INDUSTRY INSIGHTS
MEXICO NEEDS "NEW MODEL" MAQUILADORAS (FROM MAQUILAPORTAL.COM, BY JOHN CRISTHMAN)
-- SUBMITTED BY JOSE LUIS GOMEZ --

Mexico's Maquiladora Industry, in order to survive and grow, must look to attract "new (technology) model" plants, especially in the northern border cities as well as in northern and central –north regions of the country. This is the best way to maintain overall industry development and competitiveness in the coming years. The above was one of the conclusions from a special conference on Maquiladora Industry prospects, sponsored by the Federal Reserve Bank held in mid-November.

The conference primarily featured speakers from the Network of Border Economists (NOBE/REF); Some of the other conclusions reached by speakers and panelists included: (1) NAFTA by itself was not responsible for the industry's strong growth in the 1994-2000 period, (2) the U.S. economic recession probably was only about 40% responsible for the sharp downturn in industry activity (a net loss in operating plants of more than 500 and some 254,000 direct jobs lost) as of early 2001. And (3) the Permanent Establishment issue no longer represents a double taxation risk for U.S. parents of maquiladora companies. At the Fed conference, Dr. Thomas Fullerton of the Department of Economics and Finance at the University of Texas noted that the Maquiladora Industry "has been the driving force for growth along the Mexico-U.S. border, this has been mathematically and econometrically confirmed. It has been the central (growth) engine". Fullerton, a long-time border economics researcher, said this growth has continued unchecked (until last year) "despite the problems created by the administrative labyrinth in Mexico".

Another veteran border economics researcher, Dr. John Sargent of the Department of International Business at the University of Texas, said that "given the rise in total costs in Mexico, to remain viable maquiladoras have little if any choice but to transition rapidly from a business model where their primary advantage is a lower cost workforce to a new model which combines production, stressing technological upgrading into knowledge intensive segments". The "new model" outlined by Sargent calls for maquiladoras that are high complexity (high tech), guarantee proximity, particularly for high-end customers (customized, just-in-time), a full business model that includes engineering, research and development at the maquiladora and capital intense investment.

Regarding the above, he added, "the quality of plant management is critical". On the other hand, Sargent forecast a further sharp drop in low-cost apparel maquiladoras. He reminded conference attendees that on a global basis, the Multifiber Agreement (MFA) will end in 2005. "This is often overlooked", said Sargent. The "new model" or the "Fourth Generation" of maquiladoras is a must, adding "traditional ("First Generation") maquiladoras over time will die a natural death, regardless of government actions". Also speaking was Dr. Jorge Carrillo, director of the prestigious Colegio de la Frontera Norte, who stated that the industry "is now in a period of high uncertainty and its level of competitiveness". In this latter area, he said a recently conducted survey among electronics and auto parts maquiladoras in Baja California showed a 2½ year average "backwardness in technology". He urged more product design and R&D at the maquiladora plant level, along with more vertical integration. Carrillo also said that a major competitive factor would be a reduction in government-related expenses. In 2001, for Baja maquiladoras, 10.6% of all operating costs were Mexican Customs and other government expenses. Full results of the Carrillo/COLEF survey of Baja electronic and auto parts maquiladoras are available on the Internet at www.maquiladoras.info

William Gruben, director of the Center for Latin American Economies and vice-president of the Dallas Fed, reviewed Maquiladora Industry growth as of the beginning of NAFTA (1994), and said that growth was more driven by strong U.S. demand and industrial production "for the same maquiladora" products in the 1994-2000 period. With the exception of the apparel industry, "NAFTA per se did not make the industry grow on a sector-by-sector basis", Gruben said.

More than anything else, maquiladoras have become "more typically part of a globalized production process in which the exports come to the U.S. for more processing". Ivy Kosmides of the U.S. Treasury, a specialist on Mexico, told the Fed/NOBE/REF meeting that Mexico needs much more tax and tariff transparency. As concerns the Maquiladora Industry, Kosmides noted the historic lack of backward linkages, and emphasized that "far-reaching policy responses are needed (by the Mexican government) to encourage further linkages. "Maquiladoras have to be much more competitive", Kosmides concluded, "any way possible". Returning to the maquiladora taxation issue, "legal uncertainties should be overcome with the 2003 tax reforms", according to Luis Coronado, international tax partner of Deloitte & Touche in Mexico City. He forecast a new Safe Harbor Tax range of 5 to 8%, adding, "don't look for major new tax breaks for maquiladoras, because of government revenue needs".

CONSULTANTS' CORNER
BUCKET BRIGADE PICKING
-- SUBMITTED BY BRITT DAYTON --

Some of you may remember a HotSheet entry several years ago talking about "bucket brigades" for order picking in distribution centers. I guess I have a personal fascination with this approach, because I went looking for some recent information on the web and came across the attached example from The Gap. I also pulled the attached FAQ document, which addresses a number of potential issues with this approach.

Additional information and examples including case picking to pallets at WaWa, and sewing operations at Champion, can be found at http://www.isye.gatech.edu/people/faculty/John_Bartholdi/bucket-brigades.html.
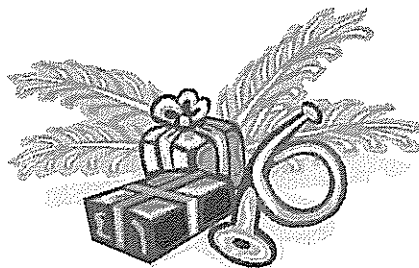
I'd be interested to know if anyone has tried this approach and if the results are similar to what's being reported.

Bucket brigades at   Bucket Brigades -
The Gap.htm...   FAQ.htm

NEWS NOTES, AND NONSENSE
"IT'S A WONDERFUL LIFE"
-- JACK HORST --

Had an experience on the road this week that really put the spirit into my holiday season.

Got into Charlotte late Tuesday evening and took a hotel shuttle to the Marriott. Struck up a conversation with the shuttle driver, a guy by the name of Mulugeta Belete. Seems he and his family had gotten caught in the middle of some very nasty civil insurrection in their native Ethiopia about 10 years ago, finding it necessary to flee to neighboring Kenya (talk about your Burning Platform). He got himself onto a list of candidates for political asylum, eventually securing an invitation to emigrate to the US where they settled in Charlotte. He's working like a dog in the hospitality industry and his wife found work in a hospital. Together they are making a new life for their 3 kids in our country.

He went on and on about how blessed they were to have found a new home and what a wonderful country of opportunity the US represents. Really made me laugh about any concern I might have had over the most recent late flight or missed connection.

For you "experienced" colleagues, almost made me think I'd been visited by Jimmy Stewart's "Clarence".

Find your own "Mulugeta Belete" and enjoy a wonderful holiday season!!!

BRAIN TEASER ANSWER

You are on your way home for the holidays with the family. You fill the gas tank of your nice new small car, which holds l0 gallons and gives you 25 miles to the gallon. That should get you home easily, as home is 220 miles away. Unfortunately, about 20 miles from home, the car stops, and you discover the tank is dry--obviously a leak, because you can see drops dripping.

You have lost 2 gallons or 50 miles worth of driving. Kudos - Alfredo Lozano, Kevin Knight, Caroline Nelson, Bruce Seeber, Lisandro Sagastume, and Alberto Pensado for getting correct answer.
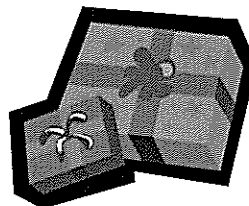
THE NIGHT BEFORE CHRISTMAS
(A Visit from St. Nicholas)
By Clement Clarke Moore

'Twas the night before Christmas, when all through the house
Not a creature was stirring, not even a mouse.
The stockings were hung by the chimney with care, in hopes that ST. NICHOLAS soon would be there.
The children were nestled all snug in their beds, while visions of sugarplums danced in their heads.
And mamma in her 'kerchief, and I in my cap, had just settled down for a long winter's nap.
When out on the lawn there arose such a clatter, I sprang from the bed to see what was the matter.
Away to the window I flew like a flash, tore open the shutters and threw up the sash.
The moon on the breast of the new-fallen snow gave the lustre of mid-day to objects below.
When, what to my wondering eyes should appear, but a miniature sleigh, and eight tiny reindeer.
With a little old driver, so lively and quick, I knew in a moment it must be St. Nick.
More rapid than eagles his coursers they came, and he whistled, and shouted, and called them by name.
"Now, DASHER! Now, DANCER! Now, PRANCER and VIXEN! On, COMET! On CUPID! On DONNER and BLITZEN!"
To the top of the porch! To the top of the wall! Now dash away! Dash away! Dash away all!"
As dry leaves that before the wild hurricane fly, when they meet with an obstacle, mount to the sky,
So up to the house-top the coursers they flew, with the sleigh full of toys and St. Nicholas too.
And then, in a twinkling, I heard on the roof the prancing and pawing of each little hoof.
As I drew in my hand, and was turning around, down the chimney St. Nicholas came with a bound.
He was dressed all in fur, from his head to his foot, and his clothes were all tarnished with ashes and soot.
A bundle of toys he had flung on his back, and he looked like a peddler just opening his pack.
His eyes -- how they twinkled! His dimples how merry!
His cheeks were like roses, his nose like a cherry!
His droll little mouth was drawn up like a bow, and the beard of his chin was as white as the snow.
The stump of a pipe he held tight in his teeth, and the smoke it encircled his head like a wreath.
He had a broad face and a little round belly, that shook, when he laughed like a bowlful of jelly.
He was chubby and plump, a right jolly old elf, and I laughed when I saw him, in spite of myself.
A wink of his eye and a twist of his head, soon gave me to know I had nothing to dread.
He spoke not a word, but went straight to his work, and filled all the stockings; then turned with a jerk, and laying his
finger aside of his nose, and giving a nod, up the chimney he rose.
He sprang to his sleigh, to his team gave a whistle, and away they all flew like the down of a thistle.
But I heard him exclaim, ere he drove out of sight,
"HAPPY CHRISTMAS TO ALL, AND TO ALL A GOOD-NIGHT."

INDUSTRY INSIGHTS

FIRM AIMS TO KEEP GROCERRIES STOCKED (DECEMBER 4, 2002, BY SANDRA GUY BUSINESS REPORTER FOR THE CHICAGO SUN TIMES)

A new Deerfield software company intends to help grocery stores compete with the Wal-Mart goliath by more efficiently stocking shelves, tracking promotions and managing inventory.

The company, called Percipient, has sold its software to Kroger Co. and is conducting five pilot projects at other grocery chains it declined to name.

Percipient is an offshoot of Efficient Market Services, a privately held Deerfield company that creates and analyzes point-of-sale data and reports more than $20 million in annual revenue. The two companies will share office space.

Though the idea of seeing that grocery shelves are properly stocked seems a no-brainer, the Grocery Manufacturers Association reports that the equivalent of 7.5 percent of store sales is lost because merchandise is out of stock.

"In a $500-billion-a-year industry, that adds up to some serious money," said Paris Gogos, senior vice president of industry relations for Percipient.

The software enables store managers to set up alerts so they are notified when key products are close to being out of stock. The retailer can buy the software or let Percipient host the service.

Retailers can let their shelf-stockers and manufacturers look at the data so they can focus on the stores that most need product.

The increase in efficiency can save money in the grocery business, which operates on razor-thin profit margins and is being squeezed by Wal-Mart's SuperCenters.

"The big three grocery chains--Kroger, Safeway and Albertson's--have to get their supply-chain costs within shooting distance of Wal-Mart and differentiate themselves with things like fresh produce and a wide variety of products rather than on price alone," said Greg Girard, vice president, retail industry solutions, for AMR, a Boston-based information technology consulting firm.

Percipient will compete with software firms such as Retek of Minneapolis, and JDA Software of Scottsdale, Ariz., as well as services provided by Chicago-based Information Resources Inc. and Schaumburg-based AC Nielsen.

Other software companies are providing grocery stores with strategies on how to best price their goods, and Percipient could move into that area as well, Girard said.

ANALYST DESK
ONLINE SHOPPING HEADED TOWARD A STRONG SEASON (BY BOB TEDESCHI FOR THE NEW YORK TIMES, DEC. 2, 2002)

BRICK-AND-MORTAR retailers kicked off the holiday selling season this last weekend, but the online rush began last month and has been brisk enough to prompt some analysts and executives to adjust their holiday e-commerce forecasts higher.

Although the online forecasts vary widely and some have not been revised, the main research firms that track Internet retail sales are all predicting double-digit percentage growth this holiday season. If even the most cautious numbers are borne out, this will be the biggest holiday period yet for online shopping, topping the $11.2 billion that Jupiter Research counted for the 2001 season.

Through the first three weeks of November, online sales of nontravel goods were $4.5 billion, up 29 percent from the comparable period last year, according to the Internet monitoring firm Nielsen/NetRatings. Another research firm, comScore Media Metrix, says that 9 million to 10 million people bought something online in November, up from about 7 million a year earlier.

Categories that showed particularly strong growth were apparel, which increased 50 percent; toys, which had a 72 percent jump; and jewelry, which grew 83 percent. One notably weak category was computer hardware, which had flat sales in that period.

Gian M. Fulgoni, comScore's chairman, said the firm had expected overall sales to grow 27 percent for the entire holiday season. But now, "we'll probably up that to the 30-to-35 percent range," he said. "Things are looking pretty good online."

Some analysts, though, cautioned against reading too much into the November e-shopping spree because other factors might be in play. For one thing, they said online merchants had rolled out promotions — most notably, free shipping — earlier this year than in the past. Because Thanksgiving fell so late in November, the traditional shopping season is only 26 days long — six days shorter than last year's Thanksgiving-Christmas span.

In addition, Hanukkah has fallen earlier than usual this year, beginning last Friday, which also could have brought more shoppers online in November than in years past. And after a warm autumn, the second half of November brought cold weather to much of the nation, helping spur online apparel sales, analysts said.

Part of the November push is a result of deliberate steps by the merchants. Elaine Rubin, chairwoman of Shop.org, an online retail trade group, said e-tailers were managing their inventories more closely than ever, "so it's all about not getting up against the mid-December deadlines, where they have to start charging a premium for overnight shipping, or missing sales because it's just too late for people to order."

So in addition to offering free shipping, e-tailers have "done heavy e-mail and direct-mail promotions with early shopping incentives," Ms. Rubin said. "All of this created a halo effect around the early sales numbers. But still, if you look at how online retailers are planning their overall seasons, they're pretty optimistic about improvements over last year."

EBags, for example, an online retailer of luggage, backpacks and handbags, saw an 84 percent increase in sales in the two weeks after it announced free shipping on Nov. 10, said Peter Cobb, the site's vice president for marketing.

"We're expecting all-time sales records day after day up until about Dec. 13, when it typically falls off a little," he said.

Mr. Cobb, who declined to divulge unit sales or dollar volumes, said part of the company's recent success had to do with the shutting of the conventional luggage and bag retailers Bentley's Luggage, El Portal and California Luggage Outlet. All three, which had focused on travel luggage, were units of Wilson's: The Leather Experts, which shut them down in response to weakness in the travel industry.

Beyond that, Mr. Cobb said, "I'm not sure whether consumers are thinking about purchasing earlier, or there's just a ground swell of people saying they don't want to face those huge crowds at the mall."

Whatever the cause, the early shopping surge has a number of positive effects, in addition to the obvious cash-flow benefits, said Jonathan Morris, executive vice president of the online discount apparel merchant Bluefly.com. "It's also been good to get an early read on what items are driving sales, so you can move them up to the top of the site," Mr. Morris said.

Using some new technology it installed this fall, Bluefly recently adopted a strategy to display automatically the most popular items in various categories when a user calls up the page for each category. Mr. Morris said this automation had contributed to the "nice pick-up in sales" in November.

Like Mr. Cobb at eBags, Mr. Morris said he did not expect sales to flatten over the next two weeks. "History tells us that sales just continue to ramp up," he said. "And often, people who order early are testing you, and if they like it, they come back and shop again."

If, in fact, holiday sales continue to increase at the rate they did during November, some online retailers could be caught off guard — as happened in 2000, when companies like Toys "R'' Us, among others, failed to deliver items before Christmas. Ken Cassar, an analyst with the online consultant Jupiter Research, recalled that last year, e-tailers "got goods to consumers before Christmas, but in many cases they struggled to keep up with demand."

This fall, Jupiter polled e-tailing executives to see what investments they had made since the end of last year and found that few had made major upgrades to the distribution centers or technology systems that help process orders. "Some retailers will be perfectly fine with that," Mr. Cassar said. "Others, I'd argue, won't be. We'll only see in early December when they really get pounded."

The one area in which many e-tailers had planned to invest, Jupiter found, was in customer-service representatives. So if there are problems with the timing or quality of delivery, there should at least be enough people to hear complaints.

But like Ms. Rubin, Mr. Cassar said the early online shopping surge should not be taken as an indication that the holiday season will necessarily exceed earlier sales forecasts. Jupiter is sticking by its previous forecast of $13.1 billion in online holiday sales this year, a 17 percent rise from last year. That would be slower growth than in the 2001 holiday season, when online sales were 29 percent higher than those a year earlier, according to Jupiter. Other online monitoring firms, like Forrester Research, are even more conservative. Forrester has not updated its forecast of a $9.5 billion holiday season online — a 14 percent increase from last year.

One data point in particular bears watching. In the second week of November, according to Nielsen/Net Ratings, online shoppers spent an average of $70 each — a 26 percent rise from the comparable period last year.

If online shoppers' activity in November was simply evidence of an appetite for early discounts in the midst of a tight economy, the holiday shopping season may merely be a good one for retailers. But if, as the Nielsen/NetRatings per capita spending data suggests, shoppers are prepared to spend more aggressively, the 2002 holiday season could go down as a memorable one for e-tailers.

NEWS NOTES, AND NONSENSE
PROTECT YOURSELF FROM ID THEFT TIPS FROM A REFORMED SCAM ARTIST (NOVEMBER 26, 2002 9:56 AM EST BY JEAN SHERMAN CHATZKY, MONEY MAGAZINE) THIS ARTICLE ORIGINALLY RAN IN THE DECEMBER 2001 ISSUE OF MONEY MAGAZINE

As an avid mystery reader, I know that all great sleuths have one thing in common: an understanding of the criminal mind. In fact, Kinsey Millhone, Sue Grafton's private eye, has suggested that if she weren't chasing crooks, she'd be a pretty good one herself.

So when I was offered the chance to talk with former scam artist and imposter Frank Abagnale about identity theft, I jumped at it.

Identity theft is a huge and growing problem. According to the Privacy Rights Clearinghouse, it claims half a million victims annually and costs financial institutions more than $5 billion. Worse, the crimes themselves are becoming more sophisticated.

Early identity thieves were happy to dig a pre-approved credit-card solicitation out of your trash and apply for a card in your name. Today they get loans, mortgages, even jobs. Then they let the Internal Revenue Service come after you for back taxes.

If it happens to you, you're basically on your own, although six identity-theft bills have been introduced in Congress, and Federal Trade Commissioner Timothy J. Muris says, "We're taking steps to make it easier for people who have been victims of identity theft to rehabilitate themselves."

The bottom line: In identity theft, as in football, your best offense is a good defense. The basic principle, says Abagnale, whose book "The Art of the Steal" came out in October, is to stay tight-lipped. Don't give out your Social Security number unless absolutely necessary. Don't print more than your name and address on your checks. Never give information on the phone to someone who has called you. And take the following precautions.

Guard your deposit slips After talking to Abagnale, I'll never write a shopping list on a deposit slip again. Why? A crook could drive up to my bank, use one of his own checks to write a worthless check to my account, deposit it and--using the "less cash received" line on the slip--pull out $100. (Most banks will check ID for more than that.) That's check fraud, so I wouldn't be held liable, but I'd have to go through the hassle of filing an affidavit to get my money back. Or, even worse, the thief could use the slip to get himself a supply of my checks.

Watch the mail Tear up all pre-approved credit solicitations and pay attention to billing cycles. If a credit-card bill is more than a few days late, call the issuer and ask if there have been any inquiries or changes to your account.

Watch your back I'm serious. The next time you're writing a check in the grocery store, ask yourself how long it would take a thief to memorize the name, address and phone number on your check, and the number on your driver's license (which just may be your Social Security number). Abagnale's estimate: eight seconds.

Be suspicious Years ago when someone picked your pocket, they took the cash and threw the wallet in the trash. Today they look for a business card, head to a phone, call you and say, "I just found your wallet. I'll send it back." You're relieved--and they get two more days to use your credit cards. While we do what we can, let's encourage creditors to do their part. How? By doing a better job of checking the basic information on credit applications. A change of address could easily be a giveaway for fraud.

SALES P12

Client	Description
Federated Logistics	Base Plus extension - CFC Atl.
Levitz	Base Plus
Levitz Home Furnishings, Inc.	WC Logistics Strategy
Oriental Trading Company, Inc.	Active Display Management and Slotting Project extension
Safeway, Inc.	Returns Process Best Practice Study

BRAIN TEASER

You are on your way home for the holidays with the family. You fill the gas tank of your nice new small car, which holds I0 gallons and gives you 25 miles to the gallon. That should get you home easily, as home is 220 miles away. Unfortunately, about 20 miles from home, the car stops, and you discover the tank is dry--obviously a leak, because you can see drops dripping.

How many gallons of gasoline have you lost?

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

Quote of the Week...

*"Say not always what you know,
but always know what you say.*

**-- Claudius --
10 BC - AD 54 Roman Emperor**

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)
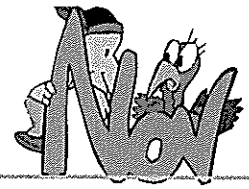
CONSULTANTS' CORNER
LEGGIO AWARDS (IT HAS BEEN A WHILE)
-- FRANK LEGGIO --

For those of you that weren't around a while back when I started these awards -- they go to those of us that have done something to distinguish ourselves in a most memorable way.

Background
We at the Avon Atlanta project seem to enjoy contest involving trying to get as much of a specific type of food into a person as possible. We recently had an Avon intern attempt to eat 20 hot dogs in a single outing (he made it to 10.5). On November 11th, we had a team outing where we went to a local restaurant for the All You Can Eat Chicken Wings. We brought along a score sheet to track the progress of all team members during the competition. For team members under 130 pounds we applied a Wing Multiplier of 1.4, for team members between 131 and 170 we applied a Wing Multiplier of 1.2, and for everyone else the Wing Multiplier was a straight up 1. Nathan Burkland determined the Wing Multiplier after extensive research and much Excel modeling. If anyone would like a copy of that please e-mail him.

Taking part in the contest was Iris Chang, Evelyn Hum, Nathan Burkland, Jeff Heidler (client), Scott Vanags, and of course me. With our score sheet in hand we entered the restaurant and proceeded to gorge ourselves on some Chicken Wings of varying sauces.

Before I get to the results of the individuals let me recap what we did as a team:
◉ We ate 31 baskets of wings 6 of 12 wings and 25 of 6 wings totaling 222 wings
◉ This equates to an average of 5 basket each or 37 wings each
◉ In order to provide us with this wonderful entertainment, 56 chickens gave their all

Now for the individual results:

In last place with 36 wings each
◉ Nathan Burkland
◉ Scott Vanags

In fourth place with a wing equivalent of 34 wings (27 actual)
◉ Iris Chang

In third place with 42 actual/equivalent wings
◉ Frank Leggio

And tied for First place with 50.4 equivalent wings
◉ Jeff Heidler (42 actual)
◉ Evelyn Hum (36 actual)

And the Leggio Award goes to Evelyn Hum for her ability to stuff so many Chicken Wings into her body!

The Leggio Award for All Show and No Go goes to Steve Pinder for his failure to show up and participate in the team event and is still expressing his ability to eat. Now saying he can eat 8 ice cream sandwiches in 3 minutes. I am sure we won't be seeing that anytime soon.

INDUSTRY INSIGHTS

THE WIRELESS REVOLUTION (MODERN MATERIALS HANDLING ONLINE - BY BOB TREBILCOCK, EDITOR AT LARGE 11/1/2002)

A pallet probably isn't the first image that comes to mind when you think about cutting-edge applications for wireless.

And yet a pilot program at a Florida pallet repair center illustrates an emerging trend in automatic data capture (ADC) using radio frequency identification (RFID) tags to manage inventory and assets.

In this case, CHEP, an international pallet and container pooling company, has embedded an RFID tag in a plastic board on its pallets.

'Each time a pallet leaves or returns to our depot, we'll automatically read the RFID tag,' says Brian Beattie, senior vice president of marketing. 'We'll know when it left, when it returned, and how long it was out.' Initially, CHEP expects internal benefits like more accurate billing from the tracking system from Savi Technology.

But collecting data is just the first step. Install RFID readers in customers' facilities, and CHEP could provide item-level visibility of the goods on those pallets as they move.

'This technology will let us take dollars and inventory our customers' supply chains,' says Beattie.

Getting connected
The CHEP project illustrates an evolution in wireless ADC applications in warehousing, a shift summed up by the title of a Beatle's song: Here, there, and everywhere.

Wireless solutions used to be about capturing information from a bar code with an RFDC-enabled scanner/terminal for use in the warehouse, and then later—often much later—by the rest of the enterprise.

Today, it's about sharing information across the supply chain - in real time. That means no more batching.

In addition to bar codes, the wireless toolbox includes emerging technologies like RFID and RTLS, or real time locator systems, that track mobile assets like trailers and totes over an area as broad as a receiving yard.

Combine these with wireless printers and mobile computing devices, and you have the beginnings of a real-time, integrated wireless warehouse.

Real-time visibility
That integration also enables visibility into the activities in the warehouse.

'Getting visibility to timely and accurate information is driving wireless today,' says Piyush Sodha, CEO of Matrics an RFID solutions provider. 'Companies need more robust ways of tracking transactions in the warehouse.'

RFID, bar codes, and other wireless data collection solutions that enable mobile workers to capture information at the point of a transaction fill what Sodha calls 'the visibility gap.' That's the gap between what supply chain software systems say they can do, and the information those systems need in order to perform their jobs.

Put another way, wireless is the real-time link between the warehouse, the enterprise, and the rest of the supply chain.

To read this article in its entirety, please contact Nicole DiStasio in the Atlanta office.

ANALYST DESK

WAREHOUSE BENCHMARKING SNEAK PREVIEW (BY DR. RICHARD WARD EXECUTIVE VICE PRESIDENT, PROFESSIONAL DEVELOPMENT - MATERIAL HANDLING INDUSTRY OF AMERICA)

For many the new benchmarking service has opened eyes as to what the possibilities are to improve performance and customer service.

A warehouse benchmarking service has been promoted on our website for nearly a year, click here and the first research report based on more than a years worth of data was released at NA2002 in Detroit Michigan, click here. However, despite all the good things that are being said, there undoubtedly are some skeptics among us who are saying "show me." So we will show you.

Once a company participates in the program, in fact each and every time, it receives an immediate report of where it stands relative to a much larger pool of warehouses. Two primary pieces of information are provided:

1. how much more output it could produce with the same amount of input based on the performance of their peers; and
2. how much less input would be required and still maintain current output levels, again based on the performance of their peers.

However, when compared to a more like peer group of warehouses, meaning those with a similar set of output characteristics, the information as to what should be possible changes.

It must be noted that while these are real reports for a real warehouse, the identity of the warehouse is masked. In fact, the data retained by the benchmarking service contains no warehouse identifier, and the information for any one warehouse is transparent to other users of the service.

For many the new benchmarking service has opened eyes as to what the possibilities are to improve performance and customer service. Those in the lead remain in the lead by never looking back and practicing continuous improvement. Those in the race can catch up by remaining focused on their pursuits and trying at every turn to exemplify the leaders.

Want to learn more? Make certain you plan on attending ProMat next February in Chicago (10th through the 13th). There will be a warehouse benchmarking booth and several scheduled seminars. Check out the Web for more details.
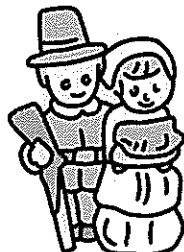
NEWS, NOTES, AND NONSENSE
WEDDING!

Congratulations!

Cynthia Allen & Rod West
were married October 12, 2002 in Atlanta, GA.

They met in Memphis, TN when Rod was relocating on a
performance improvement project for Nike.

They enjoy spending time together with their daughter Raven.
They honeymooned in Hawaii on Oahu and had an amazing time.

Many thanks to all the KSAers who attended, sent gifts, and
extended well wishes.

BRAINTEASER

Name at least 15 Division 1 college mascots that <u>do not</u> end in the letter "s".
Example - Notre Dame: Fighting Irish

TIME OF AMERICAN THANKSGIVING HOLIDAY

1541 - During Coronado's expedition an Eucharistic Thanksgiving, with the friendly Teya Indians present, occurred in Palo Duro Canyon in West Texas.

1621 - Pilgrims and Native Americans enjoyed a harvest feast in Plymouth, Massachusetts. This feast may have become the model for today's American celebration.

1630 - Settlers and colonists from many continents brought customs of days of prayer and Thanksgiving, especially in New England, where the first Thanksgiving of the Massachusetts Bay Colony was observed on July 8, 1630.

1777 - The first Thanksgiving of the new United States of America occurred in 1777 when General George Washington and his army as instructed by the Continental Congress stopped in bitter weather in the open fields on their way to Valley Forge to mark the occasion.

1789 - Washington's first proclamation after his inauguration as the nation's first president in 1789 declared **November 26, 1789**, as a national day of "Thanksgiving and prayer."

1800s - The annual presidential Thanksgiving proclamations ceased for 45 years in the early 1800s.

1863 - President Abraham Lincoln resumed the tradition in 1863.

November 26, 1941 - President Roosevelt signed the bill establishing the fourth Thursday in November as Thanksgiving Day. Because two years out of every seven have five Thursdays in November, some states for the next 15 years celebrated on their own on the last Thursday. Since 1956, the fourth Thursday in November has been observed by every state.
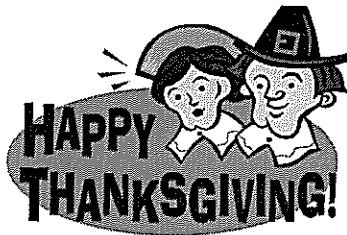
Quote of the Week...

"To educate yourself for the feeling of gratitude means to take nothing for granted, but to always seek out and value the kind that will stand behind the action. Nothing that is done for you is a matter of course. Everything originates in a will for the good, which is directed at you. Train yourself never to put off the word or action for the expression of gratitude."

-- Albert Schweitzer --

INDUSTRY INSIGHTS
MAKING CREDIT AVAILABLE TO SMALLER TRUCKERS *(TOTALSUPPLYCHAIN.COM 10.28.2002)*

The Mexican government is making significant moves to help smaller; private carriers update their fleets by purchasing new trucks.

Mexico's Secretariat of Communications and Transportation, in conjunction with the government's financing second tier bank, Nacional Financiera, are advocating a plan designed to bring new equipment into the cargo industry.

According to the Secretariat, "Over 70% of federal cargo transport belongs to small carriers who circulate along federal roads. These carriers are owned for the most part by small businessmen.

"These small carriers have no access to credit, technological innovations and other benefits enjoyed by large companies. This puts them at a disadvantage in competing against the large carriers, endangers their existence, or their ability to create new jobs. All of this flies in the face of the idea of competition between transport service suppliers.

"Due to these disparities, small carriers are moving along federal roads with very old, deteriorating trucks. As a result, they can offer only low quality service and represent a risk to regular traffic."

To this point, the only in which it was possible to get financing was for them to join together to create new fleets in order to be competitive against better organized companies.

The government foresees that with an infusion of credit availability for small owners, fleet quality will rise. They will be able to share costs for management and maintenance and to offer integrated services to compete with larger fleets. In its normal course of business, Nacional Financiera lends money at lower rates through commercial banks, and does not directly manage the loans.

NEWS, NOTES, AND NONSENSE

MANHATTAN ASSOCIATES BUYS LOGISTICS.COM (BY DEMIR BARLAS, LINE56, 10.24.2002)

Manhattan Associates has signed a letter of intent to acquire the assets of transportation e-marketplace pioneer Logistics.com in a deal expected to close in Q4 and bring cash to Internet Capital Group (ICG), Logistics.com's parent company.

ICG, which holds a 97 percent stake in Logistics.com, anticipates a purchase price of $20 million, with net proceeds of $12 million after the troubled holding company pays off outstanding debts.

At this stage of the deal, neither Manhattan Associates nor Logistics.com is providing further comment. However, Logistics.com corporate communications executive Evan Eggers says that, "The majority of Logistics.com's 100 employees will become employees of Manhattan Associates and the office will remain."

In the e-business world, Manhattan Associates is known for its retail industry supply chain execution expertise, which the Logistics.com acquisition is intended to bolster. Logistics.com lately has partnered with other service providers to provide functionality to larger, more traditional companies interested in transportation and supply chain execution. Logistics played this role for Ryder, and now brings a twelve-year legacy of decision support software and related functionality to Manhattan Associates.

BRAINTEASERS ANSWERS

What two two-digit numbers are each equal to their right-most digit squared?
Answer:
25 = 5 squared
36 = 6 squared

Thanks for the overwhelming response to last week's brainteaser - James Densmore, Jaime Farmer, Kevin Knight, Dave Rush, Bruce Seeber, Mike Swift, and Jon Watschke - all got the correct answer. (Editors note: We would love it if even *half* of the respondents sent in a Project Postcard or Director's Corner...)

BRAINTEASER

This being Halloween, we will consider the problem of witches and their cats. The whole crowd is out tonight, naturally, and an interested observer, seeing them fly by (yes, witches' cats fly), noticed that the number of legs, all told, was three and a half times the number of heads, and the total of heads and legs was seventy-two. How many cats and witches are out this Halloween?

The Haunted Palace
by Edgar Allen Poe

In the greenest of our valleys
By good angels tenanted,
Once a fair and stately palace--
Radiant palace--reared its head.
In the monarch Thought's dominion--
It stood there!
Never seraph spread a pinion
Over fabric half so fair!
Banners yellow, glorious, golden,
On its roof did float and flow,
(This--all this--was in the olden
Time long ago,)
And every gentle air that dallied,
In that sweet day,
Along the ramparts plumed and pallid,
A wingèd odor went away.
Wanderers in that happy valley,
Through two luminous windows, saw
Spirits moving musically,
To a lute's well-tunèd law,
Round about a throne where, sitting
(Porphyrogene!)
In state his glory well befitting,
The ruler of the realm was seen.
And all with pearl and ruby glowing
Was the fair palace-door,
Through which came flowing, flowing, flowing,
And sparkling evermore,
A troop of Echoes, whose sweet duty
Was but to sing,
In voices of surpassing beauty,
The wit and wisdom of their king.
But evil things, in robes of sorrow,
Assailed the monarch's high estate.
(Ah, let us mourn!--for never morrow
Shall dawn upon him desolate!)
And round about his home, the glory
That blushed and bloomed
Is but dim-remembered story
Of the old time entombed.
And travellers now, within that valley,
Through the red-litten windows see
Vast forms, that move fantastically
To a discordant melody,
While, like a ghastly rapid river,
Through the pale door
A hideous throng rush out forever
And laugh--but smile no more.
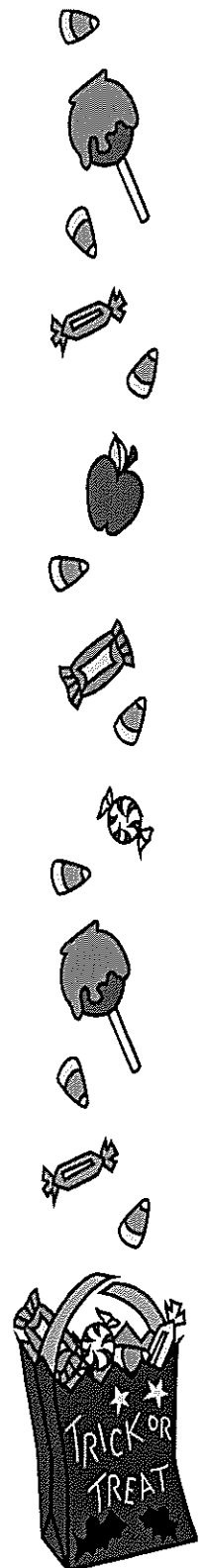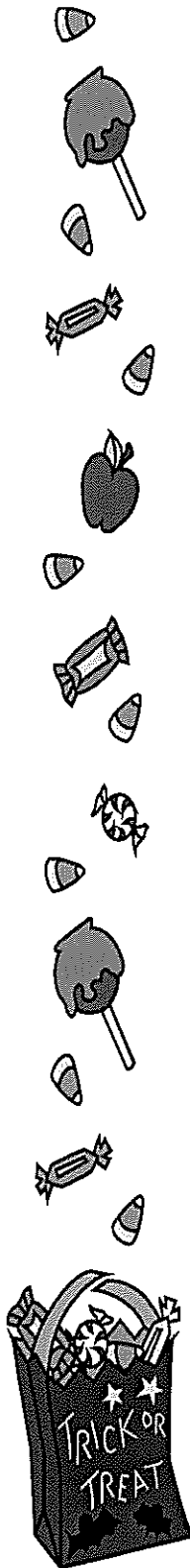
INDUSTRY INSIGHTS
CASE STUDIES: CUSTOMER RELATIONSHIP MANAGEMENT: SUPPLY CHAIN MANAGEMENT – NO MORE HEAVY LIFTING AT CYBEX (FORBES.COM OCTOBER 7, 2002)

Three years ago $85 million (revenues) fitness-equipment maker **Cybex International** found itself in the middle of a supply chain mess. Its fitness machines were in high demand, but because it inherited three different legacy systems from merger partners, its component forecasting was a joke. Paying for rush deliveries became a costly habit: All too often trucks were waiting at Cybex factories at midnight, ready to haul 1,000-lb. leg presses or treadmills to customers the next morning.

So in 1998, Medway, Mass.-based Cybex asked Arthur Andersen to help it select software to alleviate its supply chain nightmare. Out of a dozen bidders, Andersen picked PeopleSoft 7.5, an ERP (Enterprise Resource Planning) supply chain planning and manufacturing application.

Why ERP? "If we needed help, we could go back to one vendor," explains Brian Lyman, Cybex's manager of business systems and head of the supply chain overhaul. "We gutted our hardware room." Lyman, a one-time exercise equipment dealer, worked with three programmers to translate Cybex's business processes into code.

The PeopleSoft system is now able to quickly process thousands of transactions and issue daily reports. Customer orders are entered at the Medway headquarters through the Cybex Web site, then forwarded via a network to either the plant in Owatonna, Minn., which specializes in strength equipment, or to the smaller one at the Medway headquarters, which makes cardiovascular products.

The brain of PeopleSoft's supply chain platform is the planning module. It calculates how many parts are needed to build each product. Then its product configurator helps build a bill of material and the components list used to assemble equipment. The system has no trouble logging in and keeping track of the complex pieces found in things like treadmills, which have hundreds of parts. Before Cybex installed the new software, the largely manual process used two to three spreadsheets to create a list of components.

Now Cybex can e-mail a vendor detailed purchase orders with engineering changes clearly outlined. "Because changes are visible to everyone, we don't have to worry if one engineer is gone," says Lyman. "Now dealers know they'll get deliveries in two weeks. Before, it was inconsistent." Dealers can now see scheduled shipping dates and order status online.

Another key to controlling inefficiencies has been scanning supplier pricing. Cybex's planning engine looks at price variations across product lines. It recently detected that Cybex was paying $22 for sheet metal when it had historically paid $20. Cybex then went back to the supplier and negotiated lower prices.

Now Cybex can better manage its 550 suppliers—companies like Baldor and Sager Electronics—by giving them projected build schedules that translate into a year's worth of business. Suppliers that can't meet the faster pace are weeded out during quarterly reviews.

Despite intense industry price-cutting over the last year, Cybex has been able to maintain its 3% operating margins, in part because of its new supply chain efficiency. The new software has slashed Cybex's bill of material count from 15,200 to 200. Paperwork has been cut one-third. And build-to-order time, mainly for custom-made strength equipment, was reduced by 50%, to two weeks. Cybex has also been able to reduce its vendors—from 1,000 to 550.

According to Lyman, the only drawback of the PeopleSoft system is that it has actually increased the size of Cybex's technology staff, which went from three people to 12. Not a terrible price to pay for harmony between Cybex, its suppliers and customers — Constance Gustke

ANALYST DESK

"HOW TO GET THE MOST FOR YOUR AIRFREIGHT DOLLAR STAFF" (LOGISTICS MANAGEMENT MAGAZINE 10/1/2002)

-- ROBERT FULGHUM --

Everyone's watching their wallets these days, and that includes shippers of heavy air cargo. Even shippers that move high-value, time-sensitive commodities are looking for opportunities to keep their shipping costs in check without compromising service levels.

How can you get the most for your airfreight dollar? We asked airfreight forwarders and airlines for advice. Here's what they had to say:

Know how size and weight affect costs. Airfreight rates generally are assessed as a specified price per pound or per kilo. In most cases, the higher the shipment's total weight, the lower the rate per pound. Thus, if you can consolidate orders and ship a large quantity to a single destination, you'll reduce your freight costs.

The potential downside is that if the shipment is bulky in relation to its weight—i.e., it is low-density cargo—the airline will charge according to cubic volume rather than weight. It's therefore worth experimenting to see whether changing a shipment's size or weight will have a significant impact on freight costs.

To figure out whether a shipment will be charged on a weight or volume basis, multiply the shipment's length times the width times the height (in inches). Then divide that number by 166 for international shipments or 194 for domestic shipments. This gives the *dimensional* (also called *volumetric*) weight. The rate will be based on either the actual weight or the dimensional weight, whichever is greater (noted on the waybill as the "chargeable weight").

You should be aware, however, that this formula is scheduled to change on Oct. 1, 2003. The International Air Transport Association (IATA), an industry group representing international airlines, plans to reduce the number of cubic inches per pound from 166 to 138. This change, which is opposed by many shipper and forwarder groups, will effectively raise rates for shippers of lightweight cargo by about 20 percent.

Keep on top of capacity conditions. The availability of capacity (or "lift," as it's often called) has a big impact on rates. Rates for busy routes where there is sufficient capacity to meet demand will be lower than rates on routes where demand exceeds the supply of space. When there's excess capacity, rates drop as airlines fight to fill empty space with revenue-producing cargo. Knowing the score can alert you to opportunities for negotiating lower rates.

