age of her older sister's age at that time. How old is Ann now? (She's a fairly young child, by the way.)

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### **Quote of the week...**

*"The reasonable man  
adapts himself to the world;  
the unreasonable one  
persists to adapt the world to himself.  
Therefore all progress depends on  
the unreasonable man."*

**George Bernard Shaw**

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DEADLINES FOR SUBMISSIONS TO THE HOTSHEET  
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## **CONSULTANT CORNER**

### **CONTRACTING FOR PARTNERSHIP - *How Commercial Agreements Impact the Success of Third Party Logistics Provider Relationships***

-- BRITT DAYTON --

The use of third party providers – or 3PL's – to deliver logistics services is now a common way to do business in the UK and Europe. In fact, the UK market is generally recognized as the global model for successful outsourcing of the logistics functions, and UK-based 3PL companies have been leaders in establishing these services abroad. There is clearly a market need for logistics service providers and we expect growth to continue, especially in relatively untapped regions such as the United States.

However, there are many logistics and supply chain directors at customer companies who are not satisfied with the level of service they receive from their providers, and feel that costs are higher than they should be. Likewise, contract managers at 3PL providers are frequently frustrated with the demands placed upon them by customer companies and feel they are being asked to do more work – at ever lower costs – than originally estimated. In our experience, much of the frustration and problems that develop between the two parties is a result of the commercial agreements that have evolved in this space. By understanding how commercial agreements impact the relationship, and evolving those agreements to benefit both parties, one can establish the conditions for a true partnership with mutual gain.

Before exploring some of the details of 3PL commercial agreements, it is useful to understand the business issues that fuelled the growth in this area, and the drivers of change that are placing different demands on the relationships.

#### ***Business Context***

Outsourcing of logistics services is a relatively new phenomenon that was originally driven by financial motives to release capital tied up in logistics infrastructure in return for an on-going expense charge from a third party – so-called “off balance sheet financing.” This quickly lost its appeal as governments began to legislate away the financial benefits, but companies found other reasons to outsource logistics that continued the trend and are still valid today. These reasons include:

- Specialist skills that can be delivered more efficiently by a third party
- Flexibility and speed of change through third parties who have larger asset and labor bases across which to work
- Off-loading of industrial relations issues, or using third party contracts for leverage against owned labor

External pressures such as globalization, environmental concerns, health & safety regulations, and public opinion are forcing customer companies to re-evaluate the wisdom of outsourcing, and the value they receive from their current 3PL relationships. Logistics service providers are responding by expanding the functional footprint of their offer, and by adopting new technologies and best practice supply chain management processes to increase efficiencies and demonstrate added value. Both parties are looking for ways to work together with a common purpose. The need for true partnerships has never been more important. Unfortunately, the commercial agreements are generally stuck in the past and inhibit the formation of closer ties.

### **Current Contracting Models**

The commercial agreements in common usage today were developed under a punitive view of partnership. Customer companies constructed contracts with narrowly defined financial objectives, in a domestic context where logistics was viewed as a necessary evil without strategic importance. The main objective has been to contain costs, demand exceptional service, and punish the service provider when targets are missed. This has led to each party seeking to protect their own interests instead of maximizing supply chain efficiencies.

The two basic forms of 3PL commercial agreements in use today are closed and open book contracts. Closed book contracts hide the costs of the logistics operation from the customer company. The third party provider charges for the service through transaction-based pricing which usually increases in line with recognized inflation indices. This results in a buyer/seller relationship between the two parties, and requires the customer company to "shop around" to determine if the price paid is fair. Improvements in efficiencies are kept by the third party unless the customer company can determine that the price being paid is too high. These contracts inevitably lead to mistrust between the parties about the value of the service provided, especially if transaction prices increase each year while service levels remain the same or erode. If customer companies are successful at holding price rises down, the 3PL will eventually stop investing to maintain service levels.

In one example we know, a well-known high street retailer has a closed book contract with a leading 3PL which has been in operation for over ten years. The retailer has been able to extract cost savings from the contract by agreeing to price rises tied to the retail price index discounted by 15%. This means that the service provider cannot pass on all of its cost increases to the customer, and must find ways to improve efficiency to maintain profitability. Although this scheme has held costs of the contract down over time, the retailer does not see this as a good long-term relationship because this contract has become unprofitable for the 3PL. The danger now is that the service provider will stop investing in improvements, and service levels could well plummet.

As the name suggests, open book contracts expose the costing details of the contract to the customer company. The 3PL makes a profit by adding a management fee to the actual costs which covers operational management and contributes to central support overheads. If capital investments are required, they are usually recouped through charging a premium over the cost of capital. Open book contracts evolved to address the inherent uncertainty of the transaction-based closed book model by providing costing transparency. It has now become the prevalent model in the market as is demonstrated by Tibbett & Britten Group who have stated that 80% of their current contracts are open book. However, the open book model generates its own unique issues around operating costs and performance improvement.

Under an open book contract, third party providers usually budget expenditures for the coming year based on forecasted work volume and mix from the customer company. Most companies cannot accurately forecast the work profile, though, which leads to variances against budgeted costs as the year unfolds. When this occurs, the service provider usually has remedies built into the contract to pass through the additional costs to the customer, as long as the extra spend can be justified. In order to justify additional costs, a 3PL must prove that the actual work profile was significantly different than planned – and that it represented more work content than budgeted for.

This almost always applies to two key cost drivers in the logistics function: labor and transportation. Distribution labor and transportation costs are highly sensitive to the amount of real effort required – for example, the number of physical receipts, shipments, and individual units handled, or the density of customer deliveries. Most contracts are built around measures of work that do not recognize these drivers of effort. This makes it especially difficult for the two parties to agree on the impact of work profile changes. This justification process is often where the problems arise between the parties.

For example, a global supplier of branded DIY paints set budgets with their 3PL for distribution labor based on historical productivity measures of liters per man hour. However, the effort required to pick and assemble a one-liter tin of paint was virtually the same as a five-liter tin. Therefore, when customers ordered more five-liter tins, the 3PL productivity in liters per man hour was high, and costs were within budget. When the work mix skewed towards one liter tins, the service provider needed more labor hours to distribute the same number of liters. This resulted in an apparent drop in productivity, and labor costs higher than expected. Monthly budget review meetings became contentious with the customer demanding better performance, the 3PL demanding better forecasts, and both parties feeling wronged. Sadly, neither party was to blame. It was simply the measures of work and targets for productivity imbedded in the contract that did not recognize the underlying drivers of work content.

Open book contracts can also dissuade partners from investing in operational improvements. This is because cost savings from improvements naturally flow back to the customer company under an open book arrangement. This means that 3PL's have to bear the cost, risk and effort of change projects with little hope of financial gain. Worse, if the contract specifies a management fee as a percentage of costs, the service provider will actually reduce their revenue by making operational improvements! Under these conditions, it is easy to understand why operational changes are only made when the customer company demands them, and the notion of continuous performance improvement is lost until the next contract renewal time.

A good example of this is a well known UK toy retailer who were unhappy with their 3PL's performance over the past year, and could not afford a repeat of the problems experienced during the Christmas peak. The retailer asked their service provider to implement a performance improvement program to address the issues, and found a consulting firm that specialized in these programs that could help. A joint customer/3PL team undertook a review of the proposed program and agreed that this was the way they needed to run the logistics operation going forward. However, when it came time to determine how the investment in the program was to be funded, both parties expected the other to bear the cost. The customer company thought they were paying for performance improvement through the management fee. The 3PL believed they had negotiated the contract in good faith assuming the current operational approaches, and that any significant change would be sponsored by the customer. In the end, the program was abandoned and both parties knew that their relationship was damaged.

Although the open book model for 3PL contracting has moved the industry forward, there are still changes required to fairly assess operational efficiencies, and to encourage a culture of continuous performance improvement.

### ***Evolution of Open Book Contracts***

Several forward-thinking companies have evolved the open book contracting model to a higher level. With minor changes in contract terms, and strong commitment from both parties to implement the change, they have developed an environment that provides a fair and objective assessment of operational performance, and rewards continuous performance improvement. The tools they used were basic industrial engineering principles, and a willingness to share benefits. The result has been a stronger feeling of true partnership, with common objectives and mutual gain.

The basis of a fair and objective assessment of operational efficiency is the recognition of underlying work content drivers. This is where the industrial engineering principles apply. There is no substitute for analyzing the work that is to be performed by the 3PL to understand what drives the work effort. In the above example for paint distribution, the drivers were tins picked and pick locations visited not liters per man-hour. Once the work content drivers are known, accurate standards of productivity can be developed which respond to daily fluctuations in work profiles, and provide a fair basis for measuring operational performance. When done correctly, an operation that puts forth the same work effort each day will have the same measured performance regardless of the work profile.

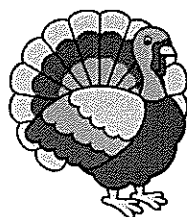
The new open book contracts recognize the importance of knowing what drives work. During initial contract negotiations, both parties agree to a work study and measurement process to develop accurate work standards. The contract also provides a budget for maintaining the work standards as conditions change, and for a reporting infrastructure to measure performance. The work standards are then used to determine operational performance on a periodic basis and targets are built into the contract.

In our example of paint distribution, the two parties moved to a system that divided standard labor hours earned by actual labor hours used to determine a percentage performance achieved. The contract specified an 80% performance level, which meant that the customer company would pay the service provider for the labor hours needed to perform the work at 80% performance. When the 3PL operated at 75% performance, they used more labor hours than they could charge for so they lost money. However, if they operated at 85% performance, they used less labor hours than they were paid for and they benefited by keeping a share of the savings. This approach results in a relationship where the customer company knows exactly what they are paying for and can be certain of a minimum performance level. It also provides an opportunity for the service provider to benefit from exceeding the minimum targets, which demonstrates the customer company's willingness to share benefits in the spirit of mutual gain.

This approach of work measurement and performance targets has also been used to encourage investment in performance improvement initiatives under the new open book contracts. This is done by the two parties agreeing a sliding scale of benefits sharing that is heavily weighted to the party that makes the initial investment, and then reverts back to the customer company over time.

For example, a grocery retailer implemented a new warehouse management system in its distribution center run by a 3PL. The 3PL made the investment in software, hardware, and implementation support that was required because the operational efficiencies to be gained made a compelling business case. Under a traditional open book contract, that investment would have been marked up and charged back through the management fee, offset by the savings in labor costs paid by the customer company. The new approach allowed the 3PL to keep a large percentage of the labor savings during the first year of operation under the new system. The percentage of savings gradually reverted back to the customer company over time until the new methods of working were built into the work standards and were used to set future performance targets. The grocery retailer got performance improvement without making the capital investment. The 3PL was rewarded for making the change and getting the implementation done as quickly as possible, since the savings initially flowed to the 3PL. Both parties were committed to making the change, and both parties benefited from successful implementation.

The market for third party logistics providers has come a long way in a relatively short time. 3PL's provide a valuable service to their customer companies and are here to stay. Most of the problems that arise between customer companies and their service providers can be attributed to commercial arrangements that create a confrontational relationship. By applying the fundamentals of work measurement, and the principles of benefits sharing, these relationships can be productive and mutually beneficial. It only takes willingness to change and commitment from both parties to make it happen.





## **INDUSTRY INSIGHTS**

### **“A VALUABLE LIST OF WMS IMPLEMENTATION TIPS”**

(BY PHILIP OBAL OF INDUSTRIAL DATA AND INFORMATION)

-- ROBERT FULGHUM --

Software installations produce pain, labor, and sweat. Only 40% of them result in satisfied customers. Therefore it is imperative that we continue to strive for excellency, in order to raise this satisfaction rate higher and higher. In order to do this, we must both 'watch out' for road hazards and install safety equipment to insure a success. The following tips & techniques are from the author's experience and published articles that have dealt with testing-installing-and-go-live of a system.

#### ***Communicate Expectations!***

Every software project should have a vision with expectations that are realistic and have been communicated clearly over and over again. The company must write these expectations in writing prior to the selection of the software solution. When installation is completed, the company can measure realized benefits based on these quantifiable expectations. These expectations should not shift and 'project creep' should be avoided totally. By over communicating realistic, written goals it will increase the satisfaction rating, as vendors, 3rd parties, and your own staff has a clear understanding of the goals.

#### ***12 Essential Elements for a Successful WMS Installation***

Author: Tom Singer of Tompkins Associates

1. Design for Operational Improvement
2. Manage Risks
3. Manage Communication & Expectations
4. Control the Project Plan
5. Prepare to Deal with Adversity
6. Pay Attention to Facilities Preparation
7. Build a Knowledge Base and Take Ownership
8. Commit to Training
9. Understand the Value of Testing
10. Plan for Exceptions
11. Document Procedures & Customizations
12. Take Control of Go-Live

#### ***Pitfalls to Avoid When Integrating a Warehouse Management System***

Source: Managing Automation, March 1999

101. Establishing an unrealistic implementation schedule.
102. Buying a low-end system and expecting high-end results.
103. Failing to track vendor progress.
104. Failing to develop a contingency plan.
105. Overselling the system to users.
106. Lack of system integration training.
107. Providing the software vendor with faulty, incomplete, or out-of-date data.
108. Thinking a newly integrated WMS will eliminate all inefficiencies within the operation.
109. Blaming the WMS provider for glitches that occur during the software's initial launch.
110. Failing to audit the results to see if the system is working as efficiently as possible.

Here are 3 major tips to improve WMS success from "Warehouse Systems and the Supply Chain: A Survey of Success Factor" by Andersen Consulting and WERC. [www.werc.org](http://www.werc.org) December 1998.

1. Utilization of outside consultants doubles the chances for a very successful outcome.
2. Identifying, tracking, and testing for the promised benefits during and after the implementation are the only way to ensure that they are delivered.
3. Executive management commitment and involvement has a significant impact on the success of the WMS installation.

***Interesting Observation - All Large Software Projects - SAME Satisfaction Issue***

Satisfaction rate on large software installations is low. According to WERC, the highly satisfied customers are only one in five. What can we do to bring the satisfaction rate up? Ponder the above points very seriously, as all types of large software projects face the same difficulties, whether WMS, ERP, TMS, EDI, or APS software installations.

***Executive Management Commitment***

The number one item that IDII verifies at the beginning of each consulting assignment is "Executive Management Commitment". If the client's company does not have that one item - (IDII requires it) - We will warn the client's management about the strong possibility of project failure!

***Conclusion***

In conclusion, these above points increase satisfaction by controlling & managing expectations of all types, for involvement by all parties, and proper measurements. If you are a software vendor, project manager, or key person in the project - it is imperative to perceive, to understand, and to do these tips! Our on-going goal is "customer satisfaction". This list breaks it down into steps of how to achieve higher customer satisfaction ratings.

This article is available as a white paper at <http://www.idii.com/wp-wmstips.htm>



## BRAIN TEASER

Two towns are linked by a railroad. Every hour on the hour a train leaves each town for the other town. The trains all go at the same speed and every trip from one town to the other takes 5 hours. How many trains are met by one train during one trip?

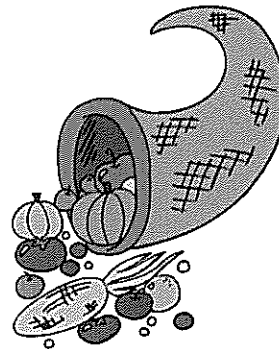
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### Quote of the week...

*"The cause of America is, in a great measure,  
the cause of all mankind.*

*Many circumstances have, and will arise,  
Which are not local, but universal, and through which the  
principles of all lovers of mankind are affected,  
and in the event of which, their affections are interested.  
The laying a country desolate with fire and sword, declaring  
war against the natural rights of all mankind, and  
extirpating the defenders thereof from the face of the  
earth, is the concern of every man to whom nature hath  
given the power of feeling."*

**-- Thomas Paine --  
From "Common Sense"**



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DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
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# THE HOTSHEET

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## **INDUSTRY INSIGHTS**

### **ATTACKS TEST COMPANIES' FLEXIBILITY**

### **HIGH-TECH CONTROLS KEEP SUPPLY NETWORKS RUNNING**

*(By Neil Irwin - Washington Post, Nov. 1, 2001)*

Two days after the Sept. 11 terrorist attacks, Hon Co. of Muscatine, Iowa, received an order for 20 truckloads of custom-built office furniture for a Washington organization involved in the disaster response. The challenge was formidable. The company's four far-flung distribution centers didn't have enough supplies to make all that furniture, and truckers bringing those supplies from Mexico were facing hours-long security delays at the border.

Yet Hon was able to build the furniture and place it at the customer's door within three business days because it is among the many U.S. companies that adopted newer technology and practices in recent years to better manage their supply networks.

Many analysts predicted these systems, particularly their emphasis on sharply reducing inventories, would prove to be the Achilles' heel of U.S. manufacturing in those first panicky days after the attacks. Indeed, with airplanes grounded and borders clogged, many manufacturers struggled with logistical problems and some automakers were forced to suspend production.

But many companies found the opposite was true: The very technology that has allowed them to operate with minimal inventories, particularly the software they use to track supplies, made them more nimble in a crisis. And that adaptability will help them continue operating if disruptions like those caused by the Sept. 11 attacks and the anthrax mailings become more common.

"We have a flexibility and quick response more than ever in the past," said John Stock, Hon's vice president of distribution and logistics. In the old days, just figuring out whether the job could be completed at all, would have taken two days of calling different divisions of the company, said Stock, who declined to identify the customer.

"Before the software, someone would have had to call production to see if they could open up the correct capacity, call procurement and see if they had the available raw materials, talk to distribution to see if they had the appropriate space available. You're looking at five phone calls to different not-connected areas," he said.

Now, such information is gathered and analyzed by computer almost instantly. In this case, the company's executives knew within minutes exactly how to execute the order. The company's supply-chain management software analyzed the furniture parts on hand in each factory, the time it would take to get additional parts given the border delays, and the shipping times from each factory to Washington.

The software determined that the order could be completed by dividing production between distribution facilities in Richmond and Atlanta, then combining the two orders in Richmond to drive them up to Washington. The orders were placed on Thursday, Sept. 13. Factory employees worked over the weekend so that the trucks began arriving in Washington on Monday, Sept. 17.

Other companies in disparate industries benefited from similar innovations in the days after the terrorist attacks:

**Whole Foods Market Inc.**, which operates Fresh Fields gourmet groceries in the Washington area, imports thousands of pounds of fresh seafood a day by air. The shutdown of the airline industry could have left seafood counters relatively empty. Instead, the company moved seafood stocks to stores where they were most needed, increased orders of domestic fish and used refrigerated trucks to get Chilean salmon to East Coast stores with only minimal disruption.

**DMax Ltd.**, a manufacturer of diesel engines in Dayton, Ohio, normally imports fuel injection pumps in the cargo hold of a passenger flight from the Czech Republic. When the U.S. government banned such shipments during the week of the attacks, DMax scrambled to find a cargo flight leaving Huntsville, Alabama, then flew a batch of injectors from Huntsville to Dayton just big enough to keep production going while routing the rest in by truck.

**AirSchott Inc.**, a shipping logistics firm based at Washington Dulles International Airport, had a client that needed to import 10 tons of designer Italian clothes the week after the attacks, when Italy had not yet reopened shipment of air cargo. But the firm was able to quickly juggle the shipments to line up transport through Germany and England.

Morris A. Cohen, a professor of manufacturing and logistics at the University of Pennsylvania's Wharton business school, compares the task of lining up these elements of production to a chess game -- one automated and made more responsive by the technology and practices adopted in the past decade.

These developments are no panacea, however. Mike Bauer, a Detroit-based partner at Computer Sciences Corp.'s consulting group, argues that the risk of further border delays will force manufacturers to stock more inventory -- particularly the automotive industry, one of many in which parts arrive "just in time" for use. "There's a huge ripple effect," he said. "Can you predict how long it will take you to transport components over the Ambassador Bridge between Ontario and Detroit? Now, you can't. Being able to predict shipments is the underlying premise of just-in-time delivery."

Moreover, he said many companies don't use the new technology to adequately prepare for transportation disruptions, such as those more commonly caused by weather. "With better information and better control systems, one ought to be able to adjust schedules, adjust the mix, and adjust the timetables in a way that mitigates disruptions that occur," Cohen said.

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**FROM IMRA****NEW YORK CELL PHONE BAN TAKES EFFECT** (NOVEMBER 2, 2001)

New York's new law requiring motorists to use hands-free devices while driving went into effect yesterday, November 1, 2001. Violators can expect a verbal warning until December 1, after which citations will be issued. Forty-three states and the District of Columbia introduced some form of driver-related cell phone legislation, but New York was the only one to pass. While the issue was a hot topic with state legislators this past session, it remains to be seen whether or not it is as popular when state legislatures reconvene in 2002. Especially after the stories of loved ones using cell phones to contact one another during the events of September 11.

**BRAIN TEASER****DROPPING ANCHOR**

-- ANSWERS --

**BRAVO TORRE CRUPIE FOR SUBMITTING THE CORRECT ANSWERS IN RECORD TIME!!!**

- |    |                              |   |                   |
|----|------------------------------|---|-------------------|
| 1  | SINGAPORE                    | P | STRAITS OF JURONG |
| 2  | MEMPHIS, TENNESSEE           | J | MISSISSIPPI RIVER |
| 3  | HAMBURG, GERMANY             | N | ELBE RIVER        |
| 4  | TORONTO, CANADA              | L | LAKE ONTARIO      |
| 5  | LISBON, PORTUGAL             | A | TAGUS RIVER       |
| 6  | NEW YORK CITY                | I | HUDSON RIVER      |
| 7  | NAPLES, ITALY                | F | TYRRHENIAN SEA    |
| 8  | ST. PETERSBURG, RUSSIA       | D | GULF OF FINLAND   |
| 9  | HONG KONG                    | C | TAI PO HOI        |
| 10 | ALEXANDRIA, EGYPT            | G | MEDITERRANEAN SEA |
| 11 | ISTANBUL, TURKEY             | H | BOSPORUS RIVER    |
| 12 | LONDON, ENGLAND              | O | THAMES RIVER      |
| 13 | BUENOS AIRES, ARGENTINA      | E | RIO DE LA PLATA   |
| 14 | PORT ELIZABETH, SOUTH AFRICA | B | INDIAN OCEAN      |
| 15 | MELBOURNE, AUSTRALIA         | M | PORT PHILLIP BAY  |
| 16 | LIMERICK, IRELAND            | K | SHANNON RIVER     |

# NOVEMBER Celebrations

## ANNIVERSARIES



HAN NGUYEN	11-03-1997
DAN PUREFOY	11-04-1996
TORRE CRUPIE	11-05-1979
JACK WEBSTER	11-15-1999
STEVE LEFKOWITZ	11-18-1999
KEN WILSON	11-20-2000
CLARK REISS	11-28-2000
ROBERT FULGHUM	11-29-1999

## BIRTHDAYS

NICOLE DISTASIO	11-04
JUJUAN TIMBERLAKE	11-10
SEAN WHITEHOUSE	11-11
PETER ALLEN	11-19
FAITH COX	11-23
ARLENE IALACCI	11-28

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### Quote of the week...