In addition, if a shipper can offer both inbound and outbound shipments on an imbalanced route, it can negotiate substantial discounts, says Yuichi Nakagawa, marketing manager for freight forwarder Nippon Express.
Seasonal demand, though, can change the capacity picture very quickly. Products that have a short shelf life, such as fruit or holiday merchandise, may dominate the available space for weeks at a time. Shippers that don't already have space commitments may find themselves paying premiums when capacity is tight.

Keep it simple. Multiple transshipments and complicated routings will raise both the forwarder's and the airline's costs, and will result in a higher rate for the shipper as well. John McVaney, executive vice president of logistics and North American sales for EGL Eagle Global Logistics, says that putting a shipment in a single carrier's or logistics provider's control throughout the journey saves money because it eliminates extra handling and handoffs. "That is most likely one of the primary reasons why shippers are consolidating suppliers," he observes.

Plan ahead. Forwarders and carriers say shipment forecasting is an important tool for securing lower rates and better service. "We understand that it's not the easiest thing in the world to do, but forecasting the volume and the number of shipments will benefit both us and our customers," Nakagawa says. "If we have that information ahead of time, we can get a better deal with the airline and we can schedule our consolidations better."

Planning ahead also lets shippers take advantage of the low rates available through airfreight consolidations. Consolidations may move out daily, several times weekly, or once a week, depending on the volume of cargo for each destination. Advance planning makes it possible to schedule shipments so they're in sync with consolidation schedules. And unless a shipment is truly an emergency and must move right away, the potential cost savings make it worthwhile to wait for a consolidation, says Frank Perri, executive vice president for sales and marketing at Pilot Air Freight.

Rethink your packaging. Packaging can make a significant difference in total shipping costs. The book *International Logistics* (by Donald Wood, Anthony Barone, Paul Murphy and Daniel Wardlow) tells the story of a shipper that always used the same type of carton for all of its shipments, regardless of mode or the size of the order. The boxes often had so little inside that they were half-filled with dunnage. As a result, air shipments were always rated on the dimensional weight, and shipping costs were high in relation to the value of the goods. By changing its packaging, the shipper achieved a sharp reduction in its airfreight costs.

Shipments that are palletized or containerized also offer big savings. Palletizing cartons or filling airline containers (commonly referred to as "unit load devices" or ULDs) reduces handling costs for both the forwarder and the airline, and shippers will share in the savings, says Perri. "Ask your forwarder for packaging recommendations. There's a lot of money to be saved if you can put cargo into a container ... [or have it] shrink-wrapped or banded to a skid."

Know your aircraft. Aircraft configuration has a greater impact on cost than many people realize. Shipments that move in the "belly space" of scheduled passenger flights, for example, are cheaper per pound than those that move via all-cargo freighter aircraft. That's because passengers cover the cost of operating the aircraft, so cargo is a bonus—"the icing on the cake," as McVaney puts it. But beware: Belly cargo moves on a space-available basis, depending on what's left after crews stow luggage, mail and express shipments. The likelihood of a delay has increased as airlines cut back on flights and use more economical, narrow-body aircraft that offer less room for cargo than the wide-body aircraft that were prevalent in better times.

Scheduled freighter aircraft service is more expensive but may be more reliable when it comes to space availability. Oversized cargo, though, incurs extra charges if its height dictates that it be stowed in the center of the main deck because it prevents the airline from fully utilizing the aircraft's capacity.

Check on ancillary charges. In addition to the base freight rate, forwarders charge for services requested by the shipper, such as customs clearance, documentation, and pickup and delivery. These types of fees are assessed by the forwarder and may be subject to negotiation. Make sure that you are billed only for services you specifically requested or actually needed.

In addition, the airlines assess a fuel surcharge and a security surcharge on every shipment, and the forwarders pass them directly through to the shipper. Fuel surcharges, says McVaney, are affected by speculation in the petroleum industry, so they fluctuate continually.

The security surcharge is intended to help airlines cover the cost of increasing cargo security to meet new federal requirements. Typically, it costs 10 cents or more per kilo for international shipments, and around 3 cents a pound for domestic air cargo. Southwest Airlines, however, charges a one-time, $50 fee for a site visit to verify the legitimacy of a shipper's operation, notes Jon Kantenberger, senior cargo analyst.

To read this article in its entirety, check out the following link:
http://www.manufacturing.net/lm/index.asp?layout=articleWebzine&stt=000&articleid=CA251064&pubdate=10/1/2002

BRAIN TEASERS ANSWERS

1) Jack likes indigo but not blue. He likes onions but not turnips; he likes forms but not shapes. According to the same rule does he like tomatoes or avocados?
   Answer. Jack likes tomatoes. He only likes words that start with prepositions

2) How quickly can you find out what is unusual about this paragraph? It looks so ordinary that you would think that nothing is wrong with it at all -- and, in fact, nothing is. But it is a bit odd. Why? If you study it and think about it, you may find out, but I am not going to assist you in any way. You must do it without coaching. No doubt, if you work at it for long, it will dawn on you. Who knows?
   Answer. Not a single word in this paragraph uses the most common letter in the alphabet: E

   Christie Temple and Seth Spofford obtained the correct answer for number 2.

BRAIN TEASER

What two two-digit numbers are each equal to their right-most digit squared?

Quote of the Week

*"The greatness comes not when things go always good for you.
But the greatness comes when you're really tested, when you take
some knocks, some disappointments, when sadness comes.
Because only if you've been in the deepest valley can you ever know
how magnificent it is to be on the highest mountain."*

-- Richard M. Nixon --

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)

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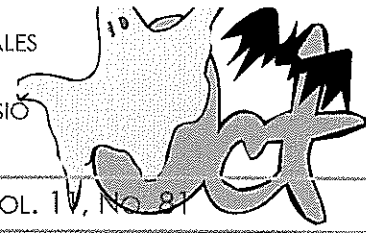
INDUSTRY INSIGHTS

CASE STUDIES: CUSTOMER RELATIONSHIP MANAGEMENT: WEB SERVICES CUTTING THROUGH AT&T TUMOR (FORBES.COM OCTOBER 7, 2002)

The last thing Mike Armstrong, CEO of $53 billion **AT&T** needs to worry about these days is his internal computer systems. The once invincible company is debt-laden and operating under the spectre of being swallowed by one of its offspring. Armstrong wants his business chiefs to focus on their core business and on competing for customers. But as an organization, AT&T is hobbled because its operations run on legacy systems that are expensive to maintain and provide poor customer service. Inside AT&T there is an unwieldy mishmash of networks patched together using proprietary languages and pages of custom code.

About one year ago AT&T asked Dublin-based Iona to fix its mess using Web Services. Iona has become a big player in Web Services, which essentially allows different systems to communicate with each other using Internet-based protocols such as XML (extensible markup language), SOAP (simple object access protocol) and UDDI (universal description discovery and integration).

Iona supplied the software and trained AT&T's developers. They then went to work on one of the company's oldest networks, known as TIRKS (trunks inventory record keeping system), which has been in use since the 1960s. Over the years, Ma Bell has added over 100 systems that tie into TIRKS. The result: Every time a change is made to something like, say, billing, a Herculean effort is required to rewrite code in every connected system.

Clayton Lockhart, chief architect at AT&T Labs, says that because of TIRKs, routine expenses that should normally cost about $1 million can end up costing $10 million. He likens the situation to a malignant tumor attached to Ma Bell's vital organs. "The only thing we can do is try to pull out some of the functions from the system and shrink the tumor," says Lockhart. "You just can't get rid of it."

By opening communication among AT&T's different computer systems, the company expects to improve customer service for problems such as network outages. On June 18 at 9:40 a.m., the University of Pittsburgh reported that a network at one of its campuses was down because workers had accidentally cut an underground cable. It took six hours to fix, but the client had no way of knowing when service would be restored. Had Iona's Web Services platform been completely implemented at the time, AT&T could have avoided a customer service disaster.

Iona's software now connects AT&T's "trouble management" system to its CRM, which is charged with keeping clients happy. In the Pittsburgh case, the technicians' work schedule and progress would have been automatically communicated via the Web.

AT&T's Web Service overhaul has cut the time it takes its developers to connect systems from nine months to two months. Lockhart estimates a 10% savings in development costs so far. And besides improving old systems, it can more easily add new ones for fast-growing units like its optical business and its voice-over IP service. - Nikhil Hutheesing.

ANALYST DESK
UNILEVER'S TRANSPORTATION NETWORK
(BY DEMIR BARLAS, LINE56 THURSDAY, OCTOBER 10, 2002)

On a corporate level, consumer packaged goods (CPG) giant Unilever is moving to consolidate e-business efficiencies across its operating units and regions. In this context, one of Unilever's recent success stories involves the sourcing of truckload transportation services for Unilever North American Home & Personal Care (HPCNA).

Unilever's North American H&PC unit took form five years ago, with the integration of Lever Brothers, Chesebrough-Pond's, and Helene Curtis. HPCNA now generates $5 billion in annual revenue, and the costs of managing its transportation needs clocks in at over $200 million, reveals Chuck Irwin, HPCNA's Director of Transportation. He says there were two big transportation challenges after 1997. "The first, Joint Ship, was launched in 1999 with the capability to ship one invoice in one truck for all three of those businesses."

There was a second challenge. "From 1999 until very recently we were using carriers that had been selected and optimized for the needs of the three legacy businesses," Irwin explains. "There's a big difference in approaching the transportation marketplace as a $5 billion company versus approaching it as three smaller companies." HPCNA decided to reevaluate its transportation strategy accordingly, and engaged consultancy Tigris for that purpose.

Tigris had a two-step solution for HPCNA. Step one was creating a Web-based RFX with two components: a Request For Information (RFI) tool that collected information on service, capacity, IT capabilities, safety record, and number of terminals and trucks; and a Request For Pricing (RFP) tool. HPCNA invited 100 candidate carriers to participate in the RFX.

Step two provided a solution to the analytical complexity of the sourcing study. "The project had 4,000 lanes, 100 carriers, and involved collecting over 500,000 bits of information," says Irwin. It was impossible to optimize all the component scenarios without an assist from e-business technology -- in this case, what Irwin calls a "an Optimization Engine using [in this case] the branch and bound technique" from Tigris.

"The technique hunts through the scenarios in a decision tree format, constantly finding a scenario better than one it is looking at right now," Irwin explains. "It stops when it can't find better scenario. The tool is available via the Web, and it can work in hours."

Of course, it's not just a question of number crunching without human intervention. HPCNA brought its own constraints and conditions to the analysis, and had them programmed into the Tigris tool. "You can tell it to give carrier 'X' no more than $10 million in business," says Irwin, by way of example. "If you run it with no constraints, it generates very low-cost scenarios -- like giving 100 percent of your business to just a few carriers -- that are not the least bit feasible."

After putting in the appropriate constraints, Tigris ran the optimization tool to identify the highest-value solution, which provided HPCNA with immediate benefits. Complexity was reduced dramatically; "we reduced the number of our carriers from about 80 to the low 20s," estimates Irwin. As a result of consolidation and optimization, HPCNA also reduced truckload costs by about 15 percent.

For customers, the main benefit of HPCNA's optimization of logistics (of which the carrier base is just one component) will be faster receipt of orders. "When our five regional distribution centers are up and running, 86 percent of customers will be within one day transit", notes Irwin. Rationalizing transportation management also

supports corporate objectives, concludes Irwin. "HPCNA wants to double its revenue in the next five years. The legacy carrier bases were not capable of supporting that growth objective."

Find this article at: http://www.line56.com/articles/default.asp?articleid=4081

NEWS, NOTES, AND NONSENSE
UPS ENCHANCES SAME DAY SERVICE (FROM TOTALSUPPLYCHAIN.COM 10.14.2002)

UPS launched enhancements to its same-day shipping service, UPS SonicAir, this week. Updated shipment information is now proactively available via wireless devices, pager, phone, fax, and e-mail.

Proactive communications join three other new features of convenient access and visibility on www.sonicair.ups.com. SonicAir also provides shippers with event management, quick quotes, and Web access.

"Our customers rely on UPS SonicAir to deliver highly critical goods, everything from replacement parts for high-tech equipment to sensitive legal or financial documents. These new options for using our service go a long way to putting their minds at ease that urgent shipments are moving swiftly to their destinations," says Scott Collins, director of SonicAir operations.

UPS is celebrating these new enhancements with a special offer valid through November 16 for its same-day door-to-door delivery service. Details about the promotion are available at the Web site mentioned above.

BRAIN TEASERS

1) Jack likes indigo but not blue. He likes onions but not turnips; he likes forms but not shapes. According to the same rule does he like tomatoes or avocados?

2) How quickly can you find out what is unusual about this paragraph? It looks so ordinary that you would think that nothing is wrong with it at all -- and, in fact, nothing is. But it is a bit odd. Why? If you study it and think about it, you may find out, but I am not going to assist you in any way. You must do it without coaching. No doubt, if you work at it for long, it will dawn on you. Who knows?

Quote of the Week

"The things that will destroy us are:
Politics without principle;
Pleasure without conscience;
Wealth without work;
Knowledge without character;
Business without morality;
Science without humanity,
And worship without sacrifice."

-- Mahatma Gandhi --

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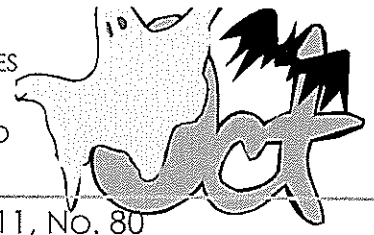
PROJECT POSTCARD
AEON "STRATEGIC DISTRIBUTION INITIATIVE PROJECT"
-- MIKE KELLOG --

In 1998, Mike Swift, Dirk Gerner, David Hamaty, and Mohan Komanduri concluded KSA's first logistics project in Japan, a strategy for Jusco, one of Japan's largest retailers. KSA recommended a complete overhaul of the distribution network, consolidating Jusco's 126 existing facilities into 39 facilities with the payoff being reduced logistics costs and a framework allowing improvement to other company operations. Today, Torre Crupie, Susumu Ohashi, Todd Soller, Kasuya Sasamoto, Yasunori Shimbayashi, Dan Bruce, Hideyuki Ando, Masahiko Sakuda, and Mike Kellogg are working to complete the implementation of that original KSA strategy.

Last year, KSA supported the first opening in the network, a Regional DC in Sendai (northeastern Japan). In June of this year, the KSA team began testing of the second Regional DC in Hyogo (southwestern Japan). At the same time, the KSA team continued planning for the first National DC, scheduled to open in Tokyo before

Kasuya Sasamoto, Mike Kellogg, Torre Crupie and Todd Soller touring the Kanto facility during construction

the end of the year. By the end of August, the Hyogo RDC was running smoothly and the entire team had returned to Tokyo. Currently, we are finalizing the preparations for system and operational testing in the Tokyo NDC. At the same time that KSA is focusing on the Kanto facility, client team members will be testing two other Regional DC's that will open within a month of the Kanto DC.

The size and structure of this project has presented many challenges. With two separate client project teams controlling the design of the facilities and WMS, six 3PL partners, an external system developer for the custom WMS, and internal system development for host systems, the importance of defining the roles and responsibilities of all of the parties and maintaining strong communication has been paramount. The establishment of a Project Management Office (PMO), lead by KSA, has facilitated this coordination, not only in the distribution project, but also with the many other projects ongoing within the company.

In addition to all this project work, the team has found time to enjoy the experience of living and traveling in Japan. Some of the key lessons we have learned while here:

☐ Your food can stare at you too!
☐ All home appliances should be controlled by a remote control (air-conditioning, toilet, etc)
☐ All doors should be automatic (whether it be an office, apartment building or on the train)
☐ Climbing mountains with monks can be a lot of fun (ask Todd Soller and Lori Digulla)

☐   Just because you bought a ticket, doesn't mean you are entitled to a seat (Movies, trains, sumo...)

Last year Jusco changed their name to AEON to coincide with announcement of their ambitious plan to become a "top 10" retailer by 2010 (they are currently 22nd). The new distribution network is considered to be a major piece in the execution of that plan and it is also an enabler for other initiatives such as direct sourcing from vendors, inventory reduction, and group buying. KSA teams have been involved in all of these initiatives, demonstrating that delivering valuable results builds a strong client relationship which in-turn leads to many follow-on projects valuable to both the client and KSA.

INDUSTRY INSIGHTS
CASE STUDIES: CUSTOMER RELATIONSHIP MANAGEMENT: NEW PIPER GETS PERSONAL (FORBES.COM OCTOBER 7,2002)

A decade ago Piper Aircraft was nearly dead. It was making fewer than 50 planes per year, had just $1,000 in cash and had $15 million in bank debt. But then a former riveter named Chuck Suma took over, overhauled the factory and focused on quality. Last year the Vero Beach, FL based company, now called New Piper, delivered 441 planes and took in $243 million in revenues. One key piece of this turnaround was to tighten customer connections to stave off competitors like Cessna and Raytheon. Piper's old system was so bad that it used the FAA's data, where customer records were thin or outdated. Up to 40% of the data was useless.

Accurate owner data is crucial in aircraft. "If a pilot crashes a plane, you can be involved in litigation," says Jay McDonald, New Piper's director of information services. "It was extremely difficult to pull information together." And, Piper couldn't quickly track owner inspections or issue service bulletins.

"We had to admit to ourselves that buyers of a $20,000 car were getting better treatment and support than those spending a million dollars for an airplane," says Suma.

So New Piper bought CRM-leader Siebel Systems' MidMarket software, and then customized it. The result? A program called PULSE, for Piper Unlimited Liaison via Standards of Excellence. The CRM system cost $284,000 and was installed over six months. Since Siebel is an alliance partner with IBM, running the software on New Piper's three IBM servers was a breeze.

Before PULSE, the 11-person call center stored contacts in spiral notebooks stuffed into dozens of file cabinets. "It'd take roughly 30 minutes to get contact information when a customer called," says McDonald. Today Piper's call center tracks all communications among 17 U.S. dealers and 70,000 customers - about 1,200 a month. Getting contact information takes less than a minute. And interactions are synchronized over Web, telephone, fax and e-mail.

"We make modifications where they make sense. We're not taking the human touch out, though," says Suma. Handholding customers is key to beating the competition. Piper's typical buyer is 35 to 60 years old and is entrepreneurial. Many have never owned a plane. New Piper reps can view screens with an owner's name, aircraft serial number, phone number and address. Also, they can type in snippets of conversation, from casual to

important, to tighten connections. "As chitchat occurs, we can pull a file to remember contacts," says McDonald. "Then, from a rapport standpoint, plane owners know they're important."

The Siebel installation was not without glitches. In the beginning, New Piper's IT people began changing Siebel's base CRM software before they actually knew how it worked. Then an error in the code set up queries so that they had to be typed in capital letters. "That was difficult for people to do consistently," says McDonald. "We had to fix it." Since going live last July, Piper's CRM overhaul has borne fruit. In the call center, productivity has increased 50%, the number of lost leads was reduced 25% and sales reps handled 45% more sales leads.

According to McDonald, New Piper's CRM installation is only half finished; improving warranty claim turnaround and creating a dealer Web portal are next. Constance Gustke

ANALYST DESK
THE TOP 100 RETAILERS - US (FROM TRIVERSITY AND STORES)
--ROBERT FULGHUM --

1	Wal-Mart	41	Intimate Brands	81	Pep Boys
2	Home Depot	42	Menard	82	Schnuck Markets
3	Kroger	43	Barnes & Noble	83	Williams-Sonoma
4	Sears	44	AutoZone	84	Zale
5	Target	45	Radio Shack	85	Casey's General Stores
6	Albertson's	46	OfficeMax	86	Berkshire Retail
7	Kmart	47	Giant Eagle	87	Ingles Markets
8	Costco	48	Shaw's Supermarkets	88	Charming Shoppes
9	Safeway	49	Foot Locker	89	Weis Markets
10	JC Penney	50	Longs Drug Stores	90	Dollar Tree Stores
11	Walgreen	51	Pathmark	91	Smart & Final
12	Ahold USA	52	Hy-Vee	92	Lenscrafters/Sunglass Hut
13	CVS	53	Family Dollar	93	DeMoulas
14	Lowe's	54	QVC	94	Linens 'N Things
15	Best Buy	55	Spartan Stores	95	84 Lumber
16	Federated Dept. Stores	56	Big Lots	96	K-B Toys
17	Publix	57	Borders Group	97	Home Shopping Network
18	Rite Aid	58	ShopKo Stores	98	Marsh Supermarkets
19	Delhaize America	59	Fleming Retail	99	Talbots
20	May Dept. Stores	60	Amazon.com	100	Tiffany
21	Gap	61	Raley's		
22	Winn-Dixie	62	Wegman's		
23	Meijer	63	Spiegel		
24	Office Depot	64	Neiman Marcus		
25	Toys "R" Us	65	Ross Stores		
26	A&P	66	Bed Bath & Beyond		
27	Staples	67	Payless ShoeSource		
28	TJX	68	The Pantry		
29	7-Eleven	69	Stater Bros.		
30	Circuit City	70	Ames		
31	SuperValu Retail	71	Michaels Stores		
32	Limited	72	Advance Auto Parts		
33	H.E.B.	73	PETsMART		
34	Dillard's	74	Footstar		
35	Kohl's	75	Burlington Coat actory		
36	CompUSA	76	Harris-Teeter		
37	Saks	77	Penn Traffic		
38	Nordstrom	78	Belk		
39	Dollar General	79	Value City		
40	BJ's Wholesale	80	Whole Foods Markets		

View more about the Triversity Top 100 Retailers including sales, earnings, units and more, from STORES.

BRAIN TEASER ANSWER

Will and Jim were practicing shooting and each scored seventy-five hits out of a hundred. After a little break, Will tried again and hit thirty-five out of fifty shots. Jim did not do any more shooting.

Who had the best average for the day?

Answer:
Jim's average is higher. Once again congratulations to Jaime Farmer for obtaining the correct answer.

P10 SALES

Client	Project
Barnes & Noble	NJ Facility Detailed Design
Carhartt, Inc.	Distribution Network Requirements
Federated Department Stores, Inc.	FMG Replenishment Phase 2
Lifetime Hoan	Inventory Integrity review
Shearer's Foods	Facility Retrofit Planning
Stride Rite Corp., The	Base Plus Project Extension

Quote of the Week

*"Always be a first-rate version of yourself,
Instead of a second-rate version of someone else."*

-- Judy Garland --

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)

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INDUSTRY INSIGHTS
CASE STUDIES: DIGITAL DO-OVERS *(FORBES.COM OCTOBER 7, 2002)*

The buzz over B2B has faded but the need for improving business processes using Web technology hasn't. Over the next four weeks the HotSheet will share Forbes.com's profiles of four companies that are profiting from a technology overhaul.

Collaboration: GM Moves Into the Passing Lane

For anyone under 60, Cadillac has been in the slow lane for decades. Then a year ago it introduced the Escalade, a 345-horsepower SUV that now commands a 40% share of the luxury utility market.

The Escalade—and a whole lineup of buzz-worthy new vehicles like the Chevy Avalanche and the Hummer H2—reflects an ongoing turnaround at Cadillac's parent company, **General Motors**. Five years ago GM's cars and trucks took as long as four years to get to market, often looking stale on arrival. Now, thanks to aggressive outsourcing—and Web-based collaboration—the time from drawing board to driveway hovers closer to 18 months.

In fact, with its technology upgrade, the world's largest automaker will churn out new or redesigned models at a clip of one every three weeks for the next five years.

One key to GM's transformation is its ability to collaborate in real time—both across its many internal divisions and with its 9,000-plus outside suppliers. Specifically, says Kevin Prouty of AMR Research, the automaker has excelled "in the turnaround of engineering and design documents."

The transformation started in the mid-1990s, when Internet bandwidth was increased. The fatter pipes, crucial for sharing big design files, were also shared with key suppliers. Then GM's 7,000 legacy IT systems were reduced by half. For example, before 1996, it had 23 disparate CAD (computer aided design) systems in use. The engine people couldn't share drawings electronically with the suspension people or the sheet-metal people, making design integration a tortuous affair.

So GM technologists chose Electronic Data Systems' Unigraphics as its standard CAD program, allowing 3-D design documents to be shared online by more than 18,000 designers and engineers at GM's 14 different global design labs. More than 1,000 of its key suppliers' engineers were also hooked up with the EDS software.

Using Unigraphics and Web conferencing tools like Microsoft's NetMeeting and EDS' eVis, engineering teams have radically transformed the vehicle review process. "In 1990, we had to do frontal crash tests on the Caprice that required us to build 70 cars and crash them," says Maggie Harder, group manager of engineering process and math strategy. "Each of these vehicles, using prototypical parts, costs anywhere from a half-million to a million dollars. Now, using math-based modeling and a real-time online review process, we've got that number down to ten cars. The rest we crash virtually."

GM's important suppliers have had to gear up or get out of the way. When GM asks Johnson Controls for a target cost for a seat frame, its benchmarking specifications are fed directly into Johnson's product data system. It uses Unigraphics along with its own collaboration platform, eMatrix. "By searching, designing, tooling and testing that seat frame in real time with our client," says John Waraniak of Johnson, "we have realized savings of up to 10%."

While analysts agree that the impact of collaboration on GM's bottom line is hard to measure, there is evidence that GM's production process has been streamlined. For the first six months of 2002, revenues rose 6% to $94.5 billion, while 2nd-quarter earnings rose from $776 million in 2001 to $1.5 billion. - Missy Sullivan

ANALYST DESK
DOING THE TIME WARP (BENNETT VOYLES, OPERATIONS & FULFILLMNET, SEPTEMBER 1, 2002)
--ROBERT FULGHUM --

CHECK OUT THE QUOTES FROM CHRIS MERRITT IN THE ARTICLE BELOW...

Book buyers may be partying like it's 1999, but is Buy.com's free shipping policy a good idea? You can't download dog food.

If we learned nothing else in the dot-com era, we should have learned that no matter how your direct-marketing customer orders your product, it's hard to make money delivering 20 pounds of puppy chow for free. Even Yuppie chow can be problematic, as Kozmo.com discovered when it tried to make money on free deliveries of ice cream and videos — and sometimes orders reputedly as small as a can of Coke or a single packet of M&Ms — to lazy Manhattanites.

So why did Buy.com begin offering free shipping on books and other things this June? Some analysts say it's a way for the Aliso Viejo, CA, retailer to position itself as a contender against Amazon.com. And on that count, the promotion has succeeded in putting the company back on many radar screens, according to online retail consultant Geoff Wissman, a vice president of Retail Forward in Columbus, OH. But Wissman says he doesn't see how this present combination — a promise to undercut Amazon.com by 10% on book orders and offer free shipping on books and many other goods — can last.

The problem is that the cost of shipping usually amounts to 5%-10% percent of the typical catalog order — about the same as the order's profit, according to Chris Merritt, a consultant at Kurt Salmon Associates in Atlanta. While a free shipping offer is an effective way to acquire customers, he says, it also means that you're "basically giving up a lot of your end-of-the-day margin to provide free shipping."

How long can Buy.com keep this up? Chief operating officer Brent Rusick's response is only slightly more tempered than it might have been back in 2000, when the now-private company was worth $3 billion. "Right now, it's such a successful program that it will run indefinitely," he says. "We don't have any plans of changing it, right now. I won't say we'll run it forever, but at this point we don't have any plans to change it."

"Right now" may be the operative phrase. Analysts say it's unlikely Buy.com will keep up its New Economy-style promotion to infinity and beyond, but Rusick insists that he could. "We have enough margin in the cost of the product to cover the cost of shipping," he says.

This is because his company has a "very efficient business model," Rusick explains. "We're completely virtual in that we don't own any of our own inventory and we use world-class distributors for all the products that we carry. Our cost structure is very low and quite a bit different than [that of] a retailer who owns warehouses and their inventory, and has to manage all of that on their own."

Another element of Buy.com's thoroughly modern supply chain may play an even more important role: Rusick says that Buy.com ships its books and CDs through the U.S. Postal Service at the Media Mail rate. Media Mail, which visitors from the 20th century may remember as book rate, permits you to send a pound of media anywhere in the U.S. for $1.42. Even 70 lbs. will only set you back $22.84.

All-time high
Although free shipping might seem like an idea that's gone with the Webvan, some Internet retailers say it's still an important tool. A December 2001 survey of 63 e-merchants by Shop.org, a trade association for online retailers, found that 45% planned some kind of free shipping offer during the Christmas rush, a 17% hike from December 2000.

But marketing analysts talk about free shipping as though it were an addictive drug: At some point, your sales stop reacting, and yet you can become so dependent that it hurts to quit. "Once you start doing this, it's very, very difficult for there to be an applicable exit strategy that's not going to damage you in some way," says Wissman. "The problem [with Buy.com's gambit] is that it's just not a long-term viable strategy, and consumers are very fickle. We've learned that from the dot-com shakeout — you can be as generous as you want up front, but when you pull back, consumer loyalty on the Web is more or less nonexistent."

Offering free shipping above a minimum order is a popular compromise. KBToys.com COO Michael J. Wagner says that this tactic provides an incentive for all his customers: "I would rather give the customer free shipping than have to run a sale on specific items because free shipping covers everybody that comes to the site."

Still, if consumers love free shipping so much, why not just build those charges into the cost? <u>For one thing, Merritt says, you would tend to overcharge, since the first item is typically the most expensive order to fill. And if you're shipping a heavy, low-ticket item, adding that cost can make your prices look noncompetitive compared to the prices offered by other sites.</u>

One site that began with a free-shipping model back in the heyday of e-commerce has flipped the model in a different way. Chris Satovick, vice president of business development at www.overstock.com, an online discounter headquartered in Salt Lake City, says his company was initially reluctant to drop free shipping because surveys indicated that customers loved it. But executives decided to try a flat fee of $2.95, regardless of order size.

Satovick claims that Overstock experienced no adverse reaction to this move. "We saw no change in the business, no negative feedback, and the customers were very understanding," he says. That $2.95 doesn't cover the entire cost of each order, he adds, but it does cover the bulk of the cost and keeps Overstock.com's prices competitive.

Other direct retailers refuse to play the game at all, and continue to try to make shipping a modest profit center. "Traditionally, for catalog retailers, shipping and handling was always a profit center for the majority of them," Wissman says. Established apparel sellers, for instance, often charge an extra dollar or two over cost, he adds, partly to offset higher return rates for clothing.

No one is betting that free shipping as a promotion is going away anytime soon, but Pyrrhic victories are definitely passé. After liquidating the inventory of 27 dead dot-coms in the past few years, Overstock.com executives are as skeptical of marketing for the sake of market share as any old-line cataloger. "We build our brand and our business in such a way that it supports itself," says Satovick. As they say in the movies, it's a crazy plan, but it just might work.

BRAIN TEASER ANSWER

What do the following sentences have in common?

☐   Pack my box with five dozen liquor jugs.
☐   Jackdaws love my big sphinx of quartz.
☐   Quick wafting zephyrs vex bold Jim.

Answer:
They are all panagrams – sentences that make use of all letters of the alphabet.

Jaime Farmer, Jim Neal, and Dawn Holt all came up with the correct answer!

BRAIN TEASER

Will and Jim were practicing shooting and each scored seventy-five hits out of a hundred. After a little break, Will tried again and hit thirty-five out of fifty shots. Jim did not do any more shooting.

Who had the best average for the day?

Quote of the Week

Read, every day
Something no one else is reading.
Think, every day
Something no one else is thinking.
Do, every day
Something no one else would be silly
enough to do.
It is bad for the mind to be always part of
unanimity.

Christopher Morley
1890-1957
American Novelist, Journalist,
Poet

October Celebrations

ANNIVERSARIES

SUZANNE JUDD	.10/01/1984
ALFREDO LOZANO	10/02/2000
TODD SOLLER	10/06/1997

BIRTHDAYS

TERENCE FONG	10/07
TORRE CRUPIE	10/12
IRMA M ROSALES	10/13
TODD SOLLER	10/13
DAN B	10/16
ROD W	10/17
SCOTT VAN	10/19
RAF LISA	10/23
RANDY UNGER	10/27
ERIC WATTERSON	10/28
NORT EBERLY	10/31
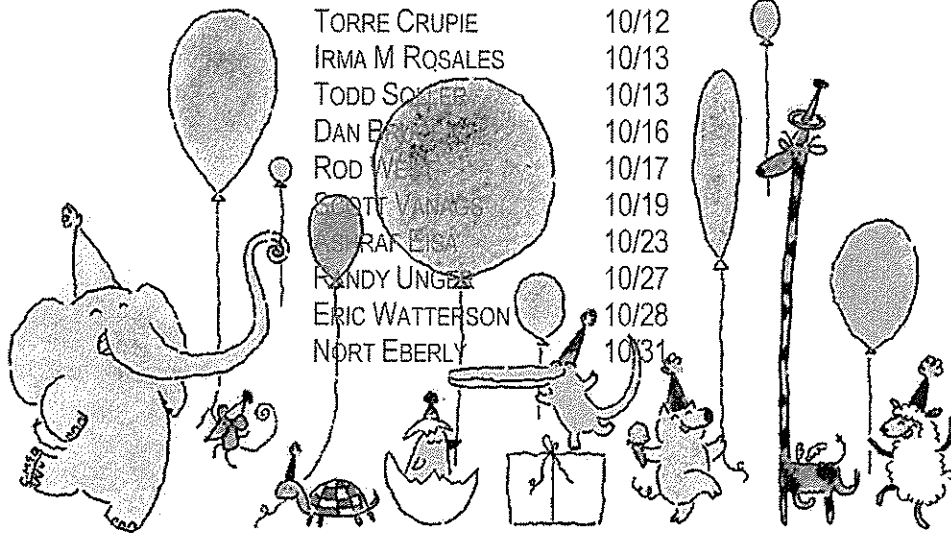
CONSULTANT SPOTLIGHT
-- FRANK LEGGIO --
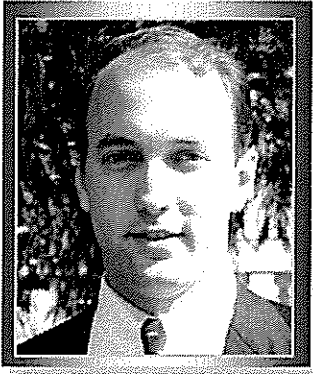
"The Only Easy Day . . . Was Yesterday."
-- The Navy SEALs --

Atlanta-based consultant Frank Leggio's impressive list of accomplishments includes attending the Citadel, in Charleston, SC (undergrad), the United States Air Force Academy in Colorado Springs, CO (BS in Economics, Webster University in St. Louis, MO and Midwestern State University in Wichita Falls, TX (MBA).

Frank has also taken on some tough physical challenges like climbing the equivalent height of Mt. Everest on a treadwall and sailing a 16-foot catamaran through a tropical storm. With eleven total marathons under his belt Frank ran 2 marathons in a week – three times.

Frank's next challenge, however should prove to be a truly life-changing event. He and his fiancée, Amy Schroll will be heading to the Atlantis in the Bahamas in October for their wedding and honeymoon. Be sure to pass along your congratulations to the groom-to be.

Since joining KSA in September of 1997, Frank says he has too many favorite KSA moments to mention. "There are probably quite a few from the conferences, but I think I would say the entire Kbkids.com project in Blairs, VA. This project included such moments as the "I can eat five pounds of potatoes" and "I will sing a song of your choosing at a time and place of your choosing" bets (e-mail me for a copy of that one), to fines for certain actions the team deemed inappropriate, to our sponsor making Tony DeMaria wear shorts to work."

While he truly enjoys taking activity packed vacations to Costa Rica and other tropical locales, Frank says his joy in life is spending time at home with his fiancée and their animals. His favorite restaurant is Kobe Steakhouse on Roswell Road in Atlanta, "...met my fiancée there – and I like the food".

Currently happy to be close to his and Amy's Buckhead home in Atlanta, Frank is part of the Avon Base Plus team working in Suwanee, GA.

Holding Their Breath
Still, analysts said that many national grocery chains are holding their collective breath, awaiting the fate of Albertson's and Safeway in a troubled market. And it is going to take more than a new model to remove the stigma from online grocery shopping.

"Online grocery shopping has to be as convenient -- if not more convenient -- than going to the grocery store," Nielsen//NetRatings e-commerce analyst Dawn Brozek told the E-Commerce Times.

That, she said, means the interface must be user-friendly. Online grocers must offer search engines that streamline product selection and shopping carts that quicken checkout times.

To survive and thrive, analysts also recommend that online grocers not only give customers the ability to select delivery times, but also offer them a product mix that includes nonperishable goods that can be delivered when the customer is away from home.

The Rebirth
The long-term outlook for the online grocery market gives players a worthy prize for which to compete. Forrester predicted that the number of households doing at least part of their food shopping online will grow to more than 14 million in the years ahead. And Jupiter predicted annual sales will top $11 billion within several years.

But many analysts are taking those numbers with a grain of salt, no matter what the model. "We are not seeing the volume of online grocery sales we expected to be seeing," said Bartels. "But it will come back again."

Likewise, Brozek thinks online grocers are here to stay, in one form or another. But brick-and-mortar supermarkets are not going anywhere, either.

"For many reasons," she said, "there are customers that like to shop in the store and will never be converted to online grocery shopping -- even if they have online access and that service is available in their area."

NEWS, NOTES, AND NONSENSE
CART PICKING ACCURACY EXAMPLES FROM PAST PROJECTS
-- DAN STONAKER --

Cart Picking Accuracy

Client	1	2	3	4	5	6	7
Goal	99.5%	99.5%	100.0%	100.0%			
Minimum	98.0%	97.0%	99.0%	99.7%			
Actual				99.70%	99.94%	99.60%	99.08%

All accuracy measurements at the unit level.

BRAIN TEASER ANSWER

Think of words ending in 'gry'. Angry and hungry are two of them. There are only three words in the English language. What is the third word? The word is something that everyone uses every day. If you have listened carefully, I have already told you what it is."

Answer
"Think of words ending in 'gry'. Angry and hungry are two of them." The first two lines are a trick and mean nothing to the puzzle. There are only three words in the English language. What is the third word? The third word in "the English language" is LANGUAGE. The word is something that everyone uses every day. You use LANGUAGE every day if you talk. If you have listened carefully, I have already told you what it is." The word LANGUAGE appears in the puzzle.

Kudos to **Jaime Farmer, Mike Kellogg**, and **Ken Wilson** for submitting the correct answer.

BRAIN TEASER

What do the following sentences have in common?

- Pack my box with five dozen liquor jugs.
- Jackdaws love my big sphinx of quartz.
- Quick wafting zephyrs vex bold Jim.

Quote of the Week

"You can discover more about a person in an hour of play than in a year of discussion."

-- PLATO --

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)

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DIRECTOR'S CORNER
-- RANDY MOORE --

We were recently asked by Blockbuster to develop a capacity model for their main DC in Dallas, TX. The client's issue was that their business had gone through a variety of merchandising and product shifts over the past few years, and their DC was now out of balance (i.e. certain areas were operating well over-capacity, and others well under-capacity). **Dawn Holt**, **Sean Ryan**, and **Jon Watschke** conducted this project and their first task was to research other similar capacity models that we've developed for our clients. We were all surprised to find how many very good models had been developed in Fulfillment recently.

Sean, Dawn, and Jon (hey, that rhymes!) set out to improve on what had previously been developed and create a 'best of breed' capacity model. What resulted is a capacity model that is very robust in nature, but simple in its setup. There is one easy data input sheet for entering physical parameters of the DC (number of racks, workstations, forklifts, etc. and productivities for each operation) and another sheet for volume projections. Once data is loaded on these sheets, the model produces a highly visual output utilizing a red (danger) - yellow (caution) - green (go) scheme allowing users to easily determine the health of the facility. Blockbuster's engineering team loved the new model, and it quickly set in motion a range of fixes to the DC.

This capacity model could be easily customized for another client in no more than 2 weeks' time (or about $20,000 in fees). This could be a great entry-level service for new clients - offering a 'check-up' on their DC's capacity. It also could serve as a good follow-on assessment for prior clients who have made changes to their DC and need to re-assess its capacity. It could even be used during the proposal process of a planning project to show the client KSA's ability to diagnose capacity problems. Lessons learned from this experience include the following:

- Each project team does a great job of developing new tools and models; however, we can improve our awareness of these tools through better communication and exchange of ideas among ourselves. Take it upon yourself to learn what new things other project teams are doing.
- We all have the innate ability to take the best of something and improve upon it. If we don't, we're missing a chance to improve our work our clients and ourselves.
- Clients love new 'tools' and 'models', particularly those that are far better than what their own people can develop. Take the little bit of extra time needed to leave behind something that clients will continue to use over and over.
- Each new 'tool' we develop is another opportunity to contact a client and start a conversation (e.g. 'I thought about you when I saw this new model KSA just developed. I knew that you would be interested in this . . .) These conversations lead to learning our clients' issues, and beginning a project.
- A new service or a new thought leadership idea, oftentimes comes from the small ideas and advances that get made during the course of a project. Keep thinking of the small ideas, and how they can turn into big ones.

The capacity model developed by Sean, Dawn, and Jon can be found on the Intranet soon. If you'd like a copy of it quickly, drop a message to Sean Ryan.

INDUSTRY INSIGHTS

MATRICS - LAUNCHES PRODUCTS, PARTNER PROGRAM (COPYRIGHT 2002 RFID JOURNAL, INC. ALL RIGHTS RESERVED)

September 10, 2002 - Matrics, Inc., a startup based in Columbia, Maryland, has introduced a line of RFID tags, readers and software designed to create a "people-free" wireless environment for tracking products and assets. The company has also launched a program to line up partners who can help it deliver complete solutions for customers.

The Matrics product line consists of passive UHF tags that operate in the 902-928 MHz range. They feature a unique double dipole antenna, so they can be read regardless of orientation from up to 20 feet. The read-only chips in the transponders are just 750 microns square, which is one reason they are among the least expensive on the market – about 50 cents in volumes of one million or more.

Matrics is offering several versions of its smart label inlays. A 1D medium strip is approximately six inches long by three-quarters of an inch wide. 2D labels come either two inches square or four inches square.