*"We are all born originals...  
Why is it so many of us die copies?"*

**Edward Young**  
**Poet (1683-1765)**

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#### DEADLINES FOR SUBMISSIONS TO THE HOT SHEET

IF YOUR ANNIVERSARY/BIRTHDAY INFORMATION IS NOT LISTED OR IS INACCURRATE - PLEASE CONTACT IRMA M. ROSALES  
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)



## PROJECT POSTCARD

### MFI TALE OF THE TAPE - BASE PLUS IN USA V. BASE PLUS IN THE UK

-- MARK MESSINGER --

It occurred to the MFI project team (with only a few gentle reminders from the HotSheet staff) that an article comparing Base Plus in the UK to Base Plus in the USA would be a good idea. We decided to compare them in detail, scientifically, side-by-side, in several important categories. So with apologies to Nick Bakay of ESPN.com, whose format we have blatantly plagiarized, we present:

<u>Category</u>	<u>USA</u>	<u>UK</u>	<u>Advantage</u>
Best project location to-date	Hawaii	London	USA
Number of Base Plus installations	Hundreds	3	USA
Proposal process	Discuss proposal in client's conference room	Discuss proposal while on a whirlwind tour of existing USA installations and hockey arenas	UK
To make friends on the floor...	Discuss the recent WWF match	Discuss the recent soccer match, but refer to it as "football"	UK
Typical weekend getaway for consultants	Road trip down the highway to the nearest outlet mall	Rome	UK
Project Manager travel	Frequent Flyer miles	Putting so many miles on your rental car that they make you trade it in	USA
Typical client complaint	"The associates just can't seem to follow the procedures"	"It's been at least a month since I took a proper holiday"	USA no one likes subtle gloating



<u>Category</u>	<u>USA</u>	<u>UK</u>	<u>Advantage</u>
Your client walks in on Monday looking red as a lobster because...	He forgot to apply sunscreen before captaining his riding lawnmower over the weekend	He forgot to apply sunscreen before lying on a beach on the South coast of Spain over the weekend	USA see above
Be on the lookout for...	Staff who have not read the procedures, and will require further training	Staff who have read the procedures, and found the typo on page 5	UK Embarrassing, but better in the long run
How to win a debate	Use logic, but swear occasionally for emphasis	Say, "I once saw a warehouse in France that did it the way you want to do it"	UK
You know the client is impressed when they say...	"That's pretty good."	"Pretty good, that."	UK
Last letter of the alphabet	"Z"	"Zed"	USA you don't call a zebra a "zedebr"
Perks for the clients' employees	Free donuts every Thursday in the break room	A pool table in every break room	UK (Note: Pool table usage down 83% since standard kickoff)
Over the DC's speaker system you hear...	Intermittent announcements that are too distorted to understand	The song "Dancin' in the Moonlight" 10 times in one shift	USA
Project savings	\$	£	USA It's hard to write "£" without making it look like the "L" on Laverne's sweater
To show their gratitude at the end of the project...	The client says "Thanks, dude", and buys you a beer at the local bar	The client says "Cheers, mate", and buys you a beer at the local pub	Push No one loses with free beer

So, there you have it. It's all so simple when you break things down scientifically. The race appears to be too close to call, as Base Plus is certainly successful in both countries. Stay tuned for a serious, more informative article very soon. But not too serious.



## RETAIL CHAINS CHARGE LESS THAN GIANTS FOR NET ACCESS

(THE ARIZONA REPUBLIC, OCT. 2001 – BY JONATHAN SIDENER)

Attention Kmart shoppers, the Internet is now on sale in Aisle 2.

After years of offering discount jeans, sneakers and fishing poles, Kmart is offering Internet access for less than half the price charged by online giants AOL and MSN.

Through its online shopping subsidiary, BlueLight.com, the national retailer is offering unlimited Internet access for \$8.95 a month. Kmart joins Wal-Mart, which offers unlimited Internet connections for \$9.94 per month, in the ISP business. The presence of the two retail heavyweights in a treacherous area of information technology raises some eyebrows. But both companies say the services are natural fits with online shopping strategies.

"Kmart knows the value-oriented customer," said David Karraker, a BlueLight.com vice president. "We're getting people online cheaply. We're sending them to our (shopping) site, sending them into the stores."

The BlueLight.com service launches a small toolbar with buttons linked to e-mail and other services, including the company's online store. The service will soon begin offering online coupons that can be printed and redeemed in Kmart stores, Karraker said.

He said a National Retail Federation study concluded that the Internet now influences 34 percent of all store sales. The BlueLight spokesman said the company plans to make a profit from the Internet service, even though that is not its main purpose. "We will be profitable at \$8.95. But at that price, we don't expect to make money hand over fist," Karraker said. "It's a marketing tool that allows us to reach millions and millions of people."

Since it launched in August, he said, BlueLight has 135,000 paid subscribers. Before the dot-com crash last year, BlueLight offered free Internet access. "There was tons of advertising from the dot-coms," he said.

The site has undergone other changes, including a change in ownership structure and a relaunch. BlueLight is now a wholly owned subsidiary of Kmart.

For Wal-Mart, offering Internet access represents a slightly different strategy. Wal-Mart has an agreement with AOL, making it a featured retailer. Having its online product on the world's largest Internet provider is a big plus for Wal-Mart, which distributes AOL software in its stores.

Wal-Mart's ISP will drive customers to its online homepage, Walmart.com, spokeswoman Cynthia Lin said. And by providing a bargain price, Walmart.com hopes to encourage more first-time Internet users, who in turn could become online customers. "One of our drivers is to bring more customers online," Lin said. "This gives all of our customers the opportunity to experience the Internet. We think that some of those customers will shop at Walmart.com."

The move by the two retailers into the ISP arena was described as curious by a prime low-end Internet service competitor, United Online, the parent company of Juno and Netzero. Those ISPs offer a \$9.95 unlimited-access service as well as free limited service.

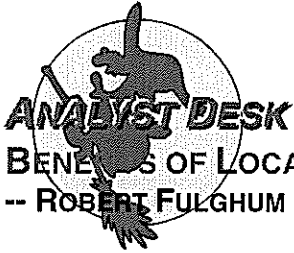
"Why Wal-Mart and Kmart figure they know anything about ISPs is the real question," said Mark Goldston, United Online's chairman, chief executive and president. "It's the most sincere form of flattery. I guess that when the largest retailer in the world teams up with the largest Internet company to copy you, it's a validation of what you do."

Goldston said that the discount ISP market has a future. He said his company has hundreds of thousands of paying customers, is debt-free and headed toward profitability.

"We don't make profitability projections," he said. "But I am confident in saying that we will be profitable at \$9.95."

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If you're working on a site selection project, you might want to consider looking at western Kentucky. The 4 Star Regional Industrial Park is a 650+ acre area located 18 miles south of Henderson, KY. This area has many benefits including:

- ☛ Central location in the U.S.
- ☛ Convenient access to highways (Interstate 64, Edward T. Breathitt Parkway, and U.S. Highways 41 and 60), rail, the Ohio River, and Evansville Regional Airport
- ☛ A strong labor market with 4.4 % unemployment rate and several community colleges in the area
- ☛ Average electricity price for industrial customers is 3 cents per kWh, which is cheaper than all of its neighboring states:

IL:	5.0	IN:	3.9	OH:	4.3	WV:	3.8
MO:	4.4	TN:	4.2	VA:	3.8		

For more information about this area and the rest of Kentucky, check out their informative website at [www.4starpark.com](http://www.4starpark.com), or contact James Jones at 1-877-434-3766.

## HALLOWEEN SPENDING UP, MASS RETAILERS ARE SHOPPERS' TOP CHOICE

(FROM IMRA – OCTOBER 2001)

IMRA releases the results of its 2001 Halloween shopping survey of about 1,000 consumers on Friday, October 19, 2001. The survey says that three-quarters of U.S. consumers are planning to shop for Halloween this year, and they expect to spend substantially more than they did last year - \$61 on average, compared with \$43 in 2000. Not surprisingly, those with children plan to spend more (\$67) than those without children in their households (\$56). The survey reveals good news for IMRA members: More than four in 10 Halloween shoppers (43%) will do most of their shopping at discount department stores, up from 36 percent in 2000.



## BRAIN TEASER

### DROPPING ANCHOR

Match the port city with the body of water on its banks. Answers in next week's HotSheet.

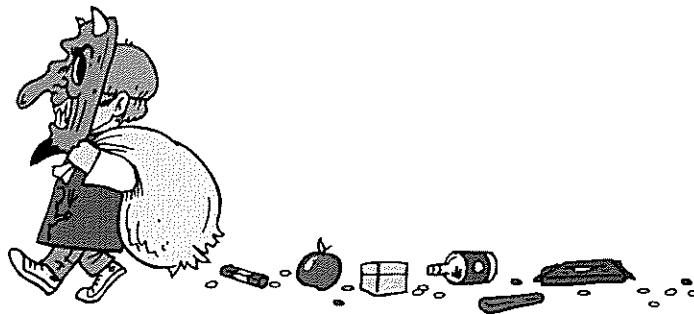
- |    |                              |   |                   |
|----|------------------------------|---|-------------------|
| 1  | SINGAPORE                    | A | TAGUS RIVER       |
| 2  | MEMPHIS, TENNESSEE           | B | INDIAN OCEAN      |
| 3  | HAMBURG, GERMANY             | C | TAI PO HOI        |
| 4  | TORONTO, CANADA              | D | GULF OF FINLAND   |
| 5  | LISBON, PORTUGAL             | E | RIO DE LA PLATA   |
| 6  | NEW YORK CITY                | F | TYRRHENIAN SEA    |
| 7  | NAPLES, ITALY                | G | MEDITERRANEAN SEA |
| 8  | ST. PETERSBURG, RUSSIA       | H | BOSPORUS RIVER    |
| 9  | HONG KONG                    | I | HUDSON RIVER      |
| 10 | ALEXANDRIA, EGYPT            | J | MISSISSIPPI RIVER |
| 11 | ISTANBUL, TURKEY             | K | SHANNON RIVER     |
| 12 | LONDON, ENGLAND              | L | LAKE ONTARIO      |
| 13 | BUENOS AIRES, ARGENTINA      | M | PORT PHILLIP BAY  |
| 14 | PORT ELIZABETH, SOUTH AFRICA | N | ELBE RIVER        |
| 15 | MELBOURNE, AUSTRALIA         | O | THAMES RIVER      |
| 16 | LIMERICK, IRELAND            | P | STRAITS OF JURONG |

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### Quote of the week...

*"Every great oak tree  
was once a nut that stood its ground."*

-- Author Unknown --




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DEADLINES FOR SUBMISSIONS TO THE HOTSHEET  
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

EDITOR:  
CONTRIBUTING  
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PUBLISHED BY:

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KSA MIAMI



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## CONSULTANT SPOTLIGHT

-- BRITT DAYTON --



### ***How did you get the opportunity to go overseas with KSA?***

I had been with KSA since early 1992 working on large-scale systems implementation projects, including several facility design/DCMS jobs, and had become involved with Nike on the Memphis Apparel DC Retrofit in late '96/early '97. Because I had such a great KSA team supporting me at Nike, I pretty much outlived my usefulness there! It was Dave Cole and Peter Brown who, along with Tony Smith from the UK, suggested that my implementation project management skills would help our European IT practice grow. I then spoke to John Karonis who was living in the UK at that time, floated the idea with my family, and next thing I knew I was looking for rental property near our Altrincham office. We made the move over in early 1998.

### ***How did your family react to the idea, and then living in the UK?***

When I first talked to my wife and two daughters about moving to England there were mixed emotions. At that time, my daughters were maybe 9 and 6 years old, so it was a bit too much for them to really understand. There was a lot of excitement about the adventure, but their biggest hurdle was having to leave their cats behind. The UK has a six months quarantine requirement to prevent the introduction of rabies, and we didn't want to deal with that. Plus, my wife and I knew we were going to travel, and didn't want the extra responsibility. (For you animal lovers out there, my wife's parents took care of the cats, so they were just fine.) When the girls realized they could come back and visit, they were ready to go!

Our first taste of England was our arrival into the Manchester airport in mid-April 1998. There was snow on the ground, and about 300 Asian people trying to get processed through Immigration by 2 UK agents. After an all-night flight from the US, my daughters weren't impressed. Once we got to the rental house, our new English neighbors invited them to go "sledging" (sledding) in the hills nearby, and the adventure had begun.

Through some tough ups and downs the first year, we all grew a great deal in terms of personal resiliency, and in our understanding and appreciation of our new home and the culture around us. After a year, we moved to the London area, and my girls left the British school system for the American Community School near our new home. They found that a very easy transition, and become quite comfortable there. In fact, I had to pry them out of England when it was time to come home, so I guess you could say they enjoyed the experience.

### ***What was the biggest surprise to you about living abroad?***

Since I had never really traveled abroad before, I suppose I was surprised at how "foreign" everything seemed to me. It was little things like road signs and products in the store and how to use the trains, not to mention that people weren't fanatical about smoke-free environments like we are in the US. (This changed dramatically in the UK during the time I was there, but not so on the Continent.) I guess it's fairly common for people to be overwhelmed when faced with so many changes in your normal patterns, but now I find it hard to understand why I got so frustrated. For example, I remember the first time I went to the airport for a business trip and parked in the daily "car park." No one had warned me that you could only pay to exit from inside the terminal, because there are no attended exit gates. I didn't realize this until I tried to drive out and couldn't find an attendant! In hindsight, this

seems a small annoyance, but at the time it was a big deal since there was so much change in such a short period of time. (Do I hear Chuck talking about assimilation points?)

In a work setting, I was very surprised at how formal business conduct is in Europe. Americans had become very casual in business dress and approach by 1998. Europeans still believe in men wearing a suit and tie at work, and you must go through a secretary to get an appointment in someone's diary. I had gotten used to walking into someone's office in the US and having a quick discussion about whatever. The UK is becoming more relaxed in their dress at work, but the gatekeeper routine is still very much alive. Continental Europe still maintains a more formal dress code, but they certainly wear it with style. I remember a meeting at Prada in Italy and thinking that even in jeans and a sport coat the Europeans look better than I could hope to. (Then again, maybe that's a personal problem! For those of you who know Brad Andersen, I can testify that he has taken to this European dress sense with gusto and wears it well. I must also say that I was equally surprised when I recently returned to see that American business dress is even more casual than it was in '98.

***What about the nature of the work? How did that meet your expectations?***

As it turns out, I think I did almost everything *but* large IT implementation project management while I was in Europe. One of my first assignments was to spend five days a week walking the halls at Sainsbury's, a large grocery retailer, acting as KSA's on-site account manager. This was a real stretch, seeing as I didn't really know anything about food - or retailing - or account management! I was more of a supply side guy, who knew a few things about warehouse management systems, so I quickly had to expand my functional understanding across the supply chain, including the commercial side of the business and store operations. After that, I managed a supply chain strategy project for a vertically integrated CPG company, which further expanded my functional understanding. (I did get a little help from a book on Supply Chain basics that I borrowed from John Karonis. Hey, John, I guess I can return that to you now.)

As the European practice evolved away from country-based organizations to a pan-European structure, I was asked to lead our European Logistics group, sharing responsibilities with Tony Lee who joined us with the merger of MMM Consultancy. It was good to get back to some familiar subject matter, but even then I had to stretch to understand our full service offering from strategy through to performance management. I even managed a tough CPI project for a 3PL which was forced into the project by their customer, our client, which I'm hoping qualifies me as an honorary box-kicker. Luckily, I had lots of help from a couple of experienced KSA'ers who taught me the program fundamentals as we went along. (And for those who haven't already read it, get the Aubrey Daniels book on positive reinforcement, which made it all so clear to me why Base Plus works!)

***So, what was the best part of the experience for you?***

Professionally, it was stretching my functional and industry understanding to the point where I can hold my own with supply chain executives at our client companies - be they retailers, suppliers, fashion, or food. And meeting the fantastic people in KSA across Europe who have incredible capabilities and phenomenal experience. If there's one thing I hope I can give back to KSA from this adventure is to help blend the capabilities and experience across the regions to improve our service offerings.

From a personal perspective, my family and I saw that there's a very big, diverse world out there, and sometimes, we Americans can learn something! We made some good friends, and went to some fascinating places - both of which we know will stay in our memories for a long time. And I got to spend some quality time with a friend of mine who was one of the guys that interviewed me for this job at KSA almost ten years ago. May the circle be unbroken.

***And finally, what does the immediate future hold for you at KSA?***

I've already been involved in three sales proposals since arriving back in Atlanta, so I expect business development activities for the Fulfillment practice and the Nestle global account team will consume a lot of my time. In addition to that, and any project work that comes my way, I'm managing an internal project around our supply chain body of knowledge that will touch most everyone in one way or another as it gains momentum, so stay tuned for more details on that.





## **INDUSTRY INSIGHTS**

### **THE BATTLE OVER RFID STANDARDS** (LOGISTICS MAGAZINE, OCT. 2001 — BY JAMES COOKE)

--ROBERT FULGHUM--

The automatic identification industry may be headed for a showdown. At this point, it has split into two factions, each promoting a different radio-frequency identification (RFID) standard for tracking returnable containers, pallets, and perhaps someday, packages. One side supports an industrial tag called MH10.8.4—or .4, as it's known—that relies heavily on a transponder technology developed by Everett, Wash.-based Intermec Technologies Corp. The other side is pushing an initiative by the retail industry to develop an entirely new standard called GTAG.

The stakes are potentially enormous. As the tag manufacturers are well aware, retailers and manufacturers are likely to deploy RFID technology in the future to mark the thousands of containers and pallets that move throughout the supply chain. Craig Harmon, who chaired the industry committees that oversaw development of the MH10.8.4 standard, estimates that tags for either of the two standards will cost around a dollar apiece, an indication that the tag marketplace could be worth millions of dollars for whichever faction ultimately wins.

#### ***The Promise of RFID***

Although most companies currently use bar codes to identify individual items, those bar codes have some limitations. For one thing, a bar-code scanner needs a clear line of sight to read and decode a symbol. RFID tags or transponders, by contrast, send out a radio signal to a nearby interrogator or reader. Thus, an obstruction does not prevent a reader from detecting the signal and identifying an object.

Because an RFID reader can identify an object in motion—say, a pallet moving down a conveyor or a truck traveling down a highway—many believe this technology holds a great deal of promise for logistics applications. For example, companies could embed RFID tags into the walls of returnable containers or pallets, and data on the container's contents could be encoded onto the circuit for transmission to a reader.

#### ***MH10.8.4 to the Rescue***

Why have tags been so slow to catch on in supply chain management? The problem has largely been a lack of universal standards, says Michael Liard, an analyst covering RFID technology for VDC. But that situation is slowly being addressed.

Two years ago, a standard-setting body for the information technology industry began developing the first U.S. criteria for RF tags used for item identification. The National Committee for Information Technology Standards (NCITS) adopted a suite of standards for the radio-frequency identification of items, dubbed NCITS256. The original standard set specifications for using two radio bands—24.50 MHz and 433.92 MHz—for signal transmission. (A revision to the standard this past June added two more frequency bands: 13.56 MHz and 915 MHz.) It also established a standard for an application program interface, which allows a single software program to communicate with all makes of tags.

While the NCITS was working on the RFID standard, another trade group—The Material Handling Industry—started looking at the use of radio-frequency identification for marking shipments and unit loads in warehousing. This past June, Subcommittee 8 of the Material Handling Committee 10 (which oversees unit loads) adopted an application standard—MH10.8.4—for RFID tags. MH10.8.4, which was originally intended to identify returnable containers and cable reels, makes reference to the communication protocol in the original NCITS256 2001 standard, says Harmon, who now chairs the MH10.8 subcommittee.

Because the standard centers on Intermec's own tag, Harmon says, the manufacturer was required to make its technology available on a royalty-free license to its competitors. But others in the industry complain that Intermec has yet to fully disclose the requisite details of the communication protocol. "There's some [distress among industry players] about the openness of the MH10.8.4 standard," says Alan Melling, a senior director of architecture and standards at Symbol Technologies Inc. of Holtsville, N.Y., which makes bar-code equipment.

Intermec's Gillory takes exception to those comments. He notes that his company only agreed to provide documentation that grants a royalty-free license to another company using the communication protocol in the MH10.8.4 standard. He insists that the details of the communication interface between the tag and reader are already described in the MH10.8.4 standard. "[Some people may be] looking for a product document," he notes, "but that's not what an interface is."

### ***The GTAG Alternative***

While industrial America continues to debate the viability of MH10.8.4 as a radio-frequency item management standard, the retail industry has announced plans to develop its own criterion. The Uniform Code Council (UCC) in Princeton, NJ, the industry group that assigns unique bar codes to products, has begun work on its standard for radio-frequency item identification, called GTAG (global tag). Three tag manufacturers—Texas Instruments RFID Systems of Dallas, BiStar Technology Ltd. of Oxfordshire, U.K., and SCS Corp. of San Diego—have strongly endorsed the GTAG initiative. Intermec, by the way, is also participating in the GTAG project, as are other suppliers.

GTAG's proponents plan to issue specifications this fall. GTAG will be deployed in logistics for marking returnable containers as well as for other types of product identification. GTAG's proponents are quick to point out its advantages. First, the developers envision GTAG as a passive tag—meaning one without its own battery source of power—which means its cost can be kept down. Then there's the issue of speed. GTAG will use the ultra-high frequency (UHF) band between 860 and 928 MHz, which has a lot of open spots [frequencies unassigned to other uses] in major areas of the world. UHF speeds of radio transmission are quick in conjunction with a passive tag.

Furthermore, one of the suppliers behind the retail tag initiative—Texas Instruments—believes that adoption of GTAG as the industry standard would promote international trade. Tres Wiley, a strategy manager in Texas Instruments' RFID systems business unit, notes that the 915 MHz band specified in the MH10.8.4 standard is not useable in certain countries outside the United States. "GTAG's proponents are tackling a tougher problem because they want to satisfy requirements around the world," says Wiley, "while MH10.8.4 is focused on the United States."

### ***Chip Shots***

But detractors of the retail industry's tag initiative question whether GTAG can be rolled out without a microcircuit specifically designed for the transponder and built to meet the protocol. "You have to build a chip to support this [initiative]," says Harmon. "The efforts with GTAG have not gotten down to silicon."

Stephen G. Halliday, vice president of technology at the industry trade group AIM, agrees with Harmon that GTAG won't be ready for actual use until a tag has been developed. "The manufacturers will have to design the tag because there's no tag on the market," he says. "RF tags include an integrated circuit. If they start from scratch, it's an 18-month process." Even Wiley of Texas Instruments grants that it's a distinct possibility that GTAG may require the design of a new chip.

Meanwhile, industry groups watching the ongoing battle over RFID standards appear to be hedging their bets. For instance, the Automotive Industry Action Group (AIAG), a trade organization for the car industry, has adopted MH10.8.4 for marking tires for the time being. But the group has also left the door open to use GTAG in the future, says Ron Tillinger, AIAG's program manager for occupational health and safety. "We are using MH10.8.4 with the idea that the tag will allow retail to co-exist with industrial data," he explains. ".4 makes no room for [storing] retail data. But we're hoping that the tag manufacturers will allow software on the reader to capture data from both types of tags."