The company sells one industrial-strength reader that can accommodate a fixed reader antenna, a shelf antenna and a smaller antenna for specific applications. The readers cost from $1,000 to just under $2,000 depending on the number of units purchased. It is just 12.5 inches wide by 8.75 inches high by 1.5 inches deep, so it can be easily mounted in a portal (see photo). Matrics plans to unveil a handheld reader at the Frontline show in Chicago later this month.

The company has also introduced a new middleware appliance product, called the Matrics Visibility Manager, which can handle the vast amount of data coming from RFID readers. The Visibility Manager is a PC server that buffers, cleans, and filters data coming from the readers. Users can configure it to pass along only supply chain event data to enterprise software applications. Since the architecture includes an open XML interface, it works with any system and is easy to integrate.

Matrics has been offering evaluation kits that include smart labels, a reader with four antennas, basic reader software and the visibility appliance, for $6,000 to $9,000, depending on the configuration and features the prospective customer wants.

Matrics CEO Piyush Sodha says the company has done 12 pilots for companies that he can't name because of non-disclosure agreements. But the company hasn't signed any customers yet, and one reason may be that the company is a startup. Sodha is launching the "Force Matrics" partner program in part to address that concern.

The first aim was sign up partners with specific vertical industry expertise. "If there is a specific solution for warehouse management, hospitals, or baggage tracking, we wanted to get the best-in-class experts who could take the technology and turn it into a solution," says Sodha. "We are a visibility platform enabled by RFID. We need to work with partners who can turn that platform into something that can deliver a return on investment."

Matrics is also working with resellers overseas, because many international companies prefer to buy through established channels. And the company is looking to line up manufacturing partners that can help it deliver millions of tags and thousands of readers, as well as technology partners that can provide add-on technologies that Matrics can't afford to develop itself, such as readers for niche applications. "Our feeling is that only when we achieve some critical mass in each of those areas will people feel they are doing business not with a lone ranger but with a community," Sodha says.

NEWS, NOTES, AND NONSENSE

LL BEAN SELEXTS VARSITY LOGISTICS' TRANSPORTATION MANAGEMENT SUITE (SCTN 9/9/2002 COPYRIGHT 2000 PENTON MEDIA, INC.)

SAN FRANCISCO, Calif.—September 9, 2002—Varsity Logistics, Inc., the leader of integrated shipping solutions for the IBM iSeries, today announced that L.L. Bean, a $1 billion outdoor lifestyle catalog and retail company, has selected Varsity's TMS suite to manage both L.L. Bean's internal and supplier-based shipping operations.

"After a thorough RFP process and competitive analysis, we chose Varsity because of its extensive TMS knowledge, focus on customer satisfaction, and unmatched product offering for the IBM iSeries," said Scott Ross, Information Systems Manager for L.L. Bean. "Varsity presented the solution that best met our requirements, and demonstrated that they completely understood our processes."

This leading-edge project is a milestone for L.L. Bean, because it will provide a seamless customer experience while providing better control over all outbound shipments, regardless of origin. This control translates into lower administration costs, faster shipment processing, and reduced shipping expenses.

"We are proud to have been chosen by L.L. Bean to be the foundation for this critical initiative," said Marc Herman, President and CEO of Varsity Logistics. "Being selected for a high-profile project like this confirms Varsity's leadership in the transportation management sector."

NEWS, NOTES, AND NONSENSE

Storage Solutions currently has available a few thousand bays of pre-owned steel shelving that need to be moved immediately to make room in our warehouse. All shelving is open style (some of the sizes are: 9"D x 36"W, 12"D x 36"W, 18"D x 36"W, 36"D x 48"W). Mostly 6 shelves per bay. This material will move quickly. Pricing per bay will be as low as $30.00 per bay depending on the quantities purchased. All orders MUST be received by 9/27/02. Please call Kim Schroeder at 502-561-3404 for details.

BRAIN TEASER ANSWER

The names of three mammals are hidden in the following sentences. Find them. All the letters are in the correct order.

- 🖉 The large crowd at the flea market came looking for bargains - **Camel**
- 🖉 I took off the peel and ate the banana - **Eland**
- 🖉 He has no judgment, no sense altogether - **Seal**

Bravo - **Jaime Farmer** & **Lisandro Sagastume** for obtaining correct answers!

BRAIN TEASER

Think of words ending in 'gry'. Angry and hungry are two of them. There are only three words in the English language. What is the third word? The word is something that everyone uses every day. If you have listened carefully, I have already told you what it is."

Quote of the Week...

"Imagination is more important than knowledge.
Knowledge is limited.
Imagination encircles the world.

-- Albert Einstein --

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)

4

INDUSTRY INSIGHTS

FEDEX BUYS FOR THE FUTURE (FROM TRANSPORTATION & DISTRIBUTION MAGAZINE 09-09-2002)

Signing a purchase agreement for ten Airbus A380-800F high capacity, long range aircraft demonstrates the commitment FedEx Express has to airfreight's future.

A single A380 can replace today's multiple daily MD-11 aircraft flights among FedEx hubs in North America, Asia, and Europe. The new Airbus planes will carry gross payloads of 330,000 lbs on routes of up to 6,000 nautical miles.

The carrier will take delivery of three A380s in each of the years, from 2008 to 2010, with the tenth aircraft due for delivery in 2011. FedEx Express also has options with the aircraft manufacturer for another ten A380s.

Fred Smith, FedEx chairman, president, and CEO says, "The agreement secures the most efficient, long-range aircraft in the world for the future needs of the FedEx fleet. It reinforces our commitment to France which is the home of our European hub and thousands of FedEx employees at Charles de Gaulle airport."

ANALYST DESK

AMB SPACE AVAILABILITY REPORT
-- ROBERT FULGHUM --

Are you looking for an available DC for one of your clients? A great place to start might be the AMB Space Availability Report, which is available on their web site at http://www.amb.com/partnercenter/RC_SAR.htm. This report features detailed information on spaces which are now (or soon will be) available for lease throughout AMB's 27 market, 96.6 million square-foot North American portfolio as of the beginning of the third quarter of 2002. AMB is a leading owner and operator of industrial real estate and has properties concentrated in major distribution markets which are located across the country and conveniently near airports, ports, and major freeways.

Some current vacancies include:
Harris Business Center 55, Commerce, CA - 183,380 sq. ft.
http://www.amb.com/partnercenter/ALLMARKETS-webversionNEW_files/Harris55.pdf

200 Docks Corner, South Brunswick, NJ - 1,205,621 sq. ft.
http://www.amb.com/partnercenter/ALLMARKETS-webversionNEW_files/200Docks.pdf

Melrose Park Distribution Center, Melrose Park, IL - 346,538 sq. ft.
http://www.amb.com/partnercenter/ALLMARKETS-webversionNEW_files/melrose.pdf

There are also opportunities listed to sign short-term leases to temporarily handle year-end inventory. For more information, feel free to contact Steve Callaway at 415-733-9475 or scallaway@amb.com.

PRODUCT ALERT
STABLE STACKABLE CONTAINERS

The Spread Strap™ Super Sack® Container is designed to maintain its square shape without interior baffles. This stability and the containers safe handling and easy forklift access make it ideal for forklift intensive locations. Volume of these containers range from 10 to 85 cubic feet and they can support up to 3,000 pounds. Ideal for use with the Maxliner internally baffles liner.

<div align="center">

B.A.G. Corp.
1510 Data Drive
Dallas, TX 75218

</div>
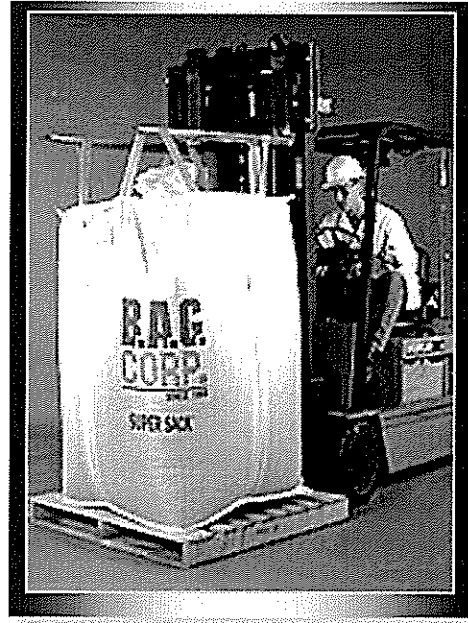
NEWS, NOTES, AND NONSENSE
EXCESS INVENTORY? EBAY TO THE RESCUE (BUSINESS WEEK - 9/9/2002 BY BRIAN GROW)
-- NOAM PARANSKY --

In these tough times, more big companies are boosting their balance sheets by using eBay to move excess inventory off the books rather than selling supercheap to liquidators. The reason: They can recoup 45 cents on the dollar instead of the 15 cents to 20 cents they would get otherwise.

At least 71 large companies, including Bloomingdales, Dell Computer, Home Depot, IBM, and Motorola, now sell outdated merchandise, ranging from tractors to laptops, on eBay. That's up from the dozen big retailers a year ago. All told, eBay estimates that big companies now make up 5% of its sales - roughly $500 million a year - a figure eBay started tallying in April. "We're seeing a large increase," says Jordan Glazier, general manager of eBay's business and industrial sales.

eBay officials say Motorola started Net auctions in April and now unloads $1 million of outdated phones a month. Motorola won't comment, but its bulk sales of 100 phones per order fetch up to 45% more than what liquidators pay. While many items are sold in lots, there are individual items, too. Ritz Interactive, a large online retailer of photo equipment, can get $340 on eBay for an unwrapped display model of a $799 Panasonic PV-DV100 Mini DV Camcorder, compared with about $200 from a liquidator, who would resell it to a discount store or ship it overseas. Not a bad deal all around.

P9 SALES

Client	Description
Big Lots	Detailed design phase for Columbus re-engineering project
Fossil	SAP/PKMS Interface Development Extension
London Fog Industries, Inc.	3PL Strategy
Motorola	Logistics Facility Planning
Oriental Trading Company, Inc.	Active Display Management and Product Slotting Assistance
Rawlings	Plant Relocation to Costa Rica - Phase 1
Renfro	Campeche Extension
The Sports Authority	NEDC Implementation
Ulta	Logistics network configuration

BRAIN TEASER

The names of three mammals are hidden in the following sentences. Find them. All the letters are in the correct order.

- The large crowd at the flea market came looking for bargains
- I took off the peel and ate the banana
- He has no judgment, no sense altogether

Quote of the Week...

*"It is rather for us to be here dedicated to the
great task remaining before us that from these
honored dead we take increased devotion to
that cause for which they gave the last full
measure of devotion
That we here highly resolve that these dead
shall not have died in vain
That this nation, under God, shall have a new
birth of freedom
And that government of the people, by the
people, for the people, shall not perish from
the earth."*

**-- ABRAHAM LINCOLN --
NOV. 19, 1863**

DEADLINES FOR SUBMISSIONS TO THE HOTSHEET
DIRECTOR'S CORNER & PROJECT POSTCARDS - WEDNESDAY BY 12:00 PM (ET)
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THE STATE OF THE WMS INDUSTRY
EXCERPTS FROM A RECENTLY PREPARED PRE-PROPOSAL DOCUMENT (AUGUST 2002)
-- SCOTT VIFQUAIN --

Supply Chain Execution Overtakes Supply Chain Planning...
Despite a depressed economy, the SCE industry (WMS, TMS, etc.) grew 21% from 2000 to 2001, and broke the $1B mark in 2001. Over the same period, the Supply Chain Planning market (i2, Manugistics, etc.) shrunk by 14% to slightly under $1B.

But Remains Fragmented
Although some consolidation has taken place over the last few years, and strong leaders are emerging, the SCE industry remains fragmented. 80% of the best-of-breed WMS market, for example, is shared by 8 different vendors. The largest best-of-breed WMS vendor (Manhattan) is less than $200M in size.

Consolidation Is Expected
Despite the overall growth of the SCE industry, many vendors saw a decrease in revenue, while several posted losses. These trends continue in 2002.

ERP Encroachment Still Pending
The long-awaited emergence of the ERP vendors into the top-tier WMS space is still not imminent, although many "best of breed" vendors see them as their biggest competitor in several years.

Global Presence + Functional Breadth = Growing Market Share
The US has been the dominant source of past revenue, but future growth is in the international market. The ability to execute internationally and across verticals will become a critical success factor for the industry leaders.

Expanding Footprints

In addition to expanding into new verticals, many leading vendors now offer product suites that collectively extend functionality well beyond the traditional WMS domain.
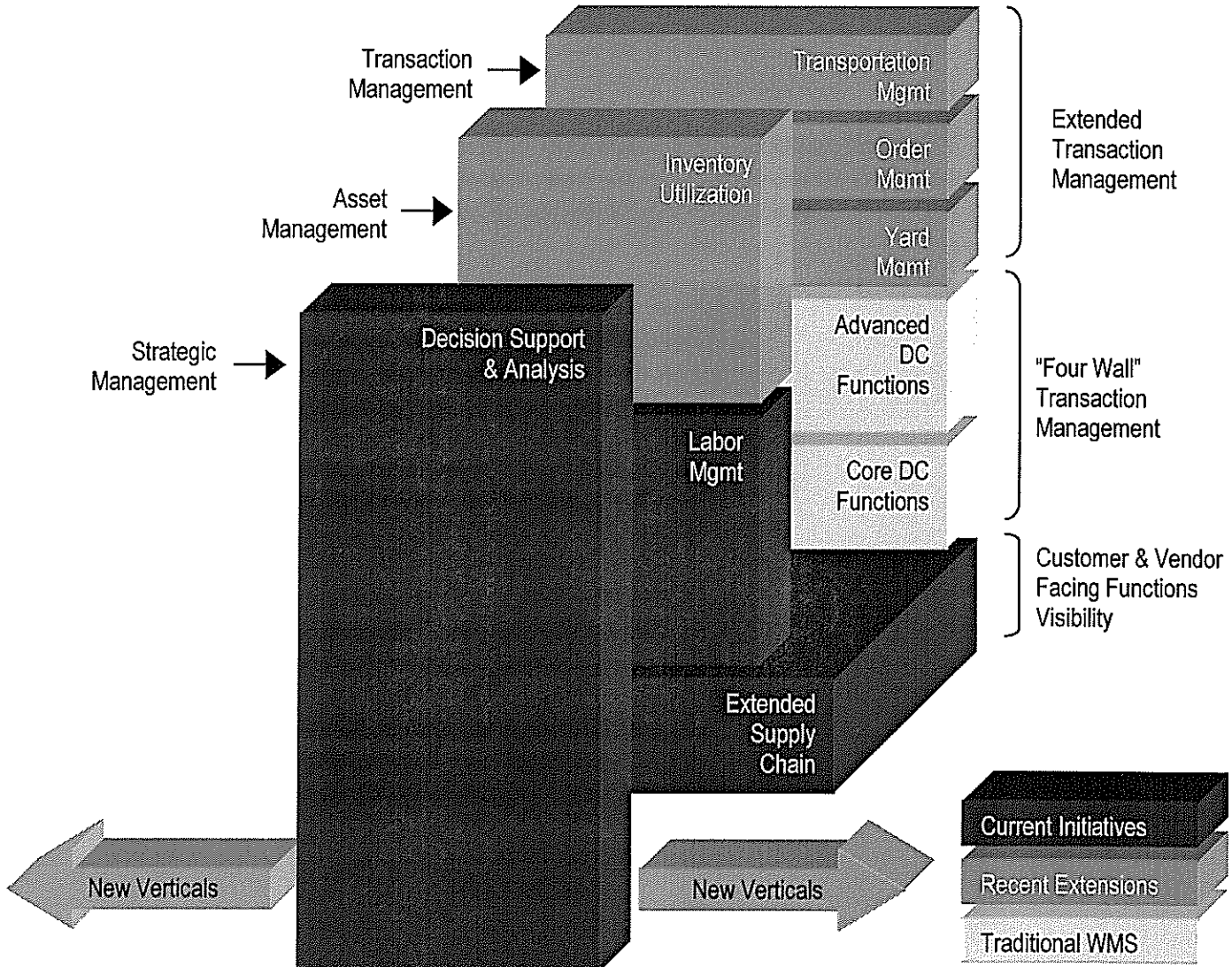
Evolution of WMS "Footprint"

Leading WMS Vendor Snapshot

Vendor	Description
MANHATTAN ASSOCIATES	Largest WMS vendor, consistent profitability. Core AS/400 product is strong in many verticals, especially apparel/footwear, retail, and consumer direct.
RedPrairie — Superior Logistix Results, Guaranteed.	Previously McHugh. New look is reflective of renewed momentum in 2002. Strong in High-Tech, Automotive/Parts, 3PL, and Grocery. Also offers the industry-leading labor management system.
EXE TECHNOLOGIES	2nd largest WMS vendor, but struggling to become profitable. Industry leader in Grocery. Also strong in 3PL, High-Tech, and Automotive/Parts.
HighJump SOFTWARE	Fast growing vendor with an attractive highly configurable NT-based architecture.
optum	Optum's configurable WMS has been historically strong in Electronics, High-Tech, CPG, and Industrial applications, but is now making an entrance into retail and unit-handling verticals
provia software	A modestly sized SCE vendor with approximately $30M in revenue. Recently released a new version of its ViaView SCEM module. Unlike many SCE vendors, Provia has chosen to target South America as it's main international pipeline.
catalyst	Struggling medium-sized vendor still suffering from failed partnership with SAP
MARC	Long-time leader in Pharmaceuticals is expanding into new verticals (apparel/footwear and retail) with recent big wins
swisslog	European-based vendor and service provider is working through the integration of Recent acquisitions (Sonci and Kewill/Exeter), as well as trying to break into the US market
Retek	Retek's WMS division generates roughly 20% of company revenue. Strong focus on retail. Going through a major product re-engineering effort.
irista	Spun off from HK systems in mid-2000, Irista has been marketing synchronized execution across fulfillment networks through its new iristaVision SCEM module. Although this venture had a good launch, Irista has struggled to maintain growth in the past year

ANALYST DESK
WHAT IS GTIN? *(FROM THE UCC WEB SITE)*
-- ROBERT FULGHUM --

Based on the increasing use of the EAN.UCC System to facilitate global commerce, the Uniform Code Council has announced that all North American retailers and trading partners who presently scan the 12-digit U.P.C. symbol (now known as UCC-12) should be capable of scanning EAN-13 symbols by January 1, 2005. The UCC is recommending that North American companies update and expand their databases, systems and applications to accept data structures up to 14 digits in length. This will allow complete item identification with any EAN/UCC data carrier.

The GTIN Family of Data Structures
The Global Trade Item Number (GTIN) is an umbrella term used to describe the entire family of EAN/UCC data structures for trade item identification. These data structures include:

- UCC-12 (also known as the U.P.C.; 12-digit number used predominately in North America)
- EAN/UCC-13 (also known as an EAN code; 13-digit number used predominately outside of North America)
- EAN/UCC-14 (a 14-digit number used to identify trade items at various packaging levels)
- EAN/UCC-8 (used primarily for food; an 8-digit number used predominately outside of North America)

IMPORTANT NOTE: GTIN is a term only! It describes the entire EAN/UCC family of data structures and does not change existing standards. The U.P.C. does not go away. As an example, a manufacturer that applies the UCC-12 (U.P.C.) to your product should continue to do so. The Uniform Code Council will continue to issue UCC company prefixes that are intended for use with the UCC-12 data structure.

A GTIN should be assigned to the product at the level trading partners need to price, order, and invoice the product in a server-to-server environment (no human interpretation). It's a dumb number (like a license plate); structured intelligence should not be assigned to it, and it should not be broken apart.

The 2005 date may require far-reaching system changes. System interfaces should be carefully considered when planning and readying systems for conformity. These systems and various types of companies that may service them, include, but are not limited to the following:

- Retailer
- Manufacturer
- Distributor/Wholesaler
- Raw Material Suppliers
- Scanner/POS Equipment Provider
- Barcode Printer/Film Master Provider
- Packaging Designer
- Transportation Provider
- Software Provider
- System Integrator
- Coupon Clearing House
- Market Research Firm
- Trade Exchanges

Most Point-of-Sale bar code scanning equipment produced since 1984 provide the ability to scan the EAN/UCC-13, EAN/UCC-8, and UCC-12 (U.P.C.) symbols. It is imperative to test all POS and bar code scanning equipment as soon as possible to certify GTIN conformity. There are, however, emerging global standards on the horizon that will utilize the new Reduced Space Symbology™ (RSS). This symbology, and the equipment that reads it, will provide the ability to scan all 14 digits at the point of sale.

Your database needs to be expanded to accommodate 14 digits. *Data structures that require less than 14 digits should be right justified and left zero filled.* By updating databases, systems and related applications, North American retailers and trading partners will be able to accept the complete family of EAN/UCC data carriers. The ability to accept and transmit all GTIN data structures will enable you to conduct efficient global trade and utilize all the tools and business solutions supported by the EAN.UCC System.

Caution: Before transmitting GTINs, it is recommended that you notify your trading partner to verify their ability to accept and store a 14-digit GTIN. When transmitting and storing GTINs electronically, the full 14-digit structure must be transmitted and stored right justified and left zero filled. This will minimize any potential issues associated with trading partners converting the information upon receipt of the GTIN data.

Delays Can Create Consequences
The January 1, 2005 Sunrise Date was selected to give North American companies ample time to address all conversion issues. The failure to update systems by that time can cause serious consequences. The inability to accept and store the information of all the GTIN global data structures can result in:

- Serious system failures
- Additional costs
- Time-to-market delays and other critical inefficiencies

Due to the potential for significant consequences to your supply chain, the UCC strongly urges that all companies begin system planning, testing and update/conversion activities **now**.

For more details on GTIN, check out the following web sites:

http://www.uc-council.org/2005sunrise/global_trade_item_number.html
http://www.namm.com/education/technology_solutions_center/gtin.html
http://www.cognizant.com/cogcommunity/presentations/RetailNetsession.ppt

NEWS, NOTES, AND NONSENSE
-- DENISE TROSTLE --

The wait is over...announcing the release of CP2 (or as we like to call it, the software formerly known as Control Plus). After many months of programming, testing and re-programming, CP2 is ready to be unleashed on the world.

CP2 uses a traditional client/server system with Microsoft® SQL or Oracle® as its Relational Database Management System (RDBMS). It is fully Windows® compliant with a graphical user interface (GUI).

CP2 will provide the same reports as the old Control Plus system. In addition, users can choose to create summary data tables to use for customized reporting. New user features include easy movement to view/change data in previous weeks, improved search capabilities via a Find button, and online help.

Announcements are being sent to current Control Plus clients letting them know that CP2 is being made available. We are developing a rollout schedule and will be upgrading systems as quickly as possible. Our goal is to complete the process over the course of the next 12 months.

For more information on CP2, follow the link below to reference the CP2 FAQ on the KSA Intranet
http://web1/tools/fulfillmentserv_/fulfillmenttech_/cp2_/

Still have questions? Contact Denise Trostle in the AO (ext. 7812).

September Celebrations

ANNIVERSARIES

Raj Kumar	09-07-1988
Terence Fong	09-09-1999
Chuck Easley	09-22-1993
Frank Leggio	09-15-1997
Nathan Burkland	09-18-2000

BIRTHDAYS

Ike Myers	09-07
Scott Vifquain	09-08
Sergio Cruz	09-09
Valerie Levy	09-10
Chris Merritt	09-17
Noam Paransky	09-24
John Webster	09-28
Tony DeMaria	09-29
Jack Horst	09-30

Quote of the Week...

*"He who is not courageous
enough to take risks will
accomplish nothing in life."*

-- Muhammad Ali --

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)
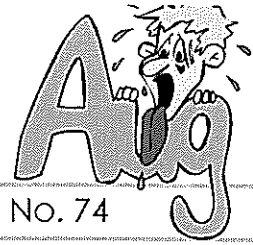
PROJECT POSTCARD
ORIENTAL TRADING COMPANY
-- ANDY CROOKS --

Omaha?!? Who wants to go to Omaha? Well, Omaha just happens to be the headquarters for a number of prestigious companies, including Mutual of Omaha (who would have guessed), Berkshire Hathaway, ConAgra, Peter Kiewit Construction, Union Pacific, and Oriental Trading Company (OTC). When referring to OTC, people usually say: "Oriental Trading Company, haven't I seen their catalog somewhere?" The answer is undoubtedly "Yes". OTC sells everything from Christmas lights in the shape of flamingoes to smiley face pencils to popcorn balls, online or through one of their 13 catalogs.

The OTC project is one of the largest BasePlus projects KSA has ever undertaken. As of July 31, the OTC BasePlus team, or XP, as the associates around here call it, has saved the client over $1.5 million since the program kicked off in January. The team has implemented standards for more than 75% (over 800 associates) of the building, including associates in picking, packing, shipping, and receiving. In addition, the engineering team converted the picking operation from a pick and pass system to a pick to cart system, which yielded significant increases in productivity.

The OTC project team includes:

- ✳ Elizabeth "Skittle™" Clark
- ✳ Brad "Lobo" Harmon
- ✳ Rich "I think I look like Ricky Martin" Dec
- ✳ Colleen "Its getting hot in here" McGraw
- ✳ Dan "This is Stan" Stonaker
- ✳ Andrea "My hunch is..."Brunson
- ✳ Andy "Yes, I do shave my legs" Crooks
- ✳ Todd "We're too afraid to give him a nickname" Barr
- ✳ R.I.P. : Aaron "I love the mirror" Todd

Neil Buck and Sean Ryan also gave us a hand early on in the project.

The OTC team would like to congratulate teammate Colleen McGraw on her recent engagement to her fiancé, Ed, whom she met while on a project in Florida.
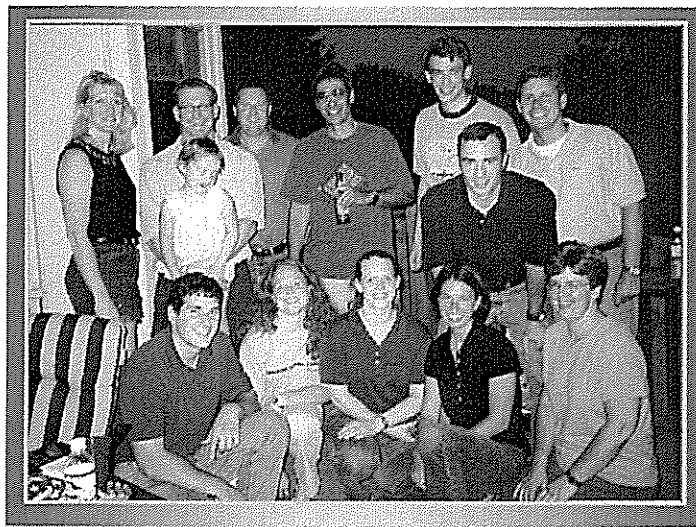
OTC Team (Top L-R): Kathy Bauer (OTC), Jeff (OTC) and Quinn DeRuiter, John Crongeyer (OTC), Vince Guerreiro (OTC), **Aaron Todd, Andy Crooks, Dan Stonaker**
(Bottom) **Brad Harmon, Colleen McGraw, Andrea Brunson, Elizabeth Clark,** & Cindy Kruthoff (OTC)

INDUSTRY INSIGHTS

BIGGER BAR CODE INCHES UP ON RETAILERS (BY KATE MURPHY FOR THE NEW YORK TIMES AUGUST 12, 2002 - COPYRIGHT 2002 THE NEW YORK TIMES COMPANY)

In a little more than two years, retailers in the United States and Canada will face a deadline that promises technological challenges akin to the Year 2000 computer problem.

Starting Jan. 1, 2005, the 12-digit bar codes retailers use to identify everything from cars to candy bars will go to 13 digits. The additional number (and associated bars and spaces) is enough to make checkout scanners seize up and make computers crash, perhaps disrupting entire supply chains.

But many retailers have yet to focus on a problem that will require significant investments in time and capital.

"Most retailers are public companies that tend to live quarterly and not look ahead, which means they are going to be hit over the head with this and have to scramble at the last minute to avert disaster," said Thomas Friedman, president of Retail Systems Research Services, a company in Newton, Mass., that publishes a retail information technology newsletter.

Leading retailers say they have begun to address the issue. A spokesman for Wal-Mart Stores, the world's largest retailer, said the company had "embraced the concept" of an expanded bar code, but he did not respond to questions about actual measures taken to prepare computer databases and logistical systems.

Similarly, a spokesman for the Target Corporation said his company was "intellectually ready" for the change but refused to comment on whether any of its stores or warehouses were technologically ready.

But Richard A. Galanti, the chief financial officer of Costco Wholesale, admitted, "The truth is, given the timeline, everybody's still in the assessment phase, trying to figure out what to do."

The difficulty is similar to the one posed by the Year 2000 computer problem, when computer software had to be switched from two-digit entries identifying years to four-digit entries. Before Jan. 1, 2000, millions of lines of code had to be rewritten to avoid widespread computer failures.

Bar codes have been used in packaging since 1974, when the first item, a pack of chewing gum, was scanned at a supermarket in Ohio. The codes identify a product, distinguishing between an eight-ounce can of Del Monte creamed corn and a medium-size pair of Hanes boxer shorts. When a bar code is scanned, the information in the store's database lets the retailer assign a price and track sales and inventory.

"The bar code is the linchpin upon which everything in retail depends," Mr. Friedman said.

The reason for expanding the 12-digit bar code, known as the Universal Product Code, is twofold. First, there is a shortage of U.P.C. numbers. "There's only a certain amount of 12-digit numbers, and we're going to run out," said John Terwilliger, vice president of global markets at the Universal Code Council, a nonprofit organization based in Lawrenceville, N.J., that assigns codes in the United States and Canada.
Second, 13-digit bar codes are used almost everywhere else in the world. The council's European counterpart, EAN International, based in Brussels, assigns these numbers, called European Article Numbers, to companies in 99 nations. "Right now," Mr. Terwilliger said, "foreign importers have to get a 12-digit U.P.C. to do business over here, which they haven't been too happy about."

Foreign manufacturers currently pass on to consumers the cost of getting an additional bar code and creating special labels for products sold in the United States and Canada. "It's an added expense for them, and they have to recoup it somewhere," said Debra Shimkus, marketing manager at the Chicago Importing Company, a specialty food importer whose overseas suppliers are often incredulous when they are told they have to get new bar codes for their products before they can be sold in American groceries.

Many foreign manufacturers decide that it is not worth the trouble. "A lot of companies have been unwilling to accept the additional burden," Mr. Terwilliger said, "and have stayed out of the market entirely."

American and Canadian exporters have not had the same obstacle because foreign retailers can easily incorporate a 12-digit number into their 13-digit databases by making the first digit zero. That is why American and Canadian manufacturers of products that now have 12-digit codes will not be affected by the code expansion. A two-liter bottle of Coca-Cola, for example, will keep the same U.P.C., but a zero will be added to the beginning of its bar-code number in retailers' product databases.

"The effect of the change in the U.P.C. code falls squarely on retailers," said Mr. Friedman. He estimates that the upgrade will cost at least $2 million for a chain of 100 stores with 10 checkout lanes a store.

The expense will vary depending on the age of a retailer's databases, software and hardware and whether it has to hire outside consultants to make the change. Scanners and other hardware bought more than three years ago will not read longer codes and will have to be replaced. Software more than five years old will also have to be scrapped.

"Thank God we'd already planned to buy new equipment for a lot of stores this year," said Richard S. Gilbert, director of store systems at Duane Reade, a chain of 200 drugstores in New York City. The stores have a total of 3,500 scanning devices, each costing $1,000 to $2,500. As for the cumbersome database modifications that need to be made, Mr. Gilbert said: "Our consultants say they are working on it, but they haven't gotten back to me with a plan. I still don't know how big a deal it's all going to be."

He might want to ask John Poss. Mr. Poss is the merchandising coordinator for Ace Hardware, which has 5,100 stores and sells some 65,000 coded products. Ace overhauled its computer systems to accept longer bar codes in 1999. The company, based in Oak Brook, Ill., has retail outlets in 70 countries and more than a hundred foreign suppliers.

"It was such a struggle to get manufacturers to relabel things for North America," Mr. Poss said, "and we wanted the same system in place globally, so we decided to make the change."

The company hired a consultant, Cognizant Technology Solutions, which is based in Teaneck, N.J., and is a division of Dun & Bradstreet. Ace's in-house team worked on the project during the day while a Cognizant office in India took over at night.

Even so, the project took almost two years to plan and carry out. In addition to equipment upgrades, modifications had to be made in more than 500 software programs in various company divisions (50 in distribution alone). The most tedious and time-consuming part of the conversion, Mr. Poss said, was making adjustments to databases. "Every database in every division touches bar code information, and they all needed to be reworked," he said. "It's like Y2K, where you had to go in and expand fields and find every reference to the date."

Though Mr. Poss would not disclose the cost of the project, he said the gains in efficiency and in suppliers' good will had been "well worth the expense." His advice to other retailers is to "get busy because you're facing an extreme challenge."

But moving to 13 digits may not be enough. The Universal Code Council and EAN International, which formed an alliance in 1996, strongly advise manufacturers and retailers to go a step further and prepare their systems to accommodate a 14-digit code. That is the length of a newly patented bar code that takes up less space. Its reduced size means that it can be affixed to small items like loose produce, and the extra digits let a retailer keep track of additional data like batch and lot numbers.

That additional information would make product recalls easier. "Today," Mr. Terwilliger said, "once a product is taken out of the shipping container in the warehouse, you really can't track it anymore."

Shipping container bar codes are already 14 digits. The different bar-code standards mean that retailers need different computer systems for shipping and receiving, inventory and sales. By adopting a 14-digit standard, retailers should be able to put all the information into a single database.

Mr. Poss said Ace had added the capacity to scan and store 14 digits when it made its conversion three years ago. "Now we can scan anything," he said, "whether it's in the warehouse or at the register, and it immediately goes in to a centralized system. No more sending data between divisions."

The cost and work of making the transition to 14 digits, he said, was the same as it would have been for a change to 13 digits.

Representatives from the standards groups said adopting a 14-digit structure — a step for which no date has been set — could help streamline the sharing of data among all parts of a retail operation. It would also make it possible, they said, to identify products anywhere in the world at any time during the trade process.
"And to think it all started with pack of gum," Mr. Poss said.

BRAIN TEASER ANSWER

My first is a number, my second another, and each, I assure you, will rhyme with the other. My first you will find is one-fifth of my second, and truly my whole a long period reckoned. Yet my first and my second (nay, think not I cozen), when added together will make but two dozen.

How many am I? Four-score.

Congratulations to Jamie Farmer for getting correct answer!

Quote of the Week...

"When you make a mistake or get ridiculed or rejected,
look at mistakes as learning experiences,
and ridicule as ignorance.
Look at rejection as part of one performance,
not as a turn down of the performer."

-- Denis Waitley --
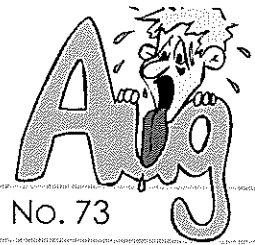
CONSULTANT SPOTLIGHT
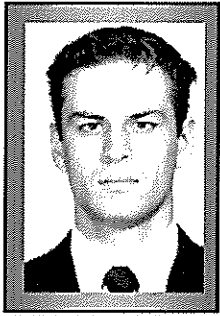
"Have the courage to live. Anyone can die."
-- Robert Cody --

Please give a warm welcome to the newest consultant in the Monterrey, Mexico office, Omar Peralta. Omar was born in the city of Chihuahua, Chihuahua, Mexico and joined KSA after he obtained a bachelor degree in Mechanical Engineering from ITESM Campus Monterrey where he graduated with honors in December of 2000.

Currently taking the new consultant training program on the project *"Penjamo Improvement Implementation"* with Carhartt, Inc. at the manufacturing facility in Penjamo, Guanajuato, Mexico, Omar is "very excited starting to work in KSA. So far I see it as a very professional firm that has a great interest in the development of their employees and committed to the service level that it brings to the customers."

With a wide variety of interests including listening to electronic music, traveling, and Formula One racing, Omar is a fan of Atlas of the Mexican Soccer League. He also enjoys spending time with friends and family, saying, he admires most his mother, because "she has guided and supported me my through all my life".

Of his favorite travel experience Omar says, "I went backpacking by myself to Europe for a six weeks. It was great because I visited some friends I have around the continent and it also gave me a lot of time to be with myself. It was an excellent personal experience."

Omar's taste for adventure is not limited to travelling, that is, if you consider food an adventure in itself. "I will eat everything everywhere. I have a very resistant stomach trained in Mexican markets. I'm only allergic to seafood. I like to cook also, it does not mean that I'm good at the kitchen, but I enjoy it."

If you ever have the opportunity to visit Penjamo, Guanajuato, Mexico the following are Omar's recommendations after a few weeks of living in the area:

* You can have your 15 minutes of fame walking up the stairs of Hotel Plaza Florida - they are illuminated as an Oscar's ceremony
* You should definitely not miss the "flat chicken" at Carhartt's eating room, or the
* Free samples of strawberries dipped in chocolate from the local producers
* Bring an umbrella.

IMRA

TESTING "SMART" CONTAINERS IN THE GLOBAL SUPPLY CHAIN *(SOURCE: BUSINESS WEEK ONLINE)*

Ever since the September 11 attacks, long delays have become a common occurrence along the U.S. - Canada border, as officials carefully inspect trucks and containers for suspicious contents. Given the sheer volume of goods that cross this border, these delays threaten to slow the efficiency and increase the cost of U.S. manufacturing; they also have created problems for Detroit-based automobile manufacturers and, in turn, Osram Sylvania, a major supplier of lighting products to the auto industry.

Osram, a Siemens subsidiary based in Danvers, Mass., has manufacturing facilities around the globe as well as in the U.S. The company regularly ships materials and products across borders - a process that has become increasingly complex in the wake of September 11.

At the request of the U.S. Coast Guard, Osram Sylvania has agreed to use its plant in Hillsboro, N.H., to take part in a test of a new, high-tech system for tracking sea containers, which could eliminate the need for time-consuming border checks.

Initial system testing is under way. Here's how it works:
A shipment of auto lamps is packed into a sea container at Osram's plant in Slovakia. After inspection, the container is tagged by officials from the U.S. Department of Transportation with a special tracking device that allows Osram to monitor the container's whereabouts and, more important, detect any attempt at tampering.

After tagging, the test containers move through the port of Hamburg, Germany, and then to Montreal. On arrival in Montreal, the containers are on a fast track, shipped by truck to Osram's Hillsboro plant. Rather than being detained at the U.S. border for a thorough inspection, the trucks are allowed to pass through to Hillsboro, where the containers are examined to see if the tracking devices have detected any evidence of tampering. Assuming all is O.K., the containers are unloaded and the products are distributed, greatly accelerating shipping and distribution, and enhancing security in the process.

The catch? The tracking devices can cost up to $2,000 apiece, vs. just $1.50 for mechanical seals. But the price could be expected to drop significantly with volume production. And if the choice is between potentially crippling border delays and a more efficient, more secure supply chain, U.S. industry may be willing to pay the price.

BRAIN TEASER

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How many am I?

Quote of the Week...

"Hope begins in the dark,
The stubborn hope that if you just show
Up and try to do the right thing,
The dawn will come.
You wait and watch
And work... you don't give up."

Anne Lamott
(American Writer)
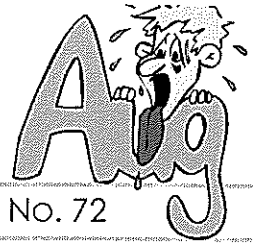
INDUSTRY INSIGHTS

US CUSTOMS WANTS LISTED CONTENTS OF US BOUND SHIPPING CONTAINERS BEFORE THEY LEAVE FOREIGN PORTS BY JEANNINE AVERSA, ASSOCIATD PRESS, AUGUST 7, 2002

Washington -- The U.S. Customs Service, seeking to prevent terrorists from bringing nuclear and other deadly weapons into the United States, wants details on the contents of sea containers destined for this country 24 hours before the cargo is loaded onto ships at foreign ports.

The proposed regulation, unveiled Wednesday, marks the agency's latest effort to improve the security of cargo entering the United States from the world's seaports.

Currently, many U.S. and foreign sea carriers voluntarily provide customs with advance cargo information, but customs may not get the information until a few days before a ship carrying the cargo reaches a U.S. port, said Customs Commissioner Robert Bonner.

In order to effectively evaluate and identify cargo that may pose a risk to U.S. security, customs must have timely and accurate manifest information, Bonner said in an interview.

That information also is crucial to another cargo security effort spearheaded by Bonner -- the customs container security initiative -- which plays a key role in President Bush's homeland security strategy. Under that initiative, U.S. customs officers would screen high-risk U.S. bound cargo containers before they leave foreign seaports.

So far this year, agreements have been reached with Canada, Singapore, the Netherlands, Belgium, France and Germany to station U.S. customs inspectors at specific ports in those countries for the first time. U.S. inspectors are already in Canada, but they will soon be stationed in select ports of the other participating countries, Bonner said.

With 5.7 million cargo containers entering U.S. seaports each year, Bonner says it is critically important to prevent terrorists from using sea containers to smuggle nuclear, chemical, biological or other deadly weapons into this country. Approximately 90 percent of the world's cargo moves by sea containers.

The issue of improving the security of sea cargo took on heightened importance in the United States after the Sept. 11 attacks.

"It is a matter of urgency that customs knows in advance what is in the containers destined for the United States," Bonner said.

The proposal doesn't specify how companies would provide the advance manifest information to customs, but most of those that voluntarily provide the information do so electronically, customs officials said.

A final regulation could be adopted as early as this fall.

A provision contained in a sweeping trade bill signed into law by Bush on Tuesday would eventually require advance information on all cargo -- not just sea containers -- be to electronically provided to customs, Bonner said.

He said that provision would be implemented on a separate track.

Under the proposal, companies that don't provide accurate manifest information 24 hours in advance could be subject to fines. But Bonner pointed out that customs has the authority to prevent a company from unloading a cargo container, a possible option at its disposal to penalize violators.

Some of the information that would have to be provided in advance under the proposal includes a precise description of the containers' contents, date of scheduled arrival in the United States, the foreign port of departure, shippers' name and address and vessel name and number. Generic descriptions, such as freight of all kinds or general cargo, won't be accepted.

NEW PROJECTS P8

Client	Project
Oriental Trading Company, Inc.	Logistics Strategy
Pfizer	Extend Productivity Standards (TOPS) to NJ DC
Federated Logistics	Base Plus in CFC's
STAPLES	PkMS and PACE Implementation in Chambersburg, PA

BRAIN TEASER ANSWER

Can you figure out what this letter sequence might represent?
O-CY-BTDEL--P-H

What letters are missing? S and W

The opening phrase of USA's National Anthem. Kudos to Torre Crupie and Seth Spofford for getting the correct answer!

Quote of the Week...

The week can never forgive.
Forgiveness is the attribute of the strong.

-- Mahatma Gandhi --
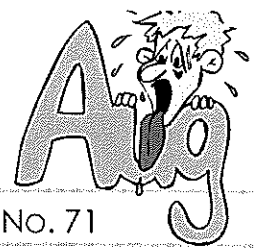
CONSULTANT SPOTLIGHT
-- SCOTT VANAGS --
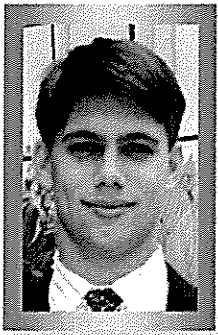
"It's 106 miles to Chicago, we've got a full tank of gas, half a pack of cigarettes, it's dark and we're wearing sunglasses... Hit it!"

-- Blues Brothers (1980) --

Atlanta-based consultant Scott Vanags may have been born in Pittsburgh, but he's come to find a real home in Georgia. Scott moved to Sewannee, GA just north of Atlanta in 7th grade and decided to stay close to his adopted home after high school when he attended Georgia Tech. As a Yellow Jacket, he participated in the co-op work/study program and earned an Industrial Engineering degree before joining KSA in 1998. These days Scott is working on the Avon Base Plus project in Suwannee and muses "how often do you get to work in the town where you went to high school?" After his relocation period was over, Scott and his wife Kristen settled in Atlanta where they bought a house in Decatur, GA.

Like many KSA'ers, Scott has a taste for adventure. He calls their honeymoon trip to Kauai a couple of years ago a "fascinating" experience. Between soaking in the tropical beauty, going on helicopter rides, and just plain old relaxing, all of his senses were "invigorated". If the opportunity ever presents itself, one day Scott would love to throw away all of his shoes and "live Fantasy Island style" in Kauai.

The next time you see Scott be sure to ask him about his favorite 'KSA moment'. Details provided for this piece were few, but he says he will "never forget the show that a certain service group leader (from Princeton) put on at the Great Britain exhibit at Epcot Center".

Staying busy with his project work with KSA, travelling, Ultimate Frisbee, whitewater rafting with buddies and the ever-present home improvement projects, Scott maintains a philosophical view of his life, saying, "If I had kids, they would be my greatest joy. As it is, I am just happy to be here."

Not one to be afraid of a challenge himself, Scott admires Ben Franklin for his stature as, "the consummate jack of all trades", stating that Franklin was "intelligent, creative, handy, persistent, and quick-witted." All "things I strive to be".

INDUSTRY INSIGHTS
ON-LINE FREIGHT THROUGH THE US, CANADA, AND MEXICO - NOW FOR EBAY TOO
TRANSPORTATION & DISTRIBUTION.COM (COPYWRITE 2002 PENTON MEDIA, INC. 7/24/2002)

Whether the shipment is TL, LTL, Local Cartage, Air/Expedited, or Intermodal, Freightquote's (www.freightquote.com) Web site permits everything from carrier selection through record storage online. Freightquote reached agreement with eBay to provide services for customers who need to move heavier items purchased through the site.

The Web site offers a wide range of options that may be included in the basic quote. Among others for LTL, for example, are inside delivery, blind shipping, hazardous material handling, and arrival notification.

Freightquote documents are fully automated. Simplified weekly billing is offered. It also offers discounted shipping and real time rate quotes.

Users of eBay may link to freightquote.com to use its online freight tools to arrange shipments.

INSIDE THE INTRANET
CHECK IT OUT!

A recent Fulfillment Tools of the Trade submission worth checking out is a Logistics Management Systems Overview submitted by Greg Wells. That document can be accessed on the Intranet at:
http://web1/tools/fulfillmentserv /distribution /eoperationsimpr /ddeliverables /

ANALYST DESK
PRODUCT PROFILE
FROM MATERIAL HANDLING PRODUCT ALERT ® ONLINE

Lightweight Folding Truck

The Mini Move Folding Truck from Wesco Industrial Products, Inc. offers a load capacity of 110 lbs. in a light, compact unit. Measuring 24 inches x 15.25 x 2 inches folded, the Mini Mover fits into small storage areas, even overhead airline compartments. The Mini Mover -- like the larger Superlite Folding Truck -- features lightweight aluminum/plastic composite construction (7.25 lbs.) and easy operation for quick setup and collapse. With the push of a button, the frame extends and the noseplate and wheels move into full working position in less than four seconds. The Mini Mover is well suited for a wide variety of office, factory, retail, warehouse and many other applications. Included with the Mini Mover are elastic straps for safely securing loads and non-marking, shock-absorbing rubber tread wheels.
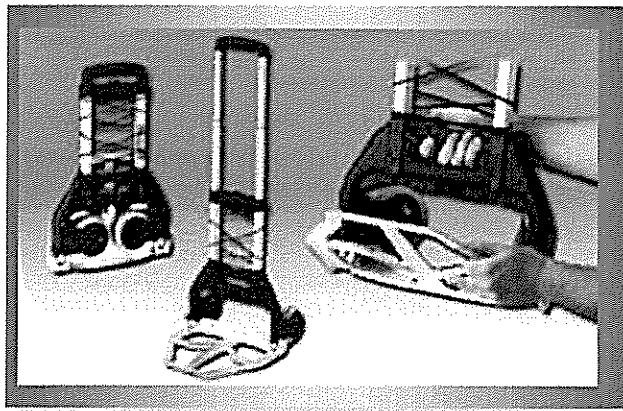
For more information contact WESCO Industrial Products, Inc., P.O. Box 47, 1250 Welsh Rd., Lansdale, PA 19446.

BRAIN TEASER

Can you figure out what this letter sequence might represent?

O-CY-BTDEL--P-H

What letters are missing?

Quote of the Week...

"Ordinary riches can be stolen,
Real riches cannot.
In your soul are infinitely precious things that
cannot be taken from you."

-- Oscar Wilde --
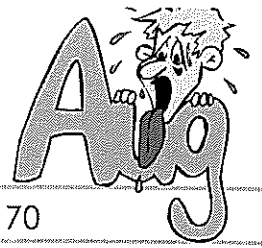
DIRECTOR'S CORNER
-- RANDY MOORE --

Fulfillment Recruiting

We are making plans to begin recruiting on campus this fall! We are excited to re-initiate Recruiting in Fulfillment, and are planning to visit a couple of campuses this fall. Jack Horst is working with Pam Beckerman and Karen Scholz on the plans now, and they should be finalized over the next week. We are looking to hire about 3 to 5 consultants from campus in the Fall, and will evaluate our recruiting results and our business late in the year and prepare additional recruiting plans as appropriate for the Winter. Our plans are beginning modestly, and will accelerate as business continues to improve. By starting recruiting now, we should get a headstart on other consulting firms and be able to attract top talent to KSA.

The economic situation over the past year necessitated the curtailing of recruiting; however, as we move KSA forward everyone is excited about recruiting again. Talking to recruits and seeing their excitement and enthusiasm invigorates us all. Finding and attracting new talent is challenging and rewarding for us, and we all know that recruiting is what brings us the next great group of KSAers.

We'll keep you posted as our plans become firm. Have a great weekend!

INDUSTRY INSIGHTS
THE RISE OF THE 3 PW
TRANSPORTATION AND DISTRIBUTION MAGAZINE (BY CHRIS DRAGAN JUNE 2000, COPYWRITE 2002 PENTON MEDIA) FIRMS ARE MORE LIKELY TO OUTSOURCE WAREHOUSING TODAY THAN EVER BEFORE

In recent times, increasing numbers of third-party logistics providers (3PLs) and third-party fulfillment companies (3PFs) have affected logistics. Could the third party warehousing (3PW) firms be on the way?

In the 1970s, most firms did their own warehousing; third-party warehouses were mostly small businesses. In the 1990s, warehouse outsourcing became much more common. Third party warehousing became big business, and today, the outsourcing trend is bigger than ever.

According to one estimate spending on outsourced warehousing is growing about 23% each year. Spending reached $20 billion in 2000.

A recent University of Tennessee study of Fortune 500 companies says 63% outsource logistics services (including warehousing and transportation), the highest percentage among functions outsourced. In terms of outsourcing logistics services by industry, the computer industry leads with 80%, while 68% of retailers outsource logistics services.

Many companies are following the advice of business gurus who advocate focusing on core business and contracting the rest. In a sense, outsourcing is a general business trend in America.

"When a company outsources warehousing, it removes a major cost-center burden and lets (the company) focus on what is does best," says Joel Hoiland of the International Warehouse Logistics Association, an organization for warehouse logistics providers.

Logistics consultant Cliff Lynch agrees, adding, "With companies downsizing and focusing on return on assets, they are pulling back to their core competencies. Because there's not much profit in warehousing, a retailer gets more profit focusing on its key business. A business improves company efficiency and personnel productivity when its people focus on fewer activities," he says.

Outsourcing warehousing can be more economical than doing it in-house since it removes a liability from the books. "The cost of maintaining warehousing in-house is expensive,' Holland points out.

In fact, most firms with their own warehousing don't have a clear idea of its costs, says Tom Speh of the Warehousing Research Center at Miami University in Ohio. "They don't have the tools, time or desire to find out. But third-party warehousing providers track costs precisely and use economies of scale to apply costs across many customers."

In addition, warehouse outsourcing provides flexibility. "Outsourced warehousing gives flexibility to move a warehouse without internal human resource or real estate issues," says Robert Silverman of Gross & Associates, consultants in material handling logistics. "It's easier to close or relocate an outsourced warehouse."

Another reason for increased warehouse outsourcing is better services and more choices. "There's been a dramatic increase in third-party providers available," says Speh. "Not only are there more choices, but providers offer more and better quality services than before. They have more resources, better information technology (IT), are more sophisticated and know what they are doing." Dramatic effects of IT, Speh adds, means that a retailer can outsource warehousing and still maintain enough control to feel comfortable.

Recognizing that warehousing is increasingly important to business success, many companies want it done right – by experts. Several companies that handle their own warehousing do it inefficiently, and they are learning that moving product can be more important than selling.

Some retailers choose to warehouse core goods and outsource non-core goods. For example, a supermarket may warehouse its own food products, but outsource warehousing of store equipment, such as point of sale machines. "Today, warehousing logistics is a central piece of a business and its supply chain. It's a center of what goes on with customer service, transportation, and inventory."

Outsourcing warehousing may not make sense for all retailers, but its potential benefits make it an option worth exploring.

ANALYST DESK
BENEFITS OF LOCATING IN MISSISSIPPI
-- ROBERT FULGHUM --

If you're working on a site selection project, you might want to consider looking at Mississippi. Mississippi offers many valuable incentives for new and expanding industries, including:

- Ψ No sales tax on purchases of raw materials, processing chemicals, or packaging materials.
- Ψ 50% sales tax exemptions for purchases of construction materials, machinery, and equipment in certain counties.
- Ψ Favorable unemployment insurance rates and workers' compensation rates.
- Ψ State income tax credits equal to 50% of basic skills training and job re-training expenses.
- Ψ Companies establishing or transferring regional or national headquarters to Mississippi may be eligible for five-year state income tax credits of $1,000 for each new job created and full sales tax exemptions for direct purchases of construction materials, machinery, and equipment for the headquarters facility.
- Ψ Exemptions from county property taxes, except school taxes.
- Ψ Discounts on telephone and electric rates from utility companies.
- Ψ Quarterly incentive payments through a diversion of withholding taxes for certain qualified businesses.

I also have information on three available facilities in the following locations:

- Ψ Jackson, MS – 164,160 sq. ft. (156,600 sq. ft. warehouse space) – former McRae's DC
- Ψ Meridian, MS – 200,000 sq. ft. (197,000 sq. ft. of warehouse space)
- Ψ Horn Lake, MS – 420,000 sq. ft. (only 200,000 sq. ft. is available for lease at this time) – former location of JI Case. This is a lease only property and is _conveniently located 5 miles south of Memphis_.

More details on these facilities or other incentive programs that the state offers are available in the Atlanta Analyst Office, or feel free to contact Hal Sibley at 601-359-5756 or Taurus Wright at 601-359-2599 or visit their web site at www.mississippi.org

August Celebrations

ANNIVERSARIES

STEVE LEFKOWITZ	08-14-2000
FAITH COX	08-11-1987
MIKE SWIFT	08-31-1983
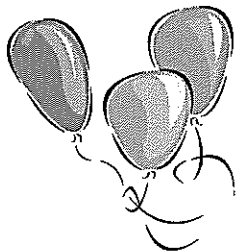
BIRTHDAYS

CHUCK EAGLEY	08-01
BRAD ANDERSON	08-04
BARRY EHLERS	08-03
DEBI HAMRICK	08-06
DAN STONAKER	08-20
PRISCILLA JORGENSEN	08-20
BOB SMITH	08-23
TIM COPLAND	08-25
LYNN SPUHLER	08-26
JOE RAINES	08-31

Quote of the Week...

*"Education is when you read the fine print;
experience is what you get when you don't."*

-- Pete Seeger --

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)

PROJECT POSTCARD
CARHARTT II – ATTACK OF THE CLONES... AND THE DEFECTS, AND THE TURNOVER...
-- JOSE LUIS GOMEZ --

In 1997, in a distant galaxy (a small town in central Mexico called Penjamo), a team of legendary warriors (Fulfillment consultants led on-site by Lisandro Sagastume) established a settlement (manufacturing plant) to supply vital battle wear (jackets, coats and workwear) to a neighboring galaxy (US).

After five years, the settlement is threatened by multiple evil forces (introduction of new products, high turnover, and quality problems), and the warriors have been called back. After an initial exploratory incursion (manufacturing diagnostic) to define the battle plan, the team (**Jerry Armfield**, **Lisandro Sagastume**, and **Jose Luis Gomez**) is ready for action. We will support the local troops in regaining control of the process, decrease inefficiencies to improve operator productivity, and be in a position to satisfy the demanding needs originated by Carhartt's successful sales growth.

The project will focus on improving the local staff's abilities to:

★ Balance production lines and execute manufacturing plans.
★ Produce first quality product (decrease level of repairs, seconds)
★ Improve operator training to increase success ratio (100% efficiency) and minimize turnover
★ Improve other key performance metrics: lead time, inventory level.

We will fight the dark side of the force over a 16-week battle, after which we will assess progress and implement additional measures if required: May the force be with us...

INDUSTRY INSIGHTS

TOLLBOOTH TECHNOLOGY MEETS THE CHECKOUT LANE
(BY AMY CORTESE – NY TIMES ONLINE – JULY 7, 2002)

Millions of motorists in the Northeast have discovered the convenience of E-ZPass, which lets them move quickly through toll stations as electronic readers automatically deduct their fees. The system has become so popular that the consortium of states that operates the technology has increased its projections for its use to 53 percent of vehicles, from 35 percent.

Now, this technology is helping people zip through the rest of their lives with equal ease. Call it the new mobile commerce.

From gas stations to grocery stores to fast-food chains, merchants are experimenting with payment systems for a harried marketplace. Using radio frequency identification — or RFID — the systems automatically identify customers, who have set up credit or debit accounts with the issuer, and charge them for their purchases.

The RFID payment systems are similar in some ways to stored-value cards and the programmable "smart cards" used by Starbucks and a growing number of merchants. Those cards automatically deduct money for purchases from prepaid accounts or charge them to a personal account.

But RFID systems are much faster than other types of payment. There is no fumbling through a wallet, no punching in personal identification numbers, no signatures — and, most certainly, no Web browsing. All that is needed is a tiny device called a transponder that might hang on a customer's key chain and is waved in front of an electronic reader like a magic wand.

"Mobile commerce" once conjured up visions of the masses buying movie tickets and all sorts of merchandise on the go from their cellphones. But that vision, like so many overblown Internet expectations, never quite materialized. The high-speed wireless technology needed for such transactions has been slow to reach the market, mainly because it is so expensive. Cellphones, with their tiny keypads, have proved too cumbersome for much more than talking.

By contrast, RFID technology is about speed and ease of use. "There's a lot of technology in the marketplace, but this is customer-focused and simplifies peoples' lives," said Charles Clayton, programs manager for the Speedpass payment system at Exxon Mobil.

SPEEDPASS, which lets customers pay for gasoline and convenience store products at Exxon and Mobil service stations, has become a benchmark in the industry as well as a potential business for Exxon Mobil. Experiments are under way; for example, to let Speedpass customers buy food from McDonald's.

The system is programmed to know which account to charge and whether the customer prefers a receipt. In the future, Speedpass may be programmed to know that a customer doesn't want pickles on that Quarter Pounder.

More than 5.5 million people nationwide have signed up for Speedpass since it was introduced in 1997, and it can be used at 7,500 of the 16,000 Exxon and Mobil locations, said Jeanne Miller, an Exxon Mobil spokeswoman. She said the company is "adding new locations continually."

To read this article in its complete form, please contact Nicole DiStasio in the Atlanta Office.

ANALYST DESK

SITE SELECTION SHAKE-UP (FROM PLANTS SITES & PARKS MAGAZINE, JULY 2002, BY JAMES T. BERGER)
-- ROBERT FULGHUM --

A volatile combination of recent events-the cooling of a red-hot economy, the aftermath of the Sept. 11 terrorist attacks, the collapse of Enron-has had a sobering effect on the site selection process. "There are fundamental changes in corporate site selection," says John H. Boyd, president of Princeton, NJ - based The Boyd Co. Inc. "We are now in a softened and very fundamentally changed economy."

"The post- 9/11 world has made travel a huge site selection issue," he adds. "And the Enron debacle has shifted corporate attention from more qualitative issues to more quantitative issues, such as the integrity of the corporate books."

Lousy economy cures labor-shortage ills

"I see the economy as causing the major difference between the way things are now compared with 18 months ago," says Saul Grohs, principal of Location Advisory Services, in Fords, NJ. "Before, the main consideration was locating your business where you could find workers to meet your needs. Now there is far more labor available everywhere."

Tom Hamer, vice president of the suburban Chicago office of Moran, Stahl and Boyer agrees the employment model has changed profoundly in the past 18 months. "Companies were looking for qualified individuals they could train," he says. "Now it's more than just finding able bodies, it's finding people with specific skills."

As to geographic considerations, Grohs sees California softening because of the energy issue. "This has been purportedly solved, but there is some lingering uncertainty," he says. For stronger areas, Grohs points to the Rust Belt. "We're seeing a lot of activity in Michigan and New York State," he says. "The reasons are improved business conditions and more intensive marketing efforts from communities in some of these areas."

Boyd sees many advantages in relocating to Canada, especially in terms of the labor availability. He points to the favorable currency exchange rates and Canada's national health insurance program. "In the United States, a company will spend about 35 percent of its payroll for benefits. In Canada, it's 18 percent," says Boyd.

Hamer points out that Canada is still looked at as being "offshore." "There are clearly significant opportunities in Canada. If we are looking at 30 locations for a company, we will always include a Canadian alternative, and they generally compare favorably," he says. "However, a lot of companies are still uneasy about going to what they perceive to be a foreign country with different laws and different regulations."

9/11, Security and Site Selection

"Corporate air travel has emerged as a major site selection issue in the aftermath of Sept. 11," says Boyd. "In the pre-9/11 world, when we evaluated a city's air service, it was hardly a sophisticated process. You looked at how many non-stop flights there were to New York, Chicago or Los Angeles. It's all different now. A minor security breach at Laguardia might end up shutting down JFK and Newark as well," he adds. "It also might shut down bridges, tunnels or public transportation.

"Security issues have created tremendous inefficiencies when it comes to corporate downtime, and it has helped smaller cities," he adds. "The upshot is that many smaller markets with smaller airports that were overlooked in years past now appear more favorably. We call the criteria Executive Time in Transit, and it has become a

benchmark we use in evaluating airports." This criteria tracks the amount of time it takes for an executive to leave home, get to the airport, check in, fly to the destination, transact business and fly home the same day, explains Boyd. "The smaller, more manageable airports are more predictable," he says. "Cities like Milwaukee, Kansas City, Mo., and even Sioux Falls, SD, compare very well using this analysis."

Hamer believes companies have become more security conscious in their site selection criteria. "Security has always been an important issue, but in the past it was more a safety-around-the-plant issue," he says. "One of the things we have seen as a result of 9/11 is the desire of some companies to split up their operation and move a portion of it a mile or two away from the main plant or headquarters."

Enron Aftermath
"The combination of the Enron/Arthur Andersen mess and the dot.com collapse has focused attention on the integrity of the corporate books, and this has impacted the site selection process," says Boyd. "There is now a preoccupation with numbers. Venture capital firms are asking not only startups, but companies seeking second- and third-generation funding to 'show me the money' and are focusing on the fundamental costs of doing business."

"If you are not making a profit, they are not interested," he adds. "When it comes to site selection, the banks and venture capital firms are sharpening their pencils and asking hard questions: What will you be paying for labor when you relocate? What do you plan to pay for rent or per square foot?"

Gary Fazzio, senior vice president of CB Richard Ellis Inc., Oak Brook, Ill., sees more emphasis on value, including "rents, quality of the buildings, amenities, location, driving distances to and from employees' homes."

Exit Strategies
Now that the business climate has turned more conservative, site selection specialists are more apt to emphasize exit strategies in site selection.

"We always advise our clients to consider exit strategies," says Fazzio. "We recently consolidated the operation of an insurance company. The most efficient space configuration for them was a two-story building with 50,000 square feet on each floor. They needed to house 500 employees. We advised them against that location because of future considerations. We knew they would have a major problem putting this kind of space on the market because of the limited demand for this floor plate. Instead, we urged them to relocate into a three-story building because of exit strategy considerations."

Incentives Back in the Spotlight
Boeing's relocation of its corporate headquarters from Seattle to Chicago and the bidding war surrounding it has again turned attention to incentives as inducements in site selection decisions.

"The more experienced relocation consultants look to incentives as tie-breakers that can move a project up or down a notch on the location list," he adds. "The most important consideration is still finding the place where you can operate most efficiently—and then you look for incentives."

To view this article in its entirety, check out the following link: http://www.bizsites.com/2002/july/article.asp?id=94

July Celebrations

ANNIVERSARIES

Jeff Boudreau	07-01-1985	Iris Chang	07-14-1997
Neil Buck	07-06-1992	Marcos Corminas	07-14-1997
Josh Benton	07-06-1998	Valerie Levy	07-14-1997
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	Brad Griffith	07-19-1999
Richard Dec	07-10-1995	Michael Kellogg	07-19-1999
Randy Unger	07-11-1994	Colleen McGraw	07-19-1999
Rod West	07-11-1994	Benjamin Mokotoff	07-19-1999
Lynn Spuhler	07-12-1976	Mufaddal Moosabhoy	07-19-1999
Tim Copland	07-13-1998	Jujuan Timberlake	07-19-1999
Andy Johnson	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

John Champion	07-03
Enrique Morales	07-07
Sharon Gavron	07-10
Iris Chang	07-18
Benjamin Mokotoff	07-28
Dan Purefoy	07-30
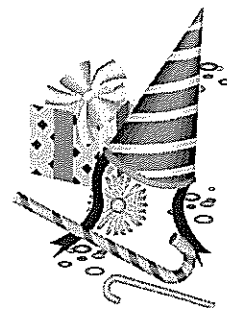
Quote of the Week...

"Of all the things which wisdom provides
to make us entirely happy,
The greatest
Is the possession of friendship."

Epicurus

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)
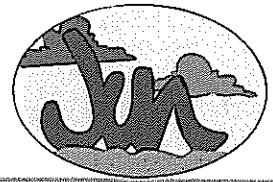
DIRECTOR'S CORNER
-- KEN WALKER --

CPG Logistics: An Update

Earlier this year we began two initiatives, one external and one internal, to re-establish and reinforce KSA's position of thought leadership in the CPG Industry, focusing on food manufacturers and retailers.

The external initiative under the sponsorship of the Grocery Manufacturers Association (GMA), the Food Marketing Institute (FMI – retailers), and Food Distributors International (FDI – wholesalers) has been completed. The final report has been prepared and will be reviewed with the trade associations this week.

Highlights of the survey findings, gathered during telephone interviews with more than 30 members of the sponsoring trade associations, include:

- The most important metric to both the manufacturers and retailers, the least understood and inconsistently measured (if at all) was "shelf in stock". This topic was a focus, as well, of the GMA Executive Conference where a study of Direct Store Delivered (DSD) products (bread, beer, soda, snacks, frozen pizza, etc), by Roland Berger, found a potential sales loss of 3% or $200,000 annually per average supermarket; a definite Supply Chain failure and opportunity for improvement.
- The second significant survey result was that there is a fundamental lack of trust between the supply chain partners. This was especially prevalent with the retailers as they compete fiercely for market share and are very concerned about manufacturers sharing performance and promotion information.
- Third, supply chain operations remain fairly inefficient. This inefficiency is due to a number of factors including conflicting sales/buying incentives and insufficient, inaccurate and untimely information resulting in excess inventory, and operational inefficiencies in both manufacturing and retail operations.

The trade associations' next step is to identify 1or 2 specific initiatives for further study leading to pilots of the recommendations and eventual trade association sponsorship of the resulting best practices.

KSA's goal is to stay as close as possible to the contacts in both the trade associations and their members that we have met and to participate in the pilots. To date we have made two well-received presentations at the GMA and FMI Logistics conferences and have three more presentations scheduled including one at the National Council of Logistics Management Conference.

Special thanks to **Jack Horst** and **Jon Mays** for their outstanding effort on this project.

The internal initiative, that was actually begun last year by **Dave Sterry** and others, is to develop a comprehensive vision of the Supply Chain of the Future for the Consumer Packaged Goods industry, and capture this vision in an appropriate set of thought leadership documentation supporting KSA services targeted at partnering with CPG companies seeking to use the supply chain as a competitive tool.

The project was structured in 3 phases:

1. **Understand Current CPG Supply Chains** - This phase developed an understanding of current CPG Supply Chain operations including activities, costs, and interactions between trading partners. (Complete)

2. **Develop Vision of Future CPG Supply Chains** - This phase developed a vision of how key CPG supply chains will evolve to meet broad goals for financial performance and customer service, with specific focus on how CPG manufacturers and retailers will leverage the supply chain as a strategic tool. (Complete, but as with any vision, always looking for additional stimulus and input.)

3. **Synthesis and Documentation** - In this phase, the team is developing appropriate documentation describing KSA's vision of the future for CPG supply chain operations. This documentation will synthesize the results of Phases 1 and 2, providing a descriptive guide for use by participants across the various CPG supply chains. (Underway)

An additional phase has been added where KSA will partner with a specific retailer and manufacturer to pilot a diagnostic methodology. The diagnostic methodology will assess the readiness of the retailer and manufacturer to implement supply chain of the future concepts and determine the impact (cost and benefit) of implementation on the retailers operations. Partnering with the retailer and manufacturer will allow KSA to refine the diagnostic methodology and gain valuable insight into communicating the supply chain of the future vision to target clients.

Core team members from all of KSA's Service Groups, under the leadership of **Jack Horst,** include **Jon Mays, Chad Doiron, Peter Hsia, Matt Katz, Trudy Van Dusen, Katherine Lackovic, and Susan Schaeffer.**

PROJECT POSTCARD
VIANNEY – A BREAK THROUGH IN DISTRIBUTION FOR LATIN AMERICAN CLIENTS
-- JOSE LUIS GOMEZ --

We recently concluded a distribution center design project for Vianney in Aguascalientes, in central Mexico. Vianney is a vertically integrated home textiles company with operations that include product development, fabric finishing and cutting, manufacturing, distribution, and retailing. They use a successful mix of marketing and channels to capture a major share of Mexico's market, and are also growing fast in the United States and Central America. The project started from an initial call to Alberto Pensado based on previous work for them in manufacturing, and a successful business development effort supported by **Torre Crupie.**

Mike Swift and **Jose Luis Gomez** executed the design over a period of 10 weeks after Alberto and Torre were called to arms for other projects (Mexico City and Japan) at the beginning of the effort. We developed a great relationship with the client, starting with a tour of KSA-designed facilities in Kentucky and Ohio that helped them evaluate the advantages of some operating concepts. The project will support Vianney's aggressive growth plans to:

- Grow unit volume 5.6 times by 2007.
- Increase productivity to multiply staffing requirements only by a factor of 2.2.
- Service three channels (wholesale, direct-to-consumer, and stores) from one facility while achieving service time of less than one shift for all orders.
- Improve key performance metrics such as inventory accuracy, total throughput time, and service time for direct-to-consumer orders.

Over the course of the project, we also gained valuable insight into new international territories and the endless opportunities to improvise while on the road:

- When attending a bullfight, keep your eyes on the action, not on the crowds' crazy stunts, or you may miss the afternoons highlight (no instant replay for that bull running over the bullfighter).
- Good business opportunities are everywhere: coming soon, Mike & Jose Luis' Japanese-style peanut snacks.
- Getting lost driving around Cincinnati in a cold January night, after 12 hours of touring facilities and as a snowstorm starts to unfold, may not be the best way to show your client that you are always in control.
- If the local festivities allow concessions to sell only alcohol-free drinks, be creative; buy your tequila at the next-door convenience store.

PERIOD 6 SALES

Client	Description
Barnes & Noble	2nd Extension to Base Plus in Building 100
Barnes & Noble	Facility Planning Conceptual and Detailed Design
Footstar	Wholesale/retail integration
GSI Commerce Inc. (Formerly Global Sports)	Expansion Planning Extension II
Nike, Inc.	Phase V at Shelby DC
STAPLES	PkMS Implementation Assistance - 6th Ext.
The Walt Disney Company	Evaluate the current storage and processing capacity for The Disney Stores DC. Develop models and strategies to manage future product flow.

SPECIAL DELIVERY
-- MUFADDAL MOOSABHOY --

Puff Daddy is a thing of the past! Now introducing the newest sensation... **MOOF DADDY!**

New album entitled "Beautiful Girl" was released at 4:49 PM on Friday, June 21st and shot straight up to number one on the charts.

Hit song titles include:

- Most Beautiful Girl Ever
- Mommy's Doing Fine
- It's My Party and I'll Cry All Night If I Want To
- And everybody's favorite... Diaper Dandy

Check out album cover
ON MOMMY'S SHOULDER (2 Days Old)

NEWS, NOTES, AND NONSENSE
TAKING TIME OUT TO VOLUNTEER AT THE MARTHA'S VINEYARD SUMMER CAMP FOR CEREBRAL PALSY
-- CAROLINE NELSON --

This summer will be my eighth summer at The Martha's Vineyard Summer Camp for Cerebral Palsy* (better known as "*Camp Jabberwocky*") working with adults and children afflicted with mental and physical disabilities.

KSA has helped make this possible by granting me a month's leave of absence in July.

How to get four weeks off work!
The first question I usually get asked about my up-coming leave of absence is "*how did you get 4 weeks off work?*"

Last summer was my first employed with KSA. I decided to take 10 days holiday to go back to Camp. Life at Camp is hard in terms of the hours worked and the physical demand the work places on us. We're all used to working long hours for our consulting projects so you can probably imagine how I felt at the end of 18-20 hour days, seven days a week for 2 weeks. Needless to say, at the end of my two weeks "holiday", I was exhausted!

With this in mind, at the end of my annual review in March I asked if KSA would consider allowing me to take a month "off" in July so I could attend camp this year. (I'd done my homework and walked into the meeting armed with a letter of reference from the Camp's Director explaining exactly what I would be doing at Camp and newspaper clippings about the Camp).

KSA expressed an immediate interest in my volunteer work and officially agreed a week later to a leave of absence (provided there were no client conflicts).

What I'll be doing in July
In short, I'll be living with one of the Campers, providing one-to-one care. In other words, I'll be doing everything that my Camper needs 24 hours a day (this includes a number of duties that I am not going to elaborate on!)

In addition, I'll have my daily chores -- cabin cleaning, laundry, helping out in the kitchen and washing dinner dishes for the whole of camp each night – and will take part in activities with my Camper. The activities include the Fourth of July Parade, preparing for the Play (this year we'll be doing "Hair" – or our adaptation at least!), swimming, riding, pottery, windsurfing, poetry, etc... the list is endless! Camp runs off the philosophy that if you want to do it, you can! So if one of the Campers decides that they would like to try something... we do it! (This usually means that we figure out a way to adapt sporting equipment to meet the needs of a particular Camper... ever seen some-one who's totally wheel-chair bound bouncing on a floating trampoline moored 50 yards out in the ocean?)

And then there's one last thing... Having studied Biology at University, I'll be running the practical science class at Camp. I've planned on having everyone make their own pinhole camera to take real photos with... I can't wait to see the results!

Why do I do it?
So I guess all you're missing from the story now is... why do I do this? Surely I could spend my month's leave dosing sleepily on a beach with a piña colada in hand.

Camp is important to me. The truth is, as emotionally and physically challenging as the work is, Camp energizes me. It reminds me of what really matters in my life and where my priorities lie. At Camp, it doesn't matter what you

ook like, it doesn't matter what your job is and it certainly doesn't matter if you can't move a limb or two or control a few muscles in your body. What does matter is who you are as a person... what kind of attitude you bring to the activities you take part in, how easily defeated you are, how genuine you are.

It's hard to be negative about an activity when a Camper who's unable to control a single muscle in their body is excited about trying out horse-back riding for the first time. How can you let yourself be defeated when you watch a 32-year-old spend the whole summer trying to walk on his own (and falling down EVERY time)... and then see his efforts pay off after a second summer of practicing as he takes the first 3 unassisted steps of his life? How can you not be genuine about life when you live in such an inspiring place?

I think there are far too few places like this left and when I say that Camp energizes me, what I mean is that it reminds me of who I really am, how I really want to be and that, with effort, I can do anything. Oh yeah – and Camp is great fun too!

And finally...Thank you!

I'd just like to say thank you! Not only has KSA been very supportive in offering me a leave of absence but a number of fellow KSAers have donated to *The Riding at Jabberwocky* fund that I have spent the year setting up. This fund pays for the horseback riding program – an activity that not only loosen muscles (which is especially important to wheelchair-bound campers) but helps build the necessary confidence to encourage campers to try out other activities.

The Martha's Vineyard Summer Camp for Cerebral Palsy (better known as "Camp Jabberwocky") is a summer camp in Massachusetts for children and adults afflicted with cerebral palsy, a neurological disorder marked by impaired motor (and sometimes mental) function. Other campers suffer from disabling conditions such as spina bifida, Down's syndrome and mental retardation.

Quote of the Week...

"Difficulties are meant to rouse, not discourage.
The human spirit is to grow strong by conflict."

-- William Ellery Channing --
American Unitarian Minister, Author

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)

6
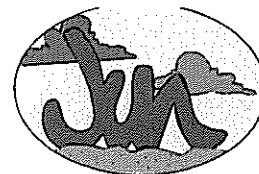
DIRECTOR'S CORNER
-- MIKE SWIFT --

Beverage Distribution -- An Enormous Opportunity for KSA

Coca Cola Enterprises (CCE) is the world's largest distributor of beverages. Their job is really pretty simple -- just mix together sugar, flavoring, CO_2, and water, pour it into bottles, sell through lots of channels, and distribute. Their challenge is to do this in huge volumes. CCE distributes Coke and related brands to 85% of the USA population and many others around the world. Those red CCE delivery trucks are seen by millions of people every day.

KSA has just completed a project that established performance standards in 3 of their 450+ North American distribution centers. I had the opportunity to work with a very strong fulfillment team selling and delivering this project -- **Neil Buck, Han Nguyen, Mufaddal Moosabhoy, Rich Dec** and **Britt Dayton**.

This project has proven a few things to CCE's management:

- First, we have clearly identified an opportunity for CCE to increase productivity in three of their best facilities. The savings they can achieve in these buildings can be replicated or surpassed in hundreds of other facilities. These savings can be measured in tens of millions of dollars annually.
- Second, we have identified standardized approaches to measure performance across the three facilities, which we believe can be quickly rolled out across the network. Although it is a huge task to even enter 450 buildings, the approaches for measurement, feedback, and reward will be very similar. This project can have incredible leverage.
- Finally, CCE has developed enormous confidence in the skills and motivation of our KSA team. We brought them a first rate team, and KSA delivered in spades.

Most importantly, this project has helped open the door a little wider into the beverage industry. Most people we have met in this business have worked in the Coca Cola and/or Pepsi systems, and they all seem to know each other. Like most businesses, the beverage industry believes that their issues are unique, and want to work with consultants who know their business. In close coordination with the strategic consulting position our Swander Pace colleagues are developing, we can use projects like this one to open the door into the operational side of the beverage industry.

CONSULTANT SPOTLIGHT
-- STEVE OSBURN --

"If I have seen further it is by standing on the shoulders of giants."

-- Attributed to Sir Isaac Newton --

Maybe it is the Texan in him, but Steve Osburn is a guy who seems to enjoy taking big steps in life.

In the late spring of 1998, Steve turned 23, graduated from Texas A&M University in College Station, Texas, was married a week later and then took his new bride on their honeymoon. Within a week of returning from their trip to Jamaica, Steve and his new bride Teresa were off to Memphis where Steve started his first assignment with KSA when he joined the team working on the Nike retrofit project.

In the four short years since diving into the KSA culture, Steve has stayed busy working on 3 PkMS installation projects, assisting in CPI implementation in the UK for TDG Logistics and leading a Base Plus project for Newport News, Inc. He credits Teresa for keeping a positive outlook, saying, "anyone who complains about being a relocator should try being a relocator's wife! Each time we moved, she had to find new jobs, friends, etc., and she is still with me!" The best part of the KSA experience according to Steve is the people he has met working on projects. "The people make the projects fun – and successful too!'

Steve and Teresa made the most of their nine month KSA assignment in the UK by taking weekend trips whenever possible. Their short visits to Venice, Amsterdam, Paris and Ireland spurred the couple to take a month off following the project completion to travel through Europe. Their extended trip took them through Germany, Switzerland, Italy, Greece and Turkey.

Steve comments that in an attempt to completely escape American culture, he and Teresa searched high and low through the duration of their travels before finally finding a city in Turkey where there was no McDonald's. They also found Steve's all-time favorite restaurant in Venice, Italy. He doesn't remember the name of the sidewalk café, but says the sights, sounds, smells and food were unforgettable. The wine was too!

Along with being a world traveler, Steve might also be called a music buff. Growing up the son of a music teacher got him involved with music at a young age. Steve recalls his first concert as Hall and Oats on the "Owner of a Broken Heart" tour, and has recently seen shows by Poison, David Lee Roth, Cinderella, and the Kingston Trio, all bands he loved growing up. His brush with one of the guitarists from the band KISS at the Atlanta airport a few years back was eye opening. Steve says of the encounter, "it was interesting to see what 25 years of being a rock star will do to a person (it wasn't a pretty sight!)."

While he is still waiting for his own 15 minutes of fame, Steve did note that he won a 'best legs' competition in the 7th grade.

Currently settled in Atlanta, Steve recently began work on a new Strategy project for Disney. Steve and Teresa live in the Gwinnett County, Georgia Suburb of Snellville where Teresa teaches school.

INDUSTRY INSIGHTS
FINDING THE SWEET SPOT (BY JEFF ASHCROFT - LOGISTICS.ABOUT.COM 6.10.02)

Tennis and golf are on the minds of many at this time of year.

One of the secrets for success in both of these games is to find and consistently hit the ball with the sweet spot of your racket or club. The resulting increase in both distance and power can be astounding and make the difference between winning and losing in these competitive sports.

Likewise in these competitive times in freight transportation management there is also a sweet spot that one can hit to outperform their competition. Many it seems are unfamiliar with this sweet spot, or perhaps choose to ignore it, avoiding the inconvenience (and perhaps additional work) required of the logistics manager to operate transportation with a mix of both common carrier and fleet. Some simply use common carriers for all volumes, or on the flipside, fleet managers stick with the status quo where the solution has always been to use your own or a third party dedicated fleet for one hundred percent of deliveries.

This sweet spot relates to the break point in your transportation service area between where you use common carriers and where you operate your own or a third party dedicated fleet. Hitting this sweet spot instead of opting for an all or nothing solution of either all common carriers or all fleet operations can mean significant transportation savings in many cases.

Typically urban areas with a high density of customer deliveries can often justify the operation of a fleet whether you directly own and operate it, or use a third party to operate it for you on a dedicated basis. Additionally, a spin off benefit is the ability to outfit these vehicles graphically with your corporate logo and or marketing message enhancing brand recognition in these typically heavily populated areas.

So how do you find the sweet spot? Well depending on your company size, budget and/or technical capabilities there are a few different options. But in all cases you require detailed information on your current shipments relative to location, size and frequency.

For completely non-technical individuals who are unfamiliar with the use of even a spreadsheet, the option is to collect all of your outbound shipment information and sort it into rural and urban deliveries. Depending on if you are currently all common carrier or all fleet operations there are different next steps required. For those who are all common carrier, select one to three reputable dedicated fleet operators in these areas and provide them with the urban shipping information requesting a dedicated fleet quote. For those who are currently all fleet deliveries, select one to three quality common carriers again operating in the areas under review and provide them with the rural shipment information.

Once you have received the responses, you are then ready to identify potential savings opportunities. Simply compare the current common carrier costs for the urban area with the proposed dedicated fleet quotes, or compare your current fleet costs for the rural areas with the common carrier quotes. Although by no means rocket science, you may be pleasantly surprised with the potential savings identified through this process. And for current fleet operators, keep in mind the potential cost to reduce in-house drivers and downsize the fleet depending on equipment age and method of financing of any vehicles made redundant through this process.

BRAIN TEASER

Do you know?

1. Who built the first modern computer?
2. Who invented the air conditioner?
3. How does a fan cool a room?
4. What was the first instant coffee?
5. When was color television invented?

Quote of the Week...

The most wasted of all days is one
without laughter.