To read this article in its entirety, check out the following link:

<http://www.manufacturing.net/lm/index.asp?layout=articleWebzine&stt=000&articleid=CA170968&pubdate=10/1/01>


**RELOCATOR ROUNDUP**
**UNITED STATES**

ALLEN, PETER	KB Kids	BLAIRS, VA
BAIRD, KEVIN	JONES NY	LAWRENCEBURG, TN
BENTON, JOSH	BARNES & NOBLE	JAMESBURG, NJ
Brunson, Andrea	PFIZER	MEMPHIS, TN
BURKE, JONI	NIKE	MEMPHIS, TN
BURKLAND, NATE	NIKE	MEMPHIS, TN
CASCIO, DAVE	QVC	WEST CHESTER, PA
CHINNAN, VIKAS	FRESH EXPRESS	MONTEREY, CA
CHOATE, CASEY	JONES NY	WINSTON-SALEM, NC
CLARK, ELIZABETH	LOA	CHICAGO OFFICE
COPLAND, TIM	KB Kids	BLAIRS, VA
DAVIS, SETH	ROSS STORES	NEWARK, CA
DENSMORE, JD	PVH	JONESVILLE, NC
DUQUE, MAX	BARNES & NOBLE	JAMESBURG, NJ
FONG, TERRANCE	SUBMITORDER.COM	COLUMBUS, OH
GILES, LAURA	QVC	WESTCHESTER, PA
GRIFFITH, BRAD	STAPLES	BOSTON, MA
HARMON, BRAD	LOA	CHICAGO OFFICE
KELLOGG, MICHAEL	AVON	PRINCETON OFFICE
KLISZ, KEVIN	KB Kids	BLAIRS, VA
LA VECCHIA, MARIANNA	CONTROL PLUS	ATLANTA OFFICE
LEFKOWITZ, STEVE	LILLIAN VERNON	VIRGINIA BEACH, VA
LEVY, VAL	ANN TAYLOR	LOUISVILLE, KY
MARTINEZ, ANDRES	LOA	MIAMI OFFICE
MCGRAW, COLLEEN	LILLIAN VERNON	VIRGINIA BEACH
MOKOTOFF, BENJAMIN	WALMART*COM	ATLANTA OFFICE
MOOSABHOY, MUFADDAL	ROSS STORES	NEWARK, CA
MORIN, CRAIG	LOA	LOS ANGELES OFFICE
OSBURN, STEVE	STAPLES	LONDON, OH
PARANSKY, NOAM	B2B CONSORTIUM	ATLANTA OFFICE
SAMPSON, BRAD	NIKE	MEMPHIS, TN
SPOFFORD, SETH	SARA LEE	ATLANTA OFFICE
TAYLOR, BRAD	WALMART*COM	ATLANTA OFFICE
TIMBERLAKE, JUJUAN	OPEN	ATLANTA OFFICE
TODD, AARON	GLOBAL SPORTS	LOUISVILLE, KY
TREVIÑO, ROBERTO	STAPLES	MONTGOMERY, NY
ULICNY, DAN	BARNES & NOBLE	JAMESBURG, NJ
WATTERSON, ERIC	LOA	LOS ANGELES OFFICE
WEBSTER, JACK	ROSS STORES	NEWARK, CA
WHITEHOUSE, SEAN	QVC	WEST CHESTER, PA
WILSON, KEN	NIKE	MEMPHIS, TN

**RELOCATOR ROUNDUP**

**MEXICO**

AYALA, JOSE GERARDO	ALIANZA TEXTILE	ABASOLO
BALTAZAR, JESUS	ALIANZA TEXTILE	ABASOLO
FELIX, IGNACIO	VF INTIMATES	REYNOSA
LOPEZ, RODRIGO	ALIANZA TEXTILE	ABASOLO

**HONDURAS**

LOZANO, ALFREDO	VF INTIMATES	SAN PEDRO SULA
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**UNITED KINGDOM**

ANDERSON, BRAD	MFI	LONDON
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**JAPAN**

BRUCE, DAN	JUSCO	TOKYO OFFICE
------------	-------	--------------

**SUPPORT STAFF**

ANDROS, VANESSA	ATLANTA
CRANKSHAW, LAURIE	CHICAGO
HAMRICK, DEBBIE	ATLANTA
JUDD, SUZANNE	PRINCETON
KOLM, RACHEL	PRINCETON
LANNON, NICOLE	ATLANTA
ROSALES, IRMA M.	MIAMI
SALAZAR, OLIVIA	LOS ANGELES
SENIOR, LYNN	LOS ANGELES

**BRAIN TEASER ANSWER**

April is six, May is nine, June is twenty.

Jose Luis Gomez, Dave Rush, and Lisandro Sagastume all submitted the correct answers. Bravo!

**Quote of the week...**

People who are willing to give up freedom  
for the sake of short term security,  
deserve neither freedom nor security.

-- Benjamin Franklin --

**DEADLINES FOR SUBMISSIONS TO THE HOTSHEET**

IF YOUR RELOCATOR ROUNDUP INFORMATION IS MISSING OR INACCURATE, PLEASE CONTACT IRMA M ROSALES  
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

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CONTRIBUTING  
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KSA MIAMI



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## **INDUSTRY INSIGHTS**

### **“DIMINISHING RETURNS” (FROM LOGISTICS MAGAZINE JUNE 2001)**

**-- ROBERT FULGHUM --**

**M**ore and more companies are developing service and software in the field of reverse logistics to manage the flow of returned goods. Although dealing with returned goods might seem like a simple concept, in reality, behind every return are complex inventory control, information management, cost accounting, and disposal processes, which will vary depending on their industry. Below is a list of some of the problems specific industries are facing and how reverse logistics specialists are addressing them.

#### ***Electronics***

Redeployment of assets and cost recovery are the top priorities in the field of electronics, but these goals are not always easily achieved. For example, vendors must carry certain levels of inventory to be able to quickly replace or repair problem equipment, but electronic and computer parts can lose up to 3% of their value each week they sit in inventory.

DecisionOne Corporation has changed its focus completely from repairs to returns management. They use Kirus software to track each item by serial number and to match returned goods with the appropriate disposition according to the customers' policies. This decision-support software also provides an electronic link among all the parties in the returned goods cycle. In addition, the software can identify patterns of failure or customer behavior in an effort to lower return rates.

#### ***Grocery***

Returned grocery items are a particular challenge because of safety and sanitation concerns, the wide variety of products grocery stores carry, and the high level of damaged goods. To deal with unsaleable items, the industry has created a standard methodology of dealing with these returns. These guidelines require the manufacturer to pay for the product as well as the cost of its forward distribution, removal from the shelf to a reclamation center, and its processing. The grocery industry feels that responsibility for the product's ability to withstand the distribution process should be placed solely on the manufacturer. In the meantime, returns processors accumulate data to help all parties find ways to improve the distribution process. An important “side effect” of reverse logistics in this instance is that retailers and manufacturers often donate unsaleable but usable food to charities.

#### ***Distributors***

Distributors may provide a value-added service to customers by stocking product lines from multiple manufacturers, filling orders, and offering delivery. Having to deal with returns policies with their customers and with several different manufacturers can cause many problems. Terms regarding returns are included in the sales contracts between manufacturers and distributors, but if a distributor does not have the technology to implement specific rules, it often ends up with a “one size fits all” returns policy which will inevitably be costly. Distributors are often stuck with enormous amounts of returned goods for several different manufacturers in their own warehouse.

One of distributors' biggest issues is ensuring that customers provide ample information for them to allocate products to the correct manufacturer and accurately calculate debits and credits. By managing returns online with

screens that force customers to enter the required data, distributors can collect the data they need to keep track of their returns.

Below is a list of some companies, which offer help in the management of the flow of, returned goods:

Organization	Web Site	Phone Number
Reverse Logistics Executive Council	<a href="http://www.rlec.org">www.rlec.org</a>	775-784-4912
Concentus Technology	<a href="http://www.concentus-tech.com">www.concentus-tech.com</a>	614-792-9993
GENCO Distribution System	<a href="http://www.genco.com">www.genco.com</a>	800-224-3141
Kirus Inc.	<a href="http://www.kirus.com">www.kirus.com</a>	949-453-4700
Manhattan Associates (PkMS)	<a href="http://www.manhattanassociates.com">www.manhattanassociates.com</a>	770-955-7070
Retek Inc.	<a href="http://www.retek.com">www.retek.com</a>	612-630-5700
ReturnCentral (ReturnMatrix software)	<a href="http://www.returncentral.com">www.returncentral.com</a>	412-920-9300
The Return Exchange	<a href="http://www.thereturnexchange.com">www.thereturnexchange.com</a>	949-585-9495
ReturnLogistics International	<a href="http://www.returnlogistics.com">www.returnlogistics.com</a>	561-279-0094
Returns Online	<a href="http://www.returnsonline.com">www.returnsonline.com</a>	206-230-8000
UPS' "Returns on the Web"	<a href="http://www.ups.com">www.ups.com</a>	any UPS center
USF Processors	<a href="http://www.usfreightways.com/usfprocessors">www.usfreightways.com/usfprocessors</a>	972-980-7825

Please contact Robert Fulghum to see this article in its entirety.

## **SHORT-TERM SPACE OPPORTUNITIES YEAR END 2001**

Does your client have a need for short-term space for year-end inventory? Require month-to-month space for a new project? Need a temporary home until new premises are available to occupy?

There are 30, 60 or 90- day leases for many of the spaces included in the following list:

<u>Market</u>	<u>Building/Address</u>	<u>Available</u>
Atlanta	Shawnee Industrial	350,000 SF
Atlanta	Suwanee Creek Phase IV	182,456 SF
Baltimore/Washington	Beltway Distribution	129,275 SF
Chicago	775 Belden Avenue, Addison	122,079 SF
Los Angeles	Harris Business Center 58	74,586 SF
Miami	Blue Lagoon Business Park	39,400 SF
Northern New Jersey	Docks Corner, South Brunswick	303,843 SF
Northern New Jersey	100 Porete, North Arlington	326,500 SF
Portland	Portland Air Cargo Centre 1,2	159,500 SF
Seattle	East Valley Warehouse, Kent	351,095 SF

Contact Nicole DiStasio for further information.

## ***BRAIN TEASER***

Of three sisters named April, May, and June, none is yet twenty-one. April is now as old as June was fourteen years ago and two-thirds of May's age. May, on the other hand, will be June's age when May is twice as old as she is now plus two years. Three years ago, May was as old as April is now. How old are April, May, and June?

Answer will be found in next week's HotSheet.

---

### **Quote of the week...**

Obstacles are necessary for success...  
Victory comes only after many struggles  
and countless defeats.

Yet each struggle, each defeat,  
sharpens your skills and strengths,  
your courage and your endurance,  
your ability and your confidence and  
thus each obstacle is a comrade-in-arms  
forcing you to become better... or quit.  
Each rebuff is an opportunity to move forward;  
turn away from them, avoid them,  
and... you throw away your future.

**-- Og Mandino --**

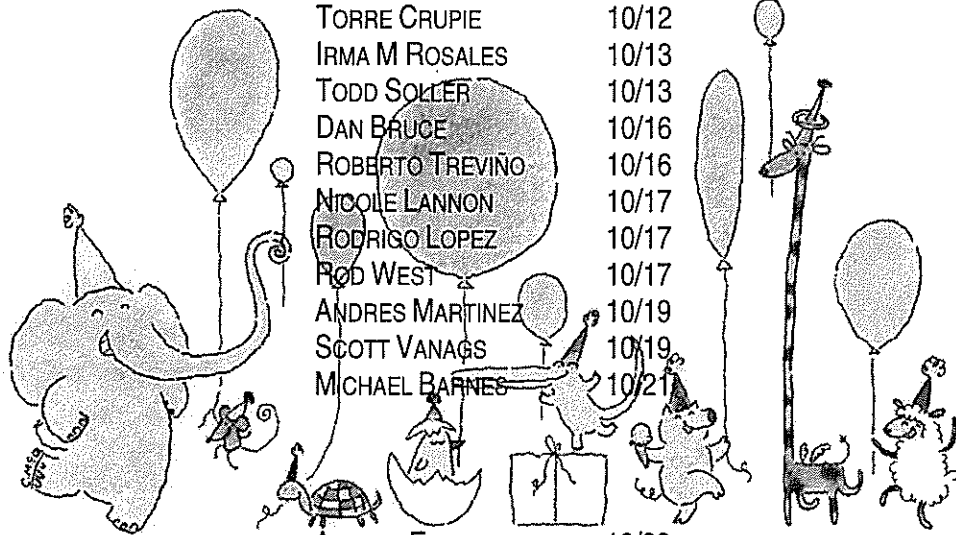
# October Celebrations

## ANNIVERSARIES

SUZANNE JUDD	10/01/1984
ALFREDO LOZANO	10/02/2000
MAX DUQUE	10/05/1998
TODD SOLLER	10/06/1997
DAVE CASCIO	10/30/2000

## BIRTHDAYS

TERENCE FONG	10/07
JONI BURKE	10/09
TORRE CRUPIE	10/12
IRMA M ROSALES	10/13
TODD SOLLER	10/13
DAN BRUCE	10/16
ROBERTO TREVIÑO	10/16
NICOLE LANNON	10/17
RODRIGO LOPEZ	10/17
ROD WEST	10/17
ANDRES MARTINEZ	10/19
SCOTT VANAGS	10/19
MICHAEL BARNES	10/21



ASHRAF EISA	10/23
RANDY UNGER	10/27
ERIC WATTERSON	10/28
AARON TODD	10/29
NORT EBERLY	10/31

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### DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

IF YOUR ANNIVERSARY/BIRTHDAY INFORMATION IS NOT LISTED OR IS INACCURRATE - PLEASE CONTACT IRMA M. ROSALES  
 DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
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## **CONSULTANT'S CORNER**

### **HOW DO YOU KNOW YOU ARE GETTING VALUE FROM YOUR 3PL SPEND?**

**-- BRITT DAYTON AND ASHLEY DEATON --**

*Join us in welcoming Britt Dayton back to the Atlanta office after working for several years with the KSA Manchester office. The purpose of the article was to convince customers that they should follow our performance management principles to determine if they are getting value for money from their 3PL's.*

**G**lobal competition is becoming more intense everyday, and those retailers who haven't already outsourced their physical logistics operations to third party logistics providers (3PL's) are giving it serious consideration. Finance directors long ago saw the potential improvement to return on investment measures by turning large balance sheet assets into transactional expenses through these outsourcing partnerships. Supply chain and logistics directors have endorsed this move if logistics is not considered a "core competency" in their retail operations. The prospect of handing off day-to-day management of these labor-intensive processes to specialist operators was almost a dream come true for many companies. The reality, however, is rarely as good as one hopes it will be.

Many supply chain directors lament the loss of control and feel that they are not getting good value from their 3PL partner. The idea of best practices, and continuous performance improvement gets lost somewhere between the contract award and contract renewal. Of course, not all-3PL providers are like this, and some are now positioning themselves to take on more responsibility for their customers' supply chain processes.

As cost control becomes more important in growing profitability, and customer service becomes a more critical factor in product differentiation, retailers are faced with some difficult questions in managing an out-sourced logistics function. Executives frequently ask: How do I know if my 3PL-provider delivers good value for the money I spend for its services? What can I do to measure my 3PL provider's performance on a regular basis?

Larger retailers who have multiple distribution centers often spread their 3PL contracts among several providers and compare performance across them. Some may even keep some physical assets under company control and use these company-owned facilities as a benchmark for comparison with the outside suppliers. Of course, this strategy is not viable if you only have one or two distribution centers (DC's), or you do not want to operate one of them yourself just to keep your 3PL provider honest. The alternative, which is gaining favor across all industry sectors, is to develop accurate measures of 3PL performance and to establish performance targets as part of the service agreement. Ultimately, the relationship with your 3PL provider should move into a "pay for measured performance" arrangement that exposes true operational efficiency, and rewards continuous improvement.

#### **Sounds Simple; Proves Challenging**

As simple as it may sound, accurately measuring performance is not an easy task. Most contracts already have productivity measures, but they lack the precision to serve as an accurate and objective measure. For example, one retailer with whom KSA works measured productivity in tones dispatched from its DC's to its stores, and set a target of one half tone per labor hour as the productivity target for its 3PL supplier. As work mix changed from day to day, the DC productivity swung wildly between one quarter and two tones per labor hour. This led to hostility and accusations between the two parties as the retailer challenged the 3PL provider to get control of its operation, while the 3PL provider argued that it could not cope with the unpredictable nature of the workload.

In our example, the original contract was an “open book” arrangement where the 3PL supplier’s annual costs were budgeted based on the retailer’s monthly projections. Each month the 3PL provider told the retailer what the actual costs were and an analysis immediately followed which explained why costs were higher than budgeted. At times, budget variances were due to inaccurate projections of the workload, but often, the 3PL provider missed projections due to inefficient management.

The real problem did not lie with either partner – it was an inaccurate productivity measure that did not fairly represent the true work content. A significant portion of the labor cost is dependent on physical characteristics of the product; order volume and profile; pre-retailing services; and the distribution center equipment and layout. The solution required the two parties to jointly develop accurate productivity and service measures; agree to a performance improvement schedule; and integrate the measurements into the contract. In this case, the retailer and 3PL provider created an engineering function at the DC to develop more accurate productivity and service measures. The retailer then changed its 3PL targets to recognize the new measurements. This allowed both the retailer and the 3PL provider to objectively discuss how each party could eliminate non-value-added steps in the process. Additional benefits included:

- Improved workload planning and staff scheduling tools (based on actual work content)
- Increased visibility of 3PL costs and service performance
- 3PL warehouse workers now have fair and objective performance measures, and the games around working “good” versus “bad” orders have disappeared
- More accurate budgeting information for the retailer

The second step to getting more value from your 3PL provider is to establish a performance improvement schedule as part of the commercial agreement. A good way to encourage continuous performance improvement is to base 3PL payments on achieved performance.

In the following example, performance equals actual productivity divided by standard productivity, where standard productivity is defined as the expected productivity level using the correct methods and procedures at a pace that can be maintained for an entire shift. Therefore, if an operation has a standard productivity of one tone per labor hour (based on a specific work mix), and the 3PL provider achieves one half tone per labor hour, its performance is only 50% (.5/1 tone per labor hour). This measure of performance can be the commercial basis for the 3PL contract.

In this case, the retailer determined that a fair baseline for payment under the new contract would initially be 70% performance, but would rise to 85% performance in two years’ time. This meant that when the new contract went into force, the 3PL payment each month was determined by measuring the work content requested and applying the 70% performance factor. The labor hours are charged to the retailer at an agreed wage rate. If the 3PL provider exceeded the 70% performance level, it will increase its profits. Likewise, the costs of performing below 70% stayed with the 3PL. Ramping up the performance target over time set in motion a continuous improvement cycle as the 3PL provider realized that it would lose money if it did not improve, and ultimately risked losing the contract. The retailer was comfortable knowing exactly what it was paying for, and that its partner was striving to improve.

Succeeding with this approach requires a firm commitment by both parties to openness and objective measures. If a process deficiency is discovered, both parties must be willing to invest in corrective action and this must be fairly recognized in commercial agreements. The 3PL-provider management must translate this openness into a culture of continuous improvement, and resist the temptation to blame DC workers for missed performance targets. Many times missed targets are a result of inefficient workflow, methods, training, or staffing decisions. When individuals are performing poorly, they must be coached on correct methods and given timely feedback on their progress.

Not many people realize how difficult it is to make these changes in established companies, and between wary partners. The effort can and is paying back significant benefits for those companies that make the commitment.

## INDUSTRY INSIGHTS

### DISCOUNT GIANTS LEARN ONLINE LESSONS: FILM, YES; SHAMPOO, NO (FROM THE NEW YORK TIMES SEPT. 26, 2001 – BY BOB TEDESCHI)

**A**t the height of the dot-com mania, Wal-Mart and Kmart, giants of the retail world, were being derided for not charging onto the Web with Amazonian zeal.

So they set to work, with the idea that if a garage full of 20-year-olds could throw together an online retail business and take it public, they could certainly do it, too.

That's not quite how it turned out. In late 1999, Wal-Mart ([news/quote](#))'s Web site, Walmart.com, earned scathing reviews for its byzantine layout, while Kmart's site, Bluelight.com, fared only slightly better. Target, the third member of discount retailing's royalty, had not even gone online yet.

By that time, of course, the opportunity to reap riches on Wall Street had passed, leaving these stores with expensive corporate appendages that showed little promise of adding money to the bottom line soon.

That seems to be changing, however. Wal-Mart and Target both show up on the 25 most highly visited retail sites, according to Jupiter Media Metrix ([news/quote](#)), an Internet research firm. Kmart is the fifth most-visited department store online. And although they may never pump up the sales figures of their corporate parents by much, these Web sites could, analysts said, help their companies become more profitable.

"Any commerce sales for them are just a rounding error when you compare them to the overall business," said Emme P. Kozloff, a retail analyst at Sanford C. Bernstein & Company.

The three companies do not break out the details of their dot-com operations, so it is impossible to know exactly how they are doing. But it is clear that the initial bumpy ride has taught them much about what to do — and what not to do — online.

For Wal-Mart, by far the biggest discount retailer with \$191 billion in sales last year, the lessons came quickly during the last holiday season. "We started retrenching right after that," said John Fleming, the senior vice president and chief merchandising officer of Walmart.com. "We looked at it and said, 'We need to run this thing like a real business, and offer things online that we can actually make money with.' "

That may sound obvious. But early conventional wisdom suggested that they should offer much or all of the same merchandise online as they did in the stores. To do otherwise, executives thought, was to risk confusing the customer and jeopardizing the delicate notion of what the company's brand represented.

In early incarnations of the discount department stores, customers could buy \$2.99 bottles of shampoo, \$29.99 sweaters and \$299 televisions. For Walmart.com and others, such merchandising was a recipe for fiscal indigestion.

"If you go into a Wal-Mart store, you'll be blown away by how much they have for sale under \$5," Mr. Fleming said. "Once you put the real costs into shipping that product, there's no money for anybody." Gone, then, went the low-priced items. Same with apparel, because the current method of handling apparel proved inefficient and far too costly. "So, until we can change how we do that, it just isn't profitable for us," Mr. Fleming said.

Walmart.com, which is visited by roughly 3.4 million people a month, started carrying more items and offering services that consumers would rarely see in the stores. Laptop computers, for one, present thorny problems for discount retailers

because they are costly, difficult to display and to sell and are easy targets for thieves. On the Internet, though, they are easy to handle and ship, and carry decent profit margins.

"Those types of things have been our successes, rather than selling the same item they could drive to the store and get," Mr. Fleming said.

For Kmart, a better melding of Bluelight.com and the store has been beneficial. Randy Allen, who, as executive vice president of strategic initiatives, manages the Bluelight site, said that not only do the Kmart stores allow shoppers to return goods they bought online — a seemingly pedestrian achievement that many retailers still cannot boast — but Kmart has added several other ties between the Web site and the stores. For instance, customers can take film into the store to be developed, then view the photos online or e-mail them to friends.

Integration on a macro scale is also a major topic at Kmart, with the company taking a \$92 million pretax charge recently to buy back the 40 percent stake in Bluelight that it did not own.

The separation between Kmart and its Internet progeny, Ms. Allen said, "created, early on, some natural conflict, but we're totally aligned on the same objectives now."

WAL-MART also took a charge earlier this year when it bought back the remaining shares in Walmart.com from investors, and Mr. Fleming, for one, witnessed some cultural dissonance in executive meetings, as the merging of the Internet unit in Silicon Valley and its corporate parent in Bentonville, Ark., has proceeded.

Target.com never considered such a spin-off, according to Gerald L. Storch, the vice-chairman of the Target Corporation ([news/quote](#)). In the days before the dot-com collapse, "people said that if we spun off our Internet business, it could have a \$4.5 billion market cap," Mr. Storch said, referring to the business's potential stock market value. "We said, if it's that valuable, then it belongs to our existing shareholders."

Instead, Target has concentrated on using both the Internet and its stores to build awareness of the Target brand, which naturally hews to the younger, slightly more upscale demographic of the Internet. (The average household income of an online Target shopper is \$60,000 versus about \$50,000 offline.)

Ms. Kozloff, the Bernstein analyst, sees Target's approach as an example of how a site can help a retailer in ways that do not involve online sales. "They are a good way to draw consumers that may not be traditionally shopping at a discounter," she said.

Target also plans to open a Target store on Amazon.com ([news/quote](#)) and use Amazon for order fulfillment and customer service for all its online properties.