**-e.e. cummings, poet
(1894-1962)**
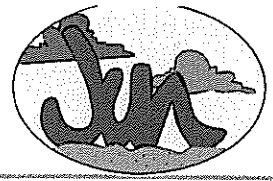
DIRECTOR'S CORNER
-- LYNN SPUHLER WITH THANKS TO STEVE NEVILL --

Sales? Fees? Utilization? Margins?

Phil's recent memo on the metrics we are using to trigger reinstatement of the 6% salary adjustments created a number of questions. Quite a number of the questions revolved around the definitions in KSA of terms such as sales, gross margin, fees, etc. Hopefully the following explanation will help to clarify our terminology and provide some insights about how we measure our performance internally.

Sales

Is the gross amount in dollars that we report a project "sold" for (excluding expenses). It is our expectation that all of the "sold" dollars will turn into fees. However, sales are really a measurement of the dollars clients have authorized us to spend in the delivery of a project. Therefore, our sales dollars are an excellent indicator of our future fees but do not in themselves represent income to KSA.

Many of KSA sales today are for projects that involve more than one service group. Therefore, when we declare "sales" dollars, we report the client name, description of the project, and an estimation of how much of the project will be delivered by each service group. In this manner, we can then begin to project our future skills and staffing needs by service group for the project.

Fees

Are a direct result of everyone billing. If you take all the hours you turn in as billable hours and multiply by your billing rate for each project, you get your fees for the period. When we add everyone's fees billed together in Fulfillment we get Fulfillment fees. So it is a gross billed number and represents what we send a "bill" (invoice) to the client for in order to get paid for our work.

Since fees are in dollars, it is sometimes difficult to quickly determine how we are performing. (Just like in a Base Plus project, it is difficult to really understand performance if all we know are the total SAM's.) Therefore, we measure our performance by calculating *utilization*. To make matters even more complicated, we measure utilization in two ways -- utilization compared to budget and capacity utilization. Every one of us has a budget of the minimum dollars we are expected to bill each period. We also have a theoretical capacity -- the total amount of dollars we could bill if we billed 160 hours each period at our budgeted rate. By taking what we actually bill in dollars divided by either the budget dollars or the capacity dollars, we get a utilization compared to budget or a capacity utilization respectively.

For example, suppose my budgeted billing rate is $100/hour. I automatically have a $16,000 capacity per four week period (160 hours X $100/hour). If my budgeted utilization is 75%, I would have a $12,000 budget per period. If I bill 120 hours in the period at $100/hour, I would be 100% of my budget, and 75% of my capacity for that period. Capacity lets us know how much "untapped" billing potential we have at any point in time.

There are two ways to exceed your billing budget. You may be billing more than your budgeted rate or you may be billing more hours than your budgeted hours. (For example, on many projects we bill 10 hour or 9 hour days because that is a more accurate reflection of how much we actually work.) The simple goal is to ensure that we hit 100% of our budget or better each period. In reality, you need to periodically surpass (>100%) your budgeted

number to "bank" some dollars for those periods where you are on the beach or investing in sales, or to help a teammate who is in that situation. Each one of us is our own independent financial engine, and have a responsibility to maximize our revenue.

Then what is the *gross margin* Phil referred to in his memo?
Fundamentally, that is the "operating profit" we realize in KSA. It is calculated by taking all the expenses related to operations of the business and subtracting it from the fees. For example, the Fulfillment gross margin for any one period is simply a summation of all the fees everyone billed for the period minus all the direct expenses we paid (salaries, office expense, unbilled travel expenses, etc.) in that period.

Percent gross margin
Is the gross margin divided by the fees. Therefore, a 40% gross margin means we made an operating profit of $40 for every $100 of fees that we generated.

Where does all that money go!!!
In some form or another, right back into KSA. Some of the gross margin dollars are used to cover corporate expenses not directly associated with any one service group (Dept T or advertising expenses for example). Some of those dollars are retained by the firm as profits for future investments. Some are used to pay taxes.... And most importantly, gross margin dollars are the originating source of all of our year end bonuses.

So, sales lead to fees. Fees are the cornerstone of our measurements because they lead to gross margin dollars. In KSA, utilization is directly linked to gross margin and ultimately our CPS and bonus pools. Since most of our costs are fixed, when we hit 100% of our budgeted utilization, then our bonus pools are funded at their full rate.

Hopefully this explanation has helped. If you have any questions, please ask someone so that the terms we use in KSA in the future have the same meaning to all of us.

INDUSTRY INSIGHTS
-- BRITT DAYTON --

The Logistics Institute at Georgia Tech has announced the results of an inventory management focus group that included representatives from 14 industry-leading companies. The Logistics Focus Groups were asked to list the top factors in warehousing, transportation and procurement that influence inventory turns and fill rate. The results were as follows:

Warehouse Factors
1. *Inventory accuracy.* Lack of trust breeds just-in-case inventory.
2. *Number of SKUs.* More SKUS means more safety stock and less attention to problem SKUs.
3. *Number of Warehouse Locations.* The amount of inventory in a logistics network is proportional to the square root of the number of stocking locations (i.e. warehouses). Fewer warehouse locations translates to less inventory, primarily safety stock.

Transportation Factors
1. *Mode Choice.* Slower modes yield excess in-transit inventory. Less reliable modes yield higher safety stocks.
2. *Delivery/pick-up frequency.* More frequent shipments reduces cycle stock inventory.
3. *Routing.* Favorable routes and schedules reduce in-transit stocks.

Procurement Factors
1. *Leadtime.* Longer lead times mean lower forecast accuracy and excess in-transit inventory.
2. *Quantity/order amount.* Half the purchase order quantity stays in the system. The lower the purchase order quantity, the less inventory in the system.
3. *Purchase price.* Quantity discounts are special opportunities to procure but yield higher inventory levels.

ANALYST DESK
ACCURATE SMALL AREA POPULATION FORECASTS
-- ROBERT FULGHUM --

Quarterly Population Estimates Are Available.

Dakota Worldwide Corporation in conjunction with Synergos Technologies has announced the release of quarterly population forecasts by block group for the U.S.

Elliott Olson states that the reason they started doing their own estimates is because the conventional methods did not have the small area accuracy that their clients in the petroleum, restaurant, pharmacy, grocery, banking and mass merchandising needed to stay ahead of competition. In addition, clients doing statistical analysis on their customer and trade areas really needed more accurate population and income data to reduce the static levels in the analysis process.

"We really saw the shortcomings of the traditional approaches when we compared the 2000 actual with the 2000 estimates. We knew there had to be a better way and we found it. Growth can now be pinpointed to smaller and more precise areas than has been previously possible."

Greater accuracy is achieved with a proprietary bottom-up methodology. We start at the lowest level of geography possible – ZIP+4 – and move up the ladder of standard US Census Bureau geography. ZIP+4 works well because it is extremely detailed with over 28 million records, covers all major population centers, can be statistically adjusted, and can be aggregated into any geography necessary. Since ZIP+4 is specific to a group of houses (typically 4 to 12) or a building, we can literally see structures come "on line" as they are finished being built and occupied or in some cases demolished. We use a series of checks and balances to validate our results by consulting with other state and federal agencies whose data is independently gathered. Since our method and controls stem from entirely different sources we are able to provide the most unbiased estimate possible.

Dakota Worldwide Corporation is an authority in market analysis and is the number one provider of market analysis software for the supermarket industry. Synergos Technologies is an Austin, Texas based desktop mapping consultancy and developer of software data and demographic tools.

For more information, contact Elliott Olsen at 952-835-4505 or 1-800-475-4505 or check out the Dakota Worldwide Corporation website at http://www.dakotaww.com

Happy Father's Day!

What Makes A Dad?

God took the strength of a mountain,
The majesty of a tree,
The warmth of a summer sun,
The calm of a quiet sea,

The generous soul of nature,
The comforting arm of night,
The wisdom of the ages,
The power of the eagle's flight.

The joy of a morning in spring,
The faith of a mustard seed,
The patience of eternity,
The depth of a family need,

Then God combined these qualities,
When there was nothing more to add,
He knew His masterpiece was complete,
And so, He called it ... Dad

-- Author unknown --
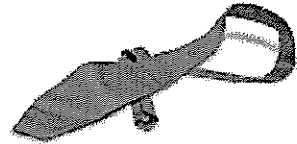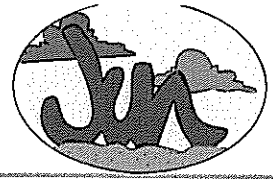
DIRECTOR'S CORNER
-- LISANDRO SAGASTUME --

Going home... the Grupo Beta project.

It is not every day that I get a chance to visit my hometown – Tegucigalpa, Honduras, much less to work there! Last week, Jose Gerardo Ayala, Jim Neal, Jennifer Pritchard and I kicked off a project for Developing Full-Package Capabilities for Grupo Beta.

Grupo Beta is an apparel assembler/manufacturer that primarily exports products such as t-shirts, panties, slacks and placket shirts to the USA and Canada, producing over 100,000 dozens per week. Its main business objective is to develop a large scale, full-package, private label business with major retailers, while retaining their current apparel assembly business.

In 2001, Grupo Beta began their first full package t-shirts program and will increase this production threefold within the next six months.

Apparel manufacturers that transition to full-package delivery face various challenges throughout the process. KSA will work with Grupo Beta to define where the greatest challenges exist and to create programs to address them. Target areas include:

- Forecasting demand
- Creating effective sales and marketing organizations
- Tracking the progress and managing the complexities of prototypes, costing, specs, etc.
- Clearly defining roles
- Co-ordinating with customers to meet expectations
- Resolving production challenges with new designs
- Competing with other new entities (new retail private label groups, etc.)
- Achieving cost targets
- Procuring fabric and trim items
- Tracking "Available to Promise" and "Open to Ship"
- Managing inventory and risk

To facilitate the growth of its business and ensure its success, Grupo Beta will need to quickly transform its organizational structure, standard operating procedures (SOP's), and supporting tools to manage the business and strategically position it for the projected growth.

Jim Neal, an expert on World War II aircraft, is eager to go back to Tegucigalpa and visit the Honduran Air Force Museum to see one of the last "Corsairs" that is in operating condition. He found the following website of the Latin American Aviation Historical Society - www.laahs.com. Check out the articles section for "The Catracho Corsairs" - a complete history of Corsairs in service with the Honduran Air Force.

INDUSTRY INSIGHTS
HONEY, I SHRUNK THE STORE
FROM NEWSWEEK, JUNE 3ᴿᴰ ISSUE – BY DANIEL MCGINN

Sensing that some of their customers are tired of trudging through stores the size of airplane hangars, big retailers, like Wal-Mart and Home Depot, are starting to think small. Like many major retailers, Home Depot has begun opening smaller stores; the Brooklyn location (bottom) is less than half the size of the conventional superstore (top)

Photographs by Joshua Lutz

At first glance the Home Depot in Elizabeth, NJ, looks like the rest of the chain's 1,385 locations. But inside, it's clear the store is a new twist on the familiar big box. Gone are the shelves that reach to the ceiling; instead, racks are lower, eliminating the feeling that you're trapped in a hardware jungle. Looking for the lumber department? Good luck: this store carries only a few two-by-fours. The biggest difference: at 41,000 square feet, this Home Depot is less than one-third the size of the chain's typical orange warehouses. The Elizabeth location is one example of an innovation that may play a big role in the future of Home Depot and other megaretailers: smaller stores.

It's a surprising reversal. Since the 1980s, Americans have migrated to giant "category killers" like Staples and Circuit City, "supercenters" that combine groceries with mass merchandise, and warehouse clubs, where shoppers forgo niceties like grocery bags in favor of cheap stuff stacked to the rafters. But across the shopping landscape there are signs that the supersize-it formula is evolving. Some of the nation's leading big-box retailers—Wal-Mart, Home Depot and Best Buy among them—are opening Mini-Me versions. For some chains, it's a strategy driven by real-estate constraints and demographics. But it's also driven by a sense that although shoppers love megastores' huge selection and low prices, they're getting tired of spending Saturday afternoons trudging through stores the size of airplane hangars.

Wal-Mart leads the way in this small-store-chic strategy. While supercenters remain the company's big growth engine, the chain has also quietly opened 31 smaller Neighborhood Market stores in Arkansas, Texas, Oklahoma and Alabama, and it's opening as many as 20 more this year. At 50,000 square feet, they're itsy-bitsy compared with Wal-Mart's biggest stores. But with Neighborhood Markets, Wal-Mart is re-creating the traditional grocery store, eliminating its selection of everything from patio furniture to exotic fish and aiming to woo shoppers with easier parking, less crowded aisles and quicker checkout. Customers like Sheila Bernard of Haltom City, Texas, find that appealing. She used to do her major grocery shopping at megastores, but now she's buying almost all her food at

Neighborhood Market. "You don't need to walk through the garden or clothing or automotive departments," she says. "You zip in, get what you need and leave."

Small stores also help chains with an Alexander complex: having no new worlds to conquer. Within a few years electronics retailer Best Buy will have locations in every market with enough people to support its traditional 45,000-square-foot stores. To keep growing, it's opening stores that are two thirds that size, suitable for smaller communities. "These megastores are trying to find a way to capture the populations in these small markets," says retail consultant Kurt Barnard. Walking through the newly opened "small market" Best Buy in Newington, Conn., manager Joe DeWald points to subtle differences: His store has seven racks of CDs instead of the usual 12. Its appliance department has limited sizes and colors. Managers hope that whatever customers can't find in their smaller stores, they'll order from Bestbuy.com. James Damian, senior VP for store design, is now working on 20,000-square-foot stores for even smaller towns. It's a challenge, he says, since size is part of the brand identity. "You don't want to go too small," he says.

Not every chain will get it right the first time. In 1998 Home Depot opened four small Villagers Hardware outlets in New Jersey, including the Elizabeth location. They carried tools, housewares and decorating accessories, but not basics like lumber and appliances. Home Depot says the prototypes were a great learning experience, but earlier this year it abandoned the format, converted the four locations into small Home Depots and opened version 2.0 of its small-store initiative, an "urban format" in the Mill Basin section of Brooklyn, N.Y. The new goal is to shoehorn downsized Home Depots into the smaller plots of land in cities. At 61,000 square feet, Mill Basin is still less than half the normal size. Aisles are six feet wide instead of eight feet, and the store carries 30 percent fewer items (no need for riding mowers in the city). But it still stocks mainstays like lumber and adds urban essentials like closet organizers. "You have to put in what really sells," says store manager James Duffy. "There's not a lot of room for mistakes."

Outside observers expect retailers to face a learning curve in adapting the big-box formula to smaller spaces. But in the long run they're encouraged by early signs that shoppers may grow to prefer convenience over endless selection; some pros speculate that chains like Target, Kohl's and Toys "R" Us may follow the trend. "It's almost like you have to buffer all of that big-box abundance with something more intimate and less overwhelming," says Candace Corlett of WSL Strategic Retail. Anything that reduces the stress of shopping in the big-box jungles will be a welcome relief.

IMRA

FEDERAL RESEARCH PANEL URGES HIGHER TRUCK WEIGHTS

A national research panel has recommended increasing to 90,000 pounds the maximum weight for tractor-trailer combinations (up from the current 80,000 pound limit). The study was conducted by the Transportation Research Bureau (TRB), an arm of the National Research Council, which is affiliated with both the National Academy of Science and the National Academy of Engineering. The study, mandated by a major 1998 highway law, was released on May 16.

The TRB panel's report estimates that moving to the higher limit it recommends would cut by more than 3 percent the total miles driven annually by large trucks, reduce national transportation costs by $5.2 billion (a reduction of about 2.6 percent), and simultaneously lower accident levels and wear on roads. The TRB panel report noted that current U.S. weight levels for six-axle trucks are lower than those used in most of the rest of the world.

The research panel also recommended changes in current formulas for weights on bridges, and suggested that more frequent inspection of bridges would be more efficient than imposing too-low weight limits. The report further urged state governments to authorize tests of the heavier trailers, to give the U.S. Department of Transportation data for analyzing the higher limit's impact on safety and efficiency and for considering other, possibly higher weight limits.

The full text of the study can be read at: http://gulliver.trb.org/publications/sr/sr267.pdf.

BRAIN TEASER ANSWERS

1. What is the brightest star in the nighttime sky?
    Sirius, also called Dog Star, located in the constellation Canis Major, approximately 8 light-years from Earth
2. British political leaders Robert Walpole, Earl Grey, and Lord Melbourne, and American leaders Henry Clay, Daniel Webster, William Henry Harrison, and Millard Fillmore were all associated with what political party?
    Whigs, most common from 1720 - 1840
3. What former child movie star later served as U.S. ambassador to Ghana from 1974-1976 and Czechoslovakia from 1989 to 1992?
    Shirley Temple
4. What's the first number greater than one million that's divisible by 9 (and how can this number be determined without dividing)?
    1,000,008 sum of digits equals 9

Kudos to Torre Crupie and Mike Kincaid for submitting all the correct answers!

June Celebrations

ANNIVERSARIES

ASHRAF EISA	06-02-97
BRAD SAMPSON	06-07-99
J.D. DENSMORE	06-08-98
STEVE OSBURN	06-08-98
JIM SEVERYN	06-16-80
ENRIQUE MORALES	06-17-96
MARK MESSINGER	06-17-96
TODD BARR	06-18-73
JEFFREY SAULS	06-19-98
KEVIN KNIGHT	06-19-00
DAN BRUCE	06-23-98
NICOLE DISTASIO	06-23-97
GABRIELLE PYLE	06-24-85
MARIANNA LA VECCHIA	06-26-00

BIRTHDAYS

JOHN KARONIS	06-01
J.D. DENSMORE	06-04
FRANK LEGGIO	06-08
TROY VAN WORMER	06-09
ROBERT FULGHUM	06-14
LYNN SENIOR	06-15
VIKAS CHINNAN	06-16
KEVIN BAIRD	06-19
NEIL BUCK	06-19
ELIZABETH CLARK	06-25
IGNACIO FELIX	06-25
AL SAMBAR	06-28

Quote of the Week...

*"Don't compromise yourself.
You are all you've got."*

-- Janis Joplin --

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)
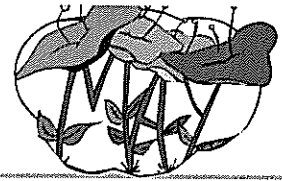
PROJECT POSTCARD

BARNES & NOBLE

-- JOSH BENTON --

Over the past 8 months, the project team at Barnes and Noble has been implementing the Personal Recognition and Incentive for Dedication to Excellence (PRIDE) program. The team has fluctuated throughout the project, but was able to deliver another successful Base Plus implementation. Over the course of the project, the KSA team has experienced:

- ❀ Preparation for wedlock (Jesus Baltazar – Josh, do I really want to do this?)
- ❀ Entry into wedlock (Josh Benton – Where's my ring?)
- ❀ Entrepreneurial Spirit (Dan Ulicny – Call 555-5555 if you need your house painted)
- ❀ Military calling (Kevin Baird – Which way to Afghanistan?)
- ❀ Return to business school (Max Duque – If you are ever in Atlanta, swing by Emory)
- ❀ "Dirty" Spanish (Joe Raines – What does %$#& mean)
- ❀ "Shady" MIT math (Steve Lefkowitz – No, this makes perfect sense)
- ❀ Speed Talking (Evelyn Hum - SurewecanwatchFriendsatmyplacetonightwhattohaveChinese?)
- ❀ A Canadian (Lori Digula – Did you hear that Canada won the Gold in hockey, eh?)
- ❀ Marine Training (Sean Whitehouse – He brings a whole new meaning to standard scrubbing)
- ❀ Marriage Counselor (Jane Griesinger – Do not paint the bedroom without consulting your wife!)
- ❀ Harry Potter fan (Jim Severyn – Could Jim really be Professor Dumbledore?)

The implementation for Barnes and Noble was in their "backlist" building which supplies ongoing inventory for the retail stores as well as any orders for Barnes and Noble.com. The building has over 300 employees working two shifts, which over 95% speak Spanish as their primary language (thank goodness for Max and Jesus). The PRIDE program was implemented in the majority of operations covering over 90% of all employees including receiving, putaway, restock, replenishment, and picking. In the first two operations (picking and replenishment), Barnes and Noble saw over a 20% productivity increase in the first week and in the picking operation, a 50% increase in productivity over the historical average.

During the Barnes and Noble implementation, the project team worked very hard with the WMS provider to capture the pay variable for the standards (if some of you are thinking that 8 months is a long time for a Base Plus project, here lies the majority of the reason). The provider used typical systems lingo, "Sure we can do that", at the beginning of the project, but were not able to complete many of the pay variables requested. Once the programming was complete, the WMS does do some very helpful items:

- ❀ The majority of pay variables can be captured on a real time basis to give feedback to employees immediately after coaching sessions. The future goal is for performance to be calculated by the WMS "real time", as well as coaching records maintained in the WMS for management use.
- ❀ Supervisors approve both time and pay variable information on a daily basis within the WMS.

Note: after this project, the KSA project team recommends keeping time tracking (ex. Kronos) separate from the pay variable tracking in the WMS for ease of management and tracking.

The Barnes and Noble implementation team was also one of the Beta test sites for using Palm Software for capturing time information (Contact Evelyn Hum for additional technical information). The software has many benefits to traditional "watch and board" study. The most obvious advantage is the reduction in summarization time at the end of the day. We were able to cut summarization from about 2 hours to approximately 10 minutes using the software for the picking standard! This allowed more time on the floor and less time with a calculator in the office. Other benefits include the ability to focus more on the employee completing the operation, able to measure elements with smaller times, more precise (measures to thousandth of a minute), easier to use in abnormal conditions such as on MHE, and systematic records of data for later use. The Barnes and Noble team highly recommends using this technology on future projects, and training the client engineers on the software as well. The total investment for the package is limited (Under $1000) which is easily paid for in the time saved for summarization.

We did discover one major disadvantage to the Palm time study...The Palm is not capable of withstanding a Drop Kick from a Mexican soccer player (Right, Jesus?).

Overall, the team at Barnes and Noble was able to implement the PRIDE program successfully and have some fun while doing it. The Barnes and Noble client team is prepared to continue with the program after KSA departs. KSA is working on selling additional work for the rest of Barnes and Noble's distribution centers as well as some design work for future capabilities.

L-R: **Kevin Baird, Josh Benton, Jesus Baltazar, Max Duque, & Evelyn Hum**

INDUSTRY INSIGHTS

PUTTING YOUR WAREHOUSE ON SPEAKING TERMS

INDUSTRY BEGINS TO LISTEN TO THE BENEFITS OF VOICE SOLUTIONS FOR ORDER PICKING (FROM FOOD LOGISTICS MARCH 15, 2002 BY ANDREW KAPLAN)

Voice-based order-picking solutions have been available for some time now, but many food companies have so far been hesitant to use them. The food industry's razor-thin margins and overall conservative nature means most companies need a pretty good reason before they invest in pricey new gadgets.

But experts say a number of factors have now converged to make voice-based solutions more attractive to the industry. First, in a trend common to technology, the systems themselves have grown more powerful while their prices have continued to come down.

Second, some of the technology's quirks have been ironed out: systems typically now use spoken voices which are easier on the ear; the systems are no longer thrown off as easily by noisy environments and the worker terminals themselves have become lighter and more comfortable.

One company that recently took the plunge into voice is the Ankeny, IA-based Perishable Distributors of Iowa, a wholly owned subsidiary of the privately owned supermarket chain Hy-Vee Inc. Jim Brandt, vice president of warehousing, says the company rolled out the Vocollect Talkman system after considering the technology for several years.

"The only thing I wasn't comfortable with when I looked at the technology a number of years ago was that the voice sounded very bad. It seemed to me it would have been annoying to have a system that sounded like your computer. Well, that's gotten a lot better. And the price has come down," he says.

For other companies, such as the Abingdon, VA-based supermarket retailer K-VA-T Food Stores, it took first gaining enough confidence in the radio frequency (RF) technology on which voice solutions are built before taking the leap into its first system.

"Over the past six or seven years, the RF technology has infiltrated every part of the logistics and warehousing operation," says Paul Widener, distribution systems manager for K-VA-T, which also uses the Talkman system. "So there has been the process of gaining a comfort level with RF as a viable option that can work for us. The next step is, 'ok, where can we apply this technology in other areas to gain some sort of operational benefit?'"

In some cases, the push could come from external forces as well. Robb Lockie, director, information systems, Atlas Cold Storage, Toronto, says it took the needs of a new customer, Saputo Cheese, Saint-Leonard, Quebec, to convince his company to try out the new technology, a system from SyVox Corp., Boulder, CO. "We had to do the catch-weight and nothing was bar-coded," Lockie says. "So we had to come up with some way of doing it without having to hand write everything."

As Tim Zimmermann, vice president of sales and marketing for SyVox Corp., Boulder, CO, explains: "Having a pencil and paper with gloves in a freezer is not exactly the productivity that a lot of people are looking for."

Phenomenal Growth

"The growth has been phenomenal," says Larry Sweeney, the Pittsburgh-based Vocollect's vice president of marketing and one of its founders. "It's because the technology is becoming accepted. The speech recognition is better, the ergonomics of the unit are better, and the headsets are more comfortable. It's the culmination of all of these things coming together which is really causing market acceptance at this point."

In fact, attitudes have changed to such a degree that the food industry is now "the most aggressive adopter" of voice solutions, according to Ken Finkel, vice president of sales and business development at Voxware, Princeton, NJ, provider of the VoiceLogistics solution.

Finkel says the success companies are having with the systems have encouraged others to try it. "The data shows that it works and delivers a benefit," he says. "And it's a technology that delivers increased productivity, higher levels of accuracy among a very diverse and sometimes transitory workforce. It's all pointed to the fact that this stuff is ready for prime time."

Adds Zimmermann of SyVox, maker of the "Speechnet Logistics" solution: "The processors have gotten faster, the solutions have gotten smaller, battery life has increased—all of this is attributing to the increased usage and acceptance of the technology in this industry."

Many Pleasant Surprises

Food companies use voice-based order-picking solutions in the warehouse to boost the speed and accuracy of their operations. Order-pickers are able to discard the cumbersome paper associated with picking product, freeing up their hands to do their work quicker and with less distraction.

Here's how it works: Picking lists are downloaded via RF onto the voice terminals, which then relay that information via spoken word to the pickers as they move about the warehouse. The information is passed back and forth to the warehouse management system via RF, letting pickers know which slot to pick from and how many. Upon reaching a pick location, the worker responds to the computer by reading a set of "check digits" to verify they are in the right place. Once the pick is complete, the system speaks the information for the next pick and the picker moves on to the next slot.

Users say they have been most impressed by how quickly the systems pay for themselves. Even warnings from the vendors about an initial period of declined productivity never materialized, according to several food companies.

"I thought there might be a slowdown in productivity when we implemented the system, but actually, we didn't even miss a beat," says Mark Kloberdanz, assistant warehouse manager, Perishable Distributors of Iowa. "Productivity started going up as soon as we started using it."

Steve Fasulka, vice president of operations for U.S. Foodservice-Pittstown division, user of Voxware's VoiceLogistics solution, was one of those warned to expect an initial decrease in productivity as workers warmed to the system. "It just wasn't the case," he says. "In most cases, we saw a 10 percent increase in productivity. That was a pleasant surprise."

Another unexpected benefit: the company saw the training time for new employees go from between 30 and 60 days to just two weeks.

As might be expected, new workers who get up and running sooner, reach their incentive goals that much quicker. The result, Fasulka's division has also seen new employee retention shoot up by about 50 percent. "We were turning over most of our new employees within the first 30 days," Fasulka says.

Widener says K-VA-T also saw the benefits come quicker than the company ever expected. The company has seen an 80 to 85 percent improvement in accuracy in just five months of using the Talkman system.

"The order selectors really took ownership of the system," Widener says. "Because order selection is a very monotonous, very labor-intensive job, they really enjoyed working with it. So it was nice to see that. It's good to see the selectors getting behind it and wanting to move forward with the technology."

The Bottom Line

The foray into deploying voice has been an overwhelmingly positive experience for many food companies. Many, like Widener, repeatedly expressed surprise at how uneventful the deployment was. "We haven't seen any drawbacks, which honestly is kind of odd," he says.

"When you see a system that can attack accuracy, and there's a tremendous cost associated with mispicks, we all know that, and then you get a productivity benefit on top of that—you're knocking out two of your largest evils in warehousing right there in one shot. So, we've been very pleased with the system."

Adds U.S. Foodservice's Fasulka: "Service. Ultimately, that's the bottom line. Everybody has the same product—the SYSCOs and U.S. Foodservice and everybody else in between and above and below. So ultimately, it's all about service."

Voice solutions, he says, can provide that customer service boost which can set a company like his apart from the others.

ANALYST DESK

First Distribution Center and Warehouse Benchmarking Technical Report Released Material Handling Institute of America's e-Mhove, May 2002

The first distribution center and warehouse benchmarking technical report was released April 8, 2002 at the North American Material Handling show held in Detroit Michigan.

The benchmarking program, which is being administered at Georgia Tech, is partially sponsored by the Order Selection Staging and Storage Council (OSSSC) and the Logistics Execution Systems Association (LESA). To view the report, click on the following link: http://www.mhia.org/pdfs/benchmarking.pdf

To learn more about the benchmarking program and how to participate, visit the MHIA website at http://www.mhia.org/articles/benchmark_article.cfm.

BRAIN TEASER

1. What is the brightest star in the night-time sky?
2. British political leaders Robert Walpole, Earl Grey, and Lord Melbourne, and American leaders Henry Clay, Daniel Webster, William Henry Harrison, and Millard Fillmore were all associated with what political party?
3. What former child movie star later served as U.S. ambassador to Ghana from 1974-1976 and Czechoslovakia from 1989 to 1992?
4. What's the first number greater than one million that's divisible by 9 (and how can this number be determined without dividing)?

Quote of the Week...

"The true secret of giving advice is,
after you have honestly given it,
to be perfectly indifferent
whether it is taken or not and never
persist in trying to set people right."

-- Hannah Whitall Smith --

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)

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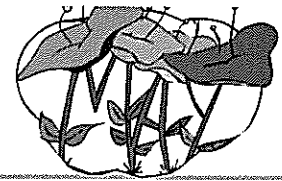
DIRECTOR'S CORNER
-- JOHN KARONIS --

Channel Modeling – A New Tool for Supply Chain Strategy

KSA has historically centered its Distribution Network Strategy services around these key questions... *"How many DC's? Where? And, performing what function?"* We have a long, successful track record of delivering sound solutions to these challenges and, over the years, have helped many clients reduce distribution costs and improve service levels through these services.

Times are changing, though. As emerging technology has enabled greater supply chain visibility and vendor / retailer relationships have become tighter, the industry has begun to view the supply chain more holistically. By focusing on achieving a balance between product speed and operational efficiency, businesses have begun to yield significant benefits from improving inventory turns, reducing total supply chain costs, and improving return on assets.

Given this shift in thinking, KSA has to respond with a new approach to develop the 'best' overall network for our clients. The key lies in looking at more than just physical attributes to determine the best channel through which to move product from manufacture to customer.

The result is a new, proprietary modeling tool, called the Channel Model. Building on a framework that was originally developed during the K-Mart work and later enhanced with Sainsbury's in the UK, KSA and TransTech have developed a tool that recommends the 'best' channels for each product type or category.

What is the Channel Model?
In its simplest form, the channel model incorporates business factors from both upstream (merchandising) and downstream (store operations) into the channel selection process. By weighting product attributes versus potential flow options, it provides recommendations regarding the most suitable channel through which a product should flow.
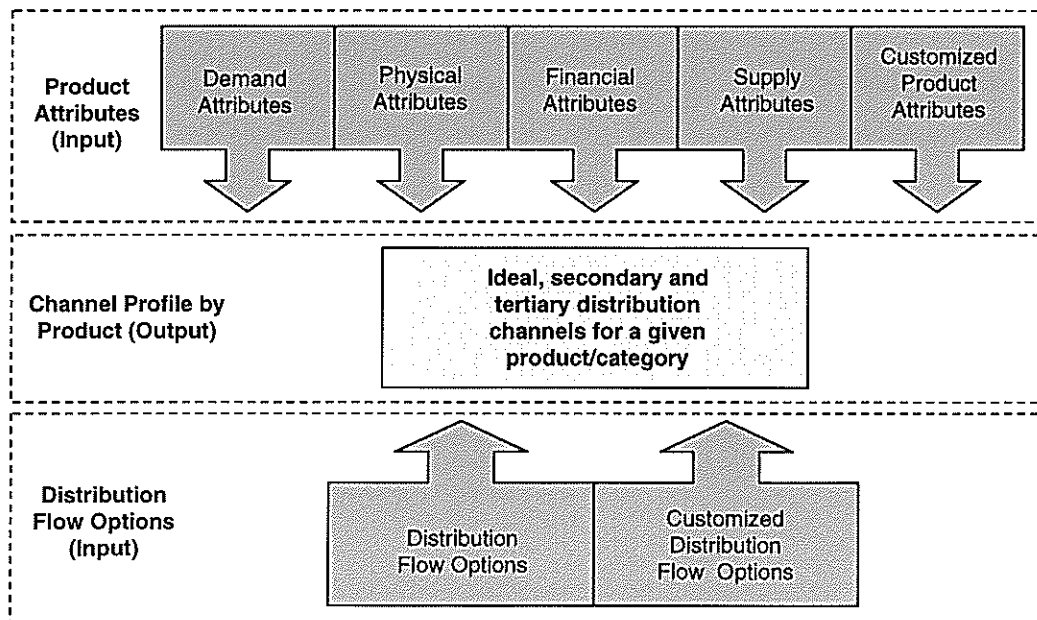
The model itself effectively blends deep functional understanding with technology into a simple to use application.

- ❦ **Highly Configurable** – Product attributes and potential channels can easily be added to the model, allowing customization of the tool to fit specific client needs.
- ❦ **Ease of Data Entry** – Designed around Access, the model allows for easy import of client SKU data
- ❦ **User Friendly** – Using 'buttons' and prompts, the learning curve is minimal allowing client personnel to use the tool in a highly participative way.
- ❦ **Appearance** – Screen appearance and navigation make it a valuable business development tool.

Model Configuration - Step 1: Select Distribution Flows To Consider

Distribution Flow

- ☑ Vendor Warehoused
- ☑ Warehouse Replenishment
- ☑ Store Backroom Replenishment
- ☑ Hold Back Flow Allocation
- ☑ Flow Through
- ☑ Direct To Store
- ☑ Third Tier Warehouse Replenishment
- ☑ Cross Dock

Data Input - Step 2: Select Attribute Options for each Product Entry

Product Category	Sub-Category	Sub-Category SKU Count	Unique SKU ID	Annual Unit Volume

Next Product

Distribution Flow used today

Vendor Warehoused	Warehouse Replenishment	Store Backroom Replenishment	Hold Back Flow Allocation	Flow Through	Direct To Store	Third Tier Warehouse Replenishment	Cross Dock
●	○	○	○	○	○	○	○

Demand Attributes Category

Demand Type
- ● Uniform
- ○ Cyclical
- ○ Seasonal

☐ Apply it to all Sub-Category SKUs?

Predictability
- ● High
- ○ Average
- ○ Low

☐ Apply it to all Sub-Category SKUs?

Shelf Life
- ● Infinite
- ○ Temporary
- ○ Limited
- ○ Perishable

☐ Apply it to all Sub-Category SKUs?

Turns
- ● Fast
- ○ Average
- ○ Slow

☐ Apply it to all Sub-Category SKUs?

In-Stock Urgency
- ● Never Out of Stock
- ○ High In-Stock
- ○ Opportunity Based

☐ Apply it to all Sub-Category SKUs?

Next Attribute Category

Next

How Do We Use It?

There are two primary uses of the tool. The first is as an integral component of our Network Modeling approach. In combination with our other analytical tools, it will enable us to challenge some of the basic flow assumptions that have been made in the past, before we perform the actual cost modeling.

Channel Modelling Tool	
Inputs	*Outputs*
Product categories	Distribution flow
Product attribute definition	recommendations for each
Distribution flow weightings	product category

Inventory Model	
Inputs	*Outputs*
Product categories	Inventory costs by product
Service level requirements	category
	Safety stock/LOS rules

Labor Cost Model	
Inputs	*Outputs*
DC labor analysis info	DC labor cost (by type/DC)
Store labor analysis info	Store labor cost
Additional handling labor	Site capacity (case volume)

Facility Construction/MHE Cost Model	
Inputs	*Outputs*
MHE component costs	DC construction/MHE costs
Construction costs	Store construction costs
Real estate costs	

CAST

Transportation and Facility Locator Model	
Inputs	*Outputs*
Site definitions	Network configuration
Lane definitions	scenarios
Product definitions	Network scenario costs

Network Configuration Analysis	
Inputs	*Outputs*
Transportation costs	
Labor costs	Logistics Network
Capital costs	Redesign
Inventory costs	Recommendation
Store service levels	

The second use is as a tactical planning tool for our clients. When configured to fit a specific client's environment, a buyer can use the tool to make channel decisions earlier in the procurement process, enabling efficiencies that would not have been practical in the past.

There are many other applications for the channel model in both strategic and day-to-day use and the tool will undoubtedly continue to evolve as we integrate it into our services and our other tools.

A hearty "Well Done" to all those who have contributed to the development of this exciting new tool. Special recognition goes to Neil Buck, Craig McCroskey, and Srini Manickam, who have led the specification and development effort and delivered a great new tool for KSA's supply chain strategy toolbox.

CONSULTANT SPOTLIGHT
-- ELIZABETH CLARK --

"To the world you may be just one person, but to one person, you may be the world".

Author Unknown

Elizabeth 'Buffy' Clark joined KSA in January of 2001. A St. Charles, Illinois native, she completed her BS degree in Mechanical Engineering at the University of Illinois at Champaign-Urbana. Before joining KSA's Chicago office, Elizabeth worked as an intern with Walt Disney World Ride and Show Engineering team. During her time there, Elizabeth had the 'opportunity' to climb out onto a steel beam that was close to four stories off the ground with only a cloth harness ensuring her safety. Working on a rollercoaster that is completely enclosed and usually runs in the dark, Elizabeth says her productivity level might not have been at its highest as she worked that day since her legs were shaking uncontrollably as tremors of terror ran through her entire body.

As adventurous in her spare time as she is at work, Elizabeth enjoys exploring the world and many outdoor activities. One of her favorite excursions was a Labor Day weekend trip to Mammoth Cave National Park in SW central Kentucky. Elizabeth and 14 of her closest friends spent the weekend hiking through the park, swimming in the Green River, and spelunking in Mammoth Cave itself. The six-hour spelunking adventure took the group for a six-mile journey down into the Cave and squeezing through very tight passageways to find caverns some 500-feet underground. Once in the cavern, her brave group sang 'Amazing Grace' to get a sense of the amazing acoustics.

Currently hard at work in Omaha, Nebraska on the Oriental Trading Company Base Plus Implementation project, Elizabeth's favorite restaurant is the Village Tavern in Winston-Salem, NC because, she quips, "Jack Horst is my hero."

CONSULTANT CORNER
WHY NON-MONETARY INCENTIVES?
-- STEVE OSBURN --

The Performance Cycle and Stagnation: One of the Challenges of a Base Plus program is keeping it from growing stagnant because:

- The associates get used to their current pay amount
- The associates are no longer motivated by more money
- Associates feel they are working 'Hard Enough'
- The supervisors can not discipline associates above 80%
- The positive and negative motivation is not enough for them to increase their effort.

The result of this will be that many associates, while improving from their pre-Base Plus performance, fail to meet their full potential, and therefore the Base Plus savings can be limited.
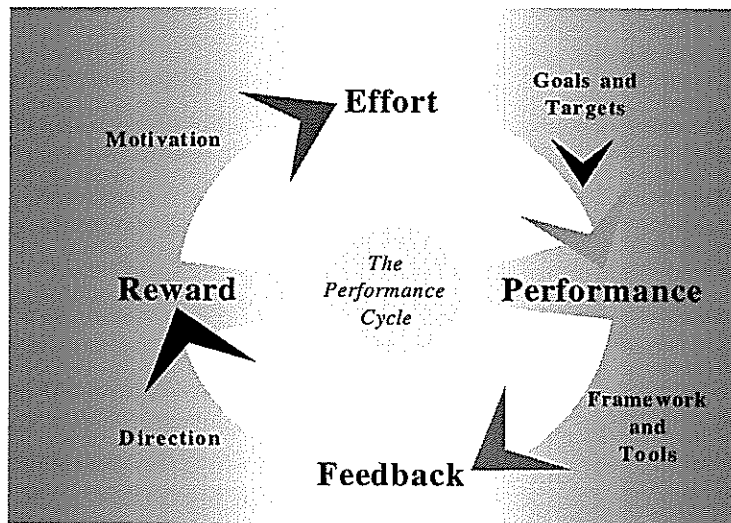
The best way to combat this stagnation is to constantly vary the types of rewards that the associates can receive keeping in mind that the important characteristics of rewards are:

- Consistent over time
- Known in advance
- Public - GET PEOPLE EXCITED!
- Frequently applied - Have weekly, monthly, and quarterly award ceremonies
- Meaningful to management and associates - Meaningful also applies to the way the reward is presented
- Given when earned - everyone who meets the criterion should receive the reward

These rewards help provide the motivation that keeps the base plus program fresh. Examples of these rewards are:

- ❧ Material Rewards:
    - ↘ A Material Reward is a form of additional compensation. The number and type of material rewards is as large and diverse as your imagination.
    - ↘ The importance of the reward takes on larger proportions if the people striving for the reward are the ones who chose it.
    - ↘ The response will be better if you make many different types of awards available.
- ❧ Emotional Rewards:
    - ↘ Emotional Rewards are typically categorized as plaques or pats on the back. It is important to recognize that EVERY REWARD IS AN EMOTIONAL REWARD.
    - ↘ Most people work not only to get paid, but also to derive satisfaction from their work.
    - ↘ Regardless of the monetary value of an award, the RECOGNITION SHOULD BE AS HIGH AS POSSIBLE.

For more KSA-related information regarding non-monetary incentives, check the intranet at
http://web1/tools/fulfillmentserv_/practicemanagem_/fthehotsheet_/01112002/5226x.htm and
http://web1/tools/fulfillmentserv_/distribution_/cperformanceimp_/cmethodology_/clientengineert_/

INDUSTRY INSIGHTS

HOW MUCH DOES POWER COST IN YOUR STATE? (BY PLANTS, SITES & PARKS STAFF)
-- ROBERT FULGHUM --

Analyze industrial electricity costs by state with Average Monthly Industrial Electric Rates, found in the Typical Bills and Average Rates Report, Summer 2001 (Edison Electric Institute). This semi-annual report presents typical monthly electrical bills and average revenue per kilowatt hour charged by investor-owned utilities.

When using this information, keep in mind there can be big rate differences within the same state. Matthew Brown, energy program director for the National Conference of State Legislatures, explains why those differences occur.

"Several factors influence rates, but in almost every case, it has to do with the investment decisions that the utility has made, and when those decisions were made," Brown says. - M.P. & H.W.

Monthly Industrial Electric Rates by cost *for 500 kW users who need 200 MWh per month

State	Cost	State	Cost
Tennessee	$7,737.00	Florida	12,404.53
Oregon	8,753.67	Georgia	12,672.00
Kentucky	8,922.67	Mississippi	12,991.00
Virginia	9,088.00	Illinois	13,152.14
Washington	9,228.33	Alabama	13,245.00
Colorado	9,607.50	Pennsylvania	13,437.88
Utah	9,874.00	Louisiana	13,444.50
Wyoming	9,963.00	Maryland	14,247.25
Idaho	9,983.33	Ohio	14,680.25
Montana	10,091.33	Texas	14,916.44
West Virginia	10,224.75	New Mexico	15,464.25
Wisconsin	10,381.86	Arizona	15,473.50
South Dakota	10,399.65	Connecticut	16,456.50
North Dakota	10,825.07	Nevada	17,081.50
Arkansas	11,057.00	District of Columbia	17,378.00
Indiana	11,271.87	New Jersey	18,317.67
North Carolina	11,313.25	Vermont	18,867.00
Iowa	11,410.17	Rhode Island	19,834.00
Oklahoma	11,590.00	New Hampshire	19,901.75
Minnesota	11,598.54	Massachusetts	22,461.50
Kansas	11,644.67	New York	22,590.14
Missouri	11,785.60	Maine	23,154.33
South Carolina	11,984.67	California	27,519.00
Michigan	12,014.00	Hawaii	36,429.60

*Alaska, Delaware and Nebraska not reporting.
SOURCE: Typical Bills and Average Rates Report, Summer 2001; Edison Electric Institute (www.eei.com).

NEWS, NOTES AND NONSENSE
-- SPECIAL DELIVERY --

Congratulations!
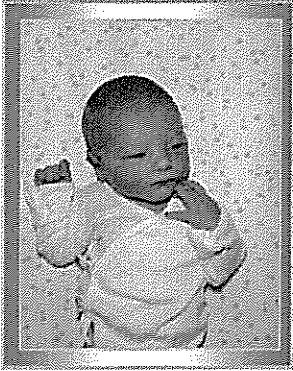
Sean and Jessica Ryan are proud parents of a little girl -
Sarah Elizabeth Ryan

Sarah was born at 1:12 PM Monday, May 6th 2002
Weighing in at 7 lbs., 2 oz. @ 20 inches.

Everyone is doing well.

BRAIN TEASER ANSWER

What is the five-digit number, no zeroes, in which the second digit is three times the first, the third is one more than the second, the fourth is four times the first, and the last is one-half more than the second?

Answer: 26789

Kudos to all correct responses - Lisandro Sagastume, JD Densmore, Dawn Holt, Eric Watterson, Roberto Treviño, Lynn Senior, Dave Rush, Ken Wilson, and Jose Gerardo Ayala.

Quote of the Week...

"There are only two ways to live your life.
One as though nothing is a miracle.
The other is as though
everything is a miracle."

-- Albert Einstein --

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)

8
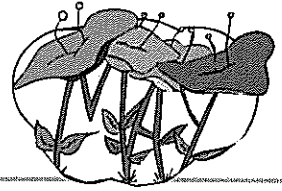
INDUSTRY INSIGHTS

GOOD HELP WANTED (BY DAVID LITWAK – GROCERY HEADQUARTERS MAGAZINE)

A quality staff in distribution centers can help operations run smoothly. So, how do retailers find the right DC employee?

It's been called the loneliest job in retail. The distribution center order picker can spend hours working alone in a large warehouse, where time is measured in fill rates. Even with a significant amount of automation in DCs, the role of the warehouse employee remains invaluable—there are just fewer of them working. Instead of doing most of the actual order picking, employees now keep watch on the machines.

While warehouse workers are critical for the success of supermarket organizations, the jobs are still far from glamorous. In many cases, they are among the lowest paid in the industry and often under-appreciated by chain management (not exactly the type of inducement put on recruiting posters at the local high school or college). Recruiting talented, dedicated and reliable DC employees is essential, but how do retailers find potential workers, let alone select the most qualified for the unique characteristics of the job?

Human resources managers have known for a long time that qualities that make for good employees on the selling floor or in the front office aren't necessarily the same qualities that make the best warehouse workers. Store personnel thrive on human interaction, with the most successful service clerks, department managers and cashiers eager to serve customers and strike up a conversation. Put your best deli service clerk in the warehouse and watch his or her enthusiasm quickly dwindle from the relative solitude.

According to the Warehousing Education and Research Council (WERC), based in Oakbrook, Ill., 30% of all employment applications are falsified and 45% of resumes contain false information. Not surprisingly, 30% of business failures result from poor hiring. These are startling statistics, considering how difficult it is for retailers to find employees.

In an introduction to its new workbook, "Recruiting, Interviewing and Selecting," WERC summarizes the importance of finding the right employee: "The scariest commodity in business today is not capital or strategy or customers or technology—it's people. And people are the leading source of competitive advantage. Finding and retaining the right person for the right job is one of the biggest obstacles to success; improving this process is a major strategic priority."

Knowing what to look for is the first step for retailers in filling any job, from order pickers to supervisors. HR professionals stress that an applicant's qualifications can't be reviewed until there is a clear, written description of the job—complete with duties, responsibilities, requisite skills and expectations. This job description should be developed for every position in the DC in order to create a clear picture of the perfect candidate before the recruiting process even begins.

Once the job has been defined and applicants have been recruited, a decision must be reached as to who has the most appropriate skills and qualifications.

When reviewing résumés, WERC suggests that HR managers make sure the applicant's education and training meet job requirements—he or she might be underqualified or overqualified. Furthermore, WERC cautions retailers to look for significant and unexplained gaps in employment history, inconsistent career moves or a pattern of short-term jobs, vague salary information and inconsistency between job titles and responsibilities.

In addition, the following are some "red flags" that WERC recommends interviewers be weary of during the personal interview process:

- ❧ Negative comments about past employment.
- ❧ Previous employer had management problems.
- ❧ Left several jobs because of lack of opportunity.
- ❧ Vague or inconsistent reasons for leaving past employment.
- ❧ Passed over for promotion because other workers were given preferential treatment.

Defining the position, recruiting and screening applicants, and finally making a hiring decision is only the first part of building an effective warehouse team. The organization has to make the new hire feel welcome on the first day of the job. Simply giving a new employee his paperwork and "dumping" them on the shift supervisor probably won't be the start of a beautiful long-term relationship. The new staff member's orientation to both the company and his job duties needs to be carefully planned before the employee reports to work.

The human resources department, warehouse manager and shift supervisor all need to be dedicated to allowing the employee to succeed. The employee's training should be mapped out and carefully explained to the worker along with what is expected of him during every step of his initial career with the company. A good way to ensure employees' success is to tie the supervisor's own performance evaluation or some incentive program to the success of the employees working with him or her. Taking the extra time and effort with new employees is the best way to cut down turnover in the warehouse, thereby reducing the need to recruit and hire new employees.

BRAIN TEASER

What is the five-digit number, no zeroes, in which the second digit is three times the first, the third is one more than the second, the fourth is four times the first, and the last is one-half more than the second?

RELOCATOR ROUNDUP

UNITED STATES		
ALLEN, PETER	STAPLES	ONTARIO, CA
BAIRD, KEVIN	BARNES & NOBLE	JAMESBURG, NJ
BALTAZAR, JESUS	BARNES & NOBLE	JAMESBURG, NJ
BRUNSON, ANDREA	ORIENTAL TRADING COMPANY	OMAHA, NE
BURKLAND, NATE	NIKE	MEMPHIS, TN
CASCIO, DAVE	STRIDE RITE	LOUISVILLE, KY
CHINNAN, VIKAS	LOA	LOS ANGELES OFFICE
CHOATE, CASEY	LILLIAN VERNON	VIRGINIA BEACH, VA
CLARK, ELIZABETH	ORIENTAL TRADING COMPANY	OMAHA, NE
COPLAND, TIM	BIG LOTS	TREMONT, PA
FONG, TERRANCE	BIG LOTS	TREMONT, PA
GILES, LAURA	LILLIAN VERNON	VIRGINIA BEACH, VA
GRIFFITH, BRAD	STAPLES	BOSTON, MA
HARMON, BRAD	ORIENTAL TRADING COMPANY	OMAHA, NE
KELLOGG, MICHAEL	AEON	TOKYO, JAPAN
KLISZ, KEVIN	STRIDE RITE	HUNTINGTON, IN
LA VECCHIA, MARIANNA	AVON	ATLANTA, GA
LEFKOWITZ, STEVE	LILLIAN VERNON	VIRGINIA BEACH, VA
LEVY, VAL		ENGLAND
LYONS, JIM		PRINCETON OFFICE
MCGRAW, COLLEEN	ORIENTAL TRADING COMPANY	OMAHA, NE
MOKOTOFF, BENJAMIN	LL BEAN	FREEPORT, ME
MORIN, CRAIG	LOA	LOS ANGELES OFFICE
SAMPSON, BRAD	LOA	ATLANTA OFFICE
SPOFFORD, SETH	STRIDE RITE	LOUISVILLE, KY
TAYLOR, BRAD	KIRKLAND'S	JACKSON, TN
TIMBERLAKE, JUJUAN	NIKE	MEMPHIS, TN
TODD, AARON	ORIENTAL TRADING COMPANY	OMAHA, NE
TREVIÑO, ROBERTO	STAPLES	STOCKTON, CA
WATTERSON, ERIC		ATLANTA OFFICE
WEBSTER, JACK	STAPLES	ONTARIO, CA
WHITEHOUSE, SEAN	QVC	WEST CHESTER, PA
WILSON, KEN	NIKE	MEMPHIS, TN

RELOCATOR ROUNDUP

MEXICO		
AYALA, JOSE GERARDO	ALIANZA TEXTILE	ABASOLO
LOZANO, ALFREDO	VF INTIMATES	REYNOSA
JAPAN		
BRUCE, DAN	JUSCO	TOKYO OFFICE
KELLOGG, MICHAEL	AEON	TOKYO
PARANSKY, NOAM	AEON	TOKYO
SUPPORT STAFF		
CRANKSHAW, LAURIE		CHICAGO
HAMRICK, DEBI		ATLANTA
JUDD, SUZANNE		PRINCETON
LANNON, NICOLE		ATLANTA
MULLINS, SHANNON		ATLANTA
ROSALES, IRMA M.		MIAMI
SALAZAR, OLIVIA		LOS ANGELES
SENIOR, LYNN		LOS ANGELES

Happy Mother's Day

"Why are you crying?" he asked his mom. "Because I'm a mother," she told him. "I don't understand," he said. His mom just hugged him and said, "You never will!" Later the little boy asked his father why Mother seemed to cry for no reason. "All mothers cry for no reason," was all his dad could say. The little boy grew up and became a man, still wondering why mothers cry. So he finally put in a call to God and when God got on the phone the man said, "God, why do mothers cry so easily." God said, "You see son, when I made mothers they had to be special. I made their shoulders strong enough to carry the weight of the world, yet gentle enough to give comfort. I gave them an inner strength to endure childbirth and the rejection that many times come from their children. "I gave them a hardiness that allows them to keep going when everyone else gives up, and to take care of their families through sickness and fatigue without complaining. "I gave them the sensitivity to love their children under all circumstances, even when their child has hurt them very badly. This same sensitivity helps them to make a child's boo-boo feel better and helps them share a teenager's anxieties and fears. "I gave them a tear to shed. It's theirs exclusively to use whenever it's needed. It's their only weakness. It's a tear for mankind."

-- By Erma Bombeck --

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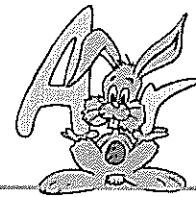
INDUSTRY INSIGHTS

LIFT TRUCK DESIGNERS PUSH THE RIGHT BUTTONS *(BY MARY AICHLMAYR – TRANSPORTATION & DISTRIBUTION MAGAZINE – APRIL 2002)*
-- ROBERT FULGHUM --

Low maintenance, high performance, energy efficiency, safety, and ergonomics are the factors driving lift truck design.

Dirk von Holt, president of materials handling equipment manufacturing firms Multiton MIC Corp. and Jungheinrich Lift Truck Corp. of Richmond, VA, says AC travel drive is one of the most dramatic recent changes in the industrial truck marketplace. "AC-drive-powered trucks, electronic controllers, and other ergonomic features first developed in Europe are now desired products [in the U.S.].

"If an AC truck is available for the same price, there is no reason to buy a DC truck," continues von Holt. "A DC truck has lower speeds and acceleration. It uses more energy (approximately 30%) and has higher after-sales costs, since AC motors are maintenance free and don't need directional contractors or motor brushes."

In fact, von Holt says, "The performance of AC-motor-driven fork lifts not only challenges DC trucks, it also challenges internal combustion (IC) trucks used inside of warehouses." Though IC trucks currently out-perform electric trucks due to higher speeds and faster acceleration, he says, noise, emission, and high after-sales costs of IC trucks make them less desirable than electric trucks.

Last but not least, "ergonomic issues will continue to play an important role in truck design," Holt points out. "Straining necks and backs because of trying to look into the driving direction of the truck might trigger turning driver seats or side-seating trucks."

Most important to consider when purchasing a lift truck is the operation for which it will be used, says von Holt. Consider weight capacity, transport device, how often and how high product is lifted, and the environment in which the truck operates. Apply those criteria to some of the latest lift trucks on the market.
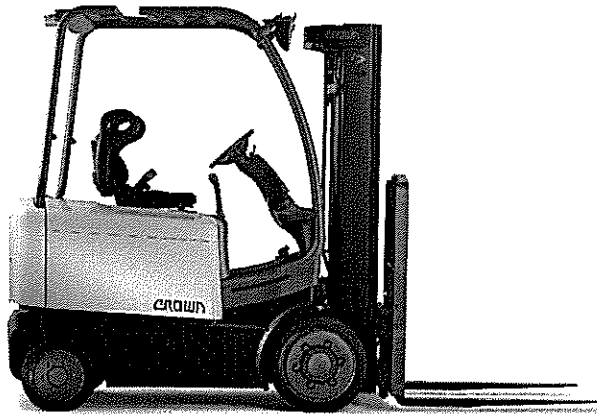
Crown Equipment Corporation's new FC 4000 Series four-wheel, sit-down rider lift truck features cab-forward design, providing an optimum line of sight to the fork tips and load. Its transverse-mounted 11.4-inch-diameter drive motor is located high above the floor, away from dirt and moisture. Full-circle power disc brakes are standard.
www.crown.com
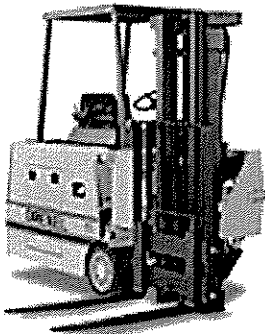
Drexel Industries announces its SwingMast Model SLT-30, a 36-volt, electric, very-narrow-aisle lift truck with 3,000-pound capacity. It can maneuver in aisles as narrow as 4 ½ feet with standard 48" pallets, and has lift heights up to 22 feet. The multi-functional unit can operate as a front-loading vehicle for palletized loads and as a side-carrier for long loads such as pipe and tube.
www.drexeltrucks.com
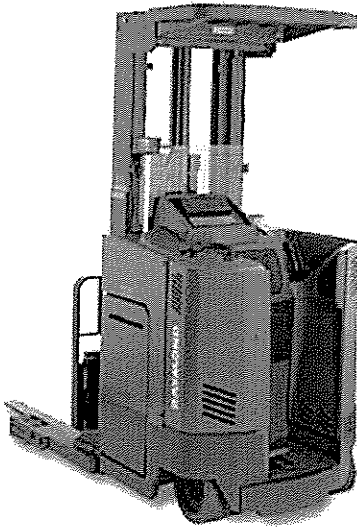
The AC-powered Reach-Fork truck from **Raymond Corporation** uses AC drive and lift motors to enhance productivity, provide more runtime per battery charge, and reduce operating costs through less maintenance.
www.raymondcorp.com

To see this article in its entirety and see what other trucks are new to the market, check out the following link:
http://www.tdmagazine.com/FrmNewsLoader/index.asp?articleID=49145

NEW SALES FROM P4 2002 FULFILLMENT

Client	Description
Coca Cola Enterprises, Inc.	Performance Standards in Multiple DCs
Delta Woodside	Sourcing Models
Elder-Beerman	Base Plus Maintenance
Global Sports Inc.	Expansion Planning Ext.
Home Shopping Network	Current Logistics Network Analysis and Improvement Opportunity Assessment
Jeanne Pierre Originals, Inc.	Capacity Planning Assistance
The Sports Authority	Logistics Strategy

Quote of the Week...

*"When we have our body and mind in order,
everything else will exist in the right place,
in the right way.
But usually, without being aware of it,
we try to change something other than ourselves,
we try to order things outside us.
But it is impossible to organize things if you
yourself are not in order.
When you do things in the right way, at the
right time, everything else will be organized."*

**Shunryu Suzuki
(Japanese Zen Master)**

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DIRECTOR'S CORNER
-- LISANDRO SAGASTUME --

Five mayor industry chambers representing Mexico's fiber, textiles and apparel industries have joined forces to determine a common strategy to improve their competitive position. KSA was invited to participate in this project due to its global expertise, and thought leadership in the consumer products and soft goods industries. Three key elements are making this a successful project:

Teamwork
Jim Neal and **Jessica Wilkerson** from KSA's Soft Goods Strategy Group, **Lisandro Sagastume** and **Alberto Pensado** from the Fulfillment Group integrate the cross-functional KSA's team. KSA SME's such as Fernando Silva, Butch Price, Peter Voget, Harminder Sahni and Britton Russell will be called upon for their recommendations and vast experience, as needed. The project is expected to last 6 to 8 weeks and it has already started to prove to be very challenging.   Jim's and Jessica's need for Lisandro's and Alberto's language skills, knowledge of the clients, and of the Mexican industry is being traded for their need of experience and knowledge of international soft goods trends, policies and strategies (Jim and Jessica can now say more than just "*cerveza*").

Management of Client's Expectations
Managing the client's expectations has been a key point for achieving the objectives of the engagement. Although the industry groups are working together to define a common course of action, each industry leader has requested specific information and deliverables related to their individual group's interests and points of view. KSA's most important challenge has been to understand and guide the group as a whole to determine the required information and adequate scope.

Bi-weekly meetings have helped shape the project and set client expectations. These meetings have included more than 15 representatives from different industries and companies, have been held in person as well as through a videoconference call, and have been conducted in Spanish and English (at the same time!).

Two more project meetings are scheduled before the end of the project. A presentation to a larger group of executives, including CEO's and presidents of some of the largest fiber, textiles, and apparel companies in Mexico, is projected.

Use of KSA's Resources
Last, but not least, are the great help, responsiveness and skills of KSA's KRC group. Within a very tight budget they have been able to find and provide documents, articles, links and statistics for a large group of countries and topics related to the soft goods industry. Multiple languages, formats and sources are only a few of the obstacles they have encountered.

We all look forward to the next review and to making our internal goal of "less than two hours of meeting delays". Business and social meetings in Mexico City are famous for not starting on time. Our first meeting started an hour late but the team took it in stride since the client had an open "coffee bar", on-site. The caffeine gave us a boost that enabled us to cover all the topics in the agenda and even finish the meeting on time. Jim, Jessica, and I were less fortunate during the half-hour delay before the second meeting. We discussed the movie: "Ice Age", as we waited and shivered in a very cold videoconference room. The next scheduled meeting is a dinner meeting and we're hoping it will start on time (I'm not fond of cold soup!).

PROJECT POSTCARD

"MFI – THE BASE PLUS® CHRONICLES" EPISODE 4
"DEVELOPING THE CLIENT TEAM TO STAND ALONE!"
-- ANNE PAULY --
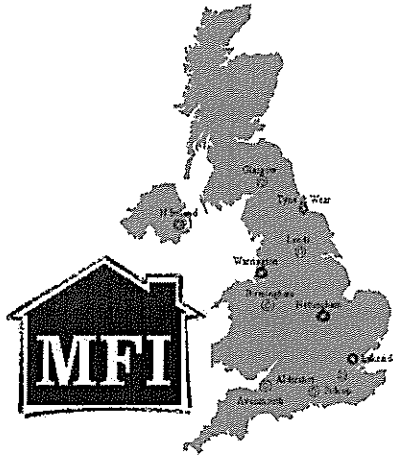
Epilogue
As mentioned in Episode 2, MFI is looking to implement Base Plus in all the HDC's (Home Delivery Centers) and to extend the program into the National Distribution Center. MFI started the implementation of this program together with KSA 18 months ago, when BASE Plus was implemented in Sidcup (London area). Since then, the program has been introduced in 5 other sites (Aldershot, Avonmouth, Leeds, Birmingham and Glasgow).
Phase after phase, a client team was built and formed to support this program. It was the aim of the project to transition the KSA knowledge across to the client team, thus to allow MFI to implement further sites independently.

Scene 1 – The Morning (Phase I) – Building the teams
Phase I started 1½ years ago in Sidcup near London. Sidcup was aimed to be the pilot project, to allow MFI to get a taste of Base Plus. The client took time during this phase to observe its implementation, which meant that all levels of management from the HDC manager to the senior management observed very critically all steps of the realization of the project.

The key for Phase I was to build the right teams. On one hand, a European KSA team had to be assembled, and on the other hand a client team had to be put together. This performance improvement scheme was new for MFI, and during this phase it was the challenge for KSA to lead the client through the implementation.

Characteristics of Phase I	Forming a European KSA team Building a client team for Base Plus requirements
Challenges:	Solutions:
Forming a European KSA Team	❀ Leverage of consultants/managers with MFI client experience
	❀ Leverage of consultants/managers with former performance improvement implementation experience in the UK
	❀ Support from the US practice:
	↘ C+ support from the US
	↘ Full time Base Plus implementation support from the US
Building a client team	❀ Select people with strong operational background
	❀ Select people with communication and training skills
	❀ Select people with strong project management experience and KSA relationships from former projects
Merging the teams	❀ Both teams work full time on site and closely together
	❀ Weekly updates to keep everybody up to speed
	❀ Involving each team member as much as possible in the program
	❀ Have fun together (dinners, bowling, etc.)
KSA role	❀ Highly directive role of KSA to guide the client through the change and through the implementation.

Scene 2 – Noon (Phase II) – Developing a Project manager

At the end of the Sidcup implementation, a strong team was built. Team members from KSA and MFI worked closely together so that the client team could understand the requirement of a Base Plus implementation.

At the start of the Phase II, two sites were chosen for implementation: Aldershot and Leeds. Since the client team had a good understanding of the scheme, the client led the former location with one KSA team member on site, while the latter was led by KSA. Overall, KSA took the lead as project manager in order to coordinate both sites and to develop Base Plus with the client.

Since the project had been very successful in Sidcup the client was keen to develop this scheme on other sites. Therefore, the client team had to be expanded. The challenge of Phase II was to educate new client team members. At the same time, an engineering project manager had been hired from MFI to take the role over from KSA in the future.

Characteristics of Phase II	Developing the client team further Integrating new client team members Developing a client project manager
Challenges:	Solutions:

Developing the client team	❀ Intense training session at the beginning of the Phase II (3 weeks of Base Plus college)
	  ↘ Technical training on Base Plus
	  ↘ Soft skills training: MOC
	❀ Continuous training during Phase II to develop further each individual
	❀ Involvement of each team member throughout the project:
	  ↘ To streamline, simplify and standardize the operation
	  ↘ To action time study and to analyze data
	  ↘ To finalize standards
	❀ Monitor the progress of each individual

Integrating new team members	❀ Deliver an overview of Base Plus and explain the requirements of this scheme ❀ Involve of new members as much as possible throughout the project ❀ Making use of cascading responsibility: ↘ Client team members with experience from phase I were asked to teach and train with KSA support new members ❀ Monitor the progress of each individual
Developing a project manager	❀ Deliver an overview of Base Plus and explain the requirements of this scheme ❀ Day by day support from KSA: create a close working relationship with the person
KSA role	❀ Coaching role from KSA, where the client team members are supported and the future project manager guided through the program.

Scene 3 – The Afternoon: Please, NOT Tea Time! (Phase III) – Adjusting the skills

While the client team started to stand alone in Phase II, the client team was ready to walk by itself with support from KSA in Phase III.   In Phase III, Base Plus was implemented in three different sites: Avonmouth, Birmingham and Glasgow. The client led independently Avonmouth. Birmingham and Glasgow were still led by KSA and overall the client started coordinated the entire phase. The challenge of this phase was to form client team members that are able to lead the implementation of future sites, and to hand over the responsibility of project management to the client.

Characteristics of Phase III	Forming client team leads Passing over the project management role to the client

Challenges:
Forming client team members
	Solutions:
	❀ Understanding the development levels regarding Base Plus implementation of each individual client team member at the beginning of the phase
	❀ Adjusting the skills:
	  ↘ Developing their training skills
	  ↘ Strengthening their technical Base Plus skills
	  ↘ Supporting their Management of Change skills
	❀ Monitor continuously the progress of each individual
	❀ Involve client team members into key decision making
	❀ Develop project management skills:
	  ↘ Leading weekly updates
	  ↘ Planning the week
	  ↘ Allocating resource

Passing over the project management role	❀ Shadowing the client project manager ❀ Understanding the gaps of knowledge related to Base Plus implementation ❀ Teaching the missing skills (soft and technical skills) ❀ Strengthening the project management and technical skills
KSA role	❀ Supportive role from KSA, where few directives are required since client team members have nearly 1 year of Base Plus implementation experience.

Scene 4 – The Evening (Phase IV) – The client is independent

Some client team members are now ready to run and therefore are designated as team leaders for the next phase. Phase IV will start in the next couple of weeks. This phase is now characterized by the independent implementation of Base Plus in another HDC, a national distribution center, and by maintenance of all previous sites. The client will now lead all sites and will manage maintenance. KSA will have a minor role during this phase that will mainly be to observe the implementations in order to give further advice when required.

Scene 5 - The Future

Future plans for MFI are to implement the Base Plus scheme in all Distribution Centers as well as in   Primary Operations. For all of you now hooked on this riveting program, we are sad to say that this was the final episode of the series. Look for future episodes, as our work with MFI continues with an IT strategy and implementation project and a manufacturing supply chain strategy.

INDUSTRY INSIGHTS

CFM BOOSTES EFFICIENCY AND SAVINGS *(BY WILLIAM C. COPACINO – LOGISTICS MANAGEMENT – FEB. 2002)*
-- ROBERT FULGHUM --

Collaborative freight management (CFM) is drawing increasing attention around the world. In the United States, the United Kingdom and continental Europe, we are seeing a growing number of examples of collaborative freight management at work.

CFM can take many forms. But in a typical case, several shippers—sometimes even competitors—combine traffic volumes to create greater leverage for negotiating terms with transportation and logistics service providers or to create a broader base of shipments for building consolidated loads, economical lanes and continuous movements. Clearly, the availability of new Internet-based tools designed to provide inventory and shipment visibility and assist in shipment planning has helped to enable the development of CFM programs.

Collaborative freight management is gaining popularity in several industries. In the food industry, for example, three shippers that serve the same retail customer have coordinated their activities so they can build truckload shipments of mixed products that can be routed directly to retail stores. This approach has taken an entire step out of the distribution process, eliminating the delivery to the retailer's distribution center and the associated handling, receiving, transaction and inventory costs. This has resulted in huge savings for all involved. Similarly, some shippers in the automotive and pharmaceutical industries are collaborating to consolidate shipments that are destined for their mutual customers.

In some cases, logistics service providers have taken the lead in creating collaborative freight management arrangements. In other cases, online exchanges have encouraged CFM. For example, a number of industry consortia that are involved in developing business-to-business (B-to-B) exchanges for their industry sectors have actively explored the development of collaborative freight management capabilities, and several already have experimental pilot programs under way. The value propositions for such programs are extraordinarily attractive. It will be a challenge for them, however, to scale these pilots up to broader working models.

In many circumstances, collaborative freight management offers a clear and compelling value proposition, but it may not be appropriate for all companies. Some may be reluctant to share information about their shipments and freight volumes with other companies in their industries, even if there is limited overlap in their product lines. Furthermore, we find that many companies are simply not capable of operating in a collaborative environment. They lack the information technology skills and infrastructure, the integrated processes, and the propensity to partner with others. It requires a certain cultural orientation to operate in a collaborative way. Thus, even though the prize is very large, many companies do not have what they need to attain it.

Collaborative freight management can be a significant opportunity for many companies; it may even be a gold mine for a few. If you have not explored its potential benefits for your company, it's time to take a serious look at this fast-growing strategy.

IMRA UPDATE

IMRA Releases Fourth Quarter 2001 Economic Trends Report
IMRA's Fourth Quarter 2001 Economic Trends report is now available to members on the IMRA Web site at <http://www.imra.org/public/pages/index.cfm?pageid=2706>. This 19-page publication covers topics of importance to the mass retail industry. Highlights include: Retail Sales, Personal Consumption Expenditures, Retail Employment, Consumer Confidence Index, and Gross Domestic Product. Economic Trends is published quarterly and is available to IMRA members only. If you would like to receive the report via e-mail, please contact Nikki Bernstein (nikkib@imra.org <mailto:nikkib@imra.org>) at IMRA.

FULFILLMENT PIPELINE P3

Client	Description
Camara Nacional Del Vestido	Strategic Analysis of Mexico's Fiber-Textile-Apparel Supply Chain
Esquel Group	Evaluation of Manufacturing Standards Applications
Fossil	SAP/PkMS Interface Development
Interstate Batteries	DC Planning
Kirkland's Inc.	Supply Chain Enhancement - Business Process, Transportation & WMS
QVC Network, Inc.	Extension to Jewelry DC Base Plus Implementation
Reebok Int'l	Limited Assessment of Market Demand for Capabilities of Reebok's RDC
Staples	PKMS Installation and Performance Enhancement for Stockton CA
Vianney S.A. De C.V.	DC Planning

BRAIN TEASER ANSWER

Carla - 18, brother - 36, sister - 6, niece - 9, Danny - 19, Freddy - 17. **Kudos** to **Dawn Holt** for obtaining the correct answer. And **Mike Swift** for the correct and most amusing answer.

Quote of the Week...

*"There is nothing on this earth
more to be prized than true
friendship."*

St. Thomas Aquinas

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)

6

DIRECTOR'S CORNER
-- STEVE RIEPENHOFF --

A re Our Base Plus® Savings Estimates Too Conservative?

In looking at several Base Plus® proposals that span the past 6 or 7 years over several industries, it seems like our estimate of productivity improvement usually falls in the 40% to 45% range. It also seems like our estimate of payroll savings is usually about the same as or is a little bit higher than our estimated fees and expenses.

In looking at some actual results over about 20 different Base Plus® installations over the past years, the minimum productivity improvement increase has been 45%. We are averaging approximately 65% increase in productivity and several installations have hit 100%. If you look at the annual savings that our clients are realizing from Base Plus® projects, it is not uncommon for them to be double the amount of fees and expenses we are charging clients. Given those facts, it may be that we are too conservative in estimating productivity increases and savings from Base Plus® projects.

There are several instances where we tend to estimate on the conservative side, especially so that we can deliver more than the client expects. In competitive situations, however, we may want to be more realistic in our savings estimates in order to look good compared to our competitors. We have several references that will validate these savings, so we should not hesitate to quote what we feel we can achieve. There are also instances when we are not in a competitive situation, but the client may think that given the return on investment their client engineers could do just as well and choose to install it themselves.

Another key reason to quote higher performance improvement and higher savings is that it would enable us to justify higher fees -- let's bill the client for the value that is received, not for the fees that are incurred.

PROJECT POSTCARD

"MFI – THE BASE PLUS® CHRONICLES" EPISODE 3 "KICK OFF IN SCOTLAND!"
-- ANNE PAULY --
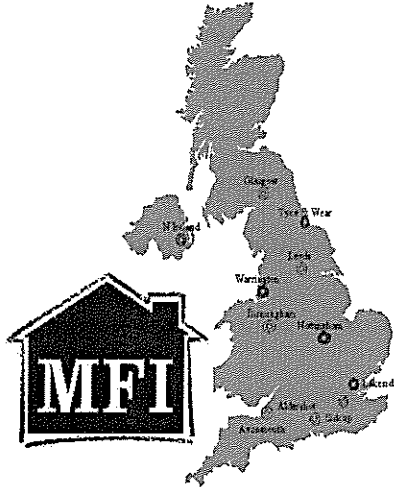
Scene 1 – The Location

The latest MFI facility to introduce Base Plus® is the Glasgow, Scotland site.

Scene 2 - The Lessons Learned

Team building lessons:

- ❀ Involve all team members throughout each stage of the implementation. If possible, try to have each member be involved in the project from start to finish.
- ❀ Develop the skills of each team member as early as possible as to maximize their abilities.
- ❀ As an on site lead, delegate work and responsibility to other team members in order to leverage, as well as develop their skills.
- ❀ Create a team spirit (have lunch together, go out to dinner, etc.)

Technical lessons

- ❀ Start with the most difficult operations first.
- ❀ Start time study on the activities which are the most difficult to capture. This way the team will not be struggling with capturing time study.
- ❀ Analyze the captured data as soon as it has been captured and entered. This will save headaches when completing the standards.

Management lessons

- ❀ Use the model of Cascading Sponsorship.
  - ↘ Involve multiple levels of the client's management in order to get sponsorship from all angles.
  - ↘ Ask for support from senior management for issues that the implementation team and the local managers cannot resolve.
- ❀ Keep the senior management involved in the progress of the implementation through weekly updates and regular phone calls. This will eliminate any surprises along the way.

General lessons

- ❀ Manage expectations with the staff and the local management, and explain that going through a change process will be difficult at all levels.
- ❀ Listen to the staff. Ask as many questions as possible to understand minor details or underlying issues with the operation.
  - ↘ Involve employees in the change process to get their buy in.
  - ↘ Involve staff through brainstorming sessions
- ❀ Involve staff by testing new procedures
- ❀ Have FUN for the KICK OFF

Glasgow's kick off was on the 18th of March 2002. For this occasion the Glasgow team (management team and implementation team) decided to mark the event and to have FUN together with the employees. With that, the management team (area manager, local managers and supervisors) as well as the implementation team got transformed into beasts and fantasy creatures.

Next week on *"MFI – The Base Plus® Chronicles"*..."Home Alone". An episode designed to teach the client to progress after the implementation team has left.

INDUSTRY INSIGHTS

TAGS, YOU'RE IT! *(BY BOB DIDDLEBOCK – CONTEXTMAG.COM – FEBRUARY/MARCH 2002)*

Thanks to an increasingly popular technology known as RFID tags, it's becoming a whole lot easier to find wandering cows, errant toothpaste shipments, missing beer barrels, or even misplaced books on library shelves.

Similar to the little metal wafer that James Bond tucked into the heel of his shoe in the movie *Goldfinger*, today's RFID (for radio frequency identification) tags are making it relatively easy to track anything, anytime, anywhere.

The tags are conceptually like bar codes but can store far more information—when and where a product was manufactured, where it is being shipped, precisely what a package contains. In addition, tags aren't there just to be read, like bar codes. Microprocessors in the tags can sense and store information—someone shipping milk could, for instance, have the tags report on the milk's temperature en route. The tags, which range in size from a baby's fingernail to a pack of cigarettes, can also be read from a distance, even if something is in the way, because they use low-power radios to transmit their information.

With the price of tags having fallen to as little as less than $1 apiece and with companies focusing hard on cutting costs in their supply chains, many businesses are turning to RFID to be more flexible about moving and storing goods. They are finding that they can cut inventories, reduce theft, and generally be more agile about addressing the problems that inevitably arise as loads of parts and products are moved around the world.

So many businesses are starting to experiment with the RFID technology that Venture Development Corp., a technology market research and strategy firm (www.vdc-corp.com), estimates that global shipments of RFID systems will almost triple from 2000 to 2005, at which point they will total $2.65 billion.

The military blazed the trail on RFID, after finding that the mobility required for Operation Desert Storm in the Persian Gulf War created logistical nightmares. A report estimated that the operation could have saved $2 billion if it had just been better about knowing where all its equipment and spare parts were. Among other wasted efforts, soldiers had to open 25,000 huge containers just to figure out what was in them.

Following the military's lead, Procter & Gamble Co. (www.pg.com) is testing tagging as a better way to move the $3 billion of products it has warehoused at any one time. The goal is to save $1.6 billion a year in supply-chain costs. Partly because of RFID tags, P&G hopes to "take out 50% of our inventory, 50% of the time we invest in supply management, and 10% of the overall cost," according to Larry Kellam, P&G's director of business-to-business supply-chain innovation.

U.K.-based brewer Scottish Courage Ltd. (www.scottish-newcastle.com) has begun using RFID tags to track the two million kegs it ships annually. The tracking reduces theft, which, according to British beer industry statistics, costs brewers more than $25 million a year. Thieves steal 300,000 kegs a year industry-wide, equivalent to 1,000 truckloads, then melt the aluminum and sell it as scrap. In addition, the tags can record (and transmit) such valuable data as a keg's weight when empty, which helps prevent over- or under-filling. Stationary readers installed on conveyor belts at Scottish Courage's brewery in Edinburgh, Scotland, can read the tags from 250 feet as they speed by. Beer distributors use hand-held readers to track information such as when beer was brewed, which tells them how long they have before a keg goes stale.

Footstar (www.footstar.com) is putting tags in its shoes during manufacturing. It estimates that the tags have reduced theft by $1.2 million during their first five months of use. It also reports that more department stores are interested in carrying its shoes because the inventory is now easier to manage and the threat of theft has diminished.

Binghamton Giant Markets Inc. (www.giantmarkets.com) is installing RFID tags throughout its supermarkets—even though it isn't trying to track anything. It is installing tags with little screens to replace the paper price tags on the front of shelves. When a price changes, it can be updated via radio signal from a computer, saving about 20 hours a week of labor in each store. Installing all the tags costs about $100,000 per store, but Jim Whittaker, Giant's director of management-support service, says the system will pay for itself in two years.

While companies initially have focused mostly on using RFID to save costs, some are planning to use the tags to make life easier for customers.

In the Midwest and Southern California, McDonald's Corp. (www.mcdonalds.com) is experimenting with tags so its customers can pay for its fast food even faster. The company gives customers tags, which they activate by waving them in front of a Speedpass display. The whole process happens faster than you can say "supersize it." McDonald's seeks to shorten lines inside its restaurants and reduce drive-through congestion, executives say.

Mobil Oil (www.mobil.com) also uses Speedpass, meaning some six million customers pay for gasoline merely by waving inch-long devices at pumps.

Precision Dynamics Corp. (www.pdcorp.com) has developed a wearable "Smart Band" that can confirm an Alzheimer patient's identity, as well as control his access to certain parts of hospitals and retirement homes. The bracelets also can carry vital information about a patient's condition and medication.

The RFID technology still must get cheaper if it is to continue spreading. While some readers run as little as $1,000, others range from $5,400 to $20,000. Certain types of tags can cost $20 each. It's not uncommon for a company to spend $200,000 on an RFID system for a warehouse, according to Frost & Sullivan, a research firm (www.frost.com).

The technology must also address the fact that, as with cell phones, there are different standards in the U.S. and Europe, preventing one region's systems from working with the other's. In addition, there are security issues, given that radio transmissions are easy to intercept.

Still, the tags seem so likely to become ubiquitous that some researchers are putting wafer-thin versions on honeybees, to document their travels. Some ranchers are injecting RFID tags into cattle, to keep better track of them. And the Singapore library system is using tags so it knows where each and every one of its books is.

David Whitehorn-Umphres, a principal with DiamondCluster International Inc., the consulting firm that publishes this magazine (www.diamondcluster.com), says RFID tags may eventually even end a classic type of argument about teenagers' messiness. When Dad bellows that his son can't possibly find anything in his wreck of a bedroom, Junior will pull out his personal digital assistant, type in "football cleats," and wait to hear a ping from under some heap of clothes. That ping will be the cleats' RFID tag cheerily announcing, in effect, "Here I am."

Where to begin
Although RFID tags already provide clear benefits when used to track such big-ticket items as rail cars, prices will need to fall by at least a factor of 10 before it becomes practical to put them on inexpensive consumer items such as cereal boxes. That may take five years.

Still, companies should be investigating the technology even now. The tags may provide efficiencies by helping track big shipments of, say, cereal, even if it isn't yet practical to put the tags on individual boxes. In addition, companies don't need to wait until the technology is widespread to start figuring out how they will use all the data they can collect from the tags. One study says that, if you put RFID tags on all the grocery products in stores today, you'd generate more information than exists on the World Wide Web. Figuring out how to turn those data into useful information will be an iterative process.

Starting now will also let companies work with their partners to set standards for the data generated by the RFID tags. It's one thing to be able to track everything within a company. But to get the full bang for the buck—or, more appropriately, the pennies—the tags need to be usable at every step as they move from the supplier of raw materials to the factory and on to the consumer. There is no need to wait until the technology is in wide use to start negotiating those standards.

BRAIN TEASER
-- BOB ROGE --

Carla is half as old as her brother, who's a square; three times as old as her sister, who's perfect; twice as old as her niece, who's odd; and, finally, a year younger than Danny and a year older than Freddy, her two cousins in their prime. How old are Carla, her brother, her sister, her niece, Danny and Freddy?