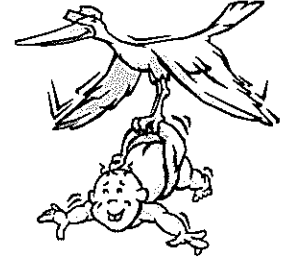
Mr. Storch is enthusiastic about the Target site's marketing potential. "We'll have 100 million visitors this year to the site," he said. "What would you pay for that in TV exposure? And when we launched our Massimo apparel line in the stores this spring, we sent millions of e-mails to people. I'm sure the impact was greater in the stores than on the dot-com side. How do I value that? It's difficult, but I know it's very important."

While such exposure can increase sales, Mr. Storch added, the fact that it engages customers is critical. "In the early days of the Internet, people got confused and thought it was all about selling goods online, when it was really about deepening the relationship with the customer," he said. "But I like to say the stupid era of the Internet is over now."

**NEWS, NOTES, AND NONSENSE**  
-- SPECIAL DELIVERY --

# Congratulations!

Raj and Margaret Kumar had a baby boy  
this Wednesday, September 26<sup>th</sup>.



Joseph Robert Kumar weighs 8 Lbs., 3 oz, and is 20 ½ inches long.

Baby, Mom, and Dad are doing great.

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## Quote of the week...

*"When life knocks you to your knees...  
Well, that's the best position to pray,  
isn't it?"*

-- Ethel Barrymore --

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### DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)

FULLFILLMENT TECHNOLOGY NEWS, NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

EDITOR:  
CONTRIBUTING  
PUBLISHER:  
PUBLISHED BY:

IRMA M. ROSALES  
NICOLE DISTASIO  
KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION → SEPTEMBER 21, 2001, VOL. 10, NO. 35

## **INDUSTRY INSIGHTS**

**MIX MASTER** (OPERATIONS AND FULFILLMENT – AUGUST 1, 2001)

-- DAN STONAKER --

**A**bout four years ago, Cornerstone executives began planning to build a consolidated fulfillment center integrated with the company's Ohio headquarters. Cornerstone Consolidated Services Group (CCSG), the operations arm of Cornerstone Brands, was formed in August 1997 to implement the plans. CEO John O'Steen led the project team from its inception, and retail and consumer products consulting firm Kurt Salmon Associates (KSA) was chosen to assist in building the new facility, whose design had to be simple enough to handle growing volume, but flexible enough to handle Cornerstone's growth strategy.

### **Flavorful blend**

The concept and design of the new facility represented major changes that affected every component of Cornerstone's fulfillment organization. Construction was completed in August 1999. Just two months before the 1999 Christmas holiday season, CCSG integrated four of its separate companies (Frontgate, Ballard Designs, TravelSmith, and Whispering Pines, which has since been sold and replaced by two more companies, Garnet Hill and the Territory Ahead) into the 970,000-sq.-ft. distribution center. In addition to the DC, the facility includes a 350-seat call center, a 65,000-sq.-ft. retail store, and corporate headquarters. Besides handling a wide product assortment, CCSG promises customers that all orders of in-stock merchandise will be shipped within 24 hours.

When Cornerstone Brands began the task of planning the centralization of distribution operations for five of its partner brands, it was clear that the biggest hurdles were the actual scale of the project, handling the diversity of the businesses, and meeting tight deadlines while managing existing operations.

### **Tribal Knowledge**

Not only did each affiliate company need to move into the new DC physically, but the order management system for each company (the different systems included MACs, Mozart, and Sigma Micro) needed to be converted, interfaced, and integrated into the new facility's Manhattan Associates PkMS warehouse management system (WMS).

All inventory is separated by brand both in reserve storage and in the active pick area. The PkMS warehouse management system recognizes the company to which each order should be assigned and prints a packing slip accordingly. The workforce is divided into dedicated pickers for each company, but workers are cross-trained so that they can work in different areas as demand changes.

Cornerstone evaluated several ideas for achieving significant labor savings from automated equipment. The receiving process was one of the first functions to be assessed. To realize the benefits of an automated receiving system, vendors would need to send shipments to the new facility with bar-coded labels and advance shipment notifications (ASNs). By identifying vendor compliance as a corporate priority, Cornerstone achieved a 70% compliance rate in less than a year, according to Dawes. The automated receiving system reduced receiving costs by 30%, as well as providing greater inventory accuracy and control of merchandise.

***Fold in gently***

With the equipment in place, information systems integrated, and company move-ins complete; it was time to start hiring and shipping. CCSG had to ramp up its outbound operations and hire workers less than four months before shipment volume was expected to quadruple during the holiday season. The company completed a thorough wage study to determine its competitiveness in the local market. In addition, to prepare for the upcoming surge in business, CCSG invested heavily in training distribution center workers for top performance. Management reviewed current processes for each operation with the workers, using the employees' ideas to tweak procedures

***Lumpy batches***

Certainly one of the most important factors in coping with the facility's start-up glitches was focusing on throughput. KSA conducted several conference-room-training sessions to illustrate the importance of balanced workflow and the adverse effects of batch processing. Problem-solving efforts were then directed at the issues causing the bottlenecks, and this procedure increased throughput dramatically.

***Formula one***

Some of CCSG's training focused on productivity improvement using KSA's P.U.M.P. (pace x utilization x methods = productivity) assessment. After that first holiday season, CCSG shifted its focus from ramping up volume in the facility to increasing worker productivity and accuracy. CCSG's investment in its employees took the form of KSA's comprehensive, performance-based Base Plus® productivity/incentive program. Base Plus has had an impact in other ways as well. It has:

- ✍ extended facility processing capacity by 40%
- ✍ reduced labor costs by 30% or more
- ✍ deferred additional capital expenditures on every asset linked to employee head count
- ✍ increased employee retention, motivation, and morale

***Taste test***

Employees working in the Base Plus program benchmark their own performance daily and are rewarded for extra efforts. Giving workers this responsibility enables managers and supervisors to spend more of their time on schedule management, training, and recognition programs rather than on handling emergencies. In less than two years, the program has helped create a performance-driven work environment that surpasses design productivity levels.

Designing and constructing a new facility as complex as the CCSG distribution center usually revolve around executing the project in a timely and cost-effective way. Most companies invest millions of dollars in new technology and equipment and expect the big payoffs to come solely from the investments.

By contrast, Cornerstone took the position that people would be the key to success. That philosophy has worked well. During the first peak season of operation, the new distribution center shipped 49,000 units in one day. Today, Cornerstone is beating the initial estimates for direct labor cost, a testament to the success of the project's planning, design, and execution.

To read this article in its entirety, click on the following link:

<http://industryclick.com/magazinearticle.asp?magazineid=37&releaseid=6877&magazinearticleid=114774&siteid=2>

## INSIDE THE INTRANET

-- NICOLE DiSTASIO --

**T**he latest addition to the Fulfillment Services Archives and the Operations Improvement Projects files under Tools of the Trade on the Intranet is the key Avon Program Management Project documentation. This project focused on changing the operational processes as the objective of the initiatives -- to improve the import logistics process as well as the distribution center layout and picking process.

Some of the Avon Operations Improvement Project files now found on the Intranet include:

- ✎ Avon PFG Brainstorming Output document -- containing the output of the initial 3-day strategy session which led to PMO work
- ✎ Avon Proposal -- The proposal given to Avon leading to PMO work
- ✎ Avon Project Plan -- The project plan for all 5 initiatives maintained by KSA & distributed to team weekly
- ✎ Avon Status Update -- The status update sent to sponsors & team leads for weekly conference calls
- ✎ Avon Supply Chain Execution Landscape Presentation -- given to Avon on the available Supply Chain Execution applications available as a replacement for their existing GAIMS system (PO tracking system)

Many thanks to Iris Chang for providing these documents for posting and for providing such detailed background information regarding the submitted documents.

Click on either of the following links to access these documents:  
<http://web1/tools/fulfillmentserv/distribution/eoperationsimpr/>, or  
<http://web1/archive/a/avon1111/default.htm>

As always any and all submissions to the Intranet are welcomed. Ideas and suggestions regarding making the Intranet more user friendly are invited as well. Send your ideas and documents to Nicole DiStasio.

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### Quote of the week...

*"The real glory is being knocked to your knees  
and then coming back.  
That's real glory.  
That's the essence of it."*

--Vince Lombardi --

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#### DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)

FULFILLMENT TECHNOLOGY NEWS, NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)



# THE HOTSHEET

EDITOR:  
CONTRIBUTING  
PUBLISHER:  
PUBLISHED BY:

IRMA M. ROSALES  
NICOLE DISTASIO  
KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION SEPTEMBER 14, 2001, VOL. 10, NO. 34

## **PROJECT POSTCARD**

### **AAMT® IN AFRICA: TRAINING THE UNTAMED**

**-- MAX DUQUE, DIVYANSHU KUMAR AND RAVI VAIDYANATHAN --**

**K**SA Fulfillment in support with KSA-Technopak, is currently working in the start-up of an apparel manufacturing plant in Mombassa, Kenya. The client, Dubai-based Atraco, wanted KSA's help in their first venture into the African continent. Raghav Gupta and Ravi Vaidyanathan participated in the planning study and facility design; Divyanshu Kumar and Max Duque joined later to assist in the implementation of (Advanced Analytical Methodology of Training) and facility start-up activities.

#### ***Doing Business in Kenya***

The U.S. Government recently passed the Sub-Saharan Trade Agreement, in which apparel production from beneficiary countries could be imported to the U.S. quota and tax-free. These benefits, plus very high unemployment rates and low labor costs, make Kenya and other African nations look very attractive to foreign and local investors. Mombassa, being the biggest port in East Africa, further enhances the opportunity to invest in Kenya. But, the adventurous task brings some bumps along the way.

The apparel industry is practically non-existent in Kenya, which makes hiring experienced indirect labor and middle management difficult. The lack of skilled labor forced Atraco to "import" part of the management team from India and other Indian Ocean countries, which made the training of supervisors, managers, and trainers a more challenging and a culturally diverse experience for KSA. Poor infrastructure and communications, and inefficiency had to be constantly overcome in order to meet deadlines and deliverables.

#### ***Cultural Challenges***

Teaching individuals with radically different ethical values and beliefs to work for a common goal was perhaps the biggest challenge. Through a mix of teambuilding activities, close supervision, and constant coaching, the KSA team helped the client change from a laid-back, slow motion working culture to a goal-oriented environment with a stronger sense of urgency.

KSA devised a very comprehensive selection procedure, which resulted in selection of growth-oriented individuals who were trained on KSA's AAMT® sewing training. The selection and the training process were widely welcomed as it created a sense of belongingness and understanding among the operators.

#### ***The Results***

Despite constant changes in plans and during the start up mode, only a month after the first production line began, the plant is exceeding the forecasted performance and meeting world class manufacturing standards. Within 3 weeks of starting commercial production, the factory reached 45% efficiency. A recent audit from a large U.S. buyer awarded almost top performance to the facility's internal processes. Large buyers in Africa are making a beeline to this factory, which is setting new standards in apparel manufacturing in the continent. The client is rating this facility as one of its best.

## INDUSTRY INSIGHTS

**"HOW WELL DOES WAL-MART TRAVEL?"** (BUSINESS WEEK ONLINE 9.3.01 - BY WENDY ZELLNER, WITH KATHARINE A. SCHMIDT, MOON IHLWAN, AND HEIDI DAWLEY)

-- NICOLE DISTASIO --

**A**fter early missteps, the retailing giant may finally be getting the hang of selling overseas.

In the decade since Wal-Mart Stores Inc. (WMT) began its international exploits with a joint venture in Mexico, its record abroad has been full of merchandising missteps and management upheaval. Such blunders explain why German shopper Claudia Gittel grouses about the meat selection at the Wal-Mart in Esslingen and how the prices were lower when local chain Interspar ran the store. And why rival retailers from Brazil to South Korea scoff at Wal-Mart's product choices and "cookie-cutter" outlets. "We don't see Wal-Mart as a threat anymore," sniffs Hong Sun Sang, assistant manager for E-Mart, a 35-store chain in South Korea.

But with its persistence and deep pockets, it would be a mistake to underestimate the world's largest retailer. Just look at the U.S. grocery business, where Wal-Mart is a leader after early stumbles with its huge "supercenters." Likewise, the Bentonville (Ark.) chain has learned some painful lessons about consumers, regulators, and suppliers around the world. Through trial and error, the company has quietly built a powerful force outside the U.S. It's now the biggest retailer in Canada and Mexico. Its \$32 billion international business equaled 17% of its \$191 billion in sales last year, with more than 1,100 stores in nine countries. And its operating profit abroad rose 36% last year, to \$1.1 billion, about 12% of total profits. The trend continued in the first half of this year, with international sales rising 9.6% and operating profit jumping 39%.

Wal-Mart finally started getting its international act together two years ago after it put then-chief financial officer John B. Menzer in charge of the International Div. The low-key Menzer was credited with tightening financial discipline and boosting return on assets for the parent company. Now he's bringing a similar focus to Wal-Mart's sprawling operations abroad, where he's pushing more authority into the field, working to develop a corps of top managers, and spreading "best practices" from the U.S. and elsewhere around the world. And for the first time, Wal-Mart is building a global sourcing operation to use its huge sales volumes to command better deals, higher quality, and more innovation from both U.S. and foreign suppliers.

The company is backing these efforts with big bucks. Lehman Brothers Inc. estimates that Wal-Mart will devote 26% of its \$9 billion in capital expenditures this year to operations abroad, adding about 120 stores. "As a global organization, they've become more savvy," says Ira Kalish, director of global retail intelligence at PricewaterhouseCoopers.

Wal-Mart believes that it has no choice but to expand rapidly abroad. Its culture and stock price are built on the expectation of double-digit sales and profit gains year after year. Analysts figure that the company's expanding chain of U.S. supercenters will carry the burden for at least four to eight years. But "someday the U.S. will slow down, and international will be the growth vehicle for the company," says Menzer.

Still, to get there Menzer must clear some high hurdles. The biggest one is Germany, where Wal-Mart bought the 21-store Wertkauf hypermarket chain in 1997 and then 74 unprofitable and often decrepit Interspar stores in 1998. Problems in integrating and upgrading the stores resulted in at least \$200 million in losses last year, on roughly \$3 billion in sales, estimates analyst Robert Buchanan of A.G. Edwards & Sons Inc.

Wal-Mart has stopped predicting when it might make money in Germany. Some analysts believe that it won't break even until at least 2003. "There was a steep learning curve that wasn't expected," says Jim Leach, portfolio manager at shareholder Strong Capital Management.

Many of the wounds were self-inflicted. Wal-Mart failed to understand Germany's retail culture, the regulations that can add five years or more to the launch of a new hypermarket, and the stiff competition among some 14-hypermarket chains in a stagnant market. German managers who had been running the Wertkauf and Interspar stores for years didn't always take kindly to American "mentors" who were telling them how to do things when they didn't even speak German. Vendors balked at switching to a new supply system; when Wal-Mart tried to force them to supply its new centralized warehouses, it often found itself with empty shelves.

Then, last September, the German Cartel Office compelled Wal-Mart and some rivals to raise prices on milk, butter, and some other staples that they were found to be selling below cost. Wal-Mart denies that but admits it underestimated the difficulties it would face. "We just walked in and said, 'We're going to lower prices, we're going to add people to the stores, we're going to remodel the stores because inherently that's correct,' and it wasn't," says Wal-Mart CEO H. Lee Scott Jr. "We didn't have the infrastructure to support the kind of things we were doing."

### **Food stuff**

Wal-Mart still needs a bigger presence in Germany to compete effectively, many analysts and suppliers contend. They point especially to food, where its market share is put at less than 2%. But Wal-Mart executives insist that they don't need more stores to make the German operation a success. "We have the scale; we just have to operate better," says Menzer.

To fix those operational problems, Wal-Mart recently hired a new country head, poaching him from a German tobacco-and-food supplier. Instead of the expensive renovations completed on 24 stores last year, Wal-Mart is carrying out more modest face-lifts on 35 outlets this year. And this year it will open its first two new stores since the acquisitions. Wal-Mart is also working more closely with suppliers to boost its centralized distribution effort. About 50% of the products Wal-Mart has targeted for the program now move through central warehouses. Says Menzer: "We set ourselves back a few years, and now we're rebounding."

Wal-Mart executives say the German experience helped when they bought the British chain ASDA in 1999. Wal-Mart acquired a strong chain and gave local managers the freedom to run the business. While ASDA is still No. 3 in the grocery market, its share grew from 7.4% in 1995 to 9.6% last year, according to Verdict Research. Wal-Mart gave ASDA better technology for tracking store sales and inventories. And it pulled ASDA into its global buying effort, led by a 40-person unit in Bentonville that helps negotiate prices for products that can be sold in different markets. This enabled ASDA to cut prices on fans and air conditioners, for example, by 50%, boosting sales threefold.

Perhaps most important, says ASDA President Paul Mason, "this is still essentially a British business in the way it's run day-to-day." Indeed, one of Menzer's main priorities is to push operational authority to the country chiefs and closer to customers. That has meant cutting the international staff in Bentonville from 450 to 137. Now, Menzer focuses on enforcing certain core Wal-Mart principles, such as "every day low pricing," recently rolled out in Mexico and Argentina. But country managers handle their own buying, logistics, building design, and other operational decisions. "I have the autonomy to do what I need to do to run Wal-Mart Canada," says Mario Pillozzi, president of that business. In contrast, when Wal-Mart entered Canada in 1994, its blueprint specified what to sell and where to sell it--including liquid detergent and Kathie Lee clothing that flopped there. In the past, says CEO Scott; "we could get very specific on what should be on an end cap [a store display at the end of an aisle]... I think we've matured."

Still, critics believe that the company retains a headquarters-knows-best mind-set. That raises the question, is Wal-

Mart truly a global company, or just a U.S. company with a foreign division? Vijay Govindarajan, a professor of international business at Dartmouth College's Tuck School of Business, says Wal-Mart has few top managers who aren't American and few who speak more than one language and have been posted in several spots abroad. That might be one reason why some competitors scoff at Wal-Mart's claim that it's now sensitive to local tastes. "I get the impression that Wal-Mart is insisting on the American-style layouts and business approach," says Seol Do Won, marketing director at Samsung Tesco Co. in South Korea, which runs seven Home Plus stores. "It's good to introduce global standards, but you also need to adapt to local practice," he says.

Menzer insists he's doing just that, and that the lessons are flowing back to Bentonville, too. The U.S. stores and distribution centers, for instance, are now adopting ASDA's system for replenishing fresh food more quickly and in the right quantities. And ASDA's popular line of George brand clothing is being rolled out in the women's department of all U.S. stores this Christmas season. Thomas M. Coughlin, president of the Wal-Mart Stores Div., even removed all the chairs from the room where his managers hold their weekly meeting after he saw ASDA's "air-traffic controllers" room in Leeds. There, managers meet every morning around a high table with no chairs--to keep meetings short and to encourage action--as they pore over figures charted on the walls. As Menzer and Scott have made clear, there's no turning back in Wal-Mart's plan to conquer the world.

## ***INSIDE THE INTRANET***

**-- NICOLE DISTASIO --**

Many thanks to Rod West and Robert Fulghum for searching out and sending in documentation for the Penn Traffic Third Party Logistics Search Project. A complete listing of the Penn Traffic documents can now be found on the Intranet in the Archives.

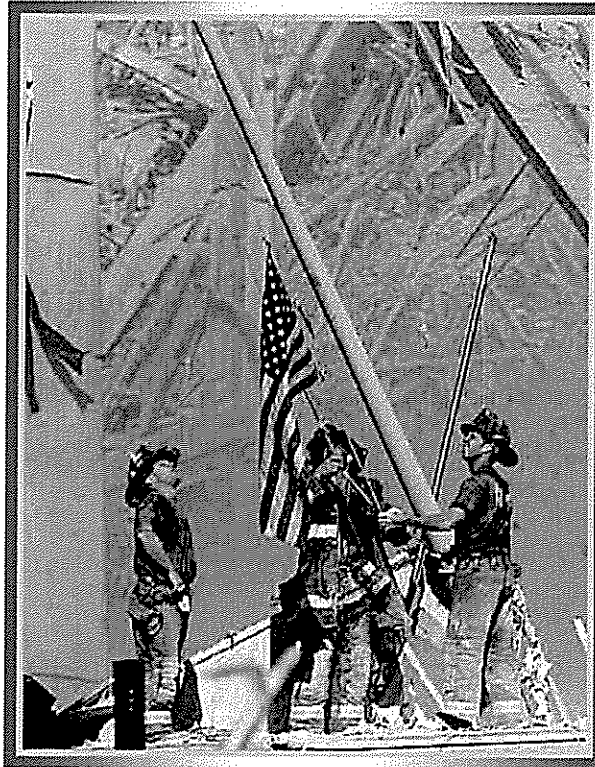
To check out a list of 3PL Providers as put together by Food Logistics Magazine as well as a sample Grocery 3PL RFP and other example 3PL search documents, you can click on the following link:  
<http://web1/tools/fulfillmentserv /distribution /astrategyprojec /g3rdpartylogist />

Or you can navigate the Intranet to the Fulfillment Services/Distribution/Strategy Projects folders under Tools of the Trade.

## Quote of the week...

*"These are the times that try men's souls...  
Tyranny, like hell, is not easily conquered:  
Yet we have this consolation with us,  
That the harder the conflict,  
The more glorious the triumph."*

-- Thomas Paine --



Friday, September 14, 2001

Declared National Day of Prayer and Remembrance.  
And, many countries around the world will join us.

At 7:00 p.m., wherever you are, please stop and take a moment to step outside and light a candle in remembrance of all those lost on September 11th. Let the people who attacked our great nation know that our spirit will not be destroyed, and we are UNITED.

Take time during the day to pray in your chosen manner and place of worship for those families suffering the loss of loved ones, and for our national and world leaders.

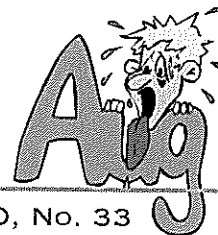
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### DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

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FULFILLMENT TECHNOLOGY NEWS, NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

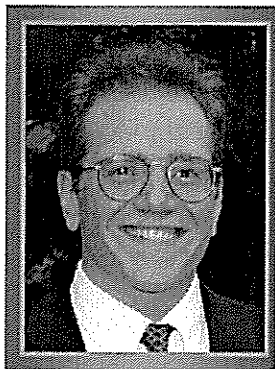
EDITOR: IRMA M. ROSALES  
CONTRIBUTING PUBLISHER: NICOLE DISTASIO  
PUBLISHED BY: KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION | AUGUST 31, 2001, VOL. 10, No. 33

## CONSULTANT SPOTLIGHT

-- RANDY UNGER --



*"Tell me what you eat and I'll tell you what you are"*

-- Brillat Sararin --(used to introduce the "Iron Chef" cooking show on the Food Network)

Having joined KSA in July of 1994 after graduating from the Naval Academy with a degree in Mechanical Engineering followed by a 5-year stint as a Surface Warfare Officer in the Navy, today Randy is one of the Fulfillment Managers based out of KSA's Princeton Office. If you've ever had the chance to work with Randy, or even talk to him casually, it is clear that he is a man who has a great sense of humor and truly enjoys his life and his chosen profession. Randy even says his long-term career goal is to "keep having fun".

A die-hard sports fan, Randy grew up rooting for the New York Yankees, a long-standing Unger family tradition. In fact, when Randy was born, his father wanted to name him "Mickey Mantle Unger" after one of the Bronx Bombers' all time greats. Instead his parents named him Randy Michael Unger with a promise to his father that he could call him "Mickey" if he really wanted to.

Randy's quick sense of humor combined with his interest in sports and all things KSA all made themselves readily apparent, when asked about his fantasy "15 minutes of fame". There was not a moment of hesitation before the following scenario was presented: "Throwing a touchdown pass to Jack Horst to win the SuperBowl." His true "15 minutes of fame" came when he won the marbles championship of his elementary school in 6<sup>th</sup> grade. Sadly, Randy says he lost the city championship to a ringer from another school.

One of Randy's most memorable experiences happened while he was in the Navy and the ship he was stationed on found and rescued a boat that held 300-400 Somalian refugees. He says it was like coming across Noah's Ark full of people instead of animals. If you'd like to learn more about some of Randy's more unusual adventures, feel free to ask him yourself about the night he spent sleeping on the floor in New York's Penn Station with a bunch of other 'lost souls' after a night on the town.

Randy's great enjoyment for living is apparent when he talks about his family. He is a family man who has been married to his wife Kelly for five years. The Unger's have a 15-month old daughter named Sophie and are also joyfully expecting another baby in the coming months. Watching Sophie grow up has been the best experience of his life, says her proud father.

Since food is another one of Randy's loves, he is very fortunate that his wife Kelly is a chef who studied at Johnson and Wales University (internationally renowned for its culinary arts program). Randy's interest in food ranges from watching the Iron Chef on the Food Network (note the quote above), to fine French dining at Chanterelle in New York City, to eating pizza from his favorite Italian joint down the street while he watches football sitting in his recliner.

Randy is currently working on a Base Plus® effort at QVC in West Chester, PA and a performance improvement project at SubmitOrder, Inc., a third party distributor specializing in websites as well as putting together proposals for various other potential projects.

## INDUSTRY INSIGHTS

**"FEDEX – USPS NATIONWIDE PACT BEGINS"** (*THE ASSOCIATED PRESS, AUG.27, 2001*)

-- NICOLE DISTASIO --

**F**edEx goes to work for Uncle Sam Monday night. The Memphis-based company launches the air transport portion of its \$7.2 billion contract with the U.S. Postal Service to carry \_ and sometimes sort \_ Express, Priority and first-class mail.

FedEx Corp., a \$20 billion global transportation company, is trying not to make a big deal of it. Trish Harwood, a company spokeswoman, said Monday should be "business as usual."

But the contract will mean up to 3.3 million pounds of mail transported on FedEx planes every day. Most of the mail will come through the company's superhub at the Memphis International Airport. Nearly 500 pilots, 250 aircraft mechanics and 1,200 cargo handlers have been hired by FedEx to service the \$6.3 billion portion of the seven-year contract announced in January.

The first part, valued at \$900 million, began in March with FedEx installing self-service drop-boxes at post office locations in Charlotte, N.C., and then Fort Lauderdale, FL, with nationwide placement in July. By next year, 10,000 drop-boxes should be in front of post office locations.

FedEx has been working with the Postal Service since June, training their employees how to fill containers that are placed on FedEx's aircraft. Also, in recent weeks, FedEx has tested transporting USPS shipments on selected routes.

"So, it is not that they are going to start \_ bang \_ on Monday with everything never having done it before," Satish Jindel, principal of SJ Consulting Group in Pittsburgh, told The Commercial Appeal for a story published Sunday.

The Postal Service expects to save about \$1 billion in air transportation costs while extending the market of its Express Mail next-day, and Priority two-day services.

There have been complaints that the agreement will make next-day mail delivery unavailable from rural areas of the United States. Express mail from those areas would be offered on a two-day rather than a next-day basis.

John Kelly, vice president of USPS expedited package services, told Traffic World, an industry trade publication, that the Postal Service is hoping the FedEx deal will help boost priority mail volumes during the holiday peak season.

"We are certainly going to be advertising the fact that FedEx is our partner," Kelly said. Jindel said that's what the Postal Service should do because even if FedEx has a few missteps along the way, the quality of service would still be far better than if they had no FedEx at all. And any mistakes would have a greater impact on FedEx than the Postal Service.

David Webb, president of the FedEx Pilots Association, the union representing the carrier's 3,800 pilots, said he doesn't believe anything will go wrong with the Postal Service contract initially. He said the holiday shipping season will be "more challenging than any that FedEx has seen before."

"It's going to be interesting how FedEx makes these strategic decisions when there is too much freight on the ramp. Be it our core business freight or postal freight, which one gets left behind?" asked Webb. Harwood said such a scenario is unlikely and that the company's freight is its top priority.

**NEWS, NOTES, AND NONSENSE****WEDDING CELEBRATION!****-- LAURIE CRANKSHAW --**

# *Congratulations!*



Even as thunder rumbled overhead dramatically and torrential rains threaten, Rich Dec (KSA) and his bride Kelly, exchanged their vows this past Saturday morning in Chicago.

The reception was held in a Southern-like, elegant atmosphere.

In keeping with tradition, Rich was able to get his daily dose of chocolate cake at lunch -- the wedding cake was made up of layers of chocolate!

**BRAIN TEASER**

Mr. Smith, a commuter, is picked up each day at the train station at exactly 5 o'clock. One day he arrived unannounced on the 4 o'clock train and began to walk home. Eventually he met the chauffeur driving to the station to get him. The chauffeur drove him the rest of the way home, getting him there 20 minutes earlier than usual.

On another day, Mr. Smith arrived unexpectedly on the 4.30 train, and again began walking home. Again he met the chauffeur and rode the rest of the way with him. How much ahead of usual were they this time?



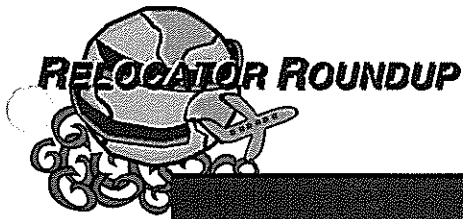


## RELOCATOR ROUNDUP

PLEASE CONTACT IRMA M. ROSALES WITH CORRECTIONS

### UNITED STATES

ALLEN, PETER	KBKIDS.COM	DANVILLE, VA
BAIRD, KEVIN	JONES NY	LAWRENCEBURG, TN
BENTON, JOSH	LILLIAN VERNON	VIRGINIA BEACH, VA
BRUNSON, ANDREA	CHARMING SHOPEES	PRINCETON OFFICE
BURKE, JONI	NIKE	MEMPHIS, TN
BURKLAND, NATE	NIKE	MEMPHIS, TN
CASCIO, DAVE	QVC	WEST CHESTER, PA
CHINNAN, VIKAS	SHOPKO	PRINCETON OFFICE
CHOATE, CASEY	JONES NY	WINSTON-SALEM, NC
CLARK, ELIZABETH	KIRKLANDS	CHICAGO OFFICE
COPLAND, TIM	KB KIDS	BLAIRS, VA
DAVIS, SETH	ROSS STORES	NEWARK, CA
DENSMORE, JD	PVH	JONESVILLE, NC
DUQUE, MAX	LILLIAN VERNON	VIRGINIA BEACH, VA
FONG, TERRANCE	SUBMITORDER.COM	COLUMBUS, OH
GARRETT, JIM	ANN TAYLOR	LOUISVILLE, KY
GILES, LAURA	QVC	WESTCHESTER, PA
GRIFFITH, BRAD	STAPLES	BOSTON, MA
HARMON, BRAD	CONSOLIDATED STORES	COLUMBUS, OH
KELLOGG, MICHAEL	AVON	PRINCETON OFFICE
KLISZ, KEVIN	KBKIDS.COM	DANVILLE, VA
LA VECCHIA, MARIANNA	CONTROL PLUS	ATLANTA OFFICE
LEFKOWITZ, STEVE	NEWPORT NEWS	HAMPTON, VA
LEVY, VAL	ANN TAYLOR	LOUISVILLE, KY
MCGRAW, COLLEEN	PUBLIX	LAKELAND, FL
MOKOTOFF, BENJAMIN	WALMART*COM	ATLANTA OFFICE
MOOSABHOY, MUFADDAL	ROSS STORES	NEWARK, CA
MORIN, CRAIG	WALMART*COM	CARROLLTON, GA
OSBURN, STEVE	STAPLES	LONDON, OH
PARANSKY, NOAM	B2B CONSORTIUM	ATLANTA OFFICE
SAMPSON, BRAD	NIKE	MEMPHIS, TN
SPOFFORD, SETH	GLOBAL SPORTS	LOUISVILLE, KY
TAYLOR, BRAD	WALMART*COM	ATLANTA OFFICE
TIMBERLAKE, JUJUAN	CONSOLIDATED STORES	COLUMBUS, OH
TODD, AARON	GLOBAL SPORTS	LOUISVILLE, KY
TREVIÑO, ROBERTO	STAPLES	MONTGOMERY, NY
ULICNY, DAN	PUBLIX	TAMPA, FL
WATTERSON, ERIC	CONTROL PLUS	ATLANTA OFFICE
WEBSTER, JACK	ROSS STORES	NEWARK, CA
WHITEHOUSE, SEAN	QVC	WEST CHESTER, PA
WILSON, KEN	NIKE	MEMPHIS, TN



### MEXICO

AYALA, JOSE GERARDO	ALIANZA TEXTILE	ABASOLO
FELIX, IGNACIO	VF INTIMATES	LEON
LOPEZ, RODRIGO	ALIANZA TEXTILE	ABASOLO
MARTINEZ, ANDRES	UNIFIRST	CIUDAD VALLES

### HONDURAS

LOZANO, ALFREDO	VF INTIMATES	SAN PEDRO SULA
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### UNITED KINGDOM

ANDERSON, BRAD	MFI	LONDON
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### JAPAN

BRUCE, DAN	JUSCO	TOKYO OFFICE
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### SUPPORT STAFF

ANDROS, VANESSA	ATLANTA
CRANKSHAW, LAURIE	CHICAGO
HAMRICK, DEBBIE	ATLANTA
JUDD, SUZANNE	PRINCETON
KOLM, RACHEL	PRINCETON
LANNON, NICOLE	ATLANTA
ROSALES, IRMA M.	MIAMI
SALAZAR, OLIVIA	LOS ANGELES
SCOLA, ANNE	PRINCETON
SENIOR, LYNN	LOS ANGELES

### Quote of the week...

*"Few will have the greatness to bend history itself,  
but each one of us can work to change a small  
portion of events, and in the total of all those acts  
will be written the history of this generation."*

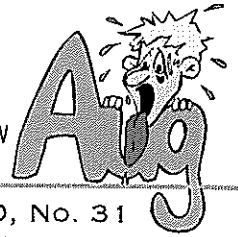
**-- Robert F. Kennedy --  
(Submitted by Lynn Senior)**

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# THE HOTSHEET

EDITOR: IRMA M. ROSALES  
CONTRIBUTING PUBLISHER: LAURIE CRANKSHAW  
PUBLISHED BY: KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION August 17, 2001, Vol. 10, No. 31

## **KSA SPOTLIGHT**

### **126<sup>TH</sup> ORIENTATION CLASS**

-- NATHAN CRAY AND DAVID JOHNSON --

The 126<sup>th</sup> Orientation Class was recently held in Atlanta, and the HotSheet asked a few consultants what their orientation experience was like. From the responses below, it has obviously left an impression that will last through their careers.



This is not child's play! If you look closely, you can see this creation is the results of the group's analysis of Kroger's Supply Chain. (Really!)

L-R: Julie Bruchez, Seth Spofford, Ryan Flanagan  
Barbara Bizzoccoli, Fanny Ballenghien, Kathryn Appelget, Kevin Klisz

### ***What do you do?***

#### **Nathan Cray**

New KSAers the entire world over joined together to learn how to answer the question we all face regularly from family, friends, and acquaintances: "What do you do?" Consultants realize there are rarely simple answers, so the participants of the 126<sup>th</sup> Orientation spent an entire week in the Atlanta Office learning and experiencing what KSA does in preparation for a career in Kurt's family.

The week included numerous informative presentations designed to improve the practical knowledge of the attendees. Peter Brown led a discussion on the global mission and vision of KSA, and provided insight into becoming a successful consultant. Early on in the week, the group heard from the top how important it is to ask good questions to initiate thought processes, especially with clients. Wednesday afternoon, Jack Horst graced the crew with his presence for an entire afternoon, as he presented on Organizational Change Management. Jack spoke, hollered, jumped, climbed, sang, etc. on what it is like to steer an organization through an upheaval in their normal routines. The following day, tinker toys and Bob Smith's smooth grooves took the class through an overview of the supply chain. You had to be there to understand how these are related.

The diversity of attendees allowed the orientation class the opportunity to become acquainted with KSA on a global level. The chance to interact professionally and socially throughout the week highlighted KSA's commitment to people, easily found in

the attitudes and collegiality of both the participants and organizers. Whether from Europe, Asia, or the U.S., an obvious common thread existed between individuals. Outward bound allowed the group to congeal by working through activities as a team, especially through the impromptu class on miniature catapult design techniques. Certainly, teamwork was constantly stressed – so many groups and so little time. Nevertheless, talent shined the entire orientation week. The orientation class demonstrated remarkable ability at playing with tinker toys, performing selected scenes from the Wizard of Oz, reciting the alphabet, serenading classmates, and most importantly enjoying the opportunity to work together.

Of course, appreciation goes out to the extensive efforts of such people as Chuck Easley, Libby Morgan, and Carol Chesnutt for coordinating an amazing week of learning and fellowship. Questions were answered during the sessions, and more often than not further questions were raised. Now the participants can answer the infamous, "What do you do?" question, perhaps by responding that KSA consultants are problem solvers and agents of change working together in teams, seeking to deliver high value services to our clients in the retail, consumer products, and healthcare industries. But how in the world do you pronounce *Salmon*?

***KSA is Global***  
**David Johnson**

One of the most enjoyable aspects of the 126th Orientation was the diversity of the group and the way this diversity improved the quality of the Orientation. With representatives from every region that KSA has offices in with the exception of India, the class was truly global as far as our participants were concerned.

Immediately after initial introductions, everyone really began to understand how international KSA really is, and how interesting our counterparts from overseas were going to be in the coming week. We heard songs in French and Japanese, watched a live performance of U.K. based Rapper D, tried to all sing along with the Tokyo "Umbrella" song, and even witnessed a soulful rendition of Michael Jackson by an Atlanta-based consultant.

We were by no means, short on entertainment during the week. This included the skit "The Wizard of Consultant Oz," a very informative session on Organizational Change Management by Jack Horst, and a seriously mesmerizing dance exhibition by Bob Smith. We also enjoyed a very relaxed dinner at John Champion's home and gave the consultants from overseas a taste of some southern country Bar-B-Q.

We actually had a chance to learn an enormous amount between the times we weren't singing or laughing, believe it or not. We had a very informative and motivational visit from our President and CEO, Peter Brown, along with a session on KSA's Organization by Butch Price. Bruce Seeber, Frank McMillan, and Loraine Laurino gave a presentation on KSA's infrastructure and its future direction, and Jack Ullman, a former KSA president, stopped by to share some information and a video about KSA's culture and history.

The sessions were not only helpful in getting to know KSA, but also helpful in getting to know the people who work here. Each presentation provided participants a chance to hear from and meet someone new in KSA. Presentations were given on e-business, KSA Advantage, the KSA Consulting Process, Supply Chain, personal financial planning, and on KSA Europe, Asia Pacific, and Technopak. Our colleague's presentation on the Tokyo office was very commendable, entailing an entirely unassisted presentation in English, despite a significant language barrier. All told, the entire Orientation was next to perfect. Congratulations and thanks go to Chuck Easley, Libby Morgan, and Carol Chesnutt for all of their hard work, motivation, and words of wisdom. Their efforts, along with the enthusiasm of the participants, made the 126th Orientation one of the most memorable events in our careers here at KSA.

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## INDUSTRY INSIGHTS

### GETTING THE GOODS ON DISTRIBUTION SITES

-- LAURIE CRANKSHAW --

A survey of the trends affecting distribution centers shows a new emphasis on speed and age-old worries about labor.

The primary goals of this survey were to gauge the level of expected investment in new facilities; track the target geographies for this expansion; and understand the key factors and concerns behind these location decisions. Beyond these goals, the findings provide insight into another trend in distribution: selecting less-than-traditional locations for these operations.

#### Growth in Distribution Centers

The survey results predict a substantial amount of new distribution-center location activity. (see chart 1). While the current economic slowdown suggests such projects may be delayed due to capital-spending reductions, high-profile companies are continuing to announce large distribution projects.

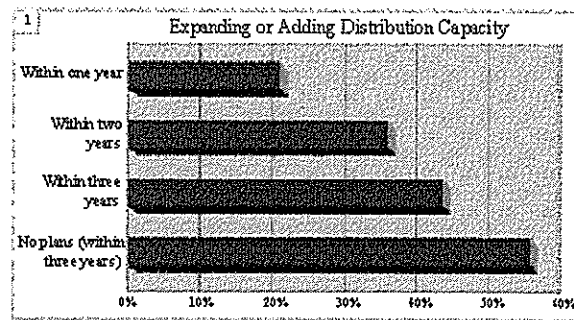


Chart 1

Source: Deloitte & Touche

A breakdown of the findings show that the majority of this new activity represents an expansion of the extensive facilities networks currently operated by major retailers. The largest companies (those with annual sales exceeding \$500,000) were more likely to be adding facilities — 63%. The largest companies were also more likely to be currently operating larger facilities networks (an average of 2.3 distribution centers).

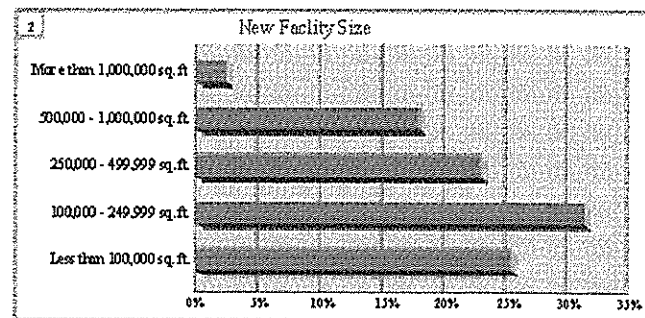


Chart 2

Source: Deloitte & Touche

New DC establishment is driven largely by the emergence of several trends in product handling. These include efficiency-enhancing developments in buildings (new, high-bay facilities replacing older, antiquated buildings); material-handling technology; and network strategy. Depending on an individual company's situation, these more efficient networks may result from centralization (replacing numerous inefficient local facilities with a network of larger, technology-enhanced regional centers) or decentralization (establishing a larger number of modern facilities regionally in place of fewer, larger, outdated DC's). Both strategies are prompting the construction of new facilities in the name of efficiency.

## Target Regions

The West and Midwest regions of the United States are the primary target areas under consideration for these new facilities — both were cited by nearly one half of respondents (see chart 3).

These geographical preferences can be explained in part by noting the broad geographical reach afforded by a Midwest distribution center (e.g., the range of a one-day drive from Columbus, Ohio, captures more than 50 percent of the U.S. population). The West, meanwhile, has been the nation's fastest-growing region, and many retailers are seeking to reduce their freight costs and improve customer service

**Location Drivers** To understand the factors driving the location of these new facilities, respondents were asked to select their primary concerns associated with establishing new DC's. Interestingly, the 3 most frequently reported concerns involve labor: (see chart 4).

While the predominance of labor as a location concern is at first surprising for an industry so sensitive to transportation, sites, and buildings, larger site selection trends are contributing to these concerns. Aggravating already tight labor markets (unemployment rates are still near a 30-year low) has the tendency for distributors to "flock," or seek similar types of locations for their operations. Locations with good distribution fundamentals — logistically central, with access to large markets, an excellent highway network, and a large labor pool — have successfully attracted distribution centers for many years.

As these logistically favorable locations have continued to attract employers, however, their labor markets have tightened, and companies find they are competing more and more vigorously to attract and keep their people. Aggravating this further, due to the need for quick access to the highway network, is the fact that the best distribution-center sites in an area tend to be clustered close together, further localizing labor competition.

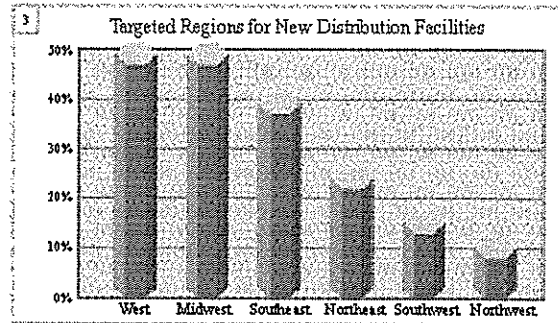


Chart 3 Source: Deloitte & Touche

by opening new facilities dedicated to this region (possibly to replace or supplement an older, less efficient, or poorly located facility elsewhere).

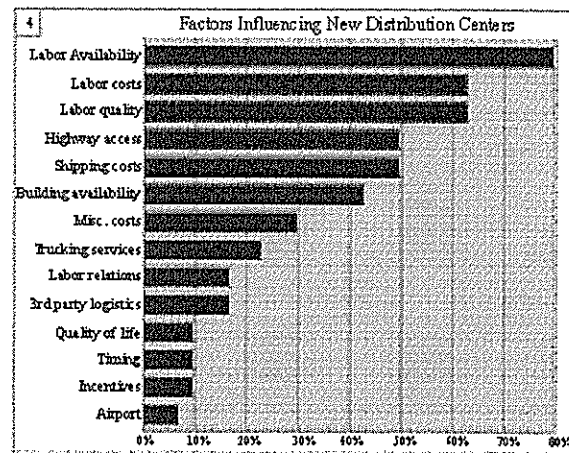


Chart 4 Source: Deloitte & Touche

And, when labor-market conditions were better, following others who had gone before you was a workable enough distribution-center location strategy.

Interesting differences surfaced when we segregated these factors by company size. The largest retailers were more concerned with labor availability, labor quality, labor relations, timing, quality of life, and incentives. Possible explanations for these priorities include: larger companies' greater sensitivity to labor markets; an increased exposure to unionization; a greater urgency in establishing new facilities; the need to transfer employees to other regions to start up new operations; and a more national perspective regarding potential incentives.

The smaller companies were more concerned with labor costs, building and space availability, and access to third-party logistics providers. The importance of these factors to such retailers likely owes to a greater sensitivity to costs, more reliance on secondary real estate markets, and a greater dependence on outsourcing vendors.

### Implications

New DC development has fueled numerous industrial real estate markets and impacted many local economies, especially in areas that have evolved into distribution hubs. The continued growth of the distribution sector signaled in the survey suggests that such popular destinations could continue to grow as long as reasonably priced land remains available and enough distributors tolerate the labor competition and higher costs that tend to accompany these areas.

The importance of labor to these decisions, however, is feeding a new trend: an increasing willingness to consider locations more "off the beaten path" — farther from a region's major cities, but with access to the highway network. Those taking the time to fully investigate their location options in these less-urban settings are in many cases finding superior labor-market conditions (reduced recruiting competition), lower costs (for labor, land, taxes, etc.), and perhaps even generous incentive packages from communities that have been considered less frequently for new projects (these facilities are often placed by "name brand" companies, increasing their attractiveness to less-developed communities).

## NEWS, NOTES, & NONSENSE

### TEAM MOTIVATION – WHAT ARE THE INGREDIENTS OR CHARACTERISTICS OF TEAMS THAT SEEM TO SUSTAIN HIGH LEVELS OF MOTIVATION? (By PETER GRAZIER)

-- PAM BECKERMAN --

#### *I. Purpose*

I have asked people for years to describe the characteristics of their most successful and rewarding team experiences. At the top of almost everyone's list is a clear purpose, focus, or mission. But further, for long-term motivation, it must be a purpose or mission that they find aligns with their personal wants and needs.

One can be asked to participate on a temporary task force. If the mission is clear, he might be able to sustain motivation for the duration if he feels it is important. However, if it is a topic that is not in line with his wants and needs, his motivation to continue may diminish.

So one strategy with a lethargic team might be to stop the process, re-visit the team's purpose or mission, and see if there's alignment on it. Even with a team that seems well motivated, it still is a good strategy to recheck once in a while.