NEWS, NOTES, AND NONSENSE
WEDDING CELEBRATION!
--ENRIQUE MORALES --

Congratulations!

Laura Giles was married to Capt. Brian Greata
On Saturday, March 9 in Chapel Hill, NC.
Our very best wishes to the happy couple!
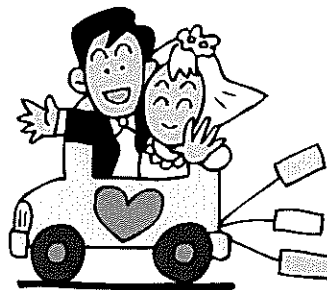
April Celebrations

ANNIVERSARIES

MICHAEL BARNES	04-03-1995
SHARON GAVRON	04-05-1993
RICK WOLFE	04-06-1981
BARBARA BYRNES	04-08-1985
BRUCE SEEBER	04-10-1989
NICOLE LANNON	04-25-2000
CURT CLARK	04-26-1993

BIRTHDAYS

MARC BESSHO	04-04
LISANDRO SAGASTUME	04-10
ALBERTO PENSADO	04-13
CURT CLARK	04-15
JANE GRIESINGER	04-18
STEVE RIEPENHOFF	04-26
CRAIG MORIN	04-28
SETH DAVIS	04-30

Quote of the Week...

*"There was never a genius
without a tincture of madness"*

Aristotle

DEADLINES FOR SUBMISSIONS TO THE HOTSHEET
IF YOUR ANNIVERSARY OR BIRTHDAY INFO 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)

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DIRECTOR'S CORNER
-- TORRE CRUPIE --

Vianney – A great project!

Vianney is a manufacturer of comforters, bedspreads, and other home textile products, located in Aguascalientes, Mexico. The initial introduction with Vianney came a few years back from a Bobbin Show contact, which led to a very successful manufacturing project. During the recent kickoff meeting at Vianney's offices, it occurred to me that this new project is a showcase for many of the qualities that make great KSA projects:

♣ **Client Satisfaction**
The invitation to propose the new project came to **Alberto Pensado** because of the client's great satisfaction with Alberto, **Jose Gerardo Ayala**, **Han Nguyen**, and **Robert Treviño** on the first project.

♣ **Service and Skill-set Transfer**
The new project is for the design of Vianney's new distribution center. This project will be KSA's second DC design in Mexico (the first was the recent LEI design project), and helps us to expand this service offering into a new market. The project also allows us to spread the knowledge base for DC design projects, as Alberto and **Jose Luis Gomez** (El Rey de Toro) will be the core of the project team. As it turns out, one of the opportunities that first attracted Jose Luis to KSA was the possibility to use his architecture background in designing new facilities.

♣ **Teamwork**
Just two days before the first meeting, Torre found out that he would need to make frequent trips to Japan to participate on a project for the Aeon group. On one day's notice, **Mike Swift** volunteered to pick up the project management at Vianney and was in Aguascalientes in time for the handoff at the project kickoff meeting. During this first visit, the KSA team moved right into a "foxhole", as Mike's and Torre's need for help from Alberto and Jose Luis for language skills, knowledge of the client, and Mexican industry was traded for their need for functional knowledge on DC design. (By the end of the meeting, Mike was straining to recall enough from three years of high school Spanish classes to lead the discussion. He couldn't quite do this, but he did volunteer to read through a 150-page document written in Spanish to describe Vianney's plans for WMS enhancements.)

♣ **Results**
The KSA team proved to be very efficient, with the first presentation of design assumptions and concepts prepared (in two languages!) in time for the 4:00 PM meeting on the first day of the project.

♣ **Fun**
Mike and Torre explored Aguascalientes with Jose Luis and Alberto in the back of a Nissan taxi (very tight, especially after a huge meal of steak and ribs). And, the final project meeting is scheduled for May 3, which is during the final week of Mexico's national fair located in Aguascalientes. Mike and Jose Luis will have to finish the meeting in time for the bullfights, cockfights, and all-night parties. (I might have to make it back for that one!)

PROJECT POSTCARD

MFI – THE BASE PLUS® CHRONICLES" – EPISODE 1
-- BRAD ANDERSON --

Scene 1 - The Series

Over the next 4 weeks, we will be introducing 4 brand new episodes of the highly acclaimed UK programme: MFI – The Base Plus®Chronicles. With an all-star cast spanning all (well, at least two) corners of the globe, we will give you a flavor for "PACE in the UK"--the latest trend in Base Plus® implementations. This season's episodes focus on MFI. Britain's largest furniture retailer has risen to the top of the retail food chain, with the help of KSA and their Base Plus® methodology.

Scene 2 - The Project

In November 2000, it was decided to pilot the PACE programme in the Sidcup Home Delivery Centre.
The PACE programme pilot at Sidcup (20 miles south of Central London) demonstrated the real benefits to the business, and the logistics management team decided to move forward with a nation-wide rollout. Tim Nealon, MFI's Director of Logistics and the PACE project sponsor was an advocate of Base Plus® from his days at Dillard's in the US. Phase 2 began in April 2001. Phase 2 involved the implementation of two facilities simultaneously, with one PACE team in Leeds, and the other in Aldershot. Simultaneous implementation brought challenges of consistency and standardization across sites (see next week's episode for more detail). In September 2001, Phase 3 began in...you guessed it, 3 sites simultaneously. With a greater number of well qualified KSAers and client engineers, the breadth of implementation became possible and necessary to handle MFI's aggressive growth target. With Phase 3 coming to completion within the next month, the team is now able to re-focus on MFI's future needs with PACE.

Scene 3 - The Cast

The cast is large and proud, pulling talent from exotic locations like France, Germany, USA, England, Scotland, and Ireland. Throughout the past 18-months, many have come and gone, leaving an impressionable mark on the success of the project. It has included a cast of notorious Base Plus® stars such as: (roll the credits...) Deirdre Coleman, Alice Dabrowska, Phil Davies, Britt Dayton, Maral Jakeman, Mark Messinger, Caroline Nelson, Dave Rush, Jerome Saint-Marc and Denise Trostle. Special thanks to the amazing AA support in the London and Manchester offices as well. Listed below is the current cast of KSAers on the project.

- ♣ Ashley Deaton – The Godfather (or Godmother, in her case) of Base Plus® in the UK reigns over the PACE project, ensuring all is well. We respect her as our Yoda, and give offerings of champagne.
- ♣ Valerie Levy – Our secret weapon from the US has recently come to aid the team in ensuring the consistency and standardization of 6 separate Control Plus installations in 6 of MFI's facilities. Val keeps the restless clients under control with a simple wave of her Jedi wand.
- ♣ Brad Anderson – The long-standing ex-patriot from the US has helped lead the charge in MFI's Sidcup, Leeds and Birmingham facilities. Rumor has it that he is going back to the US in April, and is writing a "How-To" book (he wished he had) to assist other Base Plus on-site leads on future projects.
- ♣ Anne Pauly – KSA's French Connection was involved in the Sidcup and Aldershot implementations, and is now leading the Glasgow facility. Anne nourishes the team by bringing in tins of Fois Gras from her trips to Paris. (It's rough in the trenches, but hey, this is Europe.)

Scene 4 - The Sites
Each of the MFI Home Delivery Centres have culture and characteristics all their own.
- ♣ Sidcup – The most glamorous of the sites so far. Being minutes outside Central London has afforded this site to host many visitors, who revel at the site's successes.
- ♣ Aldershot – A bit further outside London. The team got "in" with the locals and rumor has it, won a few quiz night competitions at the local pub.
- ♣ Leeds – The Yorkshire work ethic is the strongest seen so far. If the staff did not perform at 100% on the first day of kick-off, we had to hide the kitchen knives.
- ♣ Avonmouth – A bit of a Deliverance feel to the area, but very picturesque. The site is right on the beach, overlooking the bridge into South Wales.
- ♣ Birmingham – The UK home of Indian Balti food. There doesn't seem to be an A-list crowd here, so Brad Anderson treks to London every weekend, despite his cravings for a good Vindaloo curry.
- ♣ Glasgow – Pride of the North. The local haggis was enough to convert Val Levy to a Scot.

Scene 5 - The Benefits
With more and more benefits calculated each week, it is hard to pinpoint the exact monetary benefit that MFI has gained from the PACE project. What we know so far is that PACE has improved productivity by over 50% and reduced labor costs by 15%. Productivity improvements have allowed for the consolidation of their distribution network, and MFI was able to close 2 of their distribution centres.

MFI's stock price is currently the highest that it has ever been, and has risen by 430% in the past 2 years. Each day, they come closer to their overall business goal of reducing costs to meet the objective of 10% logistics cost as percentage of sales. MFI's Home Delivery Centres deliver success percentages above the industry norm and on par with world-class retailers in other sectors.

Scene 6 - The Future
April brings with it the end of Phase 3 of the PACE rollout. We are currently in discussions to determine the level of KSA involvement moving forward. The programme has been extremely successful so far, and MFI is taking more and more ownership every day in the implementation and maintenance efforts. MFI are now finalizing plans to roll PACE out to its remaining Home Delivery Centres and Primary Distribution Centres. This will be almost entirely staffed by PACE trained MFI engineers. Stay tuned for an update on Phase 4.

Next week on "MFI – The Base Plus® Chronicles"... "The Triple Play" a multi-site implementation drama.

ANALYST DESK
"BACK ON TRACK" (FROM LOGISTICS MANAGEMENT 03-01-02)
-- ROBERT FULGHUM --

Ever since the advent of trailer-on-flatcar shipping and the later development of intermodal containers, shippers have had a lower-cost alternative to highway shipping. But domestic intermodal shipping had two drawbacks when it came to competing with trucks: it was slower and transit times were less predictable. As a result, shippers tended to turn to intermodal only when service was secondary to obtaining the lowest possible price.

No wonder then that just-in-time (JIT) was sometimes jokingly referred to as "just-in-truck." Who could imagine a railroad playing a role in a strategy where on-time delivery mattered? That was especially true in the mid-1990s, when rail service suffered as the industry struggled to digest several large mergers and acquisitions.

Yet today, intermodal appears to be back on track. Consider the following:

- ♣ Railroads like BNSF and the Union Pacific are so confident of their ability to provide on-time deliveries that they are offering money-back guarantees for premium service.
- ♣ Intermodal marketing companies, or IMCs, now offer seamless tracking, tracing and billing services across the intermodal network, regardless of handoffs from one mode to another, or even from one railroad to another.
- ♣ Carriers are reporting quantum jumps in service levels. "Five years ago, we ran at only 80 percent reliability," says Clarence Gooden, CSX Intermodal's president and CEO, "but today our service levels run at the 90th percentile if you measure on-time to within a minute. If you measure on-time to within four hours, we're in the high 90s."
- ♣ Improved equipment, like double-stack trains and capital investments in intermodal rail yards provide for more economical shipments.

Plus the savings are there. Shippers typically expect to save 5 percent above the cost of shipping by truck, including any incremental costs associated with managing an intermodal network. Those savings can translate into significant dollars on long hauls.

A Mode for All Seasons
Who's using intermodal today? "I don't know of an industry that has not considered—or will not consider—using intermodal as part of its transportation planning," says Mike Hickey, an associate partner with the consulting firm Accenture's Dallas office.

Even more surprising, intermodal logistics is carving out a role in just-in-time supply chains.

Take UPS Autogistics, a two-year-old alliance between UPS Logistics and Ford. The Autogistics team worked with the automaker, railroads and truckers to re-engineer Ford's transportation network for the delivery of finished vehicles throughout the United States, Canada and Mexico.

The transition wasn't always easy. The railroads were forced to think more about their role in an overall transportation network. For example, one of the criteria established by UPS was a definition of on-time performance that was different from what the railroads were accustomed to using. "The railroads used to assume that if they arrived early, that was on time and successful," says Barts. "From our perspective, they have to work in synch with the entire network, not just their isolated leg."

The effort has paid off. Last February, Ford announced that the intermodal project had sliced vehicle transport time by four days, or 26 percent. Ford realized a $1 billion reduction in vehicle inventory and more than $125 million savings in inventory carrying costs on an annualized basis.

The Benefits of Intermodal

Why use intermodal? Advocates point to three benefits for shippers.

The first is predictability. Today's railroads, airfreight carriers and shipping lines run their operations based on predictable and published departure and delivery schedules, just like an airline.

The second is ease of service. With intermodal, you can have a shipment as fast—or as slow—as you want it, which allows you to manage your costs better. Most domestic shippers who choose intermodal work with an intermodal marketing company rather than deal directly with individual railroads. The IMCs aggregate shipments coordinate the various modes and track shipments to provide one face to the customer as part of their service.

The third is flexibility. In addition to choosing the most cost-effective mode to meet customer requirements, intermodal allows a shipper to divert or segment a shipment in midstream or put it in a holding pattern if necessary.

The railroads, in particular, have created a variety of new intermodal products. The Norfolk Southern and Union Pacific, for example, recently teamed up to offer the Blue Streak Intermodal Service from Los Angeles to Atlanta; Charlotte, N.C.; and Jacksonville and Miami, Fla. The service, which boasts 95 percent or higher on-time reliability, guarantees priority allocation of equipment to customers willing to pay a surcharge for premium service.

CSX Intermodal, for its part, has begun targeting hauls as short as 500 miles from the Midwest into congested urban areas in the Northeast. "Truckers don't like to make runs into New York because of the tolls and delays," says Clarence Gooden. "We can offer a reliable, overnight service from a city like Cleveland into New York or New England for less than the truckers can." This is a significant development: Previously, hauls under 700 miles were considered too short to be economical.

Running on Time

Reliability is the key to making intermodal an attractive shipping option today. For the carriers, that may mean buying reliable equipment. All of the railroads have made significant investments in stacktrains and in new intermodal terminals.

It also means running the trains on time, which is something of a turnabout for the railroads. "The meltdown in '95 and '98 was a wake-up call to the industry," says Joni Casey, president of the Intermodal Association of North America (IANA), an industry trade association in Greenbelt, Md. "The railroads, in particular, realized that they had to improve service and work on innovative information technology to maintain growth."

Though there are still improvements to be had, the railroads have made strides. "For a certain, growing band of products, ... intermodal [service is] attractive because the railroads can now provide a service that's almost as good as truck service at a lower price," says William Rennicke, a vice president in the transportation practice at Mercer Management Consulting of Lexington, Mass. "In many corridors, customers don't know whether their box came via air freight, over the highway or via intermodal. In fact, it might come one way on one day, and another on the next."

"People used to think intermodal was slow and unreliable, so they trucked everything," notes Ron Sorrow, president and CEO of RoadLink USA, a Jacksonville, Fla., trucking company that provides intermodal services to steamship lines and the railroads. "Now, they look at their transportation department like a mutual fund. They need some high-cost solutions like air and motor carrier. But they're also looking at the savings available from slower modes of transportation, as long as they're reliable."

IT Is Key

Railroads, IMCs and shipping lines have also invested heavily in the development of tracking, tracing and billing information systems. "Transportation and equipment aren't enough any longer," reports Bingeman of Canadian National. "It's transportation combined with data flow. Information is becoming the differentiator."

To achieve this, Canadian National has added onboard GPS technology to provide visibility into the contents of an intermodal container and to capture proof of delivery. The railroad is also receiving real-time information on expected future shipments from its customers that can be used to improve planning. The flow of information is now seamless across the network on even longer hauls, where a container may move from the control of a steamship line to one or more railroads, to a trucker at the other end.

Going forward, necessity may become the real engine of growth for intermodal. "The Department of Transportation forecasts that the amount of freight being shipped will double in the next 10 years," says Joni Casey of IANA. "We're fast approaching gridlock in a lot of areas. Intermodal is a way to combat some of the capacity issues."

To read this article in its entirety, check out the following link:
www.manufacturing.net/lm/index.asp?layout=articleWebzine&articleid=CA200010&industry=Intermodal+and+Rail&industryid=2029

BRAIN TEASER

Most creative answer to the last Brain Teaser:
If you started boring a hole through the earth from New York, where would you exit? According to our sources... "From where you went in".

We preferred this thoughtful response:
You would probably dig down about 80 feet, then hit ground water, come back up into the Hudson River and float downstream into the Atlantic Ocean. Depending on how well you can swim while holding onto a giant auger, you would probably catch onto the Gulf Stream and end up somewhere near the English Channel.
Submitted by Torre Crupie

This Week's Brain Teaser:
What is the five-digit number, no zeroes, in which the second digit is three times the first, the third is one more than the second, the fourth is four times the first, and the last is one-half more than the second?

Quote of the Week...

*"Each friend represents a world in us,
A world possibly not born until they arrive,
And it is only by this meeting
That a new world is born."*

**Anais Nin
(French-born American Novelist)**

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DIRECTOR'S CORNER
-- KEN WALKER --

Food Manufacturers and Retailers Look to KSA for Supply Chain Vision and Strategy.

As with other Consumer Goods manufacturers and retailers, there is an increased emphasis in the Consumer Packaged Goods industry on Supply Chain effectiveness and the corresponding strategies that support that effectiveness. KSA is in the midst of a number of initiatives to help create and implement Supply Chain strategies for clients and trade associations.

We are currently conducting an industry survey of selected members of the three major trade organizations in the food industry. The survey is being conducted on behalf of the Grocery Manufacturers Association (GMA), the Food Marketing Institute (FMI – retailers), and Food Distributors International (FDI – wholesalers). Jack Horst and Jon Mays are leading the survey effort along with a Task Force from the GMA/FMI/FDI. The goal of the survey is to identify and prioritize strategic initiatives that are underway or on the minds of the trade association membership. The results will be presented at three major trade events (hosted by – you guessed it – GMA/FMI/FDI) and at the National Council of Logistics Management Conference this Fall.

Concurrently, Jack is heading up a KSA initiative to develop a comprehensive vision of the Supply Chain of the Future for the Consumer Packaged Goods industry. The goal of this effort is to create a vision in an appropriate set of thought leadership presentations that will support KSA efforts aimed at working with CPG companies to use the supply chain both as a competitive edge and to create value.

These efforts offer significant potential for our clients as well as KSA. We currently have large proposals in front of two past clients – a very large multi-channel retailer and a very large wholesaler. In addition we have a third opportunity that we hope will develop for another past client in the wholesale channel. Finally, virtually all of the Global and Regional Account Teams have identified Supply Chain as a critical part of their value propositions.

All in all a great opportunity for KSA to deliver thought leadership to the industries and clients that we serve.
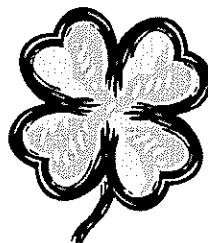
PROJECT POSTCARD
GREETINGS FROM OMAHA
-- AARON TODD --

Do you remember the decorations from your fourth grade Halloween Party? Have you ever wondered where carnivals get the prizes you spend too much money trying to win? The chances are those decorations came from the Oriental Trading Company (OTC) in Omaha, NE where the team of Todd Barr, Andy Crooks, Rich Dec, Colleen McGraw, Dan Stonaker, Sean Ryan and Aaron Todd are helping install the largest single base plus implementation ever sold.

The magnitude and complexity of this project is demonstrated by the simple task of conducting brainstorming meetings with the packers. Eighteen half-hour meetings were held on two days in order to accommodate the 473 packers that work across 73 different work schedules. It was also exciting to be introduced by the CEO to over 500 associates at one of the three-facility kick off meetings. Fortunately for everyone involved, the team is joined by former KSA manager Jeff DeRuiter who traded his California locale to head up the engineering department at OTC. It is a pleasure and a challenge to work for a client with so much Base Plus knowledge.

If anyone has the need for plastic grass skirts, spider rings, or an abundance of Easter candy please give us a call. Because here at OTC, "we pack more fun in every box."

INDUSTRY INSIGHTS
DEMYSTIFYING COLLABORATIVE COMMERCE
(FROM LOGISTICS.ABOUT.COM – BY DERSHANA NAIR)

Almost everybody around agrees that strategic alliances - collaboration based B2B platforms - are the key to future success, even SURVIVAL! Logistics providers not exempted!

So, what exactly are the functional realities associated with Collaborative Commerce? Where on the platform does the logistics provider, fit in? Read on to find more about the evolved or to be more accurate, the fourth phase of e-commerce.

C-commerce: Looking beyond the tech jargon!
Touted as the X generation of e-commerce models, at its best a collaborative network can be simply defined as an extended, super efficient, integrated Demand - Supply chain, with loop-holes plugged out. Unlike traditional supply chain models that restrict network partnership to buyers and suppliers, C-commerce fosters interactive links between all the relevant members of an extended demand and supply chain - from designers to end customers. It dynamically involves designers, suppliers, and buyers, trading partners, logistics providers and end customers in the entire planning and execution process. In simple terms, it promotes inter-enterprise relationships.

To quote Dr.Brian J.Gibson of Auburn University, "C-commerce is multiple organizations working together to co-ordinate processes and optimize logistics asset utilization". Information sharing and process visibility across the entire supply chain, by all partners, becomes the axis on which the collab network is built. It prompts you to view order fulfillment as a single process across companies rather than a series of processes conducted by a number of partners.

Trust becomes a critical factor here and the traditional reluctance among businesses to share critical data assure network fallouts! Ideally, it requires integration between not only the regular supplier - buyer partners in the tradition SC model but also varying degrees of collaboration (visibility and information sharing) among equals, most often than not, competitors in the real world (e.g.; manufacturer -manufacturer; buyer-buyer; supplier-supplier).

The current economic slump has fuelled the collaborative trend. It is gaining momentum across industries reveals a study conducted by Deloitte Consulting. Of the 356 representatives selected from a broad spectrum of industries nearly 60% stated C-commerce to be on the agenda within the next 12 months. This can be translated into business opportunities for the enterprising transportation players who can form strategic links in the evolving collab networks!

Business optimization: How does C-commerce enhance performance?
Gartner, the research major, estimates that information sharing among supply chain partners will accelerate revenue growth by as much as 20% within 2004. Streamlined collaborative networks accrue considerable operational and strategic benefits. C-commerce techniques like e-procurement streamlines operations reduce overheads and enhance profit margins. Critical information like point of sales data aids better forecasts, inventory optimization, lesser stock out instances etc. Better asset utilization, lesser lead times, reduction in working capital, increased customer responsiveness are all the byproducts of a successful network.

Whole chain visibility, across enterprises, by all concerned partners makes it easier to anticipate, avert or revert on time probable contingencies. Supply Chain Exception Management (SCEM), a concept evolving as a separate

entity by itself, is best complimented by a collaborative endeavor. Further, the knowledge that other trading partners have access to your enterprise processes by itself acts as impetus to enhancing quality levels!

Logistics: Where in the network do you fit in?

A study conducted by Prof. Han Mc Kinnon of Heriot Watt University placed freight related costs at 17% of the total outlay. So, any supply chain optimization strategy will fall short of the ideal if the actual transportation strategy has not been streamlined. With careful planning and forethought most transportation related disruptions in the supply chain can be managed successfully. And that is the Holy Grail for an effective Collaborative (Logistics) Network!

An ideal C-logistics network promotes a high degree of visibility and resultant activity co-ordination between multiple shippers, selected carriers and ancillaries like warehouses. This results in optimum utilization of assets and accrued benefits for all trading partners. Shipper to shipper collaboration can mean co-loading trucks to make same route or single point deliveries or co-occupying warehouses. This will especially benefit small and medium sized shippers (also B2C), who make frequent LTL shipments. A definitive improvement on the loss-loss situation where the shipper incurs extras cost with no resultant higher profit margin to the carrier, who in turn is burdened with underutilized capacity and empty backhauls.

Carriers gain by keeping their assets moving and full, assured of regularly scheduled assignments and hence dedicated revenue streams. Carrier to carrier partnerships too can be considered to reduce repeat investments on procuring more assets and yet explore transgeographical business opportunities.

Collaborative networks employ customer centric tools like tracking and tracing, which can be leveraged by the transportation service provider to better implement strategies like cost effective route planning, dynamic routing and rerouting and; accrue considerable savings on fuel, driver scheduling and avoid traffic congestion (to an extent!).
A glimpse into four specific problems plaguing the current transportation sector will better drive home the point:

1. Unfilled capacity - Industry reports show empty motor carriers on the road to be over 20% and underutilized capacity to be more than 40%. Annual losses amount to billions.
2. Increasing fuel costs
3. Escalating insurance costs
4. Driver shortage - The number, as of 2000, lingers at 50,000/yr as against the industry need of 80,000.

Carrier benefits
* Higher margins
* Optimum asset utilization
* Reduction in empty backhauls
* Regular revenue streams
* Better exception management
* Customer satisfaction

Shipper benefits
* Accurate and timely shipments
* Less inventory pile ups (just in case)
* Less logistics costs
* Less working capital
* Better exception management
* Customer satisfaction

The advanced C-commerce model further streamlines the process by integrating logistics into its Collaborative Planning Forecast and Replenishment (CPFR) strategy. Selected carriers gain insight into the strategic planning process and joint develop annual plans for shipment volumes and distribution patterns - i.e. execution strategy. This raises the partnership to higher, reciprocative levels and committed relationships.

Envisioning the ideal C-commerce network:
The ideal C-commerce network allows members the flexibility to choose network partners and decide upon the level of involvement (as far as critical data sharing is concerned) with each. It fosters varying degrees of partnership activities between members. The bottom line is to improve business efficiencies, streamline processes and quality consistency - hence the design should allow equable business enhancement opportunities to all partners. The technical infrastructure should be flexible and dynamic enough to foster trading member on boarding (no matter their degree of IT sophistication) and if need be inter-network alliances. Information management and sharing, forms the backbone of the network. Security the bottom line!

Technology planning and implementation
- ♣ Enroll all trading partners involved into the planning process
- ♣ Begin with clear-cut value proposition and ROI expected.
- ♣ Consider the specific needs of the company and all trading partners
- ♣ Flexible enough to facilitate inter-enterprise and inter-software (legacy system) interface
- ♣ Scalable to incorporate future addition of applications
- ♣ Dynamic enough to accommodate members with varying degrees of technological sophistication
- ♣ Gradually add high-end collaborative applications to the basic infrastructure, as utility increases.

So, now that you have your roadmap, will you take the plunge or will you defer? The choice is yours. Be part of a win-win situation! Best of luck!

BRAIN TEASER ANSWER

The answer to last week's Brain Teaser, (If you started boring a hole through the earth from New York, where would you exit?) according to our sources... "From where you went in".

According to the answers we've received from our loyal readers, there may be some dispute brewing. If you agree with our sources or if you came up with a different answer than provided, please re-submit your conclusion with an explanation. We'll run the most enlightening as well as the most humorous responses next week.
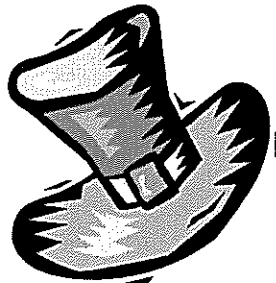
NEWS, NOTES, AND NONSENSE
NEW CONTROL PLUS FEATURES
-- DENNIS TROSTLE --

We have recently announced several new reporting features in the current Control Plus system. These enhancements, as detailed below, were communicated to all Control Plus clients via a combination of email/regular mail announcements. If you are aware of clients who would be particularly interested in these features, contact the Control Plus Helpdesk.

- You can now suppress (hide) the printing of the employee's number and/or the employee's name on any of the following reports:
  - BASE310 – Daily Cost / Performance Report
  - BASE400 – Earned Pay Variable Summary Report
  - BASE402 – Earned Pay Variable Summary Report II
  - BASE430 – Daily Performance Report
  - BASE434 – Daily Performance Report II
  - BASE530 – Weekly Cost / Performance Report
  - BASE534 – Seasonal Cost / Performance Report
  - BASE525 – Individual Performance Summary

- The performance percent field has been expanded on several reports to print two digits to the right of the decimal. This affects the following reports:
  - BASE530 – Weekly Cost / Performance Report
  - BASE534 – Seasonal Cost / Performance Report
  - BASE310 – Daily Cost / Performance Report

P.S. Stay tuned to this space for upcoming announcements concerning the new version of Control Plus (CP2).
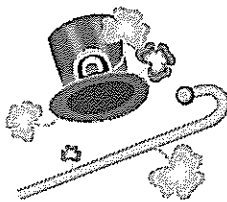
Quote of the Week...

"The first step toward success
is taken when you refuse to be a
captive of the environment in which
you first find yourself."

-- Mark Caine --

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DIRECTOR'S CORNER
-- RANDY MOORE --

Congratulations to the Charming Shoppes Team!

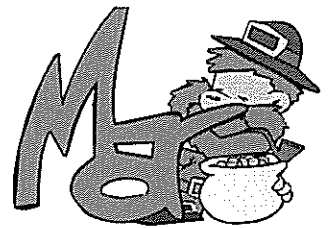A special congratulations is in order to the Charming Shoppes Strategy team (Lori Digulla, JD Densmore, and Todd Barr) for going above and beyond the call of duty to satisfy a client! During the course of this 6-month project (which also included Andrea Brunson last fall), Charming Shoppes experienced many changes to their business. These included a significant shift in their current division's business strategy and the acquisition of an additional division, Lane Bryant from The Limited. After each of these events, the KSA project team re-analyzed the logistics strategy. This process required obtaining new growth projections, revising design data, re-running transportation and cost models, and re-working conclusions.

Finally, as the project was near completion, the client became overtly anxious about our conclusions since they did not match his preferred outcome. In order to make an all-out push to appease and persuade their client, Lori and JD locked down in the Princeton Office and spent a grueling 1-week stretch, working the final 50 hours straight (i.e. 50 hours of work with no sleep!) to answer the client's concerns. Towards the end of their back-to-back all-nighters, they received hourly advice and encouragement from Todd until 3 am as he traveled from Atlanta to Philadelphia.

After the 50-hour lockdown, they emerged triumphantly with renewed vigor (still no sleep, but a quick shower) to present their conclusions to Charming Shoppes' Executives. At 9 am (after sneaking a free bagel and cream cheese breakfast at the local Hampton Inn where the team met for a quick pre-game meeting), they dug deep for their last bit of energy and made a very successful presentation. The executives embraced the conclusions drawn and asked KSA to perform a final iteration based on updated division projections and product mixes (a final 'tweaking' of the numbers). Finally, they each returned home and slept for the next 18 hours straight. On Lori's ride home, she actually got lost trying to get to her apartment as she fought off her exhaustion.

Over the past 2 weeks since the Board meeting, the KSA team has been making final changes and revisions that the Board requested, and the project will finally be complete by Feb 25th.

Congratulations to JD, Lori, and Todd for working so diligently to satisfy a client! They've demonstrated great work and great results that Charming Shoppes will appreciate for years to come!

PROJECT POSTCARD
WOMEN'S BETA TEAM BRINGS HOME THE GOLD!
-- DENISE TROSTLE --

O.K., so it was no giant slalom and figure skaters we're not (and whatever you do, don't try to picture us in those speed-skater outfits). Nonetheless, earlier this month the Technical Services group fielded an all-female championship beta testing team that completed the successful implementation of CP2 (the new and improved Control Plus) at Cornerstone in Cincinnati, Ohio.

Barbara Byrnes (programmer extraordinaire), along with Marianna La Vecchia and Denise Trostle spent a little over 2 weeks on-site at Cornerstone setting up the CP2 software, converting existing Control Plus data files, training users, parallel keying/testing, and generally doing what needed to be done to make the client happy.

The software is running on a Novell network using SQL Server as the DBMS. The client is very happy with the new product (Barbara received several "We Love You's" from the CP2 staff.).

Barbara deserves special recognition for *all* of her hard work related to CP2 and specifically for her long hours on beta (arriving at the client site at 2:00 a.m. was above and beyond), as well as her ability to respond to the client needs immediately.

Cornerstone is the second beta site running CP2. The first site was the Federated Logistics facility in Stone Mountain, Georgia. We are actively pursuing clients for the third beta test (we may even allow the guys to participate in this one!), which we hope to complete during the month of March.

With the next beta we will be seeking to find a hotel that's not beside a roller rink – with loud music and late hours! Barbara has also requested that we stay in a neighborhood where she can get breakfast at 2 or 3 o'clock in the morning – hard to imagine, but nothing was open that early around our Cincinnati hotel except the Waffle House, which, shockingly, had unsavory clientele at that time of day!

Keep your eyes peeled to this spot for more exciting CP2 developments in the near future.

ANALYST DESK

REST IN PEACE, DEAD STOCK *(FROM TRANSPORTATION & DISTRIBUTION MAGAZINE 02-02)*
-- ROBERT FULGHUM --

When it's time for spring cleaning, it's hard to clean out the attic. Many convince themselves they will one day need stuff that has been sitting around for months, even years.

The same attitude exists in warehousing. Inventory managers will sometimes convince themselves that someone, someday, will want the inventory collecting dust in the back of the warehouse. So, they won't get rid of it. The fact is, holding onto obsolete inventory just takes up space and eats away at profits. Storing inventory for a year can cost 30% or more of its value. Throwing it all away is one option, but there are other ways to get rid of unwanted inventory without writing it off as a loss.

Jon Schreibfeder, president of Effective Inventory Management Inc., suggests transferring excess stock to another location where it is needed. After all, a product may be dead in one location but active in another.

Another option is to offer the inventory to other suppliers and make use of the selling powers of the Internet. Web sites such as www.commoditysurplus.com, www.getrid.co.uk, and www.liquidation.com maintain lists of available surplus stock. Schreibfeder suggests donating the material to a nonprofit organization and taking a tax deduction if attempts to sell it are unsuccessful.

In addition, here are seven other ways to put obsolete inventory to rest for good:

- ♣ Give it away or sell it at a deep discount to employees and gain a tax write-off and employee good will.
- ♣ Customers may need some obsolete items in the future (e.g., replacement parts for equipment). Send letters to customers indicating you will no longer stock these parts and offer them at a discount.
- ♣ Some organizations accept donations of old inventory. Often, you can write off the inventory at full market value with the net effect on your P&L being near zero. An example is the National Association for the Exchange of Industrial Resources (www.naeir.com).
- ♣ In most industries, brokers will buy inventory at deep (but higher than scrap value) discounts. Write off the difference between sell price and inventory value.
- ♣ Some raw material may be returnable to your vendors, probably with a restocking charge. Also, vendors may recommend buyers for the goods.
- ♣ Sell it for scrap.
- ♣ Throw it away as a last resort.

The savings in space, counting, moving, and handling plus the tax write-off will benefit the company more than having dead inventory sitting around. In addition, inventory managers responding to a 2001 survey conducted by Inventory Reduction Report revealed that, for the eighth consecutive year, periodic review is the most often used inventory reduction practice. The following top ten practices were employed by at least 20% of the respondents:

1. Conduct periodic reviews (65%)
2. Analyze usage and lead times (50%)
3. Reduce safety stocks (42%)
4. Use ABC approach (80/20) rule (37%)
5. Improve cycle counting (37%)
6. Shift ownership to suppliers (34%)
7. Redetermine order quantities (31%)
8. Improve forecasts of A and B items (23%)
9. Give schedules to suppliers (22%)
10. Implement new inventory software (21%)

NEWS, NOTES, AND NONSENSE
-- SPECIAL DELIVERIES --

Chris and Susan Merritt had a baby boy on Thursday, February 14th.

Jackson (Jack) Christopher Merritt weighed 2.5 lbs. and was 8 weeks early.

Susan and Jack are both well.
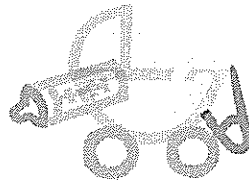
Randy and Kelly Unger had a baby girl Sunday, February 24th.

Olivia Unger weighed 8 lbs. 8 oz.

Kelly and Olivia are doing fine.

March Celebrations

ANNIVERSARIES

RODRIGO LOPEZ	3-01-1999
ALBERTO PENSADO	3-13-1995
RANDY MOORE	3-14-1983
TONY DEMARIA	3-19-1965
BRAD TAYLOR	3-22-1999
DAN ULICNY	3-22-1999

BIRTHDAYS

JEFFREY SAULS	3-01
SUZANNE DENCKER	3-02
MIKE KINCAID	3-06
JON WATSCHKE	3-07
DENISE TROSTLE	3-13
KIRK ZIEHM	3-13
BRAD TAYLOR	3-16
DAVE RUSH	3-21
ROB OGLESBY	3-24
RICK WOLFE	3-27

Quote of the Week...

The first step toward change is acceptance.
Once you accept yourself,
You open the door to change.
That's all you have to do.
Change is not something you do,
It's something you allow.

-- Will Garcia --

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DIRECTOR'S CORNER
-- LYNN SPUHLER --

During a discussion we had last week, the topic of what we have been doing in the area of Fulfillment service development was raised. As we discussed the activities over the last year, we thought it would be beneficial to summarize our current initiatives. Last year there were three specific areas of focus in service development.

Performance Improvement was obviously one of those. This service offering has been a critical part of KSA since Kurt started the firm in 1935. In 2001, our largest Fulfillment service was performance improvement as clients focused on reducing costs and leveraging their investments (rather than building new infrastructure). In order to sustain our long-standing success, we need to continue to enhance and expand our Performance Improvement services. Current examples include:

- ❤ Redefining the range and scope of this service, i.e., stratifying a range of performance improvement services (beyond our current Base Plus pay for performance services) to encompass a broader range of client needs
- ❤ Completion of the development of the next version of Control Plus which is now undergoing successful beta testing
- ❤ Integrating performance improvement into our WMS implementation services thereby helping clients to fully leverage their investments in new technology
- ❤ Development of the Ten Quick Wins thought leadership piece used in numerous speeches and presentations

In *Fulfillment Technology* services, we developed a strategy, which identified four areas of focus for the Fulfillment Technology group. These service areas, designated as Centers of Excellence (COE), include:

- ❤ Warehouse Management Systems services, the operational control systems that are the heartbeat of any modern distribution center
- ❤ Supply Chain Event Management systems integration which provides connectivity for the partners in a supply chain to share information about the physical movement of inventory
- ❤ Customer Contact support systems which are a critical part of customer interaction, particularly in call centers
- ❤ Manufacturing Operations systems which manage the real time activities of manufacturing plants

In our **KSAA** practice last year, we also completed an extensive audit of our strategy and future opportunities. The resulting service expansion strategy (just recently presented to and approved by KSA's Board of Director's) highlighted the following findings:

- Our current KSAA practice provides a unique value to important KSA clients (primarily US) and is also a highly valuable service to KSA
- In the future, we are committed to growing the KSAA practice by expanding our efforts to serve local markets including both local key account manufacturers and retailers
- Our KSAA practice will also expand it's range of Fulfillment services by focusing on both manufacturing operations and distribution operations
- In order to properly execute this strategy, we will focus on building our local delivery capabilities in Mexico including principals, managers and staff

Each of these initiatives will carry over to 2002 to become fully implemented. At the same time, two additional service expansion projects are already underway this year.

KSA's Merchandising and Fulfillment groups have developed a joint service team focused on broadening KSA's **Store Operations** services. The concept here is to marry KSA's current offerings in Store Operations and Logistics to provide a truly integrated offering for Retailers. However, the most exciting element of this new team's work will be the opportunity to generate additional service offering synergies by incorporating tools, methodologies, and BOK from both service groups.

The **Consumer Packaged Goods (CPG) Supply Chain of the Future** is another new initiative that is just now starting. This is a pan-KSA team focused on developing true thought leadership encompassing the fast changing needs of CPG manufacturers, wholesalers, and retailers. The output of this team's effort is expected to provide KSA with a unique set of value propositions in this industry segment that has the equivalent impact of Quick Response ('80's) and Efficient Consumer Response ('90's). By definition, the results from this Supply Chain initiative will have a direct impact on our Fulfillment service offerings for several years.

Obviously, there are many potential areas of opportunity to expand our Fulfillment services. In the last year, we chose to focus directionally on those mentioned above. However, we need to continue to challenge ourselves to drive innovation and enhance the value of our services. To that end, let us know your thoughts or questions. The more ideas the better!!!

PROJECT POSTCARD
FRESH EXPRESS NETWORK STRATEGY PROJECT
-- JON WATSCHKE, RICH DEC, AND GABRIELLE PYLE --

Fresh Express, producer and distributor of retail packaged salads, merged with Performance Food Group in September 2001. Previously, PFG had acquired Redi-Cut and Fresh Advantage; both providers of fresh cut produce to the foodservice industry. Bringing the three companies together under one umbrella yielded increased buying power, capacity and market access. It also provided an opportunity: The companies' overlapping production and distribution networks would need to be integrated to achieve the right balance of service and cost.

KSA was brought in to find ways to do just that. Different than projects examining distribution centers and finished goods, this one would analyze the supply chain from harvest through production and distribution to the retailer. Complicating factors included highly perishable products and three companies with different customers, processing and distribution methods.

Initially we interviewed key individuals at the companies, then set out on a whirlwind tour of their production facilities. At each facility the fresh vegetables were washed, run through a slicer (think giant Cuisinart™ food processor) and packaged in bags and cases. The facilities were clean and attractive. In comparison to other food production facilities (like meatpacking plants) we were able to walk away with a healthy appetite for the product. The only occupational hazard was the onion slicing operation. Imagine how much crying takes place in a room where 50,000 pounds of onions are sliced in a day!

While we were studying their operations, the responses from our initial data requests began to trickle in. Our goal was to build a model that would allow us to study many different network scenarios based on service and cost. We looked for commonalties so we could combine the three companies' outputs into one. Eventually we decided to track demand over a one-year period at SKU-level. Using an Access database we assembled a table consisting of volume per SKU from each production facility to each customer location, which we called the *Pounds* table. This table showed us the volume of finished goods produced in each facility as well as outbound transportation volumes, but to look upstream in the supply chain we needed more information.

Many of the SKU's were made up of several raw materials blended together. We created the *Recipes* table listing each SKU and the percentage of up to 60 raw products it contained. If anyone wants to know the proper ratio of Iceberg, Romaine, Carrots, Endive and Croutons to use when making a salad, we can give you an idea. In conjunction with facility yield data, the *Recipes* table allowed us translate finished goods demand into raw product requirements.

After determining source locations, freight rates, average truckload size, and lots of other key data, we were off to the races. We modeled scenarios including close to source, close to customer and least cost with various combinations of existing and new facilities. Our model output key information such as production costs, service levels, and transportation costs (inbound, outbound and crossdock). We were also able to calculate the utilization of each production line in the facilities by modeling in Excel with the assistance of a souped-up version of the standard Solver plug-in.