#### *II. Challenge*

Another term that I hear frequently when I ask about team motivation is challenge. The human species as with most animals, has been given a survival mechanism called fight or flight syndrome. When presented with a challenge, our defenses are alerted to move us to action... to run away from danger or address it directly.

Many people will say that their most rewarding team experiences resulted from some sort of challenge. I've heard the stories often of mediocre groups that responded to a challenge with heroic success. The challenge itself was the motivator.

In the workplace, these challenges occur infrequently. Teams are not presented with stimulating challenges every day. So the question becomes how to provide challenges to the team at more frequent intervals.

An additional criteria for a challenge is the level of difficulty. If a challenge is too difficult, perhaps perceived as impossible, then team members may give up before they start. However, the same result may occur if the members perceive the challenge as too easy. Little energy is required to accomplish something so easily obtained.

So for ongoing teams, periodic stimulation in the form of a worthy challenge is another method of maintaining motivation.

#### *III. Camaraderie*

If one studies highly effective groups, one finds that the most successful groups over the long haul tend to address both the technical needs and human needs. These groups are at the same time competent in the work they perform and highly functional in their interpersonal relationships. The group is well balanced in both technical and human skills.

Another factor that emerges from my queries about successful teams is camaraderie, meaning comradeship, fellowship, and loyalty. The people on these teams genuinely like each other and work hard to develop and maintain their relationships.

Although they are probably not aware that research supports this behavior, they just seem to understand that it's a lot easier to support your team member when you have a good relationship. The fallout from this kind of relationship building is open and direct communication, frequent praising of each other's contributions, and mutual support.



### ***V. Responsibility***

In general, people and teams are stimulated by being given responsibility. Having ownership of an identifiable block of work is a long-held tenet of motivation in-groups.

Responsibility can be tricky, however. Implied in this concept is the understanding that the responsibility comes along with authority to make the necessary changes. Teams that have both the responsibility and authority tend to maintain motivation over longer periods of time.

Responsibility can be demotivating if the consequences of error or failure are too great. If the organization, for example, has a history of punishing mistakes, then the giving of responsibility is viewed more as a negative. The short-term performance may be good (remember fear is a motivator), but long-term motivation will suffer. It is difficult to sustain high performance when energy is being sapped by fear.

### ***V. Growth***

Finally, personal and team growth can provide another basis for sustained motivation. When people feel they are moving forward, learning new concepts, adding to their skill base, and stretching their minds, motivation tends to remain high. Personal growth adds value to the individual, enhancing self-esteem and self-worth.

Accordingly, team members and team leaders should look for opportunities that help add knowledge and skills. A good technique is to simply ask members what they would like to get from their association with the team, then listen for areas of possible growth.

### ***VI. Leadership***

A good leader can be a catalyst for motivation in the short term, but the best leaders create the conditions for the team to motivate itself. We have all seen examples of how leaders inspired teams to accomplish some phenomenal task. History books and Hollywood are full of these stories, and we come to honor these leaders.

But the charismatic leader that can be so effective in the short term cannot necessarily sustain motivation indefinitely. Motivation is inherently intrinsic, residing within oneself. Therefore, if one depends continually on another for their source of motivation, eventually it ends.

Great leaders have a knack for helping others see the best in themselves, providing the stimulus for self-actualizing behaviors. But great leaders also understand the importance of team purpose, challenge, camaraderie, responsibility, and growth, and focus much of their time on creating the conditions for these to exist.

Great leaders understand that their team members have needs, and that for motivation to grow and continue, the activities of the team must help in some way to meet these needs.

### ***Summary***

A team whose members are aligned with its purpose, feel a challenge in their task, have a strong sense of camaraderie, feel responsibility for the outcome, and experience growth as a team and in their personal lives, will tend to sustain motivation over the long haul.

This is not to say that they will not have difficulties at times, or that members' wants and needs won't change over time. In these cases, sometimes changes will have to be made. A member who no longer feels the team is meeting his or her needs may have to leave the team to continue on their own path. But, in as much as it is possible to sustain motivation indefinitely, the factors above will tend to create the best possible environment.

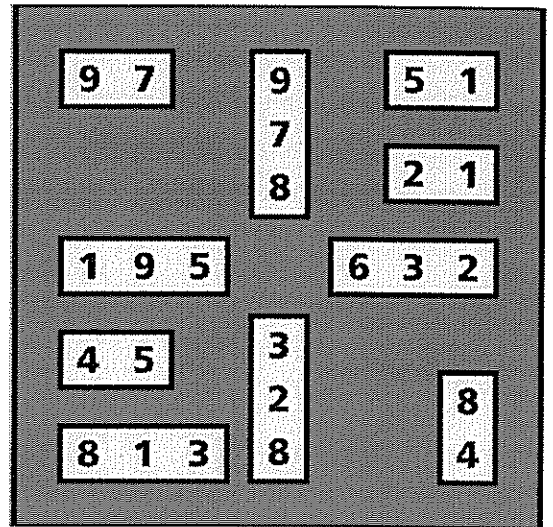
# CHALLENGING PUZZLES

A guard at Stone Island Prison found prisoner 1295 trying to pass the following note under the table to his visitor.

Fearing it might be something to do with a possible breakout, the guard confiscated the piece of paper but can not work out what it says on it. Can you read the message and help him to avert a potential disaster?



Arrange the following set of tiles to form a number square so that the same five numbers which appear in row 1 also appear in the same order in column 1, the same numbers in row 2 also appear in column 2 etc.



## Quote of the week...

*"The first key to wisdom is constant and frequent questioning, for by doubting we are led to question and by questioning we arrive at the Truth."*

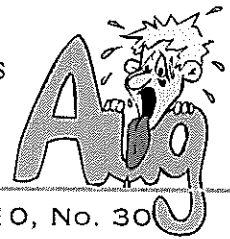
**-- Peter Abelard --  
 1079-1142  
 French Philosopher, Priest**

### DEADLINES FOR SUBMISSIONS TO THE HOYSHEET

DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
 FULFILLMENT TECHNOLOGY NEWS, NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

EDITOR: IRMA M. ROSALES  
CONTRIBUTING PUBLISHER: NICOLE DISTASIO  
PUBLISHED BY: KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION | AUGUST 10, 2001, Vol. 10, No. 30

## CONSULTANT SPOTLIGHT

-- DAN ULICNY --



*"Whether you believe you can do a thing or not, you are right."*  
-- Henry Ford --

Dan joined KSA in March of 1999 after graduating from Penn State as an Industrial Engineer. In fact, this Allentown, PA native's first day as a KSA'er was the first day of the spring 1999-orientation class. Since then Dan has been a busy man. He has worked on several projects as a relocater based out of the Princeton office, including Global Sports in Louisville, KY and two Publix projects in Lakeland, FL.

Dan also got married last year, after he and his wife Melissa dated long distance for 2 ½ years. After surviving distances as small as 3 hours and as long as 5 hours during all of those months apart, it isn't surprising that when asked, Dan will tell you that "living with my lovely wife" is his greatest joy in life.

Dan grew up playing the trombone and from there learned to love and master both swing and ballroom dancing. He and Melissa were especially happy to have a Frank Sinatra-esque band play at their wedding reception last year.

Though the couple would ultimately like to live near the New England coast and the nearby urban centers, Dan and Melissa have made the most of the relocation experience. While living in 'landlocked' Louisville, KY, the newlyweds picked up golf as their latest hobby. Central Florida also has a lot to offer in the way of golf courses, though Dan prefers making the drive to the beach or Orlando.

Dan is not a man with many regrets, but he does look back and wishes he had not let the opportunity to play basketball with Dr. J (one of professional basketball's all time greats) pass him by when he was a youngster. Being born and raised in Pennsylvania, you would expect this Penn State grad to be a fan of his alma mater's sports teams. It also makes sense that Dan is a Philadelphia Sixers basketball fan, but a Dallas Cowboys fan? You'll have to ask him to explain that phenomena himself.

Another favorite pastime of Dan's is travelling. His most memorable trips have been backpacking through Europe on \$50 a day, including experiencing Paris during the World Cup and the beer halls in Munich. Dan has also enjoyed playing blackjack in Las Vegas where he met Verne J. Troyer (the actor who plays 'Mini Me' in the Austin Powers movies). His favorite trip was to a B&B in Bar Harbor, Maine where he and Melissa got engaged.

Family and good food are central in Dan's life. He is thoroughly enjoying being married and looks forward to the day when he can be close to his extended family and the General Tso's Chicken at his favorite Chinese restaurant near his wife's hometown in Pennsylvania.

## INDUSTRY INSIGHTS

HOUSE CALL (OPERATIONS & FULFILLMENT, JULY 1, 2001)

-- CHRIS MERRITT AND MARC BESSHO --

**I**f different tasks proceed at different rates, try to arrange work steps so that the faster process is executed before the slower one. If your WMS is building carts, investigate basing the process on cubic capacity rather than on a set number of orders.

An ounce of prevention is definitely worth a pound of cure this year, if, like many businesses, you are striving to reduce operating costs. In a distribution environment, wringing maximum efficiency from operations with the least capital expenditure means reducing labor expense.

Broken-case picking typically accounts for the greatest head count in a distribution center, and it is in this area that you can most effectively assume the role of the "picking doctor," check for danger signs, and prescribe preventive action. Take out your virtual operations stethoscope and run this quick diagnostic test:

- ⌚ Do you conduct operations according to written procedural guidelines?
- ⌚ Does each employee follow the same work steps in the same order, or does each person have his or her own way of doing things?
- ⌚ How often do you do "work-arounds" or "fool the system" to accomplish everyday tasks?
- ⌚ Ask your supervisors and employees why they perform certain jobs. Do they have clear explanations, or do they reply, "That's the way we've always done it"?

If the answers to these questions are unclear or unexpected, then you have probably already recognized the opportunity for improved efficiency in your operation.

"Tolerance stacking" is a term used in manufacturing to describe the phenomenon of small variations in individual component parts production adding up to a point where the end product does not perform to specification. This phenomenon occurs in most operations over time — small variations, which seem insignificant when considered separately, creep into the process. Taken together, such deviations create a significant drag on efficiency. In a fulfillment operation, it is the picking doctor's task to ferret out these latent inefficiencies.

In any operation, responsible managers have tried to keep pace with the changing business environment - instituting a work-around here, an offline process there, a one-time project that has become a part of daily business, new demands that led to a large influx of new hires or temp labor.

### *The doctor is in*

To expose some of these inefficiencies, just walk through your operation as though you were seeing it for the first time. Resist the tendency to skim over familiar areas without questioning your assumptions. Some symptoms may not be obvious without closer examination.

To perform this review, let's resuscitate the doctor/patient analogy. Doctors diagnose patients' illnesses through observations, specific questions, and tests. After the diagnosis, he/she will prescribe a course of treatment. Here the "picking doctor" will diagnose common productivity problems in picking operations and offer prescriptions for boosting efficiency.

**Profiling diagnosis:** Spend some time observing the pick aisles and talking to employees.

- ☞ Are certain pick aisles congested?
- ☞ Do the pick paths seem too long?
- ☞ Do some bins need to be replenished every wave instead of every week?
- ☞ Are some bins almost empty and others overflowing?

**Rx:** If the answers to these questions are "yes," then it is probably time to examine your profiling and slotting effort. (See "Daily Grind" on page 41.)

**Employee performance diagnosis:** Observe employees' job performance across the operation.

- ☞ Are some employees more productive than others?
- ☞ Do the more productive employees simply work faster?
- ☞ Are they better organized, or do they use different procedures?
- ☞ Do some employees wait for work, while others work continuously?
- ☞ What is the error rate for data entry?

**Rx:** If improved productivity is simply a matter of faster work rates, then incentive and employee recognition programs are effective motivators. Implementing a pay-for-performance program is a major project, but the cost savings generated are well worth the effort.

Use employee performance variances to your advantage by incorporating the best practices into your standard procedures. Involve employees and supervisors in the best-practice brainstorming process. Allow time for retraining in new methods and procedures.

If different tasks proceed at different rates, causing some employees to stand idle while others work continuously, try to arrange work steps so that the faster process is executed before the slower one. This will create a work-in-process buffer between these activities, trading staging space for wait time.

Alternatively, supervisors and leads can shift employees between jobs to minimize idle time, or jobs can be combined in an effort to equalize the work rates.

For work steps that involve keying information into your warehouse management system (WMS), a bar code scan in place of the keypunch operation will reduce time and errors.

If pickers are spending time sorting and grouping documents, consider shifting this job to a clerk so it will not hinder the utilization of your direct labor. Better yet, software modifications could automate the sorting and grouping of documents as they are printed, eliminating this step entirely.

To see article in its entirety please go to:

<http://industryclick.com/magazinearticle.asp?magazineid=37&releaseid=6728&magazinearticleid=111099&siteid=2>

## NEWS, NOTES, & NONSENSE

### SAVVY MANAGERS TUNE INTO CULTURAL DIFFERENCES (BY LEE GARDENSWARTZ & ANITA ROWE)

-- PAM BECKERMAN --

**T**his edited article is from the web site of the Society of Human Resources Management (SHRM). KSAers can substitute "Consultant" for "Manager".

In today's diverse workplaces, employees bring a wide range of cultural backgrounds that influence how close they stand to others, how loud they speak, how they deal with conflict—even how they participate in meetings. It's not surprising, then, that these cultural varying backgrounds can lead to misinterpretations of behavior, as well as conflict.

Consider the norm of hierarchy and status. As managers, we want everyone to feel valued and to participate in solving problems and making decisions. But being honest and offering ideas may be difficult for an employee who has been taught deference to age, gender or title because he doesn't want to be seen in the position of challenging the authority of an elder or boss.

Along with the norm of hierarchy and status, other important cultural norms that influence behavior are:

- ☛ Group versus individual orientation
- ☛ Time consciousness
- ☛ Communication
- ☛ Conflict resolution

For example, time-conscious managers may mistakenly view people whose cultures take a more relaxed view toward deadlines as being less committed to team goals, as well as less dependable, accountable and reliable. Or, consider the employee who nods "yes" but doesn't mean it. This individual may be simply operating according to his norm of communication in which one never says "no" to a boss.

At the same time, managers who are direct communicators expect a "tell it like it is" response from their subordinates. But when these employees are indirect communicators, they expect managers to read the contextual clues to understand their responses. In these cases, managers may need to hone their skills to pick up on nonverbal cues that may indicate when nodding and affirmative response are polite, face-saving gestures, not indications of agreement or understanding.

As you can see, it's important for managers to recognize the role that culture plays in interactions and to try to identify the critical elements of the cultures involved. Once you identify your preferences and expectations, you then can focus on the norms and preferences of your employees. Noting the cultural and preferential differences will help you avoid interpreting the behavior of your employees through the prism of your own cultural background.

Once you've identified the differences, you can search for alternate approaches that are more compatible with an employee's cultural background to get the information and effective communication you need. Here are some suggestions:

- ☛ Avoid yes/no questions, such as, "Is that clear?" or "Do you understand?" Instead, give the employee options from which to choose. Ask for specific information, such as, "Which step will you do first with this new procedure?"
- ☛ If time allows, perform the task along with the employee or watch to see how well he understands your directions.

- ❑ Try using passive language that focuses on the situation or behavior, rather than the individual. For example, instead of saying, "You must answer calls by the third ring," say, "Calls must be answered by the third ring."
- ❑ Give employees enough time to collect their thoughts before a meeting so they can feel prepared to bring input.
- ❑ Have employees work in small groups, generating ideas through discussion and presenting input as a group.

Managers who are aware of different cultural norms also are less likely to incorrectly interpret behaviors and prescribe ineffective courses of action when developing people. Toward this end, here are some suggestions for managers to consider:

- ❑ Teach employees to interpret the culture of the organization by pointing out factors such as how people dress recreational patterns and the formality or informality of communication. Employees can make effective choices when they clearly understand the informal rules of the organizational culture.
- ❑ Help employees understand the difference between deadlines that are non-negotiable and those that are more elastic.
- ❑ Get an accurate sense of the person's planning and organizational skills. Then, set clear expectations that help the employee perform better and build in follow-up sessions.
- ❑ Coach employees who are uncomfortable acknowledging their own individual work to talk about accomplishments through work group performance. As employees try to move up, the need to sell oneself in an unassuming way as part of a work group is a comfortable way to show one's part in a group's accomplishment.
- ❑ Focus on relationship building. An employee can learn that giving a manager feedback is an act of loyalty and help. But this is a paradigm shift that requires rapport, safety and trust.

Conflict is difficult to manage for most of us, and it becomes more so when employees and managers have different rules about how to handle it. Some employees will prefer direct discussion of differences. Others will find this approach upsetting and disruptive. In addition, differences in attitudes toward status may influence how people deal with conflict.

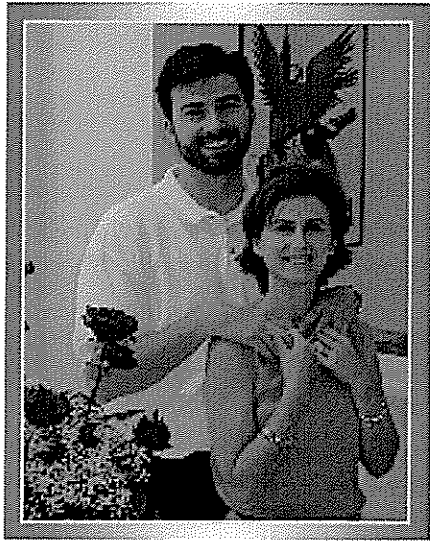
Managers need to help employees recognize these differences and encourage them to share their preferences with each other. This proactive approach helps build a common base of understanding about the best ways to deal with each other. Here are some specific steps to resolve conflict in culturally appropriate ways:

- ❑ Hold team development sessions where employees can learn more about their own and each other's styles and preferences in terms of conflicts.
- ❑ In one-on-one sessions, help employees understand cultural differences that may underlie the conflicts they are experiencing.
- ❑ Consider using a third-party intermediary to help resolve conflict in a face-saving manner.
- ❑ Create a norm that says conflict is a normal part of any workplace and that resolving it requires give and take on all sides.
- ❑ Work to create solution strategies that meet both your objectives and those of your employee.

Lee Gardenswartz and Anita Rowe are partners in the management-consulting firm of Gardenswartz & Rowe of Los Angeles. Both hold Doctorates of Human Behavior from the United States International University.

**NEWS, NOTES, & NONSENSE - CONTINUED**  
ENGAGEMENT

  
*Tying the Knot*



Join us in congratulating Josh Benton  
and his fiancée Lori Riano.

The couple was engaged on July 20<sup>th</sup>  
and has set a wedding date of  
February 9th 2002.

The wedding will take place in  
Hickory, NC.

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**Quote of the week...**

*"Life can only be understood backwards,  
But it must be lived forwards."*

**-- Soren Kierkegaard --**

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**DEADLINES FOR SUBMISSIONS TO THE HOTSHEET**

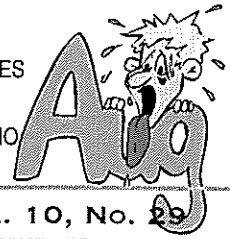
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
FULFILLMENT TECHNOLOGY NEWS, NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)



# THE HOTSHEET

EDITOR:  
CONTRIBUTING  
PUBLISHER:  
PUBLISHED BY:

IRMA M. ROSALES  
NICOLE DISTASIO  
KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION AUGUST 3, 2001, VOL. 10, No. 29

## **PROJECT POSTCARDS**

### **ROSS STORES BASE PLUS IN HAZZARD COUNTY (NEWARK, CA)**

-- SETH DAVIS --

**P**roject Team: **Jim Severyn, Han Nguyen, Mufaddal Moosabhoj, Seth Davis, Jack Webster**, Jackie Bernal (Ross Stores) and Allan Levey (Ross Stores)

If the Ross Stores West Coast DC Base Plus project could be summarized into an episode of the Dukes of Hazzard, it would go something like this... Uncle Jesse (Han) would show up for dinner and let those good ol' boys Bo and Luke Duke (Seth and Jack) in on the fact that some travelin' circus folk were getting dressed up in clown costumes and robbing trains in a car that looked just like the General Lee.

Bo and Luke would call dependable Cooter Brown (Mufaddal) and give him the low down and those good ol' boys would devise a plan to catch the traveling crooks before they wrecked all of Hazzard County. Boss Hog, Roscoe P. Coltrane, and Deputy Enos (Ross Supervisors and Managers) would have some doubts at first, but Daisy Duke (the collective KSA team) would win over their hearts and the entire group would work together to put away the criminals and save the money.

There would, of course, be a significant amount of intense chases, cars launching over hidden ramps (disguised by bushes), police cars rolling and sinking into ponds and triumphant Dixie honking while soaring over unsuspecting livestock. In the end, the entire episode would be summarized with Waylon Jennings' (Jim Severyn's) famous voice, "it looks like those good ol' boys saved the day again".

For those of you that did not grow up watching this inspiring program, the above episode translates: The KSA and Ross Stores team has placed eight areas on standard in the building with 410 associates on standard. We have seen a 10% increase in the overall UPH of the building which has created over \$250,000 savings in the month of July alone.

These successes have certainly not been without challenges along the way. Within two months after kick-off, the managers and supervisors from the first two areas placed on standard, began deviating from the methods and procedures and did not perform daily follow-ups. Associate performances in these areas began to slip, creating a great deal of concern. The Engineering Team revisited and identified the devastating repercussions of moving away from the fundamentals that made them so successful in the beginning (i.e. follow-ups, enforcing procedures, setting up the next shift). Since those items were identified (with Supervisors, Managers and even Directors performing Associate follow-ups), performances have increased from 60% to over 85%.

With the successful foundation laid by the previous areas placed on standard, Ross Management and Supervisors have embraced the "Blue Chip" program with enthusiasm and are investing a great deal of time and effort individually in their Associates. This is apparent during kick-offs where decorations, refreshments and raffles are offered for added excitement and even more prevalent on the floor and in reports reflecting associate performance.

# FULFILLMENT TECHNOLOGY

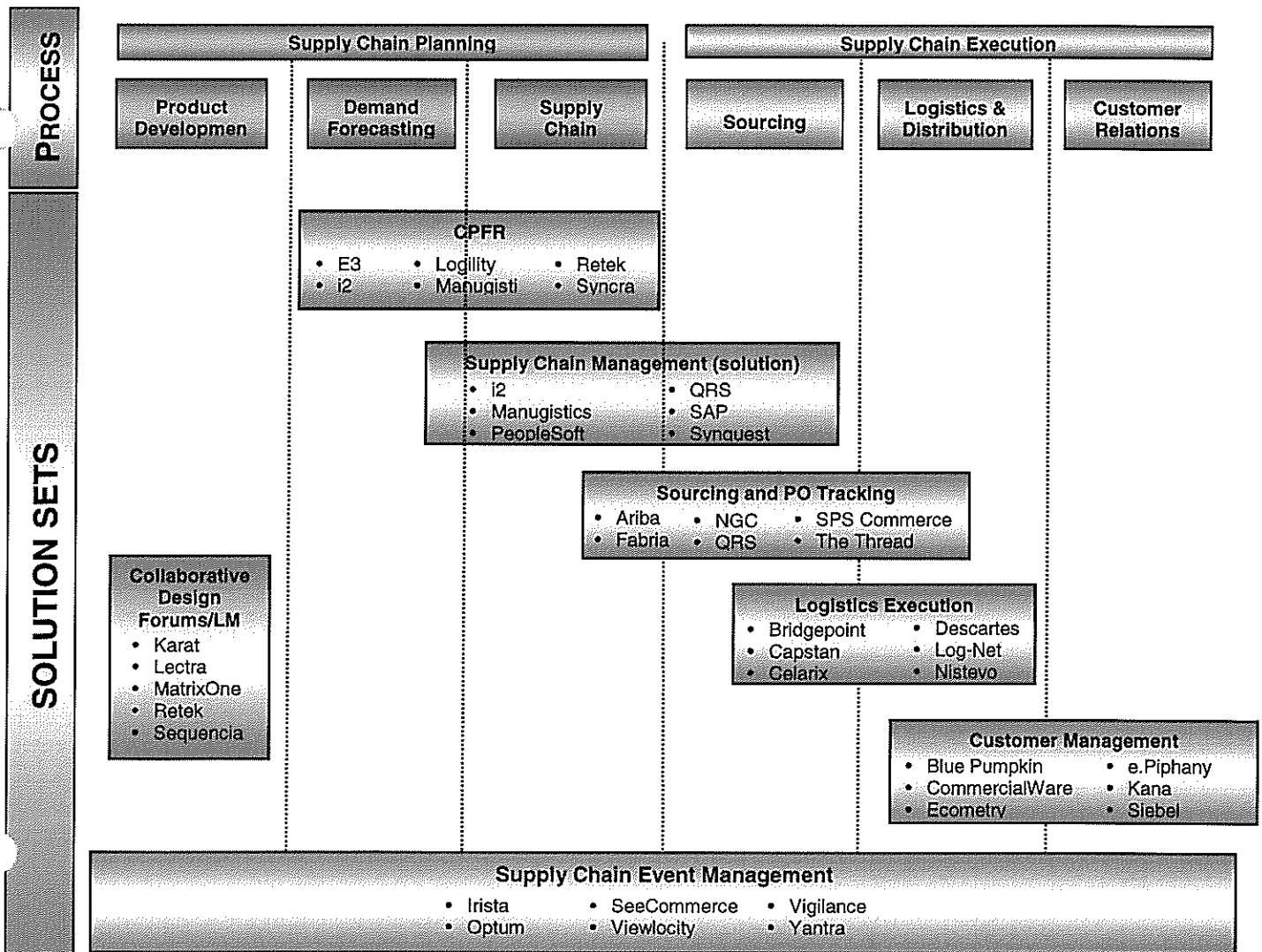
## TECHNOLOGY SOLUTIONS IN THE SUPPLY CHAIN

-- IRIS CHANG --

**K**SA has been doing a lot of great work in the supply chain. In fact, in a March 2001 issue of AMR Research Report, AMR states that we have a "razor-focus on the supply chain." And with clients and projects such as the B2B Consortium, Timberland, and Kellwood, we've also been honing in on the technology solutions available in the marketplace today.

Below is a high-level (gotta fit a "consultant-y" word in here somewhere) diagram of the supply chain landscape. Granted, the supply chain is more complicated than the diagram depicts. Nevertheless, the diagram provides a clear picture of the solution areas available today and a representative list of vendors who play in each solution area.

I can't take full credit for the diagram below, so I will take this opportunity to thank Dave Bassuk and the other folks who were on the Timberland project for providing this prototype.



## INDUSTRY INSIGHTS

### GENERATION NOW GETS UP TO SPEED

(THIS ARTICLE IS FROM THE JULY 15, 2001, ISSUE OF RED HERRING MAGAZINE)

-- NOAM PARANSKY --

**D**uring the first quarter of this year, while technology investors were fretting over the NASDAQ's slump, something else was happening that hadn't happened in five years: the output per hour of U.S. workers in the nonfarm business sector (the traditional measure of productivity) was lower than in the previous quarter -- 1.2 percent lower, to be exact. When word of this development got out in May, it sent economy watchers into a tizzy, reigniting long-standing arguments about whether investments in technology make companies more productive and whether these incremental improvements, in turn, produce a sustainable rate of productivity growth for the U.S. economy.

Though the argument remains unresolved, there is growing evidence that technology has made companies more productive than they were a decade ago. From 1995 to 2000, productivity at nonfarm U.S. businesses rose to an average annual rate of nearly 3 percent, up from 1.4 percent during the previous 20 years. During the same half-decade, U.S. corporations spent an average of \$365 billion a year on technology, about 70 percent more than in the first half of the '90s.

Now, amid a slowing U.S. economy, corporations are eager to maintain these productivity gains. Their demands are reviving interest among technology entrepreneurs in a well-worn idea called real-time computing. In this model, a company's information systems function like a 24-hour live camera on its operations, instantly alerting managers to changes in inventory, availability of supplies, and customer demand.

The concept dates back to at least the '80s, when it was first touted as a way to track inventory at department stores. Advances in three categories of technology are behind real-time computing: cheaper and more powerful processors, networking equipment, and software. Computing power -- especially in servers -- is keeping pace with Moore's law. Faster networking equipment has provided a tenfold increase in available bandwidth at speeds unimaginable ten years ago. Swifter networks have in turn given rise to software applications that can pump bigger loads of data across networks with greater frequency.

According to its proponents, real-time computing is no longer limited to piecemeal improvements in supply-chain management and demand forecasting. Instead, they say, the technological improvements it promises will lead to fundamental changes that boost sustainable productivity growth.

One area where real-time computing can improve productivity is in the supply chain. In February, U.S. Federal Reserve Chairman Alan Greenspan told Congress, "New technologies for supply-chain management and flexible manufacturing imply that businesses can perceive imbalances in inventories at a very early stage -- virtually in real time -- and can cut production promptly in response to the developing signs of unintended inventory building." And real-time computing has applications beyond controlling inventory -- financial accounting, for starters, whereby a company may close its books in a matter of hours instead of days. The cost savings and efficiency gains of such a scenario are obvious, perhaps even too good to be true.

The best existing example of real-time computing is the NASDAQ Stock Market. Every change in stock price is multicast or sent simultaneously, to millions of users -- traders, in this case. Stock prices are then matched with content -- mostly news like analyst upgrades or decisions of the Federal Reserve -- from sources like Reuters or Bloomberg. The trader who has subscribed to information relating to a specific topic -- say, IBM stock -- can react to the information by buying or selling Big Blue's scrip. "That, in essence, is the real-time enterprise, where events drive the decisions of the business," says Vivek Ranadivé, the CEO of Tibco Software (NASDAQ: TIBX), a developer of real-time computing software.

### Now, or later

To its supporters, real-time computing is a kind of corporate utopia. They imagine that executives will become as well informed as stock traders about their businesses and make real-time decisions. According to this vision, companies that use real-time computing are transformed into "real-time enterprises," where every business process takes into account up-to-the-minute information and its execution is immediately measured against the overall operations of the corporation.

Such a scenario, however, is probably a decade away. But many corporations are moving in fits and starts toward real-time computing. Rushing to supply the necessary tools for these endeavors are scores of technology startups. During the next four years, U.S. corporations are likely to spend \$576 billion on software, according to IDC, a research firm. A sizable chunk of that money will be spent on real-time technologies -- enough to create a healthy market for startups and established software companies developing tools that provide up-to-the-minute information to businesses.

The expected size of the market has enticed some of the biggest names in venture capital. Vinod Khosla, a partner at the VC firm Kleiner Perkins Caufield & Byers, has made real-time computing his main area of investment, funding software companies like KnowNow, Zaplet, Oblix, and Centrata. "When companies become real-time, they improve service performance while reducing costs dramatically," Mr. Khosla says with enthusiasm -- rare for a VC known for his disdain for hype -- contending that 1 percent of sales spent on technology brings 1.5 to 2 percent savings in general and administrative expenses. Mr. Khosla says that by the end of this decade, corporations will spend nearly 10 percent of total sales on technology, up from 3.5 percent currently: "You will not be competitive five years from now as a corporation unless you have near real-time information architectures inside the company."

Seeing the same opportunity is Promod Haque, a general partner at Norwest Ventures, which is also targeting real-time software. His firm recently invested \$6 million in PowerMarket, a maker of real-time supply-chain management software in Belmont, California. Mr. Haque says PowerMarket differentiates itself by tying data from a company's manufacturing processes into the computing systems of its customers and suppliers. The key benefit of the shared data, he adds, is that it "helps companies make powerful, smart purchasing decisions."

Determining the amount of venture capital flowing toward real-time computing is next to impossible, because such a figure would have to encompass hardware, software, and networking technologies. And ancillary markets are affected, too. Moreover, it isn't only startups that are aiming to sell corporations the real-time tools that they need. Large publicly held companies like Oracle (NASDAQ: ORCL) and IBM (NYSE: IBM) are also in the game, as is hardware maker Compaq Computer (NYSE: CPQ), which has formed the Zero Latency enterprise group to examine the opportunity.

To see article in its entirety please go to:

[http://www.redherring.com/index.asp?layout=story&channel=&doc\\_id=540019854](http://www.redherring.com/index.asp?layout=story&channel=&doc_id=540019854)

## INSIDE THE INTRANET

-- NICOLE DiSTASIO --

### *Performance Improvement Document Index*

We are excited to announce that an index listing all of the documents currently found on the Intranet under Tools of the Trade/Fulfillment Services/Distribution/**Performance Improvement** is now available to help ease the search for the Performance Improvement documents you've been looking for on the Intranet. The file is called Performance Improvement Document Index 8.01 and it can be accessed via the following link:

[http://web1/tools/fulfillmentserv/distribution/cperformanceimp/.](http://web1/tools/fulfillmentserv/distribution/cperformanceimp/)

Plans are underway to create similar indices for each of the Fulfillment Services/Distribution sections. Contact Nicole DiStasio with any questions or suggestions.

### *Thanks*

In other Fulfillment Services Intranet news, thank you to Mike Gregory and Bob Smith for responding to the request for Facility Design PPMs and proposals with new and very representative documents.

### *All Documents and Suggestions Welcomed*

As always any and all submissions to the Intranet are welcomed. Ideas and suggestions regarding making the Intranet more user friendly are invited as well. Send your ideas and documents to Nicole DiStasio.

## NEWS, NOTES, AND NONSENSE

-- SPECIAL DELIVERY --

# Congratulations!



Jim and Abby Garrett are the proud parents of a baby boy!

James Kenneth Garrett was born at 2:00 AM, Saturday, July 21<sup>st</sup>

He weighed 7 lbs., 2 ounces and was 20.5 inches long.

Mother and child are doing well.

The youngster is doing great - eating like a champ!



## IEWS, NOTES, & NONSENSE - CONTINUED

### BRAIN TEASERS - ANSWERS

1. Eye
2. Its your father
3. 129
4. They are at the center of the earth, and ascending in opposite directions. However, it is also true that if they ascended two vertical ladders on the earth's surface, they would also be moving apart, albeit by a minuscule amount.
5. They played 9 games: Jack won 3 games, and Jill won 6 games.
6. The explanation is that directions west and east are not fixed. They are determined with the respect of the orientation to the North (or South) pole. When you are standing with face to the North, East is to the right hand side of you. If you reverse, East will be to the left hand side of you
7. When he is standing at the North Pole.
8. Place the point on the surface of a sphere and draw a circle, which will be smaller than the circle drawn by the same compass on a plane surface. Alternatively, place the point of the compass at the apex of a circular cone, and draw a circle on its surface.
9. Wrap the paper on which you are to draw the oval round a cylinder. The compass will then draw an oval.
10. I understand you undertake to undermine my undertalking.
11. One horse traveled east and the other traveled west, the first gaining in the number of days it lived, and the second losing.

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### Quote of the week...

*"If you must play,  
Decide on three things at the start:  
The rules of the game,  
The stakes,  
And the quitting time."*

**-- Chinese Proverb --**

# AUGUST Celebrations

## ANNIVERSARIES



FAITH COX	8-11-1987
STEVE LEFKOWITZ	8-14-2000
RON BARRETT	8-14-2000
MIKE SWIFT	8-31-1983

## BIRTHDAYS



CHUCK EASLEY	8-01
BARRY EHLERS	8-03
BRAD ANDERSON	8-04
DEBI HAMRICK	8-06
LAURIE CRANKSHAW	8-16
PRISCILLA JORGENSEN	8-20
DAN STONAKER	8-20
BOB SMITH	8-23
TIM COPLAND	8-25
GERSON COTO	8-26
LYNN SPUHLER	8-26
JOE RAINES	8-31





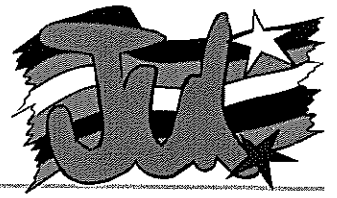
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EDITOR: IRMA M. ROSALES  
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A WEEKLY FULFILLMENT PUBLICATION . JULY 27, 2001, Vol. 10, No. 28

## CONSULTANT SPOTLIGHT

-- IRIS CHANG --



*"To laugh often and much;  
To win the respect of intelligent people and the affection of children;  
To earn the appreciation of honest critics and endure the betrayal of false friends;  
To appreciate beauty, to find the best in others;  
To leave the world a bit better, whether by a healthy child, a garden patch or a  
redeemed social condition;  
To know even one life has breathed easier because you have lived.  
This is to have succeeded."*

-- Ralph Waldo Emerson --

Iris Chang has called Atlanta home for most of her 28 years and is now happily settled there. She received her undergraduate and Master's degrees in Industrial Engineering at Georgia Tech before coming to KSA almost exactly four years ago today, on July 14<sup>th</sup>, 1997, and has been a Fulfillment Services manager since November 2000.

Spending time with friends and family is one of Iris' favorite past times. Iris lived with her grandparents in Taiwan until she was four years old and she looks forward to joining her extended family each year for an annual Christmas day hike and picnic in the North Georgia Mountains. And, being from Atlanta, she knows where to go for the best food in the city. You can find Iris, with friends in tow, at in-town Atlanta restaurants like Dish in the funky Virginia Highlands area for their specialty seafood lasagna and Hong Kong Harbor in mid-town for Chinese food.

Although she considers herself an Atlantan through and through, Iris was actually born in Queens, New York. This fact does not mean you can ask her to ride the subway or other train systems in New York. To hear her stories of repeatedly being stranded on the Metro North for hours on end while trying to get to client meetings, you will understand when she says, "something bad always happens when I ride the train in New York".

Iris is not someone who is afraid of hard work or of helping others. In fact, a long term goal of Iris's is to establish a Foundation that will assist the less fortunate in acquiring different levels of education and job skills through grants, training and even by providing places to live. Her idea is to create a self-sufficient model that will allow people to create a better life for themselves and others on a permanent basis.

Currently working out of the Atlanta office with Avon. Iris is part of a PMO (program management organization) team for several projects Avon is implementing for 4th quarter. Specifically, those projects are: branch capacity improvement, Asia consolidation of merchandise, and systems enhancements.



## **FULFILLMENT TECHNOLOGY**

**PORTRAIT OF A VIRTUAL CONTACT CENTER** (BY JENNIFER TOMARO, COMM WEB.COM – 06/12/01)

-- SUZANNE DENCKER --

IBM and T. Rowe Price have created a unique call center environment that boasts human-like interaction from a virtual account representative who can respond to more than 35,000 phrases. What to expect next time you check your bank balance...

T. Rowe Price <<http://www.troweprice.com>> (Nasdaq: TROW <<http://www.commweb.com/quotes/showQuote?symbol=TROW&get.x=15&get.y=11>>), a Baltimore-based investment management firm, began by analyzing how their customers conversed with their telephone representatives. T. Rowe Price Participant Service Center representatives supplied more than 35,000 phrases and commands based on their first-hand experience servicing plan participants over the years. IBM <<http://www.ibm.com>> was then able to create a voice solution that could respond and act according to these types of conversations.

IBM's technology listens for clues as a caller speaks, and then responds at the conversational pause with either a response, or additional questions to fill in any remaining blanks. The system also remembers context so that when asked for "that one" it recognizes what the caller wanted. During the course of the "dialogue," the technology simultaneously analyzes the conversation so that it can figure out more quickly what a customer wants.

IBM's "Natural Language Understanding" Voice Recognition System lets T. Rowe Price's clientele manage their accounts by speaking naturally into the phone to an auto attendant. The system lets participants in 401(k) plans check fund and account balances, fund prices and investment objectives; request statements; and enter or change personal identification numbers -- using natural phrases such as "I'd like my balance, please" or "What funds are in my plan?" Unlike conventional response systems that rely on touch-tones or prescribed voice responses, the system allows people to change their minds and execute tasks in any order.

Subsequent phases of the system will add transactional capability, letting all 1.1 million plan participants increase or decrease contributions, move money between funds, change how contributions are invested, change plan selections, and request a loan using voice commands.

The Natural Language Understanding (NLU) feature, part of IBM's WebSphere Voice Server and DirectTalk products for voice-enabling contact centers and the Web, is being launched as part of the T. Rowe Price Plan Account Line (PAL), the toll-free service by which 401(k) participants can access their retirement plan accounts.

The enhanced Plan Account Line doesn't require a particular script; its developers have "taught" it to respond to virtually thousands of different ways a person might express a request -- from diverse phrasings and sentence structures to regional accents. For example, the system understands that when a customer says, "How much money do I have in Investment A?" it means the same as "Tell me the balance I have in Investment A."

When the caller dials the Plan Account Line, he or she is presented with a choice of either the conventional touch-tone mode or the NLU speech recognition mode. Engaging NLU, the caller then says what he or she wants to do. The system "hears" the sentence, breaks it down into its component parts, and picks up key words and phrases that it has been programmed to connect with certain inquiry or transaction functions. The system then checks to see if the caller's request is valid according to the rules of his or her plan, and then responds appropriately.

Like the regular touch-tone system, the new service offers plan participants 24-hour access to their accounts, using the same toll-free PAL number and personal identification numbers (PIN) they currently use. Callers can also transfer to a representative at any time during the call by saying, "I'd like to speak with a representative."

T. Rowe Price is the first company to test and use IBM's technology for financial applications. The new system is currently being offered through a pilot program to a handful of T. Rowe Price clients. The program will be fine-tuned based on feedback from plan sponsors and participants in these beta tests and is scheduled to be rolled out to all plans over the course of the year.



## INDUSTRY INSIGHTS

### CUBING IS HARDLY SQUARE (MODERN MATERIALS HANDLING ONLINE - BY TOM FEARE - JULY 1, 2001)

-- NICOLE DISTASIO --

For almost as long as there have been warehouses, their owners and managers have tried to pack them as efficiently as possible. Best cube utilization has been and remains the goal.

But it hasn't been all that long since warehouse managers first acquired the tools to automate the accurate measurement of length, width, and height of individual items and cases to determine volumes precisely. They've had this kind of automation for just over a decade now.

Today's cubing (or dimensioning) systems – and systems that not only cube, but also weigh an item and/or scan its bar code simultaneously – are increasingly more a part of today's warehouse or distribution center. Their usage is particularly prevalent in the DCs of express shipment carriers trying to optimize shipping charges.

Indeed, for DCs planning a major WMS (warehouse management system) installation, it's now common to include cubing and weighing hardware as part of the bid for one of these jobs, says Ryan Anderson, marketing communications manager, Quantronix.

"Space is money," as Anderson puts it succinctly. With a cubing system one can pack everything from a single outbound box on up to the entire warehouse far more efficiently and easily. Cubing systems help optimize storage density on the warehouse's receiving side. They assist in making more accurate storage slot assignments, and add productivity to order picking and packing. On the shipping side, these systems produce cost savings in trailer load planning and freight manifesting and auditing.

Manually taking measurements, then making the volume calculations so that items and cases can be stored or staged in the least possible volumes is time consuming. It's also fraught with a high error rate.

#### **Static or in-motion measuring**

Suppliers offer two basic types of cubing systems: static systems and in-motion (or inline) systems. Both use non-contact cubing methods.

Static systems generally rely on ultrasound sensing to measure dimensions of an item. These static systems often also provide weight data. They transfer these dimensions/volumes and weights to the WMS in real time.

As the term "static" implies, these systems are intended for measuring fewer items per hour than the in-motion systems. A static device might cube and weigh up to 120 items per hour, Anderson says. Items are manually placed in the device, which limits throughput.

In contrast, in-motion systems generally work in tandem with a conveyor transporting items. These systems use infrared, laser, light array, or camera technologies to get dimensions on many more items per hour. They can dimension up to 15,000 parcels per hour, says Ted Hendricks, Mettler Toledo marketing manager, transport.

Camera-based, in-motion dimensioning systems, says Don DeLash, vice president, marketing, for Accu-Sort Systems, also offer another benefit beyond high-speed measuring. These devices capture images of the packages as they move along conveyor lines. They then can detect non-singulated (side-by-side) packages and thus eliminate sorting and inventory problems due to "phantom" packages. They greatly enhance troubleshooting and remotely dealing with problem parcels, he adds.

On varying degrees, all of the major express carriers have installed high-speed cubing and weighing systems in their DCs, says Hendricks. Revenue recovery and payload optimization as a result of better shipping data are the carriers' goals behind using these systems.

Today's trucks, trailers, and air cargo containers often cube out before they reach their weight limits. By using a cubing system to dimension the shipper's outbound payload, the carrier can compare a tariff based on dimensions to a traditional weight-based tariff and apply the higher rate.

Quantronix' Anderson notes how Japan Air Lines (JAL) cargo planes "had been bulking out before they reached their maximum weight." A single cubing and weighing system was installed at JAL. Since May 1996, it has generated \$1.5 million in revenue recovery savings for the air cargo carrier, he explains.

Carriers using cubing technology typically recover \$300,000 or more annually per dimensioning/weighing unit, Hendricks notes.

Carriers thus are embracing use of cubing technology more and more. But large fulfillment operations, such as those in e-commerce – either B2C or B2B – are increasingly likely to require the technology too.

Without it now, they risk being hit by carriers with back charges levied on the shipping warehouse. "Without automated cubing technology," says Quantronix president Clark P. Skeen; many fulfillment operations "fail to properly complete the dimensional reporting requirements imposed by carriers and fall subject to expensive back charges. Our technology eliminates those errors, resulting in substantial savings."

Similarly, as Hendricks observes, dot-com firms such as Amazon and online/catalog operations like L.L. Bean, "use cubing systems so they know exactly what their shipping costs will be when they send out bills to their online and phone customers, rather than guessing at carrier rates."

### ***Costs and payback***

Costs for cubing systems start at just under \$10,000 for a single static system for dimensioning and weighing. Spending rises to an upper limit of \$40,000 for a high-end, in-motion unit. Cost varies, moreover, depending upon whether the system also weighs or scans bar codes.

Investments in a cubing system can produce a high return to the user in the case of a carrier recovering revenues for low-weight, high-volume items for which it back-charges, as noted above.

Harder to quantify so readily is the return on investment for static systems where they're used to optimize storage utilization and to slot items, for example. Or where their measurements help generate cube-based pick orders or select appropriate re-pack packaging.

But the real-life applications here and on vendor web sites may give you some ideas on how cubing can be a really square deal for your facility.

## NEWS, NOTES, AND NONSENSE BRAIN TEASERS

Take 10 minutes to "tickle" your brain and discover your intellectual prowess. Answers and analysis in next week's issue.

1. Wall is to window as face is to?
2. What relationship to you is your father's only brother's wife's only brother-in-law?
3. What number follows logically in this series 9, 12, 21, 48?
4. Two men ascend two ladders, at the same speed, and yet they get further apart. Explain.
5. Jack and Jill are playing cards for a stake of \$1 a game. At the end of the evening, Jack has won 3 games and Jill has won \$3. How many games did they play?
6. A man goes to the North Pole. The points of the compass are, of course:

N  
W E  
S

He reaches the Pole and, having passed over it, turns about to look North. East is now on his left-hand side, and West on his right-hand side, so the points of the compass appear to be:

N  
E W  
S

Is this correct? If not, what is the explanation?

7. Where can a man look south in all directions?
8. How can a compass with a fixed opening be used to draw circles of different sizes?
9. How can an oval be drawn with one turn of the compass?
10. What statement does the following represent? STAND TAKE MINE TALKING I U 2 MY
11. Two horses were born at the same time, traveled the world, and then died at the same time, but did not live to the same age. How was this possible?