With the exception of the production capacity, all of the calculations were performed in Access. The final model had over 45 queries, 30 tables, eight macros and one module (provided by programmer: see lessons learned). Some of the macros required such extensive run times, that we let them run overnight to obtain the results.

Several lessons learned from this project include:

- ❤ Access is an amazing tool--use it wisely.
- ❤ There is a limit to the size of the files that may be emailed across the KSA network as well as AOL.
- ❤ It is easier to work with Lynn, Jon and Rich for weeks on end rather than spend four hours working with your programming spouse.
- ❤ Gabrielle does not cook dinner and may often be reached via cell phone ordering dinner at various drive thrus (or reached at Home Depot, malls, soccer games, daughter's dances, bars, etc.) conversely,
- ❤ Rich may not be reached via his cell phone and only eats at one restaurant, while Lynn does not eat at all.
- ❤ If your hotel wake-up call doesn't work, the sound of Lynn knocking on your door probably will.
- ❤ Lynn can show great restraint when hearing that Rich even wrote a query or two in Access (even though we all read his mind!)

Based on the clients' directive to balance service and cost, our analysis formed the basis of our recommendation. In our final meeting with the CEO, we proposed a plan to shift production closer to customers and a phased approach to open two new facilities and close four existing ones.

IMRA RESEARCH
MEASURING RETURN ON WEB INVESTMENTS

In today's economy, even the most traditional retailers are finding themselves in need of Web sites, either to inform customers about location, or to serve them via the Internet. The trouble is, most companies have a hard time figuring out whether or not their investment in the Web is paying off.

It is standard practice now to measure "hits" on a Web site (the number of times the site is visited by individuals) and to monitor what parts of the site visitors access most frequently. However, these measurement tools do not help a company determine how well their Web investment is working for them.
According to studies reported recently in *Computer World* magazine, companies are still investing in their Web sites but are paying greater attention to calculating their returns. One way to get a sense of how well a Web site is performing is to compare it with sales from other channels that customers are using. Customers who use multiple channels are liable to be spending more overall; a customer who shops via company catalogue, Web site, *and* in the store is much more valuable than a customer that only shops through one of these channels.

However, site hits don't automatically add up to increased sales. Customers may browse a Web site repeatedly without buying anything. If the site is confusing or difficult to navigate, customers will lose patience and go elsewhere.

But help is at hand. Software to monitor certain types of activity on a Web site—such as ordering merchandise or sending inquiries—is more readily available now, and provides new ways to examine how the site is being used. Additionally, companies can find out how much of their employees' time is being saved by Web-based sales, and figure that into their IT budget.

FULFILLMENT PROJECTS 2002

AMERICAN EAGLE OUTFITTERS	Evaluation of AE Direct Fulfillment Operation
AVON PRODUCTS, INC.	Logistics Strategy
AVON PRODUCTS, INC.	Logistics Execution Solution Selection & CRP
AVON PRODUCTS, INC.	Supply Chain Team Participation- PMO Support
BARNES & NOBLE	Productivity Improvement and Pay for Performance
BIG LOTS	Tremont P.O.W.E.R. Implementation
BRANDED MANUFACTURERS CONSORTIUM	Implementation Initiatives
CARHARTT, INC.	Advisory Retainer
CERIDIAN BENEFITS SERVICES	Agreement 18702 Mailroom Consolidation
CHARMING SHOPPES, INC.	Logistics Strategy
CRESCENT PRIVATE CAPITAL	Due Diligence
DELTA WOODSIDE IND., INC.	Identification of Opportunities for Improvement in Twill Manufacturing
FLEMING COMPANIES, INC.	PMO Multi-Tier Distribution
FOOD MARKETING INSTITUTE	Supply Chain Optimization Survey
FOSTER FARMS	Supply Chain Strategy- Phases III & IV
FRESH EXPRESS, INC.	Supply Chain of the Future
GOVERNMENT OF EL SALVADOR MINEC	Free Trade Opportunities- Canada, Project 9450-120599-101-5
KBKIDS.COM	Blairs DC Start-up Assistance
LL BEAN	Replenishment Process and Systems Implementation
LILLIAN VERNON CORP.	Base Plus in Distribution and Personalization
LIPPINCOTT-RAVEN PUBLISHERS	Customer Service Improvement Initiating
LOUIS HORNICK & CO., INC.	Implementation Planning of Distribution Systems Support
LVMH FASHION GROUP AMERICAS	Distribution Network Reconfiguration
NATIONAL TEXTILES	Country Cost Analysis
NIKE, INC.	Pay for Performance- Winchester
NIKE, INC.	North American WMS Selection
ORIENTAL TRADING COMPANY, INC.	Base Plus Implementation
PFIZER	Improvement of Productivity Reporting Program and Reporting Tools

PUBLIX SUPER MARKETS	Conceptual Design for the Atl. LV DC
QVC NETWORK, INC.	Jewelry DC Base Plus Implementation- PO# 9155524
ROSS STORES, INC.	Base Plus Extension for Newark, California
SARA LEE CORPORATION	SL Branded Apparel Mexico Country Cost Comparison Study
STAPLES	WMS Implementation Assistance-Design and Testing
STAPLES	Montgomery FC WMS Implementation
STAPLES	FC Performance Improvement Program Implementation
VANITY FAIR INTIMATES	KSA Assistance to Vanity Fair Intimates in Mexico/Honduras
VANITY FAIR INTIMATES	Consulting Assistance 2002

Quote of the Week...

"When love beckons to you, follow him,
Though his ways are hard and steep.
And when his wings enfold you yield to him,
Though the sword hidden among his pinions may wound you.
And when he speaks to you believe in him,
Though his voice may shatter your dreams
As the north wind lays waste the garden.
For even as love crowns you
So shall he crucify you
Even as he is for your growth
So is he for your pruning.
Even as he ascends to your height and caresses
Your tenderest branches that quiver in the sun,
So shall he descend to your roots and
Shake them in their clinging to the earth."

**The Prophet
by Gibran Kahlil Gibran**

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)

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DIRECTOR'S CORNER
2005
-- LISANDRO SAGASTUME --

The Multifiber Agreement (MFA) that regulates global apparel trade will be eliminated in 2005. US apparel import quotas will be scheduled out for the members of the World Trade Organization (WTO) as of January 1st 2005. Only reduced import tariffs will remain in place.

This is of grave concern to apparel manufacturers, especially those in Mexico, the Caribbean, and Central America, which fear a dramatic increase in apparel imports from China, due to its lower production costs. China already dominates product categories such as: luggage, toys, and footwear, where there are no import quotas

In addition to quality, price and timely delivery, other factors have impacted the sourcing of apparel products:

- Commercial treaties between different countries and regions (ex. NAFTA)
- Tariffs/preference systems and quotas
- Global Sourcing
- Currency fluctuations

Future treaties and opportunities include:

- Expansion of Israel Free Trade Area (FTA) to other Mid-East countries
- Proposed FTA's: Jordan, Chile, Singapore, Korea, Egypt, Taiwan, Australia, New Zealand and others
- Expansion of Sub-Saharan Africa, Caribbean Basin Initiative (CBI) Benefits
- Expansion of CBI type benefits to Andean countries
- Special considerations: Pakistan, Turkey and others
- Free Trade Agreement of the Americas
- Normal Trade Relations (lower tariffs) extended to Vietnam, Laos
- 2005 WTO Quota Phase Out

The US has recognized the potential impact of China and has established textile safeguards through an US-China WTO Bilateral Agreement. The US is allowed to impose a quota on products imported from China if imports cause or threaten to cause a "market disruption", after the integration of textiles on January 1st, 2005 through 2008.

Against this backdrop and acting within a relatively short window of opportunity (before 2008), apparel manufacturers in the C/LA region are:

- Expanding their service offerings by providing "full-packages" and not just garment assembly
- Exploring product development
- Increasing linkages with their customers (ex. production forecasting and production information sharing)
- Exploring the development of regional consolidation centers
- Increasing the flexibility of their plants to manufacture a wider array of products on a quicker turnaround basis

Please feel free to contact me in case one of your clients is interested in discussing the ever-changing apparel sourcing scenario and how it can impact their business.
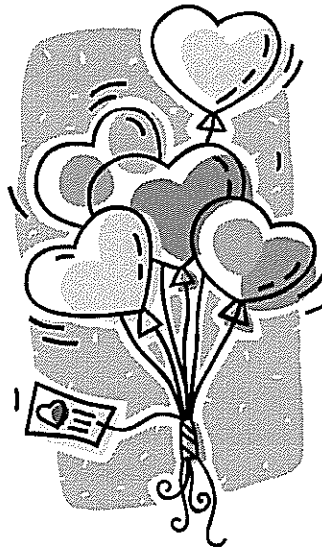
VALUE CHAIN REPORT
ERROR PROOFING IMPROVES SUPPLY CHAIN RELIABILITY
HUMAN ERRORS AND EQUIPMENT FAILURES CAN BE MINIMIZED THROUGH ERROR PROOFING TECHNIQUES - KEVIN P. O'BRIEN - INDUSTRY WEEK 01-07-02

I t is widely recognized that reducing lead times and inventories, collaborating with trading partners and increasing order and inventory visibility are all significant contributors to improved supply-chain performance. However, the sophisticated technology and new operating practices that are the foundation for many of these improvements often lead to complacency. Users tend to believe that these systems and processes, once implemented, will somehow operate on "auto pilot."

In practical application, however, we know that this is not the case. Every new operating practice or system introduced to improve supply-chain operations has its own opportunities for error. The classic analogy used years ago by manufacturing pioneer Oliver Wight and others was that each time that the water level (inventory) was lowered, more rocks (problems causing the need for inventory) would be exposed, which could then be eliminated.

So, too, is the need to constantly "expose the rocks" throughout the supply chain and build error proofing into the underlying business processes and technologies that support supply-chain operations. It does not take a tremendous amount of foresight to understand the impact on the supply chain if deliveries are missed, orders are lost or products are defective. Although error-proofing techniques were originally developed for and have found their most widespread use within production activities, application of error proofing techniques to physical and administrative supply chain operations can significantly improve performance reliability.

What is Error Proofing?
As it applies to supply-chain operations, error proofing is a systematic process for improving the reliability, quality and stability of a supply-chain process or system. Error-proofing techniques help to mitigate the impact of human error and equipment failure, which are natural occurring conditions.

By reducing or eliminating the causes of human error or equipment failure, error proofing provides a number of benefits:

- Enforces operational procedures or sequences, thereby improving quality
- Signals or stops a process if an error occurs
- Eliminates choices leading to incorrect actions
- Prevents damage to products or equipment

Common Causes of Errors
Error-proofing techniques can be applied to those supply-chain activities that commonly provoke error, such as manual data entry, lack of proper identification of products, missing documentation and similar circumstances. There are six common causes of errors that are likely to occur in supply-chain operations. These include:
1. Processing omissions
2. Processing errors
3. Improper part or product
4. Missing parts or products
5. Specification errors
6. Errors in equipment maintenance or repair

Six Steps to Error Proofing
These six steps provide a framework for applying error-proofing concepts in the supply chain and can be implemented either reactively -- in response to observed errors -- or proactively -- after identifying potential conditions that could lead to errors.

Step 1: Document the Condition
Identify and describe the error condition in detail, including an examination of the history of the error and any other documentation that helps to fully describe the error condition. For example, how frequently does an order-entry error occur, when does it typically occur, etc.

Step 2: Determine the Root Cause
Perform a cause-and-effect analysis to determine the root cause of the error, not just the symptoms or manifestations. Identification of the root cause is essential to elimination of the error condition. For example, if failure to follow FIFO procedures is the error condition, determine the fundamental reason for that error. Are products improperly located? Is product data inaccurate?

Step 3: Review the Current Process
Document each step in the process in which the error occurs. Error proofing opportunities will be based on this detailed documentation. An example would be identification of a manual data entry point in a process that creates an opportunity for digit transposition or other keystroke errors.

Step 4: Identify Deviations from Standards
Observe the actual process and identify areas where the methods currently being applied deviate from the desired operating procedure. These deviations will point to the areas where procedural improvements are needed. For example, under-shipments or over-shipments may result from counting methods or other practices that are incompatible with the products or materials being counted.

Step 5: Determine the Error Proofing Technique to be utilized
Based on the actual practices involved and the root-cause analysis, define an error-proofing technique that can be applied to eliminate the error condition. Examples for warehouse operations would include application of bar coding, pick-to-light, directed picks and similar technologies and processes to reduce human error.

Step 6: Implement and Monitor for Effectiveness
If practical, test the error-proofing technique for effectiveness prior to full implementation. Post-implementation, monitor the results of the error-proofing technique to ensure that the root cause of the error has been eliminated and that performance reliability has improved.

Introduction of error-proofing techniques into supply-chain operations helps to ensure that naturally occurring human errors and equipment failures are minimized, thereby significantly improving the overall reliability of the supply chain.

To read this article in its entirety, contact Nicole DiStasio in the Atlanta Office.

ANALYST DESK
WEB SITE OFFERS PALLET TRACKING *(FROM LOGISTICS MAGAZINE – 01-01-02)*
--ROBERT FULGHUM--

Got pallets?

No, that's not a knock-off of the famous "Got Milk?" question: www.gotpallets.com is a new Web site that aims to bring buyers and sellers of used and reconditioned pallets together. The site also provides a base for pallet users to track and retrieve reusable pallets.

Gotpallets.com is divided into two areas. One section introduces a new stenciling program for pallet users that manage their own pallet-retrieval programs. Each pallet in the pool is stenciled with a "GP" security number, the Web site address, and a toll-free number. Companies that receive the stenciled pallets can log onto the Gotpallets site or call the toll-free number to arrange for the return to the original shipper. Although the stenciling program is free, Ongweoweh Corp., the pallet-management firm in Ithaca, N.Y., that developed the Web site, does charge a fee to handle the logistics.

The other section of the site allows companies to locate used pallets in the sizes they need from more than 100 participating suppliers. Recyclers list their pallets by size, availability and price. When a pallet user does a search, the system creates a report listing all of the available inventory in that size. The service is free.

NEWS, NOTES, AND NONSENSE
HOUSE-HUNTING MADE "EASY"
-- VAL LEVY --

So… you're relocating to your new short-term assignment and you need corporate housing? Are you concerned that giving up time for apartment hunting will put you behind the game? Is your car too small for your belongings, but you don't want to bother with storage in-between your moves? Then virtual apartment hunting is for you!

In just hours you can find an apartment that meets all your criteria and sign a lease from the comforts of your own home (or at least the nearest Kinko's)! Using this process, I chose a corporate apartment which allowed pets, had a washer/dryer, and was in the area of town I preferred before I moved…and drove straight from my old home to my new (temporary) home. For those of you who have not tried this yet, here are a couple of tips…

1. *Check out the web sites.* The following link from Homestore.com will bring you to a page allowing you to choose what's important to you in your apartment search (pets, air conditioning, etc.):
   http://www.springstreet.com/apartments/fyp/search/amenities.jhtml?_requestid=112209
   Web sites like apartmentguide.com have similar features. Additionally, many apartments offer virtual tours through the apartment layouts, which may help in your decision.

2. *Contact the landlords.* Most web sites offer the ability to contact landlords via email, and some offer phone numbers. If you don't feel like waiting for an email response, you can always look up your prospective landlord / apartment community through directory assistance. If you're looking outside of your time zone, you may want to take this into account when you plan on performing your research.

3. ***Discuss options for moving in during off-hours.*** If you need to travel over the weekend or plan on arriving late at night to your new apartment, the landlord will want some sort of assurance from you that you will pay the rent. I faxed a signed copy of the lease (which had been faxed to me) to the landlord along with a copy of the check I intended to hand over for the security deposit. Additionally, the landlord can leave you a key in a lock box or some other designated area so that you can get in after hours.

And, for you fellow feelers out there, you can get a sense of the area you're moving to by grilling everyone you talk to on the phone – "I know it's a pretty busy area, but is it FUN? How old will most of the neighbors be? Can I walk to any entertainment? How bad is traffic on my daily commute?" Good luck!

Quote of the Week...

*"My funny valentine
Sweet, comic valentine;
You make me smile with my heart.*

*Your looks are laughable,
unphotographable
Yet, you're my favorite work of art.*

*Is your figure - less than Greek?
Is your mouth - a little weak?
When you open it to speak, are you smart?*

*Don't change a hair for me;
Not if you care for me;
Stay little valentine, stay!
Each day is valentine's day."*

**"My Funny Valentine"
By Richard Rodgers and Lorenz Hart**

DEADLINES FOR SUBMISSIONS TO THE HOTSHEET
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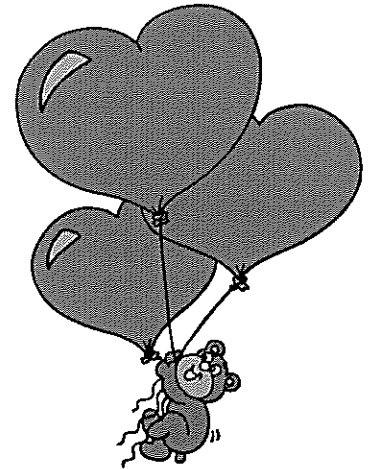
DIRECTOR'S CORNER
PERFORMANCE IMPROVEMENT/TECHNOLOGY UPDATE
-- JOHN KARONIS--

How can KSA use technology to differentiate its distribution center performance improvement services from those of our competitors?

That's the question that we asked an internal KSA team to answer, following feedback from clients that, while our track record was great, we just weren't on the leading edge in using technology to support these services. After several client discussions, competitor research, and a little soul-searching, the team identified several opportunities to re-define our services, including:
*   Providing simple and cost effective connectivity between CP2 and client WMS's
*   Providing discrete standards (x,y,z) to account for actual travel distances
*   Provide flexible report writing and query tools
*   Support real time performance feedback to associates and managers

The team has responded with some great ideas, two of which we plan to pursue immediately.

1. ***Integrated Performance Management Applications*** – This will likely entail an integrated offering, centered around pre-configured middle-ware, that will provide:
    *   standard hooks into major WMS packages
    *   connectivity between Time and Attendance systems, CP2, the recently developed TransTech real-time module, and any other systems that provide production or time keeping data
    *   a significant time and cost reduction in integrating these systems
    *   enhanced functionality, including staff planning, real time capabilities, and improved reporting tools

2. ***WMS Performance Guidelines/Standards*** – These guidelines will define specific units of measure, transfer protocols, and data capture requirements for WMS vendors to build into their applications. Segregated by industry, their adoption by the WMS vendors will make connectivity easier, while also positioning KSA as the thought leader and 'standard setter' in the industry. Naturally, we've got our work cut our for us in selling the idea to the vendors, but are confident that our current relationships, coupled with advocacy from key clients, will motivate them to comply.

The next steps for the team are to complete the planning for each the initiatives, including an implementation approach that will speed the offering to market. This is critical, given the interest that we're currently seeing in performance improvement services.

Many thanks to the team that has led this effort, including Steve Riepenhoff, Jack Horst, Randy Moore, Randy Unger, Bob Roge, Dave Rush, Jerome Saint Marc, and Tony DeMaria.

Also, we need to recognize the tremendous effort that Barbara Byrnes, Denise Trostle, Shyam Kondepudi, Steve Roberson, Kevin Knight, Wil McCree, and Marianna La Vecchia have put forth in developing and testing CP2, while

continuing to support our existing clients. With full roll-out of CP2 planned to begin in the next few months, their efforts will enable an immediate leap forward for KSA's services.

Stay tuned for more updates, as we finalize our plans and begin implementing these exciting initiatives. When implemented, they will not only enable KSA to lead the pack, but will also position us tightly with the major WMS vendors as the 'consultant of choice' in the performance improvement market.
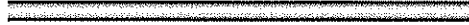
INDUSTRY INSIGHTS

THE TRUCKER & THE PROFESSOR *(BY DAVID DIAMOND FROM THE DEC. ISSUE OF WIRED MAGAZINE)*
-- NOAM PARANSKY --

One crisscrosses the country, hauling his cargo in an 18-wheeler. The other crunches the numbers and starts software companies - five at last count. Meet the twin engines driving the new math-based trucking industry.

For a brief, shining moment of national obsession in the Ford and Carter administrations, America's truckers ascended to heroic cultural status - they were the cowboys or dotcommers of their day. Americans glorified the risk-taking and self-reliance and independence of these peripatetic heroes by adopting their colorful CB lingo and praising them in song. Who could forget those lines from the 1976 hit "Convoy": "Yeah, them hogs is startin' to close up my sinuses. Mercy sakes, you better back off another 10."

The romance is gone. Today's trucker is likely to have a lot in common with Orlando Mitchell, the man to my left, a genial, contemplative guy in a plaid shirt who is hauling 42,000 pounds of batter from Cleveland, OH, to Gloucester, MA, as an employee of Marten Transport, a $260 million national carrier. From the second Mitchell starts his engine in the morning, a dispatcher tracks his exact location and sends him regular instructions, keeping him on a tight electronic leash that makes liberty and leisure a thing of the past.

In the freewheeling days of the CB craze, a trucker like Mitchell would deliver his load in Gloucester, amble to the nearest truck stop, reach for a pay phone to contact a dispatcher or broker, and ask for a new load. In some cases, he might search for shipment requests on a truck stop corkboard. The process, called "dialing for diesels," typically allowed the driver to lounge around and kill time until a load could be rounded up - it might have involved an overnight stay - and he would then "dead-head" (drive an empty truck) to his next pickup.

That sort of rambling life is unimaginable today. Like the routing of IP packets on a communications network, the routing of trucks on the nation's 42,794-mile interstate highway network is handled systematically by satellites and software. Mitchell rarely uses the CB inside his 17-ton Peterbilt Model 379; instead, his main connection with the outside world is what he refers to as his "Qualcomm," a laptop-sized device that serves as a satellite link to Marten's corporate headquarters in Mondovi, WI.

When a red light appears on the dashboard in front of us, Mitchell pulls over the first chance he gets and reaches back for the gadget - Qualcomm's Omni Tracks - to check his new LCD message. It tells him that after he drops the batter at 10 am, in a warehouse grafted onto the offices of seafood purveyor Gorton's of Gloucester, he is to adjust the refrigeration unit to minus 10 degrees Fahrenheit and wait for a load of fish sticks at 2:30 PM, which he will haul 1,086 miles to a warehouse in Lithia Springs, GA. It tells him where in Raphine, VA, to fuel up during that trip, how much fuel to get (63.8 gallons of diesel), and what it will cost. As he rumbles northward on the New Jersey Turnpike toward Massachusetts, he could at any moment get a message detailing where he should head after Lithia Springs. Independence? The closest Mitchell ever gets to that is passing exit 12 on Interstate 70 - the turnoff for downtown Independence, Missouri.

Truckers like Mitchell are the pawns in the burgeoning logistics industry, a vast economic heartland that includes the shipping and warehousing of goods. A term once generally limited to the military, logistics is now viewed as a brass ring for business. When consultants talk about "squeezing efficiencies" from the supply chain that stretches from raw material to consumer, much of the opportunity for the squeezing lurks in logistics, a field so broad it accounts for an estimated $1.06 trillion of the US gross domestic product - more than defense. Despite the slowing national economy, total revenue of third-party logistics companies like Penske Logistics and FedEx Logistics rose 24 percent in 2000 to $56.4 billion, according to Cass Information Systems.

But within logistics, nowhere is the potential for savings as great as it is among the 2.5 million Class 8 trucks that, at any one time, are driving America's highways. Transportation is the largest individual component of logistics costs, and trucking is the primary means of conveyance. Of each dollar spent on moving freight in the US, 80 cents is devoted to trucks. When companies outsource transportation procurement - as they are doing today in record numbers - they rely on software companies like Logistics.com, i2 Transportation, and Manugistics to squeeze efficiencies out of the hard-to-forecast areas of route planning and carrier bidding. In the game that is trucking logistics, scheduling, planning, and route mapping are increasingly determined without human intervention.

To get a firsthand look at modern trucking, I've arranged to hitch a ride with Mitchell and his 50-pound sacks of batter. To get a firsthand look at modern logistics, I visit Yosef (Yossi) Sheffi, a balding 53-year-old Israeli, who has spent the past three decades bringing high-level mathematics to America's highways. Currently director of the MIT Center for Transportation and Logistics Studies, Sheffi has drawn from general mathematical insights into optimization to create decision-making systems that change the way trucking gets done. He has teased out algorithms and put them into practice both in companies he's owned and in those he has advised. He has founded five logistics-related companies since the late 1980s - so far he has sold four of them for a profit - and has consulted for some of the nation's largest shippers and carriers. David Closs, professor of logistics at Michigan State University, calls Sheffi "one of the few gurus" in the field, and Ted Farris, a professor of logistics at the University of North Texas, says simply, "In terms of linking the thinking to practice, Sheffi is the leader."

Sheffi's office is oversize for an academic's, containing no fewer than eight flip charts and a whiteboard. Perched on a bookshelf that runs for maybe 20 feet is his collection of model trucks bearing the names of various carriers. "Which truck goes where and how it is routed are very difficult questions," he explains, "because you have to simultaneously consider millions of possible movements. The number of decisions grows exponentially as you consider not only how the trucks go or how the freight is routed but all the possible combinations. And every time you change one variable, everything else has to change to achieve optimization."

The fundamental problem facing transport companies boils down to finding the best route between points A and B. Carriers come in two flavors: less-than-truckload and truckload. In the less-than-truckload sector, one rig carries goods for a variety of shippers just like FedEx carries packages. Less-than-truckload companies have a set of terminals and consolidate their shipments as they go along. As in the business of commercial air travel, locations and schedules are essentially fixed. The challenge for companies in this sector is to keep trucks full as consistently as possible. For example, when transporting goods from Philadelphia to Chicago, a carrier will determine which truck to use, at what time, and following which route - through Pittsburgh, Cleveland, or Detroit. (Or should the truck unload the goods it's hauling to be picked up by a different Chicago-bound conveyance and instead grab a new load bound for, say, St. Louis?) A single less-than-truckload carrier may have hundreds of terminals. "If you have four terminals you may have 10 decision variables," explains Sheffi. "If you have 400 terminals you might get 400 million." And like that butterfly in Beijing flapping its wings, each decision affects the entire network.

The so-called truckload world - the one in which Mitchell and his batter live - has its own set of daunting decisions to make. If a truckload company with a fleet of 10,000 vehicles is called upon to haul Pine-Sol from Boston to Detroit, should it take the job? And if so, what should it charge? Which driver should it use? If the rig goes to Detroit, what

happens when it gets there in two days - will it have to wait three more days for another load? If the truck is already in Boston, is there a better arrangement that would mean hauling goods to Atlanta, instead of Detroit? Or should it just hang in Boston for a day to see if a better job comes along?

The cost of shipping one particular load of goods is not the only consideration. A carrier must also work around a truck's maintenance schedule, for example, or try to position trucks favorably for future trips, or deal with a driver who wants to end up at his kid's wedding in Santa Fe on Friday.

The best route between A and B is part of a complex logistical operation increasingly run without human intervention. This last point has become particularly vexing in the scheme of logistics. The era of deregulation has brought with it not only increased competition but increased employee dissatisfaction. Trucking is plagued by a 100 percent annual turnover rate - on average, an entire workforce quits each year. In response, carriers have resorted to a host of enticements. They have increased their reliance on "drop 'n' swap" routes, for instance, in order to accommodate drivers who don't want to venture too far from their homes. A driver leaving San Francisco, say, may be hauling freight that's bound for Seattle, and another driver leaving Seattle may be hauling freight bound for San Francisco. Instead of going the distance, the drivers meet in Portland, unhitch, swap trailers, and head back to their originating cities.

And there are other ways of improving driver loyalty. When assigning variables for optimizing routes, carriers will factor in such previously unheard-of considerations as whether a route takes a driver in the vicinity of his girlfriend's house or past the truck stop that has his favorite videogames. The challenge for Yossi Sheffi is to input every concern on a carrier's wish list - and output the most profitable solution.

To view this article in its entirety visit online at: http://www.wired.com/wired/archive/9.12/sheffi.html
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ANALYST DESK
-- ROBERT FULGHUM --

If you have questions about minimum building construction safety standards, an excellent resource is the BOCA (Building Officials & Code Administrators International, Inc.) web site at www.bocai.org. This site features information on building codes, international codes, upcoming conferences and events, and training opportunities. For more detailed information, the official 1999 BOCA National Building Code (14th Edition) is available in the Atlanta Fulfillment Analyst Office. Sections of possible interest include:

* Hazardous Materials
* Storage Racks
* General Building Limitations
* Mezzanines
* Fire Walls
* Means of Egress
* Accessibility

This manual can be signed out from the Atlanta office. Please contact Robert Fulghum if you have further questions.

BRAIN TEASER

Just before the end of the term four high school students were discussing their chances for certain grades. The following remarks contain the gist of their hopes and fears.

* **Jack:** We'll all get different grades. If I get an A, then Lucy will get a D.
* **Jean:** If Lucy gets a C, then Jack will get a D. Jack will get a better grade than Paul will.
* **Lucy:** If Jean doesn't get an A, then Jack will get a C. If I get a B, then Paul won't get a D.
* **Paul:** If Lucy gets an A, then I'll get a B. If Jean doesn't get a B, I won't either.

When the final examinations were graded and the term marks made out each of the four passed, and strange as it may seem, each received a grade that checked exactly with all the ideas they had previously expressed.

What grade did each receive?

Quote of the Week

"There is no wilderness
like a life without friends;
friendship multiplies blessings
and minimizes misfortunes;
it is a unique remedy
against adversity,
and it soothes the soul."

-- BALTASAR GRACIAN --
(SPANISH PHILOSOPHER)

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)

6

PROJECT POSTCARDS

DEVELOPING MANUFACTURING CAPACITY FOR UNIFIRST IN MEXICO
-- JOSE LUIS GOMEZ --

After playing a significant role in the successful start-up of Unifirst's first manufacturing facility in Mexico in 1998, KSA was chosen to support the start-up of a second uniform plant. The operation had to be aligned with Unifirst's sourcing strategy of improving cost levels without sacrificing their trademark high quality and short cycle time. The project started in January 2001 with the definition of the facility's business plan and a parallel effort to recruit and select the initial group of manufacturing managers. The local community of the city of Valles, state of San Luis Potosi (some 500 miles south of Brownsville, Texas) was very enthusiastic about the company coming to their town. For some of us, it turned into our "15 minutes of fame" as we were invited to community events and local TV news casts.

To prepare for the start-up, we documented product specifications, improved manufacturing methods and developed engineering labor standards. Once the direct labor build-up started, our involvement focused mainly on the implementation of training programs for direct and indirect labor, since the vast majority of the personnel had no experience in apparel manufacturing. We also supported the implementation of quality and production controls to ensure a lean and efficient operation.

The planning and successful execution of these steps during the 34-week project were key to develop a strong results-oriented culture in the client team. We received continued support from Unifirst, and worked side-by-side with ex-KSAer Jose Antonio Del Angel as facility manager. We also enjoyed the local cuisine (and some exotic foreign additions like Venezuelan and Japanese restaurants), and outdoor activities (white-water rafting and rappel), while enduring a hot and humid summer with peaks above 120 °F.

The facility is currently at or above initial projections, with 115 operators in various development stages. Some of the project highlights were:

  ✶ Methods and equipment improvements leading to an 8% reduction in labor content
  ✶ Finished product defect level below 1% and reducing
  ✶ Productivity level at 60% by week 46 and increasing
  ✶ Export projections met or exceeded every week
  ✶ Absenteeism level at or below 1%

The project team included Sergio Cruz, Andres Martinez, Roberto Trevino and myself. KSA continues in contact with Unifirst to provide support in future expansion or improvement plans in various areas of their business.

INDUSTRY INSIGHTS

TODAY'S WAREHOUSE

(BY CHRIS WERLING – PRESIDENT CORNERSTONE SOLUTIONS, INC. - REPRINTED FROM PLANT SERVICES MAGAZINE - OCT. 2001)
-- SEAN RYAN --

Thirty years ago, virtually every manufacturing organization looked at their warehouse as a necessary evil. It was simply a building to keep the weather off of the merchandise. With the emergence of such concepts as carrying cost, just in time, first-in first-out, "optimizing the cube" and license plating; the increased demands brought by complex vendor and customer compliance requirements, charge-backs, value-added processing and kitting; and technological tools, such as advanced analysis algorithms, automated data collection, materials handling automation and access to real-time information, the distribution center has evolved into a different sort of entity. To borrow an old expression, "This isn't your father's warehouse."

As the warehouse has changed, so has the caliber and skill set of the people needed to run it. The Warehouse Manager of yesterday was often a guy with a short-sleeved shirt and polyester tie who had worked his way up through the ranks, so that he could enjoy the fruits of his success by standing around and drinking coffee while others did the actual work. Now, a director of distribution must bring a wealth of skills and experience to the operation. Along with relevant experience and exceptional analytical skills, the contemporary distribution center director must:

* Be an effective communicator
* Have outstanding people skills
* Have an appreciation and understanding of technology
* Develop the discipline to manage a multi-million dollar annual budget
* Be a top-notch Project Manager

Yes, the perception of the warehouse has change. A company now views its distribution operation as a profit center rather than a cost center. Nobody can argue that the distribution center has a significant impact on the profitability of an operation. By reducing direct costs, such as handling expenses, freight, spoilage and damaged product, millions of dollars can be added to the bottom line. Add the ability to minimize customer charge-backs and garner additional revenue from value-added processing, such as kitting and price stickering, and the impact becomes more impressive. Furthermore, given its influence, positively or negatively, on customer goodwill and future revenues, anything less than perfection in the warehouse can become a major crisis. Today, everyone understands that the ability to execute efficiently and effectively in the distribution center can make or break a company. With this in mind, here are seven tips to optimize distribution operation:

Remember the basics
While there are a number of high-profile changes that can improve efficiency, none of them means a thing if you don't have a handle on the basics. Automating a bad processes simply means that the wrong things will be done more efficiently. Make sure the building is laid out correctly. Establish an efficient product flow. Set up processes to meet customers' needs. Deploy the staff in the most optimal manner. Foster right "culture" among the warehouse staff.

Automate
A tremendous number of offerings are available to automate the distribution of products and information, as well as optimize staff efficiency. Investigate as many as possible. If a particular form of automation isn't being used, have

a good understanding of its underlying technology and a compelling explanation why it's not used. A guideline is that additional touches are opportunities for disaster, and any information that is kept, keyed or entered manually creates another opportunity for error and an obvious source of inefficiency.

Analyze
One of the best signs I've seen was in an office of a distribution center director. It read "Whoever said ignorance is bliss obviously never ran a distribution center!" Be a tireless analyzer and reviewer of any and all available data. Remember the old saying, "Knowledge is power." In a distribution center, accurate, real-time information provides the power to make critical decisions correctly. For example, know the cost to touch a product. Know how individual workers stack up to each other with respect to productivity and other performance measures. Know the percentage of shipments that the biggest customers represent. Find out the percentage of expenses consumed by freight. Calculate or estimate the return on investment for implementing a warehouse management system. Do the same for a traffic management system? Know how closely the organization follows the Pareto Rule (20 percent of the SKUs represent 80percent of the turnover). Document the time between orders for the least active SKUs. Determine carrying cost accurately

Don't forget your employees
In all the talk about analysis, information and automation, don't forget the folks in the warehouse. While they may not have the most challenging or complex of jobs, they're people with personal goals, hopes and dreams like everyone else. For the most part, they want to do well, and they will respond positively to continuous training, feedback and encouragement.

I once visited a manufacturer who was falling about 10 percent short of its goals for units produced per day. The owners, a father and son, were quite skilled at designing and marketing their products, but a little short on management experience. Instead of sharing details, they simply told their manufacturing staff that they weren't meeting goals and that they had to work faster. On our suggestion, they (skeptically) began posting the goal and each day's production totals. They offered each line worker a jacket embroidered with the company logo if they could meet the production goal every day for a week straight. Within three weeks, the owners were handing out jackets. For a total investment of around $1,000 and some communication, they improved morale dramatically and increased manufacturing throughput by 10 percent.

Benchmark
You can spend hours analyzing and have the most accurate and timely data in the world, but it doesn't mean much if you have no idea how your operation stacks up against the rest of your industry. Network with peers in other companies who have similar operations (obviously, you may not want to share information with direct competitors). See how their automation, throughput, inventory turns, freight discounts, labor costs and compliance charge backs compare to yours. Visit their operations and invite them to visit yours. Some industries have information service companies that can anonymously pull your information together with that of other companies and do this data comparison for you. If yours is one of them, then you may want to investigate this possibility.

Seek additional opinions - One misperception that many distribution executives have is encapsulated in the weary assertion, "My business is so unique and unusual that other operations, skill sets and experiences from other plants can't be used as a standard of comparison." While it's easy to see how someone can fall into this line of thinking, it is totally inaccurate. The most effective distribution executives are not necessarily those with an individual wealth of knowledge and experience. Rather, the truly great executives are almost always great facilitators of multiple sources of knowledge who can borrow and apply the best ideas without feeling intimidated or threatened. They accept the fact that distribution centers require so much specialized knowledge that no one person will ever be the definitive expert on every process that goes on within the four walls. If you're a solid generalist and have the

necessary facilitation skills, you can make your mark. But if you try to do it all yourself, you'll almost certainly fall short of goals and objectives.

Communicate
Last, but certainly not least, communicate with everyone around you. You already know the need to communicate with your staff, but you also need to be in constant communication with other stakeholders: your boss, peers within the organization (especially in the finance and sales departments) and, in particular, customers. When a disaster comes (and in case you were wondering, one will come), nothing helps to smooth things over like the equity that you've built by regularly communicating, meeting their needs and working with them. Even a regular phone call to solicit a customer's opinion on how you're doing when nothing unusual is going on can pay huge dividends. Remember when a customer tells you, "Everything's fine, no problems," that assertion is reinforcing that fact in their minds. When disaster does strike, don't hide - increase the amount of communication. Remember a problem is also an opportunity to build customer loyalty. In fact, studies have shown that customers who have had a problem and had it resolved beyond their expectations are far more loyal than those who never experienced a problem in the first place.

In a nutshell, as business has become more fluid and sophisticated, so have the skill sets needed to run an effective distribution operation. While some see "lifetime learning" as no more than a buzzword, it is the reality for an upwardly mobile distribution executive.

PRESS RELEASE
FEDEX TRADE NETWORKS ANNOUNCES ALLIANCE WITH FRANS MAAS
SOURCE: FEDEX TRADE NETWORKS MEMPHIS, TENN. - (BUSINESS WIRE) JAN. 3, 2002

FedEx Trade Networks (NYSE: FDX - news) today announced that its subsidiary, Tower Group International, Inc., has entered into an alliance with Koninklijke Frans Maas Groep N.V., a leading European provider of International freight forwarding and logistics services. The companies will operate door-to-door air and ocean forwarding transportation services between Europe and North America.

About Frans Maas
Koninklijke Frans Maas Groep N.V. is an international logistics company with a broad spectrum of services. Frans Maas offers a complete range of international freight-forwarding activities and logistics services, including goods flow management in complex supply chain management projects. Frans Maas serves the entire continent of Europe, operating a network of 178 group-owned locations in 26 countries with 7,500 employees.

About TowerGroup
Tower Group International, Inc. (TowerGroup) is a leading provider of international trade services, specializing in customs brokerage, international freight forwarding, and trade consulting services. TowerGroup's value-added products include TowerNet, an information tool that allows companies to track and manage imports and exports, and EDI partnerships. TowerGroup serves all major industry segments with a network comprised of over 61 locations throughout North America. TowerGroup is a wholly owned subsidiary of FedEx Trade Networks Inc.

* Certificates, plaques and photos placed in highly visible areas after a public presentation by management / executives
* 1st day of hunting/fishing season off (as appropriate)
* Hats, shirts, pins, sweatshirts, jackets, mugs, squeeze bottles, other garments, etc. with the program name
* Lottery tickets (for small improvements)

Book References

* **1001 Ways to Reward Employees** by Bob Nelson.

Quote of the Week

"The credit belongs to the man
who is actually in the arena,
whose face is marred by dust and sweat and blood...
who knows the great enthusiasms, the great devotions,
who spends himself in a worthy cause;
who at the best knows in the end the triumph of high achievement,
and... if he fails, at least fails while daring greatly,
so that his place shall never be
with those cold and timid souls
who know neither victory nor defeat."

-- FRANKLIN DELANO ROOSEVELT --

JANUARY CELEBRATIONS

ANNIVERSARIES
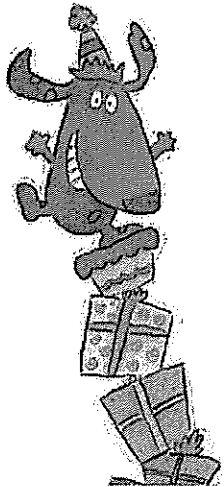
SERGIO CRUZ	01-01-1969
BRAD ANDERSON	01-04-1999
JOSE GERARDO AYALA	01-04-1999
PETER ALLEN	01-04-2000
KIRK ZIEHM	01-04-2000
IGNACIO FELIX	01-05-1998
ROBERTO TREVIÑO	01-10-2000
CHRIS MERRITT	01-11-1988
LAURIE CRANKSHAW	01-11-1999
MARC BESSHO	01-12-1998
DAVE RUSH	01-13-1986
MIKE GREGORY	01-18-1993
IRMA M. ROSALES	01-20-1997
ELIZABETH CLARK	01-29-2001

BIRTHDAYS

JESUS BALTAZAR	01-02
JIM SEVERYN	01-02
SEAN RYAN	01-06
GABRIELLE PYLE	01-07
LORI DIGULLA	01-11
MIKE SWIFT	01-11
MIKE KELLOGG	01-15
RAJ KUMAR	01-15
JOSE GERARDO AYALA	01-17
MARK MESSINGER	01-29
MUFADDAL MOOSABHOY	01-30
STEVE ROBERSON	01-30

DEADLINES FOR SUBMISSIONS TO THE HOTSHEET

IF YOUR BIRTHDAY OR ANNIVERSARY INFO. IS MISSING OR IS INACCURATE - PLEASE CONTACT IRMA M ROSALES

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