---

### Quote of the week...

*"The golden opportunity you are seeking is in yourself.  
It is not in your environment;  
It is not in luck or chance,  
Or the help of others;  
It is in yourself alone"*

**-- Orison Swett Marden --  
Founder of Success Magazine**

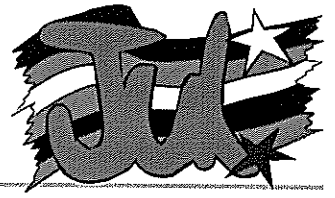
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## **DIRECTOR'S CORNER**

### **GAINING AND MAINTAINING COMPETITIVE ADVANTAGE BY "STAYING IN TOUCH"**

-- KEN WALKER --

KSA's culture and values create a unique competitive advantage that, collectively, we are not leveraging. The nature of our relationships with executives at our past clients is typically very good, and our customer feedback tells us that the quality is high. Given these two factors, the likelihood that they will use KSA for their future needs should be correspondingly high. Why doesn't this happen as often as it should, and what can we do about it?

First and foremost we need to stay "top of mind" with our past clients so that whenever an issue or need arises we are the first firm they think of. This is as simple as a phone call on a periodic basis when we see a news item, an industry development or an announcement that we want to make sure they see. The call may merely be to renew a friendship or to see if the past project is still delivering at the appropriate level or if implementation of down stream activities is on schedule.

Any of the above may provide a chance to learn of an opportunity or need. Additionally this is a great chance to send along a KSA thought piece or reprint that your client might be interested in or benefit from. There is a higher chance that it will be read if it is from you than from a name on a mailing list. Be prepared to share with your contact something new that we are doing. If nothing comes immediately to mind, reach out to your past or present project management and or one of the RSDs for ideas or help. It is important to co-ordinate with your past project director prior to your call to make certain that you are up to date.

If your current schedule makes telephone contact difficult send an e-mail as an alternative. Please make the effort to "stay in touch".



## **ULFILLMENT TECHNOLOGY**

### **KSA CONTACT CENTER MANAGEMENT OPPORTUNITIES**

**-- THOM DICKSON --**

The realization that call centers serve a necessary and vital function has led to greater service expectations, an increase in call center spending, more visibility and added pressures to perform exceptionally. How much money call centers are actually spending and what they're spending it on, as well as the press they receive, varies greatly depending on the organization you speak with, the corporation's priorities and the analysts you listen to.

According to the March 1 eBusiness report from research firm IDC, the US market for customer support and call center application revenue should grow from \$1.8 billion in 2000 to \$4.6 billion by 2004. The report indicates that as the role of the call center becomes a multifunction customer interaction center, such organizations can move from being considered cost centers to key business differentiators, as they take on the ability to cross-sell and upsell and gain customers' loyalty by providing superior, more personalized service.

So, with such growth predictions coupled with all the talk about the importance of retaining customers, offering multimedia communication channels, and reducing turnover, we have got to ensure that KSA is positioned with each customer facing to capture it's share of the \$4.6 billion pie!

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**INDUSTRY INSIGHTS****"IT PAYS TO BE NEIGHBORLY"**

*(LOGISTICS MANAGEMENT & DISTRIBUTION REPORT BY TOBY B. GOOLEY – JULY 1, 2001)*

-- ROBERT FULGHUM --

Relocating a plant or DC next to an airport might not sound appealing. But for companies that need fast transit times, it's paying big dividends. These fast trackers are cutting delivery times by many hours by locating their manufacturing or distribution facilities next door to their primary airfreight providers. The prevalence of just-in-time manufacturing systems, online retailing, and rising expectations regarding time-definite delivery have made speed a top priority for logistics managers in many industries.

The integrated air carriers, companies like Airborne Express, BAX Global, DHL Worldwide Express, Emery Worldwide, and FedEx Express that operate integrated air and ground transportation networks, certainly have benefited from these trends. Industrial parks that cater to distribution, logistics, light manufacturing, and assembly have sprung up around the sortation hubs these carriers operate.

FedEx Express, for example, has received so many inquiries from shippers about locating near its main hub in Memphis, Tenn., and its four regional hubs that the company has hired a site-selection specialist to assist them. Managing Director of Hub-Based Services Jo Ferreira has responded to nearly two dozen unsolicited inquiries in the last six months. "This has been a steady request pattern," she says, "so I feel that it is very much a trend."

Of those inquiries, about one-third come from companies in the electronics industry, another third come from the medical field, and the rest from a variety of other industries that require short transit times, Ferreira reports. The majority of the inquiries are for distribution centers, but shippers also have been interested in relocating assembly, kitting, and packaging operations. In addition, more third-party logistics companies are expressing interest because some of their clients want to try out a potential location before they make a commitment.

FedEx is not the only company to cater to shippers' need for speed. Airborne Logistics Services (ALS), a subsidiary of Airborne Express, offers a similar service that it calls Hub-Based Warehousing. Under this program, shippers may lease, staff, and run their own distribution centers on the edge of Airborne's airport in Wilmington, Ohio, or at a satellite location in Columbus, Ohio, one hour away. Companies that take advantage of this service can ship as late as 1:30 A.M. Eastern time and still get same-day delivery.

A number of other carriers, including BAX Global, Emery Worldwide, DHL Worldwide Express, and United Parcel Service, also offer such "end of the runway" services, especially for critical replacement parts, through their logistics subsidiaries. Some freight forwarders, such as Associated Global Systems, offer these same services for high-tech clients.

Not every shipper needs to be so close to its transportation providers. FedEx's Ferreira says she has demonstrated to some shippers that the costs of relocating to an airfreight hub would actually outweigh the potential benefits. But for companies whose business success depends on speed, being neighborly with their carriers can pay off with improved customer service, transit times, on-time performance, and reliability.

Please contact Robert Fulghum to see this article in its entirety.

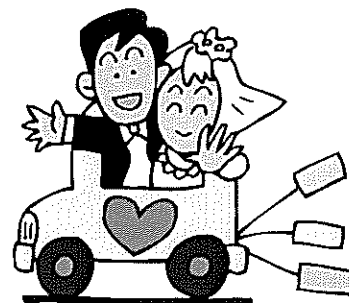


**NEWS, NOTES, AND NONSENSE**  
**WEDDING CELEBRATION**

# Congratulations!



*Barry Ehlers (KSA) and Julia were married on Saturday, June 30th in Atlanta, GA. The newlyweds will honeymoon in Hawaii.*





## TELOCATOR ROUNDUP

PLEASE CONTACT IRMA M. ROSALES WITH CORRECTIONS

### UNITED STATES

ALLEN, PETER	KB Kids	BLAIRS, VA
BAIRD, KEVIN	JONES NY	LAWRENCEBURG, TN
BENTON, JOSH		GREENSBORO OFFICE
BRUNSON, ANDREA	CHARMING SHOPEES	PRINCETON OFFICE
BURKE, JONI	NIKE	MEMPHIS, TN
BURKLAND, NATE	NIKE	MEMPHIS, TN
CASCIO, DAVE	QVC	WEST CHESTER, PA
CHINNAN, VIKAS	SHOPKO	PRINCETON OFFICE
CHOATE, CASEY	JONES NY	WINSTON-SALEM, NC
CLARK, ELIZABETH	PVH	JONESVILLE, NC
COPLAND, TIM	KB Kids	BLAIRS, VA
DAVIS, SETH	ROSS STORES	NEWARK, CA
DENSMORE, JD	PVH	JONESVILLE, NC
DUQUE, MAX		MIAMI OFFICE
FONG, TERRANCE	SUBMITORDER.COM	COLUMBUS, OH
GARRETT, JIM	ANN TAYLOR	LOUISVILLE, KY
GILES, LAURA	QVC	WESTCHESTER, PA
GRIFFITH, BRAD	STAPLES	BOSTON, MA
HARMON, BRAD	PUBLIX	LAKELAND, FL
KELLOGG, MICHAEL	TIMBERLAND	PRINCETON OFFICE
LA VECCHIA, MARIANNA	CONTROL PLUS	ATLANTA OFFICE
LEFKOWITZ, STEVE	NEWPORT NEWS	HAMPTON, VA
LEVY, VAL	ANN TAYLOR	LOUISVILLE, KY
MCGRAW, COLLEEN	PUBLIX	LAKELAND, FL
MOKOTOFF, BENJAMIN	WALMART*COM	ATLANTA OFFICE
MOOSABHOY, MUFADDAL	ROSS STORES	NEWARK, CA
MORIN, CRAIG	WALMART*COM	CARROLLTON, GA
OSBURN, STEVE	STAPLES	LONDON, OH
PARANSKY, NOAM	B2B CONSORTIUM	ATLANTA OFFICE
SAMPSON, BRAD	NIKE	MEMPHIS, TN
SPOFFORD, SETH	GLOBAL SPORTS	LOUISVILLE, KY
TAYLOR, BRAD	WALMART*COM	ATLANTA OFFICE
TIMBERLAKE, JUJUAN	CONSOLIDATED STORES	COLUMBUS, OH
TODD, AARON	GLOBAL SPORTS	LOUISVILLE, KY
TREVIÑO, ROBERTO	STAPLES	LONDON, OH
ULICNY, DAN	PUBLIX	TAMPA, FL
WATTERSON, ERIC	CONTROL PLUS	ATLANTA OFFICE
WEBSTER, JACK	ROSS STORES	NEWARK, CA
WHITEHOUSE, SEAN	QVC	WEST CHESTER, PA
WILSON, KEN	NIKE	MEMPHIS, TN



## TELOCATOR ROUNDUP

### MEXICO

AYALA, JOSE GERARDO	ALIANZA TEXTILE	MEXICO CITY
FELIX, IGNACIO	VF INTIMATES	REYNOSA
LOZANO, ALFREDO	VF IMAGEWEAR	TORREON
MARTINEZ, ANDRES	UNIFIRST	CIUDAD VALLES

### HONDURAS

HERNANDEZ, SERGIO	VF INTIMATES	SAN PEDRO SULA
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### UNITED KINGDOM

ANDERSON, BRAD	MFI	LONDON
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### JAPAN

BRUCE, DAN	JUSCO	TOKYO OFFICE
------------	-------	--------------

### TAIWAN

LOPEZ, RODRIGO	RAMTEX	KAOSHIUNG
----------------	--------	-----------

### SUPPORT STAFF

ANDROS, VANESSA	ATLANTA
CRANKSHAW, LAURIE	CHICAGO
HAMRICK, DEBBIE	ATLANTA
JUDD, SUZANNE	PRINCETON
KOLM, RACHEL	PRINCETON
LANNON, NICOLE	ATLANTA
ROSALES, IRMA M.	MIAMI
SALAZAR, OLIVIA	LOS ANGELES
SCOLA, ANNE	PRINCETON
SENIOR, LYNN	LOS ANGELES

### Quote of the week...

*"And all people live,  
not by reason of any care they have for themselves,  
but by the love for them that is in other people."*

-- Leo Tolstoy --

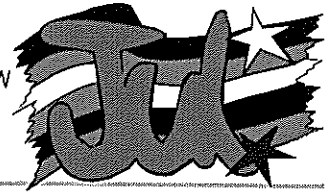
#### DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)  
FULFILLMENT TECHNOLOGY NEWS, NEWS, NOTES, & NONSENSE, ETC. - THURSDAY BY 12:00 PM (ET)

# THE HOTSHEET

EDITOR:  
CONTRIBUTING  
PUBLISHERS:  
PUBLISHED BY:

IRMA M. ROSALES  
LAURIE CRANKSHAW  
NICOLE DISTASIO  
KSA MIAMI



A WEEKLY FULFILLMENT PUBLICATION . JULY 13, 2001, Vol. 10, No. 26

## **PROJECT POSTCARD**

**WALMART.COM**

-- BENJAMIN MOKOTOFF --

From brushes with death on the highway, to broken bones, to new babies, there is never a dull day when it comes to the Walmart.com project team. Over the past 4 months our KSA team working with Walmart.com has had its moments.

The team, currently comprised of **Ash "Rock Solid" Eisa**, **Scott "The Deer Hunter" Vifquain**, **Benjamin "Mighty Mighty" Mokotoff**, **John "Sonic" Karonis**, **Marty "Fast Food" Farley**, **Craig "Ice Cream Machine" Morin**, and **Brad "Hotsteak" Taylor** is a force to be reckoned with. Some highlights from the last couple months include:

- . Scott adds a new member (Sam) to his family
- . John flies to Bentonville and has Sonic for both lunch and dinner
- . Craig shows up in Carrollton with a black eye and 6 stitches, after a rough recruiting trip to Blacksburg, VA
- . Ash adds a new member (Adam) to his family
- . Marty consumes enough candy on a daily basis to make all of the dentists in Georgia proud
- . An epidemic of Mad Cow and Foot and Mouth disease sweeps through the Carrollton temporary office
- . Benjamin shows up in Carrollton with a broken wrist as a result of a tough game of KSA football the previous weekend
- . Brad comes down with a case of food poisoning so bad that he vows never to eat Chinese food again
- . John flies to Carrollton and has Sonic for both lunch and dinner
- . Scott has a near death experience when he hits a deer at 70MPH on I85, and proceeds to diagram the entire experience for the team on the whiteboard
- . The local lunch spot, The Polar Cub Drive In, is stricken from the lunch list after watching Brad consume the hotsteak sandwich and Benjamin bite into a freshly undercooked chicken tender
- . The Big Chic and Bilbo's BBQ are the current frontrunners to replace the Cub

Regarding the project we are still plugging away with the various testing efforts (MHE, WMS, OMS and Acceptance Testing). We recently moved from the temporary office space into the more permanent DC offices. The MHE highlights of the building are definitely the two cross belt sorters that will handle totes, packages and units. The team has pulled together a design overview document that summarizes design and MHE highlights (along with area layouts). We will be posting this on the intranet/tools of the trade shortly.



## **FULLFILLMENT TECHNOLOGY**

**DAWN HOLT –**

Ok, so you're a consultant. You are supposed to know everything, right? If a client speaks it or asks about it, you're expected to understand or answer. Well, we can't always have the answers, but here are some internet links that might help you find out what they were talking about or point you in the right direction in your hunt for the answers.

Need to know the difference between a microsecond, attosecond, picosecond, nanosecond and a femtosecond? Can't tell your ASP from your JSP? Choose from the thousands of definitions of the most current IT-related words at <http://www.whatis.com>. You might even find out how things can automatically appear on your computer screen.

Need to know the difference between skate wheel conveyor and slat conveyor? Check out the Equipment Glossary at Modern Materials Handling's website <http://www.manufacturing.net/mmh/>

Or, if you are just looking for run of the mill logistics and supply chain glossaries, you might try Consumer Goods Technology's glossary at <http://www.consumergoods.com/glossary.htm> or one of several glossaries and links at <http://logistics.about.com/industry/logistics/cs/defsglossaries/index.htm>.

Some of these sites also offer e-zines for your learning pleasure. Happy hunting!

## **INSIDE THE INTRANET**

**NICOLE DISTASIO --**

### ***Still Seeking Facility Design Pre-proposal documents and Proposals***

Many thanks to **Ken Walker** and **Enrique Morales** for their submissions in response to the request for documents sent out to the Fulfillment Services Group on June 28<sup>th</sup>.

If you have any Facility Design Pre-proposal documents or Proposals that would be a good fit for Tools of the Trade, please forward them to Nicole DiStasio.

### ***Vendor Compliance Documents/ Vendor Routing Guides/ Vendor Relations Documents***

Call them what you will, but you will find a "Vendor Relations" folder filled with a number the documents described above in a new location on the intranet. The newly renamed folder can now be found under the Facility Design portion of Tools of the Trade. The following is a direct link to the new folder: <http://web1/tools/fulfillmentserv/distribution/bfacilitydesign/>. Thanks to **Randy Unger** for his recent contributions to the Vendor Relations folder.

### ***All Documents and Suggestions Welcomed***

As always any and all submissions to the intranet are welcomed. Ideas and suggestions regarding making the intranet more user friendly are invited as well. Send your ideas and documents to Nicole DiStasio.

## **INDUSTRY INSIGHTS**

### **SEVEN THINGS TO KNOW BEFORE INSTALLING YOUR NEW CONVEYOR SYSTEM**

*(Modern Materials Handling's Monthly Conveyor e-Newsletter)*

**--NICOLE DISTASIO WITH SPECIAL THANKS TO KEN WALKER --**

Answering these questions up front will alleviate unforeseen problems and assure a trouble-free conveyor installation.

Once you have specified and selected the new conveyor for your facility, it's time to begin the installation process. Installing a system involves a lot more than simply bolting down a few sections and plugging it in. There are a number of important considerations that you, as the customer, should discuss with your integrator or installer long before the equipment is even ordered.

"Every installation is different," says Howard Dietz, senior project manager at Werres Systems of Frederick M.D. ([www.werres.com](http://www.werres.com)). "You need to have open lines of communication between the customer and the installer. We like to think of our customers as partners in the installation, and wish for them to be involved in the entire process," he says.

Typically, the installer will make a site visit to the facility as soon as possible after the design has been completed. That way any potential problems that may affect equipment selection and eventual installation can be dealt with early on.

New facilities make for much easier installs, as they are usually designed with the equipment in mind. Sometimes, however, the drawings do not always match reality. This makes a site visit imperative.

Existing facilities present other potential problems, most of which are addressed in the questions that follow. Each of these could be discussed in detail with your installer. If the installation is for an existing facility, does the work need to be done while the building is operating?

Dietz says that about 70% of his installs are in operating facilities that require his crew to work around people and other equipment. When possible, he attempts to perform the install during off-peak shifts. He also tries to avoid the customer's busy seasons.

#### ***Are any modifications necessary to the building?***

If modifications are needed, identify who is responsible for them. Also, if the conveyor has to run through existing walls, determine the composition of the walls - concrete, plaster, or brick.

#### ***How will the equipment be unloaded at the building?***

Determine beforehand who is responsible for unloading the conveyor system when it arrives -- the installer or workers at the facility. Other factors to consider include the distance from the dock to the installation location, and the availability of dock levelers for unloading. If the equipment has to go to an upper or lower level, is there an elevator or floor access? Is there a staging or storage area for equipment until it is ready to be moved into place, or does delivery need to be timed to coincide with exact install dates?

#### ***Does any old equipment need to be disassembled and removed?***

If so, determine who will do the dismantling and where the old equipment should go - to another facility, to storage, or sold.

#### ***Are there any obstructions in the building that require installers to work around them?***

Identify sprinkler systems, ductwork, pipes, and similar obstacles that might be in the way of where the conveyor is supposed to run.

***Do electric welders need to be used?***

Some facilities require electric welders rather than propane-based welding.

***Does the facility have adequate power and compressed air to operate the conveyor?***

Determine if there are power and airdrops in the correct places for all parts of the conveyor system. And if they aren't available, decide who is responsible for adding these.

***Is the ceiling appropriate for suspending a system?***

Determine the characteristics of the ceiling. Can it handle the weight of a suspended conveyor? Is the ceiling made of steel, concrete, or wood? Must insulating material be penetrated before reaching the ceiling? Do ceiling beams and trusses run east west or north south? How is the conveyor to be attached and have load points been determined? Should clamps, hangers, or bolts be used? Are there adequate clearance heights?

***Are any permits required for the installation?***

Know what local codes require and who is responsible for obtaining the permits.

***Does the install require a union crew?***

Customers have various labor requirements depending on their union contracts.

Lastly, Dietz asks his customers for a list of their key personnel and phone numbers. He encourages the participation of customer representatives, especially maintenance people, when the equipment is put in place.

"If the customer has their people involved in the system installation it promotes acceptance and better understanding of the new system," he says. "It is to their benefit to be there."

## NEWS, NOTES, AND NONSENSE

### FEW USEFUL WEBSITES

-- SEAN RYAN & KIRK ZIEHM --

Quick, your project manager has come to you directing comparative analysis of four distribution location options to include lease rates, wage rates, and economic incentives. What do you do? Unlike Keanu Reeves in *Speed*, you do not "take out the hostage". Instead, try a couple of the websites below. They should provide useful information to solve your latest crisis.

[www.bls.gov](http://www.bls.gov)

This webpage from the U.S. Department of Labor's Bureau of Labor Statistics (BLS) provides several useful links for labor related data. From this website, you can find wage rates by occupation and area. The wages will give you the median, mean and range for each occupation, allowing you to specifically identify those fields for your study. While these wages are unloaded, the BLS also allows you to find benefits percentages for areas around the country.

[www.sior.com](http://www.sior.com)

Previously mentioned in the *Hotsheet* from 5/18/01, this website is the home of the Society of Industrial Realtors. With a username (gop@kurtsalmon.com) and password (25040), you can locate lease rates and additional costs like real estate taxes, common area maintenance (CAM), insurance, and structural and roof maintenance for most major metropolitan areas. A linked real estate search engine allows you to look for applicable sites in a prospective area.

[www.online-chamber.org](http://www.online-chamber.org)

This webpage hosts a variety of links to U.S., Canadian, and International chambers of commerce. The local chamber of commerce is a good place to start when trying to track down utility rates or economic incentive packages. Most websites will link to the local economic development council as well. The economic development council provides an additional resource for researching business conditions in the prospective area.

[www.nvco.org](http://www.nvco.org)

Although more useful in an implementation project than in a strategy comparison, this website (home of the Vendor Compliance Federation) has several useful links to company routing guides and vendor compliance manuals. These manuals in addition to those found on our Intranet should give a broad set of examples from which to start composing the next vendor compliance manual for your client.

---

### Quote of the week...

*"Whatsoever that be within us  
that feels, thinks, desires, and animates,  
is something celestial, divine, and,  
consequently, imperishable."*

-- Aristotle --



# JULY Celebrations

## ANNIVERSARIES

JEFF BOUDREAU	07-01-1985	IRIS CHANG	07-14-1997
SERGIO HERNANDEZ	07-05-1999	MARCOS CORMINAS	07-14-1997
NEIL BUCK	07-06-1992	VALERIE LEVY	07-14-1997
JOSH BENTON	07-06-1998	CRAIG MORIN	07-14-2000
LISANDRO SAGASTUME	07-07-1986	MIKE KINCAID	07-17-2000
JANE GRIESINGER	07-08-1991	ERIC WATTERSON	07-17-2000
JOHN KARONIS	07-10-1989	IKE MYERS	07-18-1977
LYNN SENIOR	07-10-1991	VIKAS CHINNAN	07-19-1999
RICHARD DEC	07-10-1995	LAURA GILES	07-19-1999
RANDY UNGER	07-11-1994	BRAD GRIFFITH	07-19-1999
ROD WEST	07-11-1994	MICHAEL KELLOGG	07-19-1999
LYNN SPUHLER	07-12-1976	COLLEEN MCGRAW	07-19-1999
TIM COPLAND	07-13-1998	BENJAMIN MOKOTOFF	07-19-1999
ANDY JOHNSON	07-13-1998	MUFADDAL MOOSABHOY	07-19-1999
DAWN KALE	07-13-1998	JUJUAN TIMBERLAKE	07-19-1999
ANDRES MARTINEZ	07-13-1998	DENISE TROSTLE	07-20-1981
JOE RAINES	07-13-1998	KEN WALKER	07-31-1981
AARON TODD	07-13-1998	TROY VAN WORMER	07-31-1995
SCOTT VANAGS	07-13-1998		

## BIRTHDAYS

VANESSA ANDROS	07-01
JOHN CHAMPION	07-03
ENRIQUE MORALES	07-07
SHARON GAVRON	07-10
ANNE SCOLA	07-15
IRIS CHANG	07-18
BENJAMIN MOKOTOFF	07-28
DAN PUREFOY	07-30

